

ENDO HEALTH SOLUTIONS INC.
Form DEFM14A
January 28, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934
(Amendment No.)

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Under §240.14a-12

ENDO HEALTH SOLUTIONS INC.

(Name of Registrant as Specified in its Charter)

N/A

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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ENDO HEALTH SOLUTIONS INC.

MERGER PROPOSAL YOUR VOTE IS VERY IMPORTANT

January 24, 2014

To Our Shareholders:

You are cordially invited to attend a special meeting of the shareholders of Endo Health Solutions Inc. (Endo) to be held on February 26, 2014 at 10:00 a.m. local time, at 1400 Atwater Drive, Malvern, PA 19355.

As previously announced, on November 5, 2013, Endo entered into an Arrangement Agreement (the arrangement agreement), among Endo, Sportwell Limited (subsequently renamed Endo International Limited), a private limited company incorporated in Ireland which is to be re-registered to a public limited company (New Endo), Sportwell II Limited (subsequently renamed Endo Limited), a direct subsidiary of New Endo incorporated in Ireland, ULU Acquisition Corp., (subsequently renamed Endo U.S. Inc.) RDS Merger Sub, LLC, a private limited liability company organized in Delaware and an indirect subsidiary of New Endo (Merger Sub), 8312214 Canada Inc., a corporation incorporated under the laws of Canada and an indirect subsidiary of New Endo (CanCo 1), and Paladin Labs Inc., a corporation incorporated under the laws of Canada (Paladin). Under the terms of the arrangement agreement, as more particularly described in the accompanying proxy statement/prospectus, (a) New Endo will cause CanCo 1 to acquire Paladin pursuant to a plan of arrangement under Canadian law (the arrangement) and (b) Merger Sub will merge with and into Endo, with Endo as the surviving corporation in the merger (the merger and, together with the arrangement, the transactions). As a result of the transactions, both Endo and Paladin will become indirect wholly owned subsidiaries of New Endo. A complete copy of the arrangement agreement is attached as *Annex A* to the accompanying proxy statement/prospectus.

As consideration for the arrangement, Paladin shareholders will receive C\$1.16 in cash, subject to adjustment, and 1.6331 newly issued New Endo ordinary shares and one common share of Knight Therapeutics Inc. (Knight Therapeutics) in exchange for each Paladin common share held by such shareholders. Knight Therapeutics is a newly formed Canadian corporation that will hold Impavido[®], Paladin s product for the treatment of leishmaniasis. As described in more detail in the accompanying proxy statement/prospectus, the cash consideration to be received by Paladin shareholders will be increased if Endo s volume weighted average share price during an agreed reference period declines more than 7% relative to a reference price of US\$44.4642 per share. The maximum amount by which the aggregate cash consideration to be received by Paladin shareholders would be increased by this price protection mechanism is approximately US\$233 million.

As consideration for the merger, each Endo common share then issued and outstanding will be cancelled and automatically converted into the right to receive one ordinary share of New Endo. As a result, based on the number of outstanding common shares of Endo and Paladin and options to acquire common shares of Paladin (Paladin options) as of November 5, 2013, the date the arrangement agreement was signed, upon consummation of the merger and arrangement, the former shareholders of Endo are expected to own approximately 77.4% of the capitalization of New

Endo on a fully-diluted basis, and the former shareholders and holders of Paladin options are expected to own approximately 22.6% of the capitalization of New Endo on a fully-diluted basis. As described in more detail in the accompanying proxy statement/prospectus, the ultimate tax treatment of the transactions for U.S. shareholders of Endo is not certain. Such tax treatment has been and will continue to be affected by changes in Endo's stock price and by public trading activity by current and future U.S. shareholders of Endo and such shareholders' tax basis and could be affected by actions taken by Endo and other events. The ultimate tax treatment to U.S. shareholders of Endo cannot be determined until the end of the year in which the transactions are completed which Endo expects will be 2014. New Endo has applied to list the New Endo ordinary shares to be issued or made issuable pursuant to the arrangement and the merger on NASDAQ and TSX. Listing will be subject to New Endo fulfilling all the listing requirements of NASDAQ and TSX.

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Endo is soliciting proxies for use at a special meeting of its shareholders to consider and vote upon (i) a proposal to approve and adopt the arrangement agreement and the transactions contemplated thereby (including the merger), which is referred to as Proposal 1; (ii) a proposal to approve, on a non-binding advisory basis, certain compensatory arrangements between Endo and its named executive officers relating to the merger among other things, which is referred to as Proposal 2; (iii) a proposal to approve the creation of distributable reserves of New Endo, which are required under Irish law in order to allow New Endo to make distributions and pay dividends and to repurchase or redeem shares following completion of the transactions by reducing some or all of the share premium of New Endo, which is referred to as Proposal 3; and (iv) a proposal for an adjournment of the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes in favor of the proposal to adopt the arrangement agreement, which is referred to as Proposal 4. Approval of Proposals 2 through 4 is not a condition to the completion of the merger or the arrangement. We urge all Endo shareholders to read the accompanying proxy statement/prospectus, including the annexes and the documents incorporated by reference in the accompanying proxy statement/prospectus, carefully and in their entirety. In particular, we urge you to read carefully **Risk Factors** beginning on page 29 of the accompanying proxy statement/prospectus.

Your proxy is being solicited by the board of directors of Endo. After careful consideration, our board of directors has unanimously approved the arrangement agreement, and determined that the terms of the merger will further the strategies and goals of Endo. **Our board of directors recommends unanimously that you vote FOR the proposal to adopt the arrangement agreement and the transactions contemplated thereby (including the merger), and FOR the other proposals described in the accompanying proxy statement/prospectus.** In considering the recommendation of the board of directors of Endo, you should be aware that certain executive officers and all of the directors of Endo will have interests in the transactions that may be different from, or in addition to, the interests of Endo's shareholders generally. See *The Merger and the Arrangement Interests of Certain Persons in the Merger* beginning on page 86 of the accompanying proxy statement/prospectus.

Your vote is very important. Whether or not you expect to attend the special meeting, please vote as soon as possible by following the instructions in the accompanying proxy statement/prospectus to make sure your shares are represented at the special meeting. In this regard, your failure to vote your shares at the special meeting (or to instruct your broker on how to vote your shares at the special meeting) will have the same effect as a vote *against* the proposal to adopt the arrangement agreement and the transactions contemplated thereby (including the merger).

On behalf of the Endo board of directors, thank you for your consideration and continued support.

Very truly yours,

Rajiv De Silva

President and Chief Executive Officer

Endo Health Solutions Inc.

None of the Securities and Exchange Commission, any state securities commission or any Canadian securities regulatory authority has expressed an opinion about, or approved or disapproved of the securities to be issued in connection with the transactions or determined if the accompanying proxy statement/prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

For the avoidance of doubt, the accompanying proxy statement/prospectus is not intended to be and is not a prospectus for the purposes of the Investment Funds, Companies and Miscellaneous Provisions Act of 2005 of Ireland (the 2005 Act), the Prospectus (Directive 2003/71/EC) Regulations 2005 of Ireland or the Prospectus Rules issued under the 2005 Act, and the Central Bank of Ireland has not approved this document.

The accompanying proxy statement/prospectus is dated January 24, 2014, and is first being mailed to shareholders of Endo on or about January 24, 2014.

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ADDITIONAL INFORMATION

The accompanying proxy statement/prospectus incorporates by reference important business and financial information about Endo from documents that are not included in or delivered with the proxy statement/prospectus. This information is available to you without charge upon your written or oral request. You can obtain the documents incorporated by reference in the proxy statement/prospectus by requesting them in writing or by telephone from Endo at the following address and telephone number:

Endo Health Solutions Inc.

1400 Atwater Drive

Malvern, PA 19355

(484) 216-0000

You may also read and copy any document that Endo files at the Securities and Exchange Commission's (SEC) Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for more information about the operation of the public reference room. The SEC also maintains an Internet site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC, including Endo. The SEC's Internet site can be found at <http://www.sec.gov>.

In addition, if you have questions about the transactions or the special meeting, or if you need to obtain copies of the accompanying proxy statement/prospectus, proxy card or other documents incorporated by reference in the proxy statement/prospectus, you may contact the contact listed below. You will not be charged for any of the documents you request.

Endo Health Solutions Inc.

1400 Atwater Drive

Malvern, PA 19355

Attention: Investor Relations

(484) 216-0000

If you would like to request documents, please do so by February 19, 2014, in order to receive them before the special meeting. For a more detailed description of the information incorporated by reference in the accompanying proxy statement/prospectus and how you may obtain it, see *Where You Can Find More Information* beginning on page 305 of the accompanying proxy statement/prospectus.

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ENDO HEALTH SOLUTIONS INC.

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

To be Held on February 26, 2014

Time: 10:00 a.m. local time

Date: February 26, 2014

Place: 1400 Atwater Drive, Malvern, PA 19355

Purpose: (1) To approve and adopt the Arrangement Agreement (the arrangement agreement), among Endo, Sportwell Limited (subsequently renamed Endo International Limited), a company incorporated in Ireland which is to be re-registered as a public limited company (New Endo), Sportwell II Limited (subsequently renamed Endo Limited), a direct subsidiary of New Endo incorporated in Ireland, ULU Acquisition Corp. (subsequently renamed Endo U.S. Inc.), RDS Merger Sub, LLC, a private limited liability company organized in Delaware and an indirect subsidiary of New Endo (Merger Sub), 8312214 Canada Inc., a corporation incorporated under the laws of Canada and an indirect subsidiary of New Endo (CanCo 1), and Paladin Labs Inc., a corporation incorporated under the laws of Canada (Paladin). Under the terms of the arrangement agreement, as more particularly described in the accompanying proxy statement/prospectus, (a) New Endo will cause CanCo 1 to acquire Paladin pursuant to a plan of arrangement under Canadian law (the arrangement) and (b) Merger Sub will merge with and into Endo, with Endo as the surviving corporation in the merger (the merger and, together with the arrangement, the transactions). As a result of the transactions, both Endo and Paladin will become indirect wholly owned subsidiaries of New Endo.

(2) To approve, on a non-binding advisory basis, certain compensatory arrangements between Endo and its named executive officers relating to the merger contemplated by the arrangement agreement.

(3) To approve the creation of distributable reserves of New Endo, which are required under Irish law in order to allow New Endo to make distributions and pay dividends and to repurchase or redeem shares in the future by reducing some or all of the share premium of New Endo.

(4) To approve any motion to adjourn the special meeting, or any adjournments thereof, to another time or place if necessary or appropriate (i) to solicit additional proxies if there are insufficient votes at the time of the special meeting to adopt the arrangement agreement and transactions contemplated thereby (including the merger), (ii) to provide to Endo shareholders in advance of the special meeting any supplement or amendment to the proxy statement/prospectus or (iii) to disseminate any other information which is material to the Endo shareholders voting at the special meeting.

Approval of Proposals 2 through 4 is not a condition to the completion of the merger or the arrangement.

The enclosed proxy statement/prospectus describes the purpose and business of the special meeting, contains a detailed description of the merger and the arrangement agreement and includes a copy of the arrangement agreement as *Annex A*. Please read these documents carefully before deciding how to vote.

Record The record date for the special meeting has been fixed by the Endo board of directors as the close of business on January 22, 2014. Endo shareholders of record at that time are entitled to vote at the special meeting.

Date:

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More information about the merger and the proposals is contained in this proxy statement/prospectus. **We urge all Endo shareholders to read this proxy statement/prospectus, including the annexes and the documents incorporated by reference into this proxy statement/prospectus, carefully and in their entirety. In particular, we urge you to read carefully *Risk Factors* beginning on page 29 of the accompanying proxy statement/prospectus.**

The Endo board of directors recommends unanimously that Endo shareholders vote FOR the proposal to adopt the arrangement agreement and the transactions contemplated thereby (including the merger), FOR the proposal to approve, on a non-binding advisory basis, certain compensatory arrangements between Endo and its named executive officers relating to the merger, FOR the proposal to reduce the capital of New Endo to allow the creation of distributable reserves and FOR the Endo adjournment proposal. In considering the recommendation of the board of directors of Endo, you should be aware that certain executive officers and all directors of Endo will have interests in the transactions that may be different from, or in addition to, the interests of Endo's shareholders generally. See *The Merger and the Arrangement Interests of Certain Persons in the Merger* beginning on page 86 of the accompanying proxy statement/prospectus.

By resolution of the Board of Directors

Roger H. Kimmel

Chairman of the Board

January 24, 2014

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YOUR VOTE IS IMPORTANT

As an Endo shareholder, you may vote your shares by using a toll-free telephone number or electronically over the Internet as described on the proxy form. We encourage you to file your proxy using either of these options if they are available to you. Alternatively, you may mark, sign, date and mail your proxy form in the postage-paid envelope provided. The method by which you vote does not limit your right to vote in person at the special meeting. We strongly encourage you to vote.

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The following are answers to some of the questions you may have as a shareholder of Endo. These questions and answers only highlight some of the information contained in this proxy statement/prospectus. They may not contain all the information that is important to you. You should read carefully this entire proxy statement/prospectus, including the annexes and the documents incorporated by reference into this proxy statement/prospectus, to understand fully the transactions and the voting procedures for the special meeting of Endo shareholders. All references in this proxy statement/prospectus to Endo refer to Endo Health Solutions Inc., a Delaware corporation; all references in this proxy statement/prospectus to New Endo refer to Endo International Limited (formerly known as Sportwell Limited), a private limited company incorporated under the laws of Ireland and which will be re-registered as a public limited company; all references in this proxy statement/prospectus to New Endo ordinary shares refer to the ordinary shares of New Endo following the completion of the transactions described in this proxy statement/prospectus; all references in this proxy statement/prospectus to Paladin refer to Paladin Labs Inc., a corporation incorporated under the laws of Canada; all references in this proxy statement/prospectus to Knight Therapeutics refer to Knight Therapeutics Inc., a corporation incorporated under the laws of Canada; all references in this proxy statement/prospectus to Merger Sub refer to RDS Merger Sub, LLC, a Delaware limited liability company and wholly owned subsidiary of Endo U.S. Inc., a Delaware corporation; all references to CanCo 1 refer to 8312214 Canada Inc.; all references to the arrangement agreement refer to the Arrangement Agreement, dated as of November 5, 2013, among Endo, Sportwell Limited (subsequently renamed Endo International Limited), Sportwell II Limited (subsequently renamed Endo Limited), a direct subsidiary of New Endo, ULU Acquisition Corp. (subsequently renamed Endo U.S. Inc.), Merger Sub, CanCo 1, and Paladin, a copy of which is included as Annex A to this proxy statement/prospectus; all references in this proxy statement/prospectus to the closing refer to the closing of the merger and the arrangement, and the date on which the closing occurs is referred to as the closing date; and all references in this proxy statement/prospectus to the effective time refer to the effective time of the plan of arrangement and all references to the merger effective time refer to when the certificate of merger is filed with the Secretary of State of the State of Delaware (or at such later time as may be agreed by Endo and Paladin and specified in the certificate of merger) immediately following the closing. Unless otherwise indicated, all references to dollars or \$ in this proxy statement/prospectus are references to Canadian dollars.

Q: Why am I receiving this proxy statement/prospectus?

A: This proxy statement/prospectus is being provided to Endo shareholders as part of a solicitation of proxies by the Endo board of directors for use at the special meeting of Endo shareholders, which is referred to in this proxy statement/prospectus as the special meeting, and at any adjournments or postponements of such meeting. Paladin is preparing a separate circular as part of a solicitation of proxies by the Paladin board of directors for use at the special meeting of Paladin shareholders, which is referred to in this proxy statement/prospectus as the Paladin special meeting. This proxy statement/prospectus also provides Endo shareholders with information they need to be able to vote or instruct their vote to be cast at the special meeting.

Q: What are the proposals on which I am being asked to vote?

A: There are four matters scheduled for a vote at the special meeting:

Proposal to adopt the arrangement agreement and transactions contemplated thereby (including the merger) (Proposal 1);

Proposal to approve, on a non-binding advisory basis, certain compensatory arrangements between Endo and its named executive officers relating to the merger contemplated by the arrangement agreement (Proposal 2);

Proposal to approve the creation of distributable reserves, which are required under Irish law in order for New Endo to make distributions and pay dividends and to purchase or redeem shares in the future by reducing some or all of the share premium of New Endo (Proposal 3); and

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Proposal to approve the adjournment of the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes at the time of the special meeting to adopt the arrangement agreement and transactions contemplated thereby (including the merger) (Proposal 4).

Approval of Proposals 2 through 4 is not a condition to the completion of the merger or the arrangement.

Q: What are the proposals on which Paladin shareholders are being asked to vote at the Paladin special meeting?

A: There are three matters scheduled for a vote at the Paladin special meeting, to be held on February 24, 2014:

Proposal to approve with or without variation, a special resolution of the shareholders of Paladin, which is referred to in this proxy statement/prospectus as the arrangement resolution, to approve the arrangement on the terms and subject to the conditions set forth in the plan of arrangement attached as *Annex B* to this proxy statement/prospectus (Paladin Proposal 1);

Proposal to approve the creation of distributable reserves of New Endo, which are required under Irish law in order for New Endo to make distributions and pay dividends and to purchase or redeem shares in the future by reducing some or all of the share premium of New Endo (Paladin Proposal 2); and

Proposal to transact such further or other business as may properly come before the Paladin special meeting and any adjournments or postponements thereof (Paladin Proposal 3).

Q: What is the merger?

A: As part of the transactions, Merger Sub will merge with and into Endo, with Endo as the surviving corporation becoming an indirect wholly owned subsidiary of New Endo. At the merger effective time, among other things, each share of Endo common stock then issued and outstanding will be canceled and automatically converted into and become the right to receive one ordinary share of New Endo. Upon consummation of the merger and arrangement, the former shareholders of Endo are expected to own approximately 77.4% of the outstanding ordinary shares of New Endo on a fully-diluted basis, and the former shareholders and holders of options to acquire Paladin common shares, referred to in this proxy statement/prospectus as Paladin options, are expected to own approximately 22.6% of the outstanding ordinary shares of New Endo on a fully-diluted basis.

Q: What are Endo's reasons for the merger?

A: The Endo board of directors considered many factors in making its determination that the arrangement agreement and the transactions contemplated thereby (including the merger), were fair and reasonable and in

the best interests of Endo and Endo's shareholders. For a more complete discussion of these factors, see *The Merger and the Arrangement Recommendations of Endo's Board of Directors; Endo's Reasons for the Merger* beginning on page 58.

In considering the recommendation of the board of directors of Endo, you should be aware that certain executive officers and all of the directors of Endo will have interests in the transactions that may be different from, or in addition to, the interests of Endo's shareholders generally. See *The Merger and the Arrangement Interests of Certain Persons in the Merger* beginning on page 86.

Q: What is the value of the arrangement consideration?

A: The transactions value each Paladin common share at \$77.00, based on the 5-day volume weighted average price of Endo common stock and the 5-day average currency exchange rate calculated at close of market on Friday, November 1, 2013.

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The cash consideration to be received by Paladin shareholders will be increased if Endo's 10-day volume weighted average price declines during the ten trading day period ending on the third trading day prior to the Paladin special meeting by more than 7% relative to a reference price of US\$44.4642 per share. Full cash compensation (determined on a U.S. dollar basis converted into and paid in Canadian dollars) will be provided by Endo to Paladin shareholders for any share price declines of more than 7% but less than 20% from the reference price. If Endo's share price declines between 20% and 24% from the reference price during the agreed reference period, Endo will provide cash compensation (determined on a U.S. dollar basis converted into and paid in Canadian dollars) for one half of the incremental decline to Paladin shareholders. Declines in Endo's share price beyond 24% from the reference price will not give rise to further cash compensation to Paladin shareholders. The maximum amount potentially payable to Paladin shareholders under this price protection mechanism is US\$233 million.

In addition, if the volume weighted average price per share of Endo shares is less than 76% of US\$44.4642 during a reference valuation period, which will be the ten trading days ending on the third trading day prior to the date of the Paladin special meeting (or if such volume weighted average price is not available, as determined by a calculation agent using a reasonable, good faith estimate of such price for such reference valuation period), then the voting agreements with certain Paladin shareholders may be terminated by such shareholders. See *The Voting Agreements* beginning on page 141.

Q: Why am I being asked to approve, on a non-binding advisory basis, certain merger-related compensatory arrangements between Endo and its named executive officers?

A: Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, which is referred to in this proxy statement/prospectus as the Dodd-Frank Act, and section 14A of the Securities Exchange Act of 1934, as amended, which is referred to in the proxy statement/prospectus as the Exchange Act, Endo shareholders are entitled to vote to approve, on an advisory basis, the compensation of the named executive officers of Endo that is based on or otherwise relates to the merger as disclosed in this registration statement. See *Shareholder Advisory Vote on Certain Compensatory Arrangements* beginning on page 143.

Approval by the Endo shareholders of merger-related compensation to the Endo named executive officers is not a condition to completion of the merger. In addition, because the vote is advisory in nature, it will not be binding on Endo. Regardless of the outcome of this advisory vote, such compensation may be payable, subject only to the Endo board of directors' discretion and the conditions applicable thereto, if the merger is approved. The terms of the merger-related compensation is described under *The Merger and the Arrangement Interests of Certain Persons in the Merger Golden Parachute Compensation* beginning on page 87 and *Shareholder Advisory Vote on Certain Compensatory Arrangements* beginning on page 143.

Q: Why am I being asked to approve the distributable reserves proposal?

A: Under Irish law, dividends may only be paid (and share repurchases and redemptions must generally be funded) out of distributable reserves. New Endo will not have distributable reserves immediately following the completion of the transactions. See *Creation of Distributable Reserves of New Endo* beginning on page 144. Although New Endo does not expect to pay dividends for the foreseeable future, shareholders of Endo and Paladin are being asked at their respective special meetings to approve the creation of distributable

reserves of New Endo (through the reduction of some or all of the share premium account of New Endo), in order to permit New Endo to be able to pay dividends (and repurchase or redeem shares) after the transactions.

The approval of the distributable reserves proposal is not a condition to the consummation of the transactions. Accordingly, if the shareholders of Endo approve the transactions, and the shareholders of Paladin approve the special resolution with respect to the arrangement, which is referred to in this proxy statement/prospectus as the arrangement resolution, but shareholders of Endo and/or Paladin do not approve the distributable reserves proposal, and the transactions are consummated, New Endo

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will not have sufficient distributable reserves to pay dividends (or to repurchase or redeem shares) following the transactions. In addition, the creation of distributable reserves of New Endo requires the approval of the Irish High Court. Although New Endo is not aware of any reason why the Irish High Court would not approve the creation of distributable reserves, the issuance of the required order is a matter for the discretion of the Irish High Court. See *Risk Factors* beginning on page 29 and *Creation of Distributable Reserves of New Endo* beginning on page 144.

Q: What are the voting recommendations of the Endo board of directors?

A: After careful consideration, the Endo board of directors has unanimously approved and declared advisable the arrangement agreement and transactions contemplated thereby (including the merger), and has determined that the arrangement agreement and the merger are fair to and in the best interests of Endo and its shareholders. The Endo board of directors recommends that you vote your shares:

FOR adoption of the arrangement agreement and transactions contemplated thereby (including the merger) (Proposal 1);

FOR approval, on a non-binding advisory basis, of certain compensatory arrangements between Endo and its named executive officers relating to the merger contemplated by the arrangement agreement (Proposal 2);

FOR approval of the creation of distributable reserves, which are required under Irish law in order for New Endo to make distributions and pay dividends and to purchase or redeem shares in the future by reducing some or all of the share premium of New Endo (Proposal 3); and

FOR adjournment of the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes at the time of the special meeting to adopt the arrangement agreement and transactions contemplated thereby (including the merger) (Proposal 4).

In considering the recommendation of the board of directors of Endo, you should be aware that certain executive officers and all of the directors of Endo will have interests in the transactions that may be different from, or in addition to, the interests of Endo's shareholders generally. See *The Merger and the Arrangement Interests of Certain Persons in the Merger* beginning on page 86.

Q: Has the Paladin board of directors unanimously approved the arrangement agreement and the transactions contemplated thereby?

A: After careful consideration, the Paladin board of directors has unanimously approved and declared advisable the arrangement agreement and transactions contemplated thereby, and has determined that the arrangement is fair from a financial point of view to the public shareholders of Paladin and in the best interests of Paladin.

Q: How many shares will Endo's executive officers and directors be entitled to vote at the special meeting? Do you expect them to vote in favor of the proposals?

A: As of January 22, 2014, the last practicable day before the date of this proxy statement/prospectus, Endo's executive officers and directors, together with the shareholders with which certain of Endo's directors are affiliated or associated, had the right to vote approximately 1.5 million shares of Endo common stock, representing approximately 1.3% of the Endo common stock then outstanding and entitled to vote at the special meeting. Endo expects that its executive officers and directors, and the shareholders with which certain of Endo's directors are affiliated or associated, will vote FOR each of the proposals described in the question above.

Q: What votes have been agreed upon pursuant to the voting agreements between Endo and certain Paladin shareholders?

A: Pursuant to the voting agreements, certain Paladin shareholders, owning in the aggregate approximately 34% of the outstanding Paladin common shares as of the date of the arrangement

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agreement, have agreed to vote their Paladin common shares in favor of the arrangement and against, among other things, another acquisition proposal or merger and any other action that would reasonably be likely to prevent, delay or impede the consummation of the arrangement.

Q: What will the Endo shareholders receive as consideration in the merger?

A: If the merger is consummated, each share of Endo common stock issued and outstanding immediately prior to the merger effective time will be canceled and automatically converted into and become the right to receive one ordinary share of New Endo. The one-for-one conversion ratio, which is referred to in this proxy statement/prospectus as the exchange ratio, is fixed. The exchange ratio will not fluctuate up or down based on the market price of a share of Endo common stock prior to the merger. Following the merger, Endo common stock will be delisted from The NASDAQ Global Market, which is referred to in this proxy statement/prospectus as NASDAQ. The New Endo ordinary shares to be issued to the Endo shareholders will be registered with the U.S. Securities and Exchange Commission, which is referred to in this proxy statement/prospectus as the SEC, and New Endo has applied to list the ordinary shares to be issued or made issuable pursuant to the arrangement and the merger on NASDAQ and on Toronto Stock Exchange, which is referred to in this proxy statement/prospectus as TSX. Listing will be subject to New Endo fulfilling all the listing requirements of NASDAQ and TSX.

Q: What percentage of New Endo ordinary shares will the Endo shareholders and Paladin shareholders own following the transactions?

A: Upon consummation of the merger and arrangement, the former shareholders of Endo are expected to own approximately 77.4% of the outstanding ordinary shares of New Endo on a fully-diluted basis, and the former shareholders and holders of Paladin options are expected to own approximately 22.6% of the outstanding ordinary shares of New Endo on a fully-diluted basis.

Q: How are Endo stock options treated in the merger?

A: At the merger effective time, each outstanding option to purchase Endo common stock under the Endo equity incentive plans will be converted on substantially the same terms and conditions as were applicable under such option before the merger effective time, into an option to acquire a number of New Endo ordinary shares equal to the number of shares of Endo common stock subject to such option immediately prior to the merger effective time multiplied by the equity exchange ratio, at an exercise price per share equal to the exercise price per share applicable to such option immediately prior to the merger effective time divided by the equity exchange ratio.

Q: How are Endo's other equity awards treated in the merger?

A:

At the merger effective time, each other equity award that is outstanding as of immediately prior to the merger effective time will be converted into a right to receive, on substantially the same terms and conditions as were applicable under such equity award immediately prior to the merger effective time, the number of New Endo ordinary shares equal to the number of shares of Endo common stock subject to such equity award immediately prior to the merger effective time multiplied by the equity exchange ratio.

Q: What is required to complete the transactions?

A: The obligation of Endo and Paladin to consummate the merger and the arrangement and the transactions contemplated by the arrangement agreement is subject to certain conditions, including conditions with respect to approval of the merger by Endo shareholders; approval of the arrangement resolution by Paladin shareholders; approval by the Superior Court of Québec, which is referred to in this proxy statement/prospectus as the Québec court, approving the arrangement; accuracy of representations and warranties of the other party to the applicable standard provided by the arrangement agreement; no result, fact or circumstance, shall have occurred or arisen that had or would

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reasonably be expected to have a material adverse effect on Paladin or Endo; compliance by the other party with its covenants in the arrangement agreement in all material respects; all required regulatory clearances being obtained and remaining in full force and effect and applicable waiting periods having expired or been terminated, in each case without the imposition of a restraint; the receipt by Endo of a tax opinion rendered by Skadden, Arps, Slate, Meagher & Flom LLP, which is referred to in this proxy statement/prospectus as Skadden ; the approval of NASDAQ for listing (subject only to official notice of issuance) and the conditional approval by TSX (subject only to customary listing conditions) of the New Endo ordinary shares to be issued in the merger and the arrangement; and the effectiveness of the registration statement of which this proxy statement/prospectus forms a part, as well as other customary closing conditions. See *The Arrangement Agreement Conditions to the Completion of the Merger and the Arrangement* beginning on page 136.

Q: Will appraisal rights be available for dissenting Endo shareholders?

A: Appraisal rights are not available to Endo shareholders in connection with the merger.

Q: When are the merger and arrangement expected to be completed?

A: As of the date of this proxy statement/prospectus, the merger and the arrangement are expected to be completed in the first quarter of 2014. However, no assurance can be provided as to when or if the merger and the arrangement will occur. The required vote of Endo and Paladin shareholders to approve the merger and the arrangement at their respective special meetings, the approval by the Québec court, as well as the necessary regulatory consents and approvals, must first be obtained and certain other conditions specified in the arrangement agreement must be satisfied or, to the extent permissible, waived. On December 17, 2013, the Federal Trade Commission, which is referred to in this proxy statement/prospectus as the FTC, granted early termination of the waiting period, thereby satisfying the requirement for HSR Act approval under the arrangement agreement. On December 18, 2013, the Commissioner of Competition, which person is referred to in this proxy statement/prospectus as the commissioner, issued a no-action letter, thereby satisfying the requirement for Competition Act (Canada) approval under the arrangement agreement. No assurance can be provided as to when or if the transactions contemplated by the arrangement agreement will be completed.

Q: What will be the relationship between Endo and New Endo after the transactions?

A: Following completion of the transactions, Endo will be an indirect wholly owned subsidiary of New Endo. Endo will account for the acquisition pursuant to the arrangement agreement and using the acquisition method of accounting in accordance with United States Generally Accepted Accounting Principles, which is referred in this proxy statement/prospectus as U.S. GAAP . Endo will be the accounting acquiror of Paladin. Endo will measure the assets acquired and liabilities assumed at their fair values including net tangible and identifiable intangible assets as of the closing of the transaction. Any excess of the purchase price over those fair values will be recorded as goodwill. See *The Merger and the Arrangement Accounting Treatment of the Transactions* beginning on page 101.

Q: Why will the place of incorporation of New Endo be Ireland?

A: Incorporating New Endo in Ireland is expected to result in significant benefits to New Endo. These benefits include enhanced global cash management flexibility and associated financial benefits to the combined enterprise, as well as increased global liquidity and cash flow among the various entities of the combined enterprise. In addition, Ireland is a beneficial location for establishing a differentiated platform for further international expansion through an operating base in Ireland and a strong financial profile to support expansion into international markets. Also, Endo estimates that New Endo is expected to realize \$75 million of post-tax synergies on a twelve-month basis at some point following the close of the transactions. This estimate is based on a number of assumptions including, but not limited to, the ability to eliminate certain duplicate costs across the two companies. In addition, the estimate assumes that after closing, New Endo is able to achieve certain tax-related synergies which

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may vary based on the income generated by New Endo and its subsidiaries and other factors. See *The Merger and the Arrangement Recommendations of Endo's Board of Directors; Endo's Reasons for the Merger* beginning on page 58. New Endo's ability to achieve these benefits are subject to certain risks. See *Risk Factors* beginning on page 29.

Q: What are the material U.S. federal income tax consequences of the merger to U.S. shareholders of Endo?

A: For U.S. federal income tax purposes, the merger is intended to qualify as a non-taxable reorganization in which (i) Merger Sub will merge with and into Endo with Endo as the surviving corporation in the merger, and (ii) Endo shareholders will exchange their Endo common stock for New Endo ordinary shares received from both New Endo and Endo U.S. Inc., which exchange is referenced in this proxy statement/prospectus as the Endo share exchange. Under current U.S. federal income tax law, it is uncertain whether U.S. shareholders of Endo will be required to recognize gain or loss on the Endo share exchange. There is risk that U.S. holders (as defined below under *U.S. Federal Income Tax Considerations Scope of Discussion*) of Endo common stock will be required to recognize gain (but not loss) on the Endo share exchange because non-recognition treatment depends on the application of new and complex provisions of U.S. federal income tax law as well as certain facts that are subject to change and that could be affected by actions taken by Endo and other events beyond Endo's control. More specifically, U.S. holders of Endo common stock will be required to recognize gain on the Endo share exchange if the U.S. shareholders gain amount (as defined below under *U.S. Federal Income Tax Considerations*) exceeds the New Endo income amount (as defined below under *U.S. Federal Income Tax Considerations*). The U.S. shareholders gain amount has been and will continue to be affected by changes in Endo's stock price, trading activity in Endo's common stock, and the tax basis of U.S. holders of Endo common stock on the closing date. As a result, the U.S. shareholders gain amount cannot be known until after the closing of the merger. In this regard, Endo notes that there has been a substantial increase in Endo's stock price during the period from the signing of the arrangement agreement to the date of this proxy statement/prospectus. The New Endo income amount will depend, in part, on the earnings and profits of Endo U.S. Inc. for the taxable year that includes the closing date (which Endo expects will be 2014). Such earnings and profits, if any, will depend on overall business conditions and the overall tax position of Endo U.S. Inc. for such taxable year and will take into account, among other things, taxable operating income and loss as well as taxable non-operating income and loss (including dispositions outside the ordinary course of business and extra-ordinary items), subject to certain adjustments, and cannot be determined until the end of the year in which the merger is completed. See *Certain Tax Consequences of the Merger and the Arrangement U.S. Federal Income Tax Considerations Certain U.S. Federal Income Tax Consequences of the Merger to Endo Shareholders* beginning on page 106.

Q: Will transfers of New Endo ordinary shares be subject to Irish stamp duty?

A: Transfers of New Endo ordinary shares could be subject to Irish stamp duty. However, transfers of New Endo ordinary shares effected by means of the transfer of book entry interests in The Depository Trust Company, which is referred to in this proxy statement/prospectus as DTC, will not be subject to Irish stamp duty.

If you hold your New Endo ordinary shares directly (i.e. you are a registered shareholder), any transfer of your New Endo ordinary shares could be subject to Irish stamp duty (currently at the rate of 1% of the higher of the price paid or

the market value of the shares acquired). Payment of Irish stamp duty is generally a legal obligation of the transferee.

Due to the potential Irish stamp duty charge on transfers of New Endo ordinary shares, it is strongly recommended that those shareholders who do not hold their shares through DTC (or through a broker who in turn holds such shares through DTC) should arrange for the transfer of their Endo shares into DTC as soon as possible and before the transactions are consummated. It is also strongly recommended

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that any person who wishes to acquire New Endo ordinary shares after the effective time of the transactions acquires such shares through DTC (or through a broker who in turn holds such shares through DTC).

The imposition of stamp duty could adversely affect the price of your shares.

See *Certain Tax Consequences of the Merger and the Arrangement Irish Tax Considerations Stamp Duty* beginning on page 113.

Q: Where and when will the special meeting be held?

A: The special meeting will be held on February 26, 2014, at 10:00 a.m. local time, at 1400 Atwater Drive Malvern, PA 19355.

Q: What is the Endo shareholder vote required to approve each proposal?

A: For Proposal 1, the adoption of the arrangement agreement and the transactions contemplated thereby (including the merger) requires the affirmative vote of holders of a majority of the outstanding Endo common stock. The other proposals require the affirmative vote of holders of a majority of the Endo common stock entitled to vote on the applicable proposal that are present or represented by proxy at the special meeting.

Q: What is the Paladin shareholder vote required to approve each proposal?

A: The approval of the arrangement resolution (Paladin Proposal 1) requires the affirmative vote of at least 66 $\frac{2}{3}$ % of the votes cast by Paladin shareholders present in person or represented by proxy at the Paladin special meeting. The approval of Paladin Proposal 2 and Paladin Proposal 3 requires the affirmative vote of holders of a majority of the votes cast by Paladin shareholders present in person or represented by proxy at the Paladin special meeting.

Q: Who can vote at the special meeting?

A: Only shareholders of record of Endo at the close of business on January 22, 2014 will be entitled to vote at the special meeting. If on January 22, 2014 your shares were registered directly in your name with Endo's transfer agent, American Stock Transfer & Trust Company, then you are a shareholder of record. As a shareholder of record, you may vote in person at the special meeting or vote by proxy. Whether or not you plan to attend the special meeting, Endo urges you to vote by proxy over the telephone or on the Internet as instructed below, or fill out and return an Endo proxy card.

If on January 22, 2014 your shares were held not in your name, but rather in an account at a brokerage firm, bank, dealer, or other similar organization, then you are the beneficial owner of shares held in street name and this proxy

statement/prospectus is being sent to you by that organization. The organization holding your account is considered to be the shareholder of record for purposes of voting at the special meeting. As a beneficial owner, you have the right to direct your broker or other agent regarding how to vote the shares in your account by following the instructions that the broker, bank or other nominee provides you along with this proxy statement/prospectus. You are also invited to attend the special meeting. However, since you are not the shareholder of record, you may not vote your shares in person at the special meeting unless you request and obtain a valid proxy from your broker or other agent.

Q: How do I vote?

A: If you are a shareholder of record, you may vote in person at the special meeting, you may vote by proxy using the enclosed Endo proxy card, or you may vote by proxy over the telephone or on the Internet as instructed below. If you are a beneficial owner of shares registered in the name of your broker, bank, or other agent, you should have received a proxy statement/prospectus along with voting instructions from

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that organization rather than from Endo. Simply follow the voting instructions provided by your broker, bank, or other agent to ensure that your vote is counted. See *Questions and Answers About the Endo Special Meeting of Shareholders and Voting How do I vote?* beginning on page 45.

Q: If my shares are held in street name by my bank, broker or other agent will my bank, broker or other agent vote my shares for me?

A: Only if you provide your bank, broker or other agent with instructions on how to vote your shares. If you do not provide the organization that holds your shares with specific instructions, under the rules of various national and regional securities exchanges, the organization that holds your shares may generally vote on routine matters but cannot vote on non-routine matters such as those being presented at the special meeting. If the organization that holds your shares does not receive instructions from you on how to vote your shares on a non-routine matter, the organization that holds your shares will inform the inspector of elections for the special meeting that it does not have the authority to vote on this matter with respect to your shares. This is generally referred to as a broker non-vote. When Endo's inspector of elections tabulates the votes for any particular matter, broker non-votes will be counted for purposes of determining whether a quorum is present, but will not be counted toward the vote total for any proposal. Endo expects that each of the proposals presented at the special meeting will be considered non-routine matters, so Endo encourages you to provide voting instructions to the organization that holds your shares to ensure that your vote is counted on all four proposals. See *Questions and Answers About the Endo Special Meeting of Shareholders and Voting How are votes counted?* beginning on page 47.

Q: How many votes do I have?

A: On each matter to be voted upon, you have one vote for each share of Endo common stock you own as of January 22, 2014.

Q: What is the quorum requirement?

A: A quorum of shareholders is necessary to hold a valid meeting. A quorum will be present if shareholders holding at least a majority of the outstanding shares entitled to vote are present at the special meeting in person or represented by proxy. On the record date, there were 115,487,596 shares outstanding and entitled to vote. See *Questions and Answers About the Endo Special Meeting of Shareholders and Voting What is the quorum requirement?* beginning on page 48.

Q: Should I send in my stock certificates now?

A: No. Endo shareholders should keep their existing stock certificates at this time. After the proposed merger and the arrangement are completed, you will receive written instructions for exchanging your Endo stock certificates for New Endo ordinary shares. Because of the potential Irish stamp

duty on transfer of New Endo ordinary shares, Endo strongly recommends that all directly registered Endo shareholders open broker accounts so they can transfer their Endo common stock into DTC prior to their exchange for New Endo ordinary shares.

Q: What do I do if I have lost my stock certificate?

A: If your certificate has been lost, stolen or destroyed, you will need to provide an affidavit of that fact, and, if required by New Endo, you may be required to post a bond, in such reasonable and customary amount as New Endo may direct, as indemnity against any claim that may be made against it with respect to such certificate. The exchange agent shall, in exchange for such lost, stolen or destroyed certificate, issue the merger consideration deliverable in respect thereof pursuant to the arrangement agreement.

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Q: What do I need to do now?

A: After carefully reading and considering the information contained in this proxy statement/prospectus, including the annexes and the documents incorporated by reference, vote your Endo common stock as described in *Questions and Answers About the Endo Special Meeting of Shareholders and Voting How do I vote?* beginning on page 45. Whether or not you plan to attend the special meeting, Endo urges you to vote by proxy to ensure your vote is counted.

Q: What if I hold shares in both Endo and Paladin?

A: If you are both a shareholder of Endo and a shareholder of Paladin, you will receive two separate packages of proxy materials. A vote as an Endo shareholder for the proposal to adopt the arrangement agreement and transactions contemplated thereby (including the merger) will not constitute a vote as a Paladin shareholder for the proposal to approve the arrangement resolution, or vice versa. **THEREFORE, PLEASE MARK, SIGN, DATE AND RETURN ALL PROXY CARDS THAT YOU RECEIVE, WHETHER FROM ENDO OR PALADIN, OR SUBMIT A SEPARATE PROXY AS BOTH AN ENDO SHAREHOLDER AND A PALADIN SHAREHOLDER FOR EACH SPECIAL MEETING OVER THE INTERNET OR BY TELEPHONE.**

Q: Can I change my vote after submitting my proxy?

A: Yes. You can revoke your proxy at any time before the final vote at the special meeting. See *Questions and Answers About the Endo Special Meeting of Shareholders and Voting Can I change my vote after submitting my proxy?* beginning on page 47.

Q: What happens if I sell my Endo common stock after the record date but before the special meeting?

A: If you transfer your Endo common stock after the record date but before the date of the special meeting, you will retain your right to vote at the special meeting. However, you will not have the right to receive any New Endo ordinary shares in exchange for your former Endo common stock if and when the merger is completed. In order to receive New Endo ordinary shares in exchange for your Endo common stock, you must hold your Endo common stock through the completion of the merger and the arrangement.

Q: What will happen if I return my proxy card without indicating how to vote?

A: Abstentions and broker non-votes will be treated as shares present for the purpose of determining the presence of a quorum for the transaction of business at the special meeting. Abstentions will be counted towards the tabulation of shares present in person or represented by proxy and will have the same effect as votes Against each of the proposals.

Q: What will happen if I fail to vote or I abstain from voting?

A: Shareholder of Record: Shares Registered in Your Name

If you are a shareholder of record and you sign and return an Endo proxy card without giving specific voting instructions, then the proxy holders will vote your shares in the manner recommended by the Endo board of directors on all matters presented in this proxy statement/prospectus, which recommendations are summarized under *Questions and Answers About the Endo Special Meeting of Shareholders and Voting What are the voting recommendations of the Endo board of directors?* beginning on page 45, or as the proxy holders may determine in their discretion with respect to any other matters properly presented for a vote at the special meeting.

Beneficial Owner: Shares Registered in the Name of a Broker or Bank

If you are a beneficial owner of shares held in street name and you do not provide the organization that holds your shares with specific instructions, under the rules of various national and regional securities

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exchanges, the organization that holds your shares may generally vote on routine matters but cannot vote on non-routine matters. If the organization that holds your shares does not receive instructions from you on how to vote your shares on a non-routine matter, the organization that holds your shares will inform the inspector of elections for the special meeting that it does not have the authority to vote on this matter with respect to your shares. This is generally referred to as a broker non-vote. When Endo's inspector of elections tabulates the votes for any particular matter, broker non-votes will be counted for purposes of determining whether a quorum is present, but will not be counted toward the vote total for any proposal. Endo expects that each of the proposals presented at the special meeting will be considered non-routine matters, so Endo encourages you to provide voting instructions to the organization that holds your shares to ensure that your vote is counted on all four proposals.

Q: Who can help answer my questions?

A: If you have any questions about the transactions, need assistance in voting your shares, or if you need additional copies of this proxy statement/prospectus or the enclosed Endo proxy card, you should contact:
Endo Health Solutions Inc.

Attn: Investor Relations

1400 Atwater Drive

Malvern, PA 19355

Telephone: (484) 216-0000

Q: Where can I find more information about Endo?

A: You can find more information about Endo from the various sources described under *Where You Can Find More Information* beginning on page 305.

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SUMMARY

This summary highlights selected information contained in this proxy statement/prospectus and may not contain all of the information that is important to you. You should read carefully this entire proxy statement/prospectus, including the annexes and the documents incorporated by reference, to fully understand the transactions and the voting procedures for the special meeting. See also the section entitled "Where You Can Find More Information" beginning on page 305. The page references have been included in this summary to direct you to a more complete description of the topics presented below.

The Companies (Page 119)

Endo International Limited

25-28 North Wall Quay

International Financial Services Centre

Dublin 1, Ireland

(011) 353-1-649-2000

New Endo is a private limited company incorporated in Ireland (registered number 534814) on October 31, 2013 for the purpose of holding Paladin and Endo following completion of the transactions. To date, New Endo has not conducted any activities other than those incident to its formation, the execution of the arrangement agreement and the taking of certain steps in connection thereto, including the preparation of applicable filings under the U.S. securities laws and regulatory filings made in connection with the transactions.

On or prior to the completion of the transactions, New Endo will be re-registered as a public limited company and renamed Endo International plc. Following the consummation of the transactions, Endo and Paladin will be indirect wholly owned subsidiaries of New Endo. Upon consummation of the merger and the arrangement, the former shareholders of Endo are expected to own approximately 77.4% of the outstanding ordinary shares of New Endo on a fully-diluted basis, and the former shareholders of Paladin and holders of Paladin options are expected to own approximately 22.6% of the outstanding ordinary shares of New Endo on a fully-diluted basis.

It is a condition to the merger that as of the effective time of the transactions, which is referred to in this proxy statement/prospectus as the effective time, the ordinary shares of New Endo will be conditionally approved for listing on each of the NASDAQ and TSX. New Endo has applied to list the New Endo ordinary shares to be issued or made issuable pursuant to the arrangement and the merger on NASDAQ and TSX. Listing will be subject to New Endo fulfilling all the listing requirements of NASDAQ and TSX.

Endo Health Solutions Inc.

1400 Atwater Drive

Malvern, PA 19355

(484) 216-0000

Endo is a U.S.-based, specialty healthcare company focused on branded and generic pharmaceuticals, devices and services. Endo provides products to its customers, which ultimately improve the lives of patients. Endo aims to maximize shareholder value by adapting to the continually evolving healthcare market and customer needs. Through Endo's four operating segments: AMS, Endo Pharmaceuticals, HealthTronics and Qualitest Pharmaceuticals, Endo is dedicated to improving care through an innovative suite of branded products, generics, devices, technology and services. On January 9, 2014 Endo announced that it had entered into a Stock Purchase Agreement, dated as of January 8, 2014 with HT Intermediate Company, LLC, which is referred to in this proxy statement/prospectus as the HealthTronics sale agreement, to sell all of the issued and outstanding shares of common stock of HealthTronics, Inc. See *The Business of Endo* beginning on page 255. Endo

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regularly evaluates and, where appropriate, executes on opportunities to expand through acquisitions of products and companies in areas that will serve patients and customers and that Endo believes will offer above average growth characteristics and attractive margins. In particular, Endo looks to continue to enhance its product lines by acquiring or licensing rights to additional products and regularly evaluating selective acquisition and license opportunities. Such acquisitions or licenses may be effected through the purchase of assets, joint ventures and licenses or by acquiring other companies.

Paladin Labs Inc.

100 Alexis Nihon Blvd.

Suite 600

Saint-Laurent, Québec H4M 2P2

(514) 340-1112

Paladin Labs Inc., headquartered in Montréal, Canada, is a specialty pharmaceutical company focused on acquiring or in-licensing innovative pharmaceutical products for the Canadian and world markets. With this strategy, a focused national sales team and proven marketing expertise, Paladin has evolved into one of Canada's leading specialty pharmaceutical companies. Paladin's shares trade on TSX under the symbol PLB. More information about Paladin can be found at www.paladin-labs.com.

RDS Merger Sub, LLC

The Corporation Trust Company

1209 Orange Street

Wilmington, DE 19801

Merger Sub is a limited liability company incorporated in Delaware and a direct wholly owned subsidiary of Endo U.S. Inc. (formerly ULU Acquisition Corp.), formed on November 1, 2013. To date, Merger Sub has not conducted any activities other than those incident to its formation, the execution of the arrangement agreement and the taking of certain steps in connection thereto, including the preparation of applicable filings under the U.S. securities laws and regulatory filings made in connection with the transactions.

Endo Limited

25-28 North Wall Quay

International Financial Services Centre

Dublin 1 Ireland

(011)-353-1-649-2000

Endo Limited is a private limited company incorporated in Ireland as Sinopia II Limited on October 29, 2013 with a name change to Sportwell II Limited on October 31, 2013 and a further name change to Endo Limited on November 28, 2013. Endo Limited is a direct subsidiary of New Endo. To date, Endo Limited has not conducted any activities other than those incident to its formation, the execution of the arrangement agreement and the taking of certain steps in connection thereto, including the preparation of applicable filings under the U.S. securities laws and regulatory filings made in connection with the transactions.

Endo U.S. Inc.

The Corporation Trust Company

1209 Orange Street

Wilmington, DE 19801

Endo U.S. Inc. is a corporation incorporated in Delaware as ULU Acquisition Corp. on November 1, 2013 with a name change to Endo U.S. Inc. on December 5, 2013 and is an indirect subsidiary of New Endo. To date, Endo U.S. Inc. has not conducted any activities other than those incident to its formation, the execution of the

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arrangement agreement and the taking of certain steps in connection thereto, including the preparation of applicable filings under the U.S. securities laws and regulatory filings made in connection with the transactions.

8312214 Canada Inc.

79 Wellington Street West

Suite 3000, TD Centre

Toronto, Ontario M5K 1N2

8312214 Canada Inc. is a corporation incorporated in Canada and an indirect subsidiary of New Endo, formed on November 1, 2013. To date, 8312214 Canada Inc. has not conducted any activities other than those incident to its formation and the execution of the arrangement agreement.

The Merger and the Arrangement (Page 50)

Under the terms of the arrangement agreement, (a) New Endo will cause CanCo 1 to acquire the common shares of Paladin pursuant to a plan of arrangement under Canadian law and (b) Merger Sub will merge with and into Endo, with Endo as the surviving corporation in the merger. As a result of the transactions, both Endo and Paladin will become indirect wholly owned subsidiaries of New Endo.

At the effective time of the arrangement, (a) Paladin shareholders will be entitled to receive \$1.16 in cash, subject to adjustment, 1.6331 newly issued New Endo ordinary shares and one common share of Knight Therapeutics, a corporation incorporated under the laws of Canada and currently a subsidiary of Paladin, in exchange for each Paladin common share held by such shareholders; (b) all options to acquire Paladin common shares will be settled on a cash-less exercise basis for New Endo ordinary shares and common shares of Knight Therapeutics in an amount reflecting the arrangement consideration; and (c) unvested rights to receive additional common shares under Paladin's share purchase plan will be settled for a cash amount based on the Paladin common share price immediately prior to closing.

The cash consideration to be received by Paladin shareholders will be increased if Endo's 10-day volume weighted average price declines during the ten trading day period ending on the third trading day prior to the Paladin special meeting by more than 7% relative to a reference price of US\$44.4642 per share. Full cash compensation (determined on a U.S. dollar basis converted into and paid in Canadian dollars) will be provided by Endo to Paladin shareholders for any share price declines of more than 7% but less than 20% from the reference price. If Endo's share price declines between 20% and 24% from the reference price during the agreed reference period, Endo will provide cash compensation (determined on a U.S. dollar basis converted into and paid in Canadian dollars) for one half of the incremental decline to Paladin shareholders. Declines in Endo's share price beyond 24% from the reference price will not give rise to further cash compensation to Paladin shareholders. The maximum amount potentially payable to Paladin shareholders under this price protection mechanism is US\$233 million.

In addition, if the volume weighted average price per share of Endo shares is less than 76% of US\$44.4642 during a reference valuation period, which will be the ten trading days ending on the third trading day prior to the date of the Paladin special meeting (or if such volume weighted average price is not available, as determined by a calculation agent using a reasonable, good faith estimate of such price for such reference valuation period), then the voting agreements with certain Paladin shareholders may be terminated by such shareholders.

At the effective time of the merger, each share of Endo common stock will be converted into the right to receive one New Endo ordinary share.

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Treatment of Outstanding Endo Equity Awards (Page 122)

Each option to purchase Endo common stock under the Endo equity incentive plans, whether vested or unvested, that is outstanding immediately prior to the merger effective time will be converted, on substantially the same terms and conditions as were applicable under such option before the merger effective time, into an option to acquire New Endo ordinary shares equal to the number of shares subject to the Endo option immediately prior to the merger effective time multiplied by the equity exchange ratio, at an exercise price per share equal to the exercise price per share applicable to such option immediately prior to the merger effective time divided by the equity exchange ratio.

Each other equity award that is outstanding immediately prior to the merger effective time under Endo's equity incentive plans including outstanding Endo performance share units and deferred share units held by Endo's nonemployee directors will be converted, on substantially the same terms and conditions as were applicable under such equity award before the merger effective time, into a right to receive the number of New Endo ordinary shares equal to the number of shares subject to such equity award immediately prior to the merger effective time multiplied by the equity exchange ratio. In addition, purchase rights under ongoing offerings under Endo's employee stock purchase program will be converted into purchase rights to acquire New Endo ordinary shares on substantially the same terms and conditions as were applicable before the merger effective time.

Each of the current Endo equity incentive plans and the Endo employee stock purchase program will be assumed by New Endo as of the merger effective time.

Treatment of Outstanding Paladin Equity Awards (Page 123)

Each right to acquire one Paladin common share pursuant to an option to purchase Paladin common shares under the Paladin stock option plan that is outstanding at the effective time will fully vest and will be settled in exchange for one Knight Therapeutics common share plus an amount of New Endo ordinary shares equal to 1.6331 multiplied by a factor generally determined by dividing (y) the sum of the arrangement cash consideration plus the amount that the closing price of a Paladin common share on TSX on the trading day immediately preceding the effective date of the arrangement exceeds the exercise price for each Paladin common share subject to the option, which is referred to in this proxy statement/prospectus as the in-the-money-amount per share, by (z) the closing price of a Paladin common share on TSX on the trading day immediately preceding the effective date of the arrangement. If the in-the-money amount per share is equal to or less than zero then the consideration for the settlement of such right will be nil.

All purchase rights of each participant under the Paladin employee share purchase plan will be cancelled for a cash amount equal to 25% of the aggregate number of shares purchased on behalf of that participant under the Paladin employee share purchase plan, with the participant's contributions in respect of each of the eight fiscal quarters ending immediately prior to the effective time (but excluding any Paladin common shares purchased with such participant's contributions after November 5, 2013 that exceeded his or her rate of contribution before that date), multiplied by the closing price of a Paladin common share on TSX on the trading day immediately preceding the effective date of the arrangement.

Each of the Paladin stock option plan and the Paladin employee share purchase plan will be terminated at the effective time.

Table of Contents**Comparative Per Share Market Price Data and Dividend Information (Page 263)**

Shares of Endo common stock are listed on NASDAQ under the symbol ENDP. Paladin common shares are listed and traded on TSX under symbol PLB. The following table shows the closing prices of shares of Endo common stock as reported on NASDAQ and Paladin common shares as reported on TSX on November 4, 2013, the last trading day before the arrangement agreement was announced, and on January 22, 2014, the last practicable day before the date of this proxy statement/prospectus. This table also shows the equivalent value of the consideration per Paladin common share, which was calculated by adding (i) \$1.16, which is the cash portion of the consideration to be paid to Paladin shareholders, (ii) the closing price of shares of Endo common stock as of the specified date multiplied by the exchange ratio of 1.6331 and (iii) one common share of Knight Therapeutics.

	Endo common stock	Paladin common shares	Equivalent value of acquisition consideration per Paladin share
November 4, 2013	US\$43.64	\$63.91	\$75.34 plus one common share of Knight Therapeutics ⁽¹⁾
January 22, 2014	US\$67.49	\$124.17	\$122.96 plus one common share of Knight Therapeutics ⁽²⁾

(1) Based on a USD/CAD spot exchange rate of 1.04085 as of November 4, 2013.

(2) Based on a USD/CAD spot exchange rate of 1.10510 as of January 22, 2014.

Separation of Knight Therapeutics (Page 261)

Pursuant to the arrangement agreement, prior to the effective time of the arrangement, Paladin and Knight Therapeutics will enter into an agreement, which is referred to in this proxy statement/prospectus as the business separation agreement, providing for the transfer of the assets to be owned by, and the liabilities to be assumed by, Knight Therapeutics (or one of its affiliates) from Paladin and Paladin Labs (Barbados) Inc., an international business corporation incorporated under the laws of Barbados and a subsidiary of Paladin which will become an indirect subsidiary of New Endo as of the effective time of the arrangement, which is referred to in this proxy statement/prospectus as Barbco. The assets to be owned by Knight Therapeutics (or one of its affiliates) consist of, amongst other things, all intellectual property rights of Paladin related to Impavido[®], which is referred to in this proxy statement/prospectus as Impavido, Paladin's product for the treatment of leishmaniasis, and a priority review voucher that, if issued by the U.S. Food and Drug Administration, which is referred to in this proxy statement/prospectus as the FDA, upon the approval of Impavido by the FDA, will be issued in the name of Paladin Therapeutics, Inc., which is referred to in this proxy statement/prospectus as the voucher, or, if not yet issued at the time of the consummation of the transactions contemplated by the business separation agreement, any rights to the voucher. The business separation agreement will also provide that Knight Therapeutics, or one of its affiliates, as licensor, will enter into a distribution and license agreement granting a subsidiary of Paladin the exclusive commercialization rights for Impavido for the world, other than the United States, for a ten year term. See *Separation of Knight Therapeutics* beginning on page 261. For more information on Knight Therapeutics and on the business separation agreement, see *Annex H* of this proxy statement/prospectus.

Senior Management of New Endo (Page 261)

The New Endo executive officers after the transactions are expected to be the same as the executive officers of Endo prior to the effective time of the transactions.

Recommendations of Endo's Board of Directors; Endo's Reasons for the Merger (Page 58)

The Endo board of directors has unanimously approved the arrangement agreement and determined that the arrangement agreement and the transactions contemplated thereby (including the merger), are fair and reasonable and in the best interests of Endo and its shareholders.

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The Endo board of directors unanimously recommends that Endo shareholders vote:

FOR adoption of the arrangement agreement and transactions contemplated thereby (including the merger) (Proposal 1);

FOR approval, on a non-binding advisory basis, of certain compensatory arrangements between Endo and its named executive officers relating to the merger contemplated by the arrangement agreement (Proposal 2);

FOR approval of the creation of distributable reserves, which are required under Irish law in order for New Endo to make distributions and pay dividends and to purchase or redeem shares in the future by reducing some or all of the share premium of New Endo (Proposal 3); and

FOR adjournment of the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes at the time of the special meeting to adopt the arrangement agreement and transactions contemplated thereby (including the merger) (Proposal 4).

The Endo board of directors considered many factors in making its determination that the arrangement agreement and the transactions contemplated thereby (including the merger), were fair and reasonable and in the best interests of Endo and Endo's shareholders. For a more complete discussion of these factors, see *The Merger and the Arrangement Recommendations of Endo's Board of Directors; Endo's Reasons for the Merger* beginning on page 58.

In considering the recommendation of the Endo board of directors, you should be aware that certain of the executive officers and all of the directors of Endo will have interests in the transactions that may be different from, or in addition to, the interests of Endo's shareholders generally. See *The Merger and the Arrangement Interests of Certain Persons in the Merger* beginning on page 86.

Opinion of Endo's Financial Advisors (Page 64)

Opinion of Deutsche Bank Securities Inc.

Deutsche Bank Securities Inc., which is referred to in this proxy statement/prospectus as Deutsche Bank, financial advisor to Endo, rendered its opinion to the Endo board of directors that, as of November 5, 2013 and based upon and subject to the assumptions, limitations, qualifications and conditions set forth in its opinion, the exchange ratio (taking into account the arrangement) was fair, from a financial point of view, to the holders of the outstanding Endo common stock.

The full text of Deutsche Bank's written opinion, dated November 5, 2013, which sets forth the assumptions made, procedures followed, matters considered and limitations, qualifications and conditions on the review undertaken in connection with the opinion, is included in this proxy statement/prospectus as Annex F and is incorporated herein by reference. The summary of the opinion of Deutsche Bank set forth in this proxy statement/prospectus is qualified in its entirety by reference to the full text of the opinion. The opinion of Deutsche Bank was addressed to, and for the use and benefit of, the Endo board of directors (in its capacity as such) in connection with its consideration of the transactions. Deutsche Bank's opinion does not constitute a recommendation as to how any holder of securities of Endo or any other entity should vote or act with respect

to the transactions or any related matter. The opinion of Deutsche Bank was limited solely to the fairness, from a financial point of view, of the exchange ratio (taking into account the arrangement) to the holders of the outstanding Endo common stock, and Deutsche Bank did not express any opinion as to the underlying decision by Endo to engage in the transactions or the relative merits of the transactions as compared to any alternative transactions or business strategies. See *The Merger and the Arrangement Opinion of Endo's Financial Advisors Opinion of Deutsche Bank Securities Inc.* beginning on page 64.

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Opinion of Houlihan Lokey Financial Advisors, Inc.

On November 4, 2013, Houlihan Lokey Financial Advisors, Inc., which is referred to in this proxy statement/prospectus as Houlihan Lokey, verbally rendered its opinion to Endo's board of directors (which was subsequently confirmed in writing by delivery of Houlihan Lokey's written opinion addressed to Endo's board of directors dated as of November 5, 2013), that, as of November 4, 2013, taking into account the transactions, the exchange ratio was fair, from a financial point of view, to the holders of the outstanding Endo common stock.

Houlihan Lokey's opinion was directed to the Endo board of directors (in its capacity as such) and only addressed the exchange ratio from a financial point of view and did not address any other aspect or implication of the transactions or any other agreement, arrangement or understanding. The summary of Houlihan Lokey's opinion in this proxy statement/prospectus is qualified in its entirety by reference to the full text of its written opinion, which is attached as Annex G to this proxy statement/prospectus and describes the procedures followed, assumptions made, qualifications and limitations on the review undertaken and other matters considered by Houlihan Lokey in connection with the preparation of its opinion. However, neither Houlihan Lokey's opinion nor the summary of its opinion and the related analyses set forth in this proxy statement/prospectus are intended to be, and do not constitute, advice or a recommendation to Endo's board of directors, any security holder of Endo or any other person as to how to act or vote with respect to any matter relating to the transactions, including the merger. See *The Merger and the Arrangement Opinion of Endo's Financial Advisors Opinion of Houlihan Lokey Financial Advisors, Inc.* beginning on page 74.

For a more complete description of the opinions of Endo's financial advisors, see *The Merger and the Arrangement Opinion of Endo's Financial Advisors* beginning on page 64. See also *Annex F* and *Annex G* to this proxy statement/prospectus.

The Special Meeting of Endo Shareholders (Page 44)

Date, Time & Place of the Endo Special Meeting

Endo will hold a special meeting on February 26, 2014, at 10:00 a.m. local time, at 1400 Atwater Drive Malvern, PA 19355.

Proposals

At the special meeting, Endo shareholders will vote upon proposals to:

adopt the arrangement agreement and transactions contemplated thereby (including the merger) (Proposal 1);

approve, on a non-binding advisory basis, certain compensatory arrangements between Endo and its named executive officers relating to the merger contemplated by the arrangement agreement (Proposal 2);

approve the creation of distributable reserves, which are required under Irish law in order for New Endo to make distributions and pay dividends and to purchase or redeem shares in the future by reducing some or all of the share premium of New Endo (Proposal 3); and

approve the adjournment of the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes at the time of the special meeting to adopt the arrangement agreement and transactions contemplated thereby (including the merger) (Proposal 4).

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Record Date; Outstanding Shares; Shares Entitled to Vote

Only shareholders of record of Endo at the close of business on January 22, 2014 will be entitled to vote at the special meeting. On this record date, there were 115,487,596 Endo common stock outstanding and entitled to vote. Each share of Endo common stock outstanding as of January 22, 2014 is entitled to one vote on each proposal and any other matter properly coming before the special meeting. On this record date, there were 115,487,596 record holders of Endo common stock.

Stock Ownership and Voting by Endo's Directors and Officers

As of January 22, 2014, the last practicable day before the date of this proxy statement/prospectus, Endo's executive officers and directors, together with the shareholders with which certain of Endo's directors are affiliated or associated, had the right to vote approximately 1.5 million shares of Endo common stock, representing approximately 1.3% of the Endo common stock then outstanding and entitled to vote at the special meeting. Endo expects that its executive officers and directors, and the shareholders with which certain of Endo's directors are affiliated or associated, will vote FOR each of the proposals described above.

Vote Required

Proposal 1: The proposal to adopt the arrangement agreement and transactions contemplated thereby (including the merger) must receive a FOR vote from the holders of at least a majority of the Endo common stock outstanding on the record date for the special meeting.

Proposal 2: The proposal to approve, on an advisory basis, certain compensatory arrangements between Endo and its named executive officers relating to the merger contemplated by the arrangement agreement must receive a FOR vote from at least a majority of the Endo common stock represented either in person or by proxy at the special meeting and entitled to vote, although such vote will not be binding on Endo.

Proposal 3: The proposal to approve the creation of distributable reserves of New Endo must receive a FOR vote from at least a majority of the Endo common stock represented either in person or by proxy at the special meeting and entitled to vote.

Proposal 4: The proposal to approve the adjournment of the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes at the time of the special meeting to adopt the arrangement agreement and transactions contemplated thereby (including the merger) must receive a FOR vote from at least a majority of the Endo common stock represented either in person or by proxy at the special meeting and entitled to vote.

The Endo board of directors recommends that Endo shareholders vote FOR each of the proposals set forth above.

Interests of Certain Persons in the Merger (Page 86)

In considering the recommendation of the Endo board of directors with respect to the transactions, Endo shareholders should be aware that certain executive officers and all of the directors of Endo have certain interests in the transactions

that may be different from, or in addition to, the interests of Endo shareholders generally. The Endo board of directors was aware of these interests and considered them, among other matters, in approving the arrangement agreement and the transactions contemplated thereby and making its recommendation that the Endo shareholders approve the arrangement agreement and the transactions contemplated thereby. These interests are described in *The Merger and the Arrangement Interests of Certain Persons in the Merger* beginning on page 86.

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Endo

The New Endo executive officers after the transactions are expected to be the same as the executive officers of Endo prior to the effective time of the transactions.

Paladin

Certain executives of Paladin have entered into employment letters with Paladin in connection with their employment following the arrangement and the merger. The terms and conditions of these employment letters are summarized below under the heading *The Merger and the Arrangement Interests of Certain Persons in the Merger Management Paladin Arrangement-Related Compensation* beginning on page 86 and *Description of Key Agreements* beginning on page 90.

The following current key employees of Paladin will continue their employment with Paladin following the merger (titles in parenthesis indicate titles in effect as of the effective time): Mark A. Beudet (President of Paladin), Samira Sakhia (Chief Financial Officer of Paladin), Mark Nawacki (Executive Vice President, Business & Corporate Development of Paladin), François Desrosiers (Vice President, International Operations, IT & Market Data of Paladin) and Patrice Larose (Vice President of Scientific Affairs of Paladin). In addition, it is anticipated that Jonathan Ross Goodman, who served as President & Chief Executive Officer prior to his medical leave and is the Chairman of the Paladin board of directors, will become a consultant to New Endo.

Additionally, as described below under the heading *Treatment of Outstanding Paladin Equity Awards* the vesting and exercisability of the equity awards held by participants in incentive plans of Paladin, including the key employees, will be accelerated at the effective time and the purchase rights held by key employees under Paladin's employee share purchase plan will be settled for a cash amount based on the price of a Paladin common share on TSX on the trading day immediately preceding the date the arrangement becomes effective.

Indemnification

All indemnification or exculpation rights existing in favor of present or former directors and officers of Paladin, Endo or any of their respective subsidiaries as provided in the constating documents of such party or contracts to which such a party is bound and which is in effect as of the date of the arrangement agreement will continue in full force and effect and without modification for the period contemplated in such constating documents.

Endo will indemnify and hold harmless the members of the boards of New Endo, CanCo 1, Endo Limited, Endo U.S. Inc., Merger Sub and their affiliates to the fullest extent permitted by applicable law for losses actually incurred by the director in connection with his or her duties as director for such entity from the date of the arrangement agreement to the closing date, unless such loss is related to:

a violation of the director's duties under applicable law;

gross negligence, fraud or intentional misconduct by the director; or

actions taken or omitted by such director in violation of the organizational documents of the entities on which they serve as director or of the arrangement agreement.

Certain Tax Consequences of the Merger and the Arrangement (Page 103)

Tax Residence of New Endo for U.S. Federal Income Tax Purposes

Under current U.S. federal income tax law, a corporation generally will be considered to be resident for U.S. federal income tax purposes in its place of organization or incorporation. Accordingly, under the generally applicable U.S. federal income tax rules, New Endo, which is an Irish incorporated entity, would generally be

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classified as a non-U.S. corporation (and, therefore, not a U.S. tax resident). Section 7874 of the Internal Revenue Code of 1986, or the Code, and the regulations promulgated thereunder, however, contain specific rules (more fully discussed below) that may cause a non-U.S. corporation to be treated as a U.S. corporation for U.S. federal income tax purposes. These rules are complex and there is little or no guidance as to their application.

As more fully described under *Certain Tax Consequences of the Merger and the Arrangement U.S. Federal Income Tax Considerations Tax Residence of New Endo for U.S. Federal Income Tax Purposes* beginning on page 105, Section 7874 is currently expected to apply in a manner such that New Endo should not be treated as a U.S. corporation for U.S. federal income tax purposes. However, whether the rules of Section 7874 have been satisfied will be finally determined after the closing of the transactions, by which time there could be adverse changes to the relevant facts and circumstances. In addition, there could be a change in law under Section 7874 of the Code, in the regulations promulgated thereunder, or other changes in law or subsequent changes in facts that could (possibly retroactively) cause New Endo to be treated as a U.S. corporation for U.S. federal income tax purposes. In such event, New Endo could be liable for substantial additional U.S. federal income tax on its operations and income following the closing of the transactions.

Endo's obligation to complete the transactions is conditional upon its receipt of a legal opinion (which opinion is referred to in this proxy statement prospectus as the Section 7874 opinion) from Skadden, dated as of the closing date and subject to certain qualifications and limitations set forth therein, to the effect that Section 7874 of the Code and the regulations promulgated thereunder should not apply in such a manner so as to cause New Endo to be treated as a U.S. corporation for U.S. federal income tax purposes from and after the closing date.

Regardless of the application of Section 7874 of the Code, New Endo is expected to be treated as an Irish resident company for Irish tax purposes because New Endo is incorporated under Irish law and is intending to have its place of central management and control (as determined for Irish tax purposes) in Ireland. The remaining discussion assumes that New Endo will not be treated as a U.S. corporation for U.S. federal income tax purposes under Section 7874 of the Code.

U.S. Federal Income Tax Consequences of the Merger to Endo

Endo will not be subject to U.S. federal income tax on the merger; however, Endo will continue to be subject to U.S. tax after the merger. Endo (and its U.S. affiliates) may be subject to limitations on the utilization of certain tax attributes, as described below under *Certain Tax Consequences of the Merger and the Arrangement U.S. Federal Income Tax Considerations Potential Limitation on the Utilization of Endo's (and Its U.S. Affiliates') Tax Attributes* beginning on page 106.

U.S. Federal Income Tax Consequences of the Merger to Endo Shareholders

For U.S. federal income tax purposes, the merger is intended to qualify as a non-taxable reorganization in which (i) Merger Sub will merge with and into Endo with Endo as the surviving corporation in the merger, and (ii) Endo shareholders will exchange their Endo common stock for New Endo ordinary shares received from both New Endo and Endo U.S. Inc. in the Endo share exchange. Under current U.S. federal income tax law, it is uncertain whether U.S. shareholders of Endo will be required to recognize gain or loss on the Endo share exchange. There is risk that U.S. holders (as defined below under *U.S. Federal Income Tax Considerations Scope of Discussion*) of Endo common stock will be required to recognize gain (but not loss) on the Endo share exchange because non-recognition treatment depends on the application of new and complex provisions of U.S. federal income tax law as well as certain facts that are subject to change and that could be affected by actions taken by Endo and other events beyond Endo's control. More specifically, U.S. holders of Endo common stock will be required to recognize gain on the Endo share

exchange if the U.S. shareholders gain amount (as defined

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below under *U.S. Federal Income Tax Considerations*) exceeds the New Endo income amount (as defined below under *U.S. Federal Income Tax Considerations*). The U.S. shareholders gain amount has been and will continue to be affected by changes in Endo's stock price, trading activity in Endo's common stock, and the tax basis of U.S. holders of Endo common stock on the closing date. As a result, the U.S. shareholders gain amount cannot be known until after the closing of the merger. In this regard, Endo notes that there has been a substantial increase in Endo's stock price during the period from the signing of the arrangement agreement to the date of this proxy statement/prospectus. The New Endo income amount will depend, in part, on the earnings and profits of Endo U.S. Inc. for the taxable year that includes the closing date (which Endo expects will be 2014). Such earnings and profits, if any, will depend on overall business conditions and the overall tax position of Endo U.S. Inc. for such taxable year and will take into account, among other things, taxable operating income and loss as well as taxable non-operating income and loss (including dispositions outside the ordinary course of business and extra-ordinary items), subject to certain adjustments, and cannot be determined until the end of the year in which the merger is completed. See *Certain Tax Consequences of the Merger and the Arrangement U.S. Federal Income Tax Considerations Certain U.S. Federal Income Tax Consequences of the Merger to Endo Shareholders* beginning on page 106.

Endo expects to receive a written opinion (which opinion is referred to in this proxy statement/prospectus as the reorganization opinion) from Skadden, dated as of the closing date and subject to certain qualifications and limitations set forth therein, to the effect that the merger should qualify as a reorganization within the meaning of Section 368(a) of the Code, and that, while the matter is not certain, if, on the closing date, the New Endo income amount exceeds the U.S. shareholders gain amount (each as defined below under *Certain U.S. Federal Income Tax Considerations U.S. Federal Income Tax Treatment of the Merger Certain U.S. Federal Income Tax Consequences of the Merger to Endo Shareholders Detailed Discussion of the Exception to Section 367(a) of the Code for Certain Outbound Stock Transfers*), no gain or loss should be recognized by Endo shareholders on the Endo share exchange. However, neither the obligation of Endo nor the obligation of New Endo to complete the merger is conditioned upon the receipt of Skadden's reorganization opinion confirming the tax treatment described in this paragraph.

Skadden's reorganization opinion will be based on factual representations (which will be relied upon without independent verification), including that, based upon the opinion of independent, third-party experts and other professional advisors, the promissory note issued by Endo U.S. Inc. to New Endo in connection with the merger will be treated as debt for U.S. federal income tax purposes, and covenants set forth in a certificate from Endo in connection with the Skadden's delivery of the reorganization opinion. Skadden's reorganization opinion will also be based on customary assumptions, including that (i) the merger and all related transactions will be consummated in accordance with the arrangement agreement, this proxy statement/prospectus, and any other relevant documents, (ii) any factual matters, statements, and representations contained in this proxy statement/prospectus and such other documents are true, correct, and complete, and (iii) all relevant parties will continue to comply, in all material respects, with any covenants and agreements contained herein and in such documents.

The ability of Skadden to render the reorganization opinion described above (and the U.S. federal income tax consequences to Endo, New Endo, and Endo shareholders) could be affected by changes in the facts and circumstances or amendments to applicable U.S. federal income tax law that arise after the date hereof. In addition, if any of the assumptions, factual representations, or covenants contained in the certificate from Endo or the supporting documentation is or becomes untrue or incomplete or is not complied with, in all material respects, then, Skadden's reorganization opinion may no longer be valid and the U.S. federal income tax consequences of the merger could differ from those described in the opinion and herein and there could be adverse tax consequences for Endo and its shareholders.

No ruling has been or will be sought from the Internal Revenue Service, which is referenced in this proxy statement/prospectus as the IRS, with respect to the merger, and an opinion of tax counsel is not binding on the IRS or

a court. Moreover, the relevant rules could be modified (possibly with retroactive effect) by legislation,

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newly-issued or amended Treasury regulations or other guidance issued by the IRS. Consequently, there can be no assurance that the Endo share exchange will be subject to non-recognition treatment. Even if Skadden delivers the reorganization opinion described above, there can be no assurance that the IRS will not challenge non-recognition treatment of the Endo share exchange based on its view of the relevant legal issues or facts or that a court would not agree with the IRS in the event of litigation.

Endo shareholders should consult their tax advisors as to the tax treatment of the merger in light of their particular circumstances. If the Endo share exchange is taxable for U.S. federal income tax purposes, a U.S. holder will recognize gain (but not loss) in an amount equal to the excess of the fair market value of the New Endo ordinary shares received by the U.S. holder over the U.S. holder's adjusted tax basis in the Endo common stock exchanged therefor. In such case, the U.S. holder will be subject to U.S. federal income tax without a corresponding receipt of cash. A U.S. holder realizing a loss that it would not be permitted to recognize generally would be permitted to carry over its tax basis in the shares of Endo common stock surrendered to the New Endo ordinary shares received.

Delaware Appraisal Rights (Page 117)

Appraisal rights are statutory rights under Delaware law that enable shareholders who object to certain extraordinary transactions to demand that the corporation pay such shareholders the fair value of their shares instead of receiving the consideration offered to shareholders in connection with the extraordinary transaction. However, appraisal rights are not available in all circumstances. Appraisal rights are not available to Endo shareholders in connection with the merger.

Regulatory Approvals Required (Page 97)

U.S. Regulatory Approvals

Under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, which is referred to in this proxy statement/prospectus as the HSR Act, and the rules and regulations promulgated thereunder by the FTC, the merger cannot be consummated until notifications have been submitted and certain information has been furnished to the Antitrust Division of the U.S. Department of Justice, which we refer to as the Antitrust Division, and the FTC, and specified waiting period requirements have been satisfied.

Endo and Paladin each filed a Pre-Merger Notification and Report Form pursuant to the HSR Act with the Antitrust Division and the FTC on November 27, 2013. On December 17, 2013, the FTC granted early termination of the waiting period, thereby satisfying the requirement for HSR Act approval under the arrangement agreement.

Canadian Regulatory Approvals

Competition Act (Canada)

Part IX of the Competition Act (Canada), as amended, including the regulations promulgated thereunder, which we refer to in this proxy statement/prospectus as the Competition Act (Canada), requires that the parties to certain transactions that exceed the thresholds set out in sections 109 and 110 of the Competition Act (Canada), which are referred to in this proxy statement/prospectus as notifiable transactions, provide the Commissioner of Competition, which person is referred to in this proxy statement/prospectus as the commissioner, with pre-closing notice of the transaction. Subject to certain limited exceptions, the parties to a notifiable transaction cannot complete the transaction until an applicable waiting period has expired or been terminated or an appropriate waiver has been provided by the

commissioner.

In addition or as an alternative to filing the prescribed information, a party to a notifiable transaction may comply with Part IX by applying to the commissioner for: (i) an advance ruling certificate issued by the

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commissioner pursuant to section 102 of the Competition Act (Canada), which is referred to in this proxy statement/prospectus as an advance ruling certificate; or (ii) a no-action letter from the commissioner advising that he does not have grounds, at the time, on which to initiate proceedings before the Competition Tribunal under section 92 of the Competition Act (Canada) to challenge the transactions and seek an order in respect of the transactions which is referred to in this proxy statement/prospectus as a no-action letter, and an exemption from the pre-merger notification obligation under paragraph 113(c) of the Competition Act (Canada).

The transactions contemplated by the arrangement agreement (including the arrangement and the merger) are a notifiable transaction under the Competition Act (Canada), and as such, Endo and Paladin must comply with the Part IX merger notification provisions.

Endo submitted a request for an advance ruling certificate or no-action letter to the commissioner on November 27, 2013. The commissioner issued a no-action letter on December 18, 2013, thereby satisfying the requirement for the Competition Act (Canada) approval under the arrangement agreement.

Investment Canada Act

Under the Investment Canada Act, as amended, including the regulations promulgated thereunder, which we refer to in this proxy statement/prospectus as the Investment Canada Act, certain transactions involving the acquisition of control of a Canadian business by a non-Canadian are subject to review and cannot be implemented unless the Minister of Industry is satisfied that the transaction is likely to be of net benefit to Canada. Such a transaction is referred to in this proxy statement/prospectus as a reviewable transaction. The transactions contemplated by the arrangement agreement constitute a reviewable transaction under the Investment Canada Act.

Pursuant to the arrangement agreement, Investment Canada Act approval will be obtained if New Endo shall have received written evidence from the Minister of Industry that the Minister of Industry is satisfied or deemed to be satisfied that the transactions contemplated by the arrangement agreement are likely to be of net benefit to Canada pursuant to the Investment Canada Act and such approval has not been modified or withdrawn.

Endo filed an application for review with the Investment Review Division of Industry Canada on November 26, 2013 and the initial 45-day review period expired on January 10, 2014. This initial review period was unilaterally extended for an additional 30 days by the Minister of Industry and can only be extended further on consent of the parties beyond that date. Endo and Paladin are cooperating with the Minister of Industry in his review of the application and in connection thereto Endo submitted draft undertakings on December 24, 2013 and revised draft undertakings on January 17, 2014 to the Minister of Industry. As of the date of this proxy statement/prospectus, the Investment Canada Act approval required pursuant to the arrangement agreement has not been obtained and no assurance can be provided that it will be obtained.

South African Competition Act Approval

Chapter 3 of the Competition Act (South Africa), as amended, including the regulations promulgated thereunder, which is referred to in this proxy statement/prospectus as the Competition Act (South Africa), requires that parties to a merger, defined in terms of section 12 of the Competition Act (South Africa), that meet thresholds prescribed for an intermediate merger in terms of section 11 of the Competition Act (South Africa) read with the Government General Notice 216 of 2009, notify the Competition Commission, which is referred to in this proxy statement/prospectus as the South African Competition Commission, of that merger in the prescribed manner and form. In terms of section 13A(3) of the Competition Act (South Africa), parties to an intermediate merger may not implement that merger until it has been approved, with or without conditions, by the South African Competition Commission in terms of section

14(1)(b) of the Competition Act (South Africa). Endo and Paladin meet the thresholds prescribed for an intermediate merger. Endo and Paladin prepared a merger notification in the prescribed manner and form, which was notified to the South African Competition Commission on November 26, 2013. On December 3, 2013, Endo and Paladin received an extension certificate,

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notifying them that the review period under the Competition Act (South Africa) was extended for a period of 40 business days and would expire at 11:59 p.m., Central Africa Time on February 24, 2014. Endo and Paladin are cooperating with the South African Competition Commission in the review of the merger. As of the date of this proxy statement/prospectus, the Competition Act (South Africa) approval required pursuant to the arrangement agreement has not been obtained and no assurance can be provided that it will be obtained.

Listing of New Endo Ordinary Shares on NASDAQ and TSX (Page 117)

It is a mutual condition to the completion of the arrangement that the New Endo ordinary shares be approved for listing on NASDAQ and conditionally approved for listing on TSX. New Endo has applied to list the New Endo ordinary shares to be issued or made issuable pursuant to the arrangement and the merger on NASDAQ and TSX. Listing will be subject to New Endo fulfilling all the listing requirements of NASDAQ and TSX.

Endo common stock and Paladin common shares will be delisted from NASDAQ and TSX, respectively, following the completion of the arrangement.

Conditions to the Completion of the Merger and the Arrangement (Page 136)

As more fully described in this proxy statement/prospectus, the completion of the merger and the arrangement depends upon a number of conditions being satisfied or, to the extent permitted by applicable law, waived, including:

each party's shareholders shall have approved the arrangement at a special meeting of its shareholders;

the Québec court shall have issued (i) the interim order calling the holding of the Paladin special meeting to consider the arrangement, which is referred to in the proxy statement/prospectus as the interim order and (ii) the final order approving the arrangement, in each case on terms acceptable to Paladin and Endo;

NASDAQ shall have approved for listing (subject only to official notice of issuance) and TSX shall have conditionally approved (subject only to customary listing conditions) of the New Endo ordinary shares to be issued in the merger and the arrangement;

all required regulatory approvals shall have been obtained and shall remain in full force and effect and applicable waiting periods shall have expired or been terminated, in each case without the imposition of any restraint that would be material and adverse to Paladin and Endo, taken as a whole;

no governmental authority shall have enacted a law or order that prevents the consummation of the transactions or instituted a proceeding to prohibit consummation of the transactions;

the registration statement of which this proxy statement/prospectus is a part shall be effective, and there shall not be a stop order issued by the SEC suspending the effectiveness of such registration statement or any proceedings initiated for that purpose by the SEC;

the other party has complied in all material respects with its obligations, covenants and agreements in the arrangement agreement to be performed or complied with on or before the closing date;

since the date of the arrangement agreement, no material adverse effect on either Endo or Paladin shall be continuing and there shall not have occurred a result, fact, change, effect, event, circumstance, occurrence or development that would reasonably be expected to have, individually or in the aggregate, a material adverse effect on Endo or Paladin;

as of the date of the arrangement agreement and as of the closing date, the representation and warranty made by the other party relating to the absence of a material adverse effect since December 31, 2012 shall be true and correct in all respects;

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the remaining representations and warranties made by the other party shall be true and correct in all respects as of the date of the arrangement agreement and as of the closing date, except for breaches of representations and warranties which have not had and would not reasonably be expected to have, individually or in the aggregate, a material adverse effect on such other party;

the representations and warranties made by New Endo in the arrangement agreement shall be true and correct in all respects as of the date of the arrangement agreement and as of the closing date; and

each of Endo and Paladin shall have each received a certificate dated the closing date and validly executed by a senior officer of the other to the effect that certain conditions have been satisfied.

In addition, Endo's obligation to complete the transactions is further conditioned upon its receipt of the Section 7874 opinion from Skadden, dated as of the closing date, to the effect that Section 7874 of the Code should not apply in such a manner so as to cause New Endo to be treated as a domestic corporation for U.S. federal income tax purposes from and after the closing date.

Termination of the Arrangement Agreement (Page 139)

Either Endo or Paladin can terminate the arrangement agreement under certain circumstances, which would prevent the merger from being consummated.

Termination Fees; Effect of Termination (Page 140)

Under the arrangement agreement, Paladin will be required to pay Endo a termination fee equal to \$60,000,000, which is referred to in this proxy statement/prospectus as the termination fee, if the arrangement agreement is terminated:

by Paladin to permit Paladin to enter into an agreement that constitutes a superior proposal ; or

(x) (i) by Endo or Paladin if the closing of the transactions does not occur by May 5, 2014, (ii) by Paladin following the failure of Paladin shareholders to approve the arrangement or (iii) by Endo if the Paladin board of directors has changed its recommendation to approve the arrangement or Paladin materially breaches its non-solicitation covenants under the arrangement agreement, if (y) (i) prior to such termination, an acquisition proposal for Paladin shall have been made public and (ii) within nine months following such termination, Paladin or its subsidiaries shall have consummated any transaction in respect to an acquisition proposal for Paladin or entered into an agreement expected to lead to an acquisition proposal for Paladin.

Under the arrangement agreement, Endo will be required to pay Paladin a termination fee equal to \$60,000,000 if the arrangement agreement is terminated:

by Endo to permit Endo to enter into an agreement that constitutes a superior proposal ;

by Paladin if the Endo board of directors has changed its recommendation to approve the merger; or

(x) (i) by Endo or Paladin if the closing of the transactions does not occur by May 5, 2014, (ii) by Endo or Paladin following the failure of Endo shareholders to approve the merger or (iii) by Paladin if Endo materially breaches its non-solicitation covenants under the arrangement agreement, if (y) (i) prior to such termination, an acquisition proposal for Endo shall have been made public and (ii) within nine months following such termination, Endo or its subsidiaries shall have consummated any transaction in respect to an acquisition proposal for Endo or entered into an agreement expected to lead to an acquisition proposal for Endo.

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Voting Agreements (Page 141)

Concurrently with the execution and delivery of the arrangement agreement, Jonathan Ross Goodman and certain other key Paladin shareholders who owned in the aggregate approximately 34% of the outstanding Paladin common shares as of the date of the arrangement agreement entered into voting agreements with Endo.

Jonathan Ross Goodman has agreed to vote (or cause to be voted) all Paladin common shares owned, indirectly or directly, now or in the future, whether beneficially or of record, by him, and certain other key Paladin shareholders, each of whom is party to a voting trust agreement, have agreed that 4527712 Canada Inc., which is referred to in this proxy statement/prospectus as the voting trustee, shall vote (or cause to be voted) all Paladin common shares owned, indirectly or directly, now or in the future, whether beneficially or of record, by such shareholders at any meeting of the shareholders of Paladin, or at any adjournment or postponement thereof, and on every action by written consent taken by the shareholders of Paladin where votes on the arrangement resolution is sought:

in favor of the transactions, including the approval of the arrangement resolution and any actions required in furtherance thereof;

against any acquisition proposal or merger, takeover bid or similar transaction involving Paladin;

against any reorganization, recapitalization, dissolution, liquidation or winding up of Paladin or its subsidiaries; any amendment of Paladin's incorporation documents that would reasonably be regarded as being directed towards or likely to prevent, delay or impede consummation of the transactions; and

against any action that would result in a breach of representation, warranty or covenant of Paladin under the arrangement agreement; or any other action that would reasonably be regarded as being directed towards or likely to prevent, delay or impede the consummation of the transactions.

The voting agreements will terminate upon the earlier of (i) the termination of the arrangement agreement or (ii) the consummation of the transactions. The voting agreements may also be terminated in writing by mutual agreement of the parties prior to the effective time, or by Jonathan Ross Goodman or the voting trustee, as the case may be (i) if the effective date has not occurred by May 5, 2014 (or such later date as agreed to by the parties to the arrangement agreement), (ii) if the arrangement agreement is amended by the parties resulting in a reduction in the purchase price payable per security or (iii) if the volume weighted average price per share of Endo shares is less than 76% of US\$44.4642 during a reference valuation period, which will be the ten trading days ending on the third day prior to the date of the Paladin special meeting (or if such volume weighted average price is not available, as determined by a calculation agent using a reasonable, good faith estimate of such price for such reference valuation period).

Accounting Treatment of the Transactions (Page 101)

Endo will account for the acquisition pursuant to the arrangement agreement and using the acquisition method of accounting in accordance with U.S. generally accepted accounting principles. Endo will be the accounting acquirer. Endo will measure the Paladin assets acquired and Paladin liabilities assumed at their fair values including net tangible and identifiable intangible assets as of the closing of the transaction. Any excess of the purchase price over those fair values will be recorded as goodwill.

Restrictions on Resales (Page 101)

All New Endo ordinary shares received by Endo shareholders in the merger will be freely tradable, except that New Endo ordinary shares received in the merger by persons who become affiliates of New Endo for purposes of Rule 144 under the Securities Act of 1933, as amended, which is referred to in this proxy statement/prospectus as the Securities Act, may be resold by them only in transactions permitted by Rule 144, or as otherwise permitted under the Securities Act.

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Comparison of the Rights of Holders of Endo Common Stock and New Endo Ordinary Shares (Page 277)

As a result of the merger, the holders of Endo common stock will become holders of New Endo ordinary shares and their rights will be governed by Irish law and the memorandum and articles of association of New Endo instead of the Delaware General Corporation Law, which is referred to in this proxy statement/prospectus as the DGCL, and Endo's amended and restated certificate of incorporation and amended and restated bylaws, which are collectively referred to in this proxy statement/prospectus as the Endo charter documents. The form of the New Endo memorandum and articles of association substantially as it will be in effect from and after the closing are attached as *Annex E* to this proxy statement/prospectus. Following the merger, former Endo shareholders will have different rights as New Endo shareholders than they did as Endo shareholders. For a summary of the material differences between the rights of Endo shareholders and New Endo shareholders, see *Description of New Endo Ordinary Shares* beginning on page 263 and *Comparison of the Rights of Holders of Endo Common Stock and New Endo Ordinary Shares* beginning on page 276.

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RISK FACTORS

Endo shareholders should carefully consider the following factors in evaluating whether to vote to adopt the arrangement agreement and the transactions contemplated thereby (including the merger). These factors should be considered in conjunction with the other information included in or incorporated by reference into this proxy statement/prospectus, including the risks discussed in Endo's Annual Report on Form 10-K for the year ended December 31, 2012 and Endo's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2013 under the heading Risk Factors. See Where You Can Find More Information. Unless expressly stated otherwise, all references in this section to we, us, our or similar references refer to New Endo.

For a more detailed discussion of the risk factors that could materially affect the results of operations and the financial condition of Paladin, please refer to Paladin's Annual Information Form, filed on SEDAR at www.sedar.com.

Risks Related to the Transactions

The number of New Endo ordinary shares that Endo shareholders will receive as consideration for the merger will be based on a fixed exchange ratio, which will not be adjusted to reflect changes in the market value of Paladin common shares or Endo common stock prior to consummation of the transactions.

As consideration for the merger, each Endo common share then issued and outstanding will be cancelled and automatically converted into the right to receive one ordinary share of New Endo, pursuant to a fixed exchange ratio. This one-for-one fixed exchange ratio will not adjust upwards to compensate for changes in the price of Endo's common stock or Paladin's common shares prior to the effective time of the transactions. Share price changes may result from a variety of factors, including changes in the business, operations or prospects of Endo or Paladin, market assessments of the likelihood that the transactions will be completed, the timing of the transaction, regulatory considerations, general market and economic conditions and other factors. Shareholders are urged to obtain current market quotations for Endo common stock and Paladin common shares. See *Comparative Per Share Market Price Data and Dividend Information* beginning on page 263 for additional information on the market value of Endo common stock and Paladin common shares.

The cash consideration to be paid to Paladin shareholders may be increased depending on a decline in the market value of Endo common stock.

Although the share consideration to be received by Paladin shareholders will also not be adjusted to reflect changes in the market value of the Endo common stock or Paladin common shares, the cash consideration to be received by Paladin shareholders will be increased if Endo's 10-day volume weighted average price declines during the ten trading day period ending on the third trading day prior to the Paladin special meeting by more than 7% relative to a reference price of US\$44.4642 per share. Full cash compensation (determined on a U.S. dollar basis converted into and paid in Canadian dollars) will be provided by Endo to Paladin shareholders for any share price declines of more than 7% but less than 20% from the reference price. If Endo's share price declines between 20% and 24% from the reference price during the agreed reference period, Endo will provide cash compensation (determined on a U.S. dollar basis converted into and paid in Canadian dollars) for one half of the incremental decline to Paladin shareholders. Declines in Endo's share price beyond 24% from the reference price will not give rise to further cash compensation to Paladin shareholders. The maximum amount potentially payable to Paladin shareholders under this price protection mechanism is US\$233 million.

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Failure to consummate the transactions could negatively impact the stock price and the future business and financial results of Endo.

If the transactions are not consummated, the ongoing business of Endo may be materially and adversely affected and, without realizing any of the benefits of having consummated the transactions, Endo will be subject to a number of risks, including the following:

Endo may be required to reimburse Paladin for certain expenses incurred by Paladin in connection with certain governmental filings or certain lawsuits, as described in the arrangement agreement and summarized under the caption *The Arrangement Agreement Expenses* beginning on page 140;

Endo will be required to pay certain costs relating to the transactions, including legal, accounting, filing and possible other fees and mailing, financial printing and other expenses in connection with the transactions whether or not the transactions are consummated;

the current prices of Endo common stock may reflect a market assumption that the transactions will occur, meaning that a failure to complete the transactions could result in a material decline in the price of Endo common stock;

Endo will be required, upon a termination of the arrangement agreement under certain circumstances, to pay Paladin a termination fee of \$60,000,000, as described in the arrangement agreement and summarized under the caption *The Arrangement Agreement Termination Fees; Effect of Termination* beginning on page 140.

matters relating to the transactions (including integration planning) have required and will continue to require substantial commitments of time and resources by Endo management, which could otherwise have been devoted to other opportunities that may have been beneficial to Endo; and

Endo also could be subject to litigation related to any failure to consummate the transactions or related to any enforcement proceeding commenced against Endo to perform its obligations under the arrangement agreement.

If the transactions are not consummated, these risks may materialize and may materially and adversely affect Endo's business, financial results and stock price.

Endo's and Paladin's respective business relationships, including customer relationships, may be subject to disruption due to uncertainty associated with the transactions.

Parties with which Endo and Paladin currently do business or may do business in the future, including customers and suppliers, may experience uncertainty associated with the transactions, including with respect to current or future business relationships with Endo, Paladin or New Endo. As a result, Endo's and Paladin's business relationships may be subject to disruptions if customers, suppliers and others attempt to negotiate changes in existing business relationships or consider entering into business relationships with parties other than Endo or Paladin. These disruptions could have

a material and adverse effect on the businesses, financial condition, results of operations or prospects of New Endo following the closing. The effect of such disruptions could be exacerbated by a delay in the consummation of the transactions or termination of the arrangement agreement.

Loss of key personnel could impair the integration of the two businesses, lead to loss of customers and a decline in revenues, adversely affect the progress of pipeline products or otherwise adversely affect the operations of Endo, Paladin and New Endo.

The success of New Endo after the completion of the merger and the arrangement will depend, in part, upon its ability to retain key employees, especially during the integration phase of the two businesses. Current and prospective employees of Endo and Paladin might experience uncertainty about their future roles with New Endo following completion of the merger, which might materially and adversely affect Endo's and New Endo's ability

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to retain key managers and other employees. In addition, competition for qualified personnel in the biotechnology industry is very intense. If Endo or Paladin lose key personnel or New Endo is unable to attract, retain and motivate qualified individuals or the associated costs to New Endo increase significantly, Endo's business and New Endo's business could be materially and adversely affected.

Obtaining required approvals necessary to satisfy the conditions to the completion of the transactions may delay or prevent completion of the transactions, result in additional expenditures of money and resources and/or reduce the anticipated benefits of the transactions.

The transactions are subject to closing conditions. These closing conditions include, among others, the receipt of required approvals of Endo and Paladin shareholders, approval of the arrangement by the Québec court, the effectiveness of the registration statement of which this proxy statement/prospectus is a part, the receipt by Endo of a tax opinion rendered by Skadden, the expiration or termination of the waiting period under the HSR Act and receipt of Competition Act and Investment Canada Act approvals in Canada and receipt of Competition Act approval in South Africa.

The governmental agencies from which the parties will seek certain of these approvals have broad discretion in administering the governing regulations. As a condition to their approval, agencies may impose requirements, limitations or costs or require divestitures or place restrictions on the conduct of New Endo's business after the closing. These requirements, limitations, costs, divestitures or restrictions could jeopardize or delay the consummation of the transactions or may reduce the anticipated benefits of the transactions. Further, no assurance can be given that the required shareholder approval will be obtained or that the required closing conditions will be satisfied, and, if all required consents and approvals are obtained and the closing conditions are satisfied, no assurance can be given as to the terms, conditions and timing of the approvals. If Endo and Paladin agree to any material requirements, limitations, costs or restrictions in order to obtain any approvals required to consummate the arrangement and the merger, these requirements, limitations, costs or restrictions could materially and adversely affect the anticipated benefits of the transactions. This could result in a failure to consummate these transactions or have a material adverse effect on New Endo's business and results of operations. See *The Arrangement Agreement Conditions to the Completion of the Merger and the Arrangement* beginning on page 136, for a discussion of the conditions to the completion of the transactions, and *The Merger and the Arrangement Regulatory Approvals Required* beginning on page 97.

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

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

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

In considering the recommendations of the Endo board of directors with respect to the arrangement agreement, you should be aware that certain of Endo's executive officers and all of Endo's directors have financial and other interests in

the transactions in addition to interests they might have as shareholders. See *The Merger and the Arrangement Interests of Certain Persons in the Merger* beginning on page 86. In particular, it is expected that members of the Endo board of directors and executive officers will become directors and

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executive officers of New Endo. You should consider these interests in connection with your vote on the related proposal. See *Shareholder Advisory Vote on Certain Compensatory Arrangements* beginning on page 143.

As a result of the merger and arrangement, New Endo will incur additional direct and indirect costs.

New Endo will incur additional costs and expenses in connection with and as a result of the transactions. These costs and expenses include professional fees to comply with Irish corporate and tax laws, costs and expenses incurred in connection with holding a majority of the meetings of the New Endo board of directors and certain executive management meetings in Ireland, as well as any additional costs New Endo will incur going forward as a result of its new corporate structure. There can be no assurance that these costs will not exceed the costs historically borne by Endo and Paladin.

If goodwill or other intangible assets that New Endo records in connection with the merger become impaired, New Endo could have to take significant charges against earnings.

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

Existing Endo shareholders will own a smaller share of New Endo following completion of the transactions.

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

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

During the period that the arrangement agreement is in effect, other than with the other party's written consent, each of Paladin and Endo are subject to certain restrictions. See *The Arrangement Agreement Additional Agreements* beginning on page 134. For example, without Paladin's written consent, Endo is prohibited from making any acquisition that would be reasonably likely to prevent the transactions from occurring. The foregoing prohibition could have the effect of delaying other strategic transactions and may, in some cases, make it impossible to pursue other strategic transactions that are available only for a limited time.

Endo has entered into voting agreements with certain Paladin shareholders who owned in the aggregate approximately 34% of the outstanding Paladin common shares as of the date of the arrangement agreement, and termination of the voting agreements could result in significantly decreased support for the arrangement.

The voting agreements may be terminated if the effective date has not occurred by May 5, 2014 (or such later date as agreed to by the parties to the arrangement agreement), if the arrangement agreement is amended by the parties

resulting in a reduction in the purchase price payable per security or if the volume weighted average price per share of Endo shares is less than 76% of US\$44.4642 during a reference valuation period, which will be the ten trading days ending on the third trading day prior to the date of the special meeting of Paladin shareholders (or if such volume weighted average price is not available, as determined by a calculation agent using a reasonable, good faith estimate of such price for such reference valuation period).

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Risks Related to the Business of New Endo

The global nature of Paladin's business exposes New Endo to risks associated with adapting to emerging markets and taking advantage of growth opportunities.

The globalization of Paladin's business, including in Mexico and Brazil, and the increased volume of operations and profits through Litha Health Care Group Limited, which is referred to in this proxy statement/prospectus as Litha, may expose New Endo to increased risks. Emerging markets have been identified as one of Paladin's growth platforms and is a key element of Paladin's overall strategy. Any difficulties in adapting to emerging markets and/or a material decline in the anticipated growth rate in any of these regions could impair New Endo's ability to take advantage of these growth opportunities and affect New Endo's business, results of operations or financial condition.

There is no assurance that New Endo's efforts to expand sales in emerging markets or that Paladin's significant investment in South Africa will succeed. The expansion of New Endo's activities in emerging markets may further expose New Endo to more volatile economic conditions, political instability and competition from companies that are already well established in these markets and the inability of New Endo to adequately respond to the unique characteristics of these markets, particularly with respect to their regulatory frameworks, the difficulties in recruiting qualified personnel, potential exchange controls, weaker intellectual property protection, higher crime levels and corruption and fraud, could have a material adverse effect on the business of New Endo.

New Endo's policies and procedures, which are designed to help New Endo, its employees and its agents comply with various laws and regulations regarding corrupt practices and anti-bribery, cannot guarantee protection against liability for actions taken by businesses in which Paladin has historically invested. Failure to comply with domestic or international laws could result in various adverse consequences, including possible delay in the approval or refusal to approve a product, recalls, seizures, withdrawal of an approved product from the market, or the imposition of criminal or civil sanctions, including substantial monetary penalties.

From a financial reporting perspective, differences in banking systems and business cultures could have an adverse effect on the efficiency of internal controls over financial reporting matters. Given the significant learning curve to fully understand the emerging markets' business, operating environment and the quality of controls in place, New Endo may not be able to adequately assess the efficiency of internal controls over financial reporting or the effects of the laws and requirements of the local business jurisdictions.

Many jurisdictions require specific permits or business licenses, particularly if the business is considered foreign. These requirements including, in particular, requirements in South Africa related to the Broad-Based Black Economic Empowerment Strategy, may affect New Endo's ability to carry out its business operations in the emerging markets.

Agreements between branded pharmaceutical companies and generic pharmaceutical companies are facing increased scrutiny in both the U.S. and abroad.

Endo is involved in numerous patent litigations in which generic companies challenge the validity or enforceability of its products' listed patents and/or the applicability of these patents to the generic applicant's products. Likewise, Endo's Qualitest Pharmaceuticals segment is also involved in patent litigations in which it challenges the validity or enforceability of innovator companies' listed patents and/or their applicability to its generic products. Therefore, settling patent litigations has been and is likely to continue to be part of Endo's business. Parties to such settlement agreements in the U.S., including Endo, are required by law to file them with the FTC and the Antitrust Division for review. The FTC has publicly stated that, in its view, some of these settlement agreements violate the antitrust laws and has brought actions against some branded and generic companies that have entered into such agreements.

Accordingly, Endo may receive formal or informal requests from the FTC for information about a particular settlement agreement, and there is a risk that the FTC may commence an action against Endo alleging violation of the antitrust laws. Any adverse outcome of these actions or investigations could have a significant adverse effect on Endo's business, financial condition and results of

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operations. In addition, some members of Congress have proposed legislation that would limit the types of settlement agreements generic manufacturers can enter into with branded companies. In 2013, the U.S. Supreme Court issued an opinion in the *FTC v. Actavis* case, in which it held that patent settlement agreements between a generic and brand company that permit generic entry within the scope of the patent, but also involve payments from the brand company to the generic company are neither presumptively unlawful nor presumptively lawful. Instead, the lawfulness and/or reasonableness of these agreements must be assessed on a case-by-case basis. Because the Supreme Court did not articulate a precise rule of lawfulness for such settlements, there may be extensive litigation over what constitutes a reasonable and lawful patent settlement between a brand and generic company. Recently, Endo was notified of three lawsuits purporting to be class actions brought by third-party payors alleging that its settlement agreement with Actavis regarding the Lidoderm® patent litigation was unlawful and in violation of federal antitrust laws, as well as various state laws. Additional similar suits may be filed in the future. The impact of such pending and future litigation, legislative proposals and potential future Supreme Court review is uncertain and could adversely affect Endo's business, financial condition and results of operations.

Mesh litigation and FDA actions in connection with transvaginal mesh may continue to adversely affect sales of our female incontinence and pelvic floor repair products and the expense or potential liabilities of that litigation may exceed our current insurance coverage.

As previously discussed, there have been FDA actions to continue to advise the public and medical community regarding potential complications associated with transvaginal placement of surgical mesh to treat pelvic organ prolapse, which is referred to in this proxy statement/prospectus as POP, and stress urinary incontinence, which is referred to in this proxy statement/prospectus as SUI. Additionally, AMS and, in certain cases, Endo or certain of its other subsidiaries, have been named as defendants in multiple lawsuits in various federal and state courts alleging personal injury resulting from use of transvaginal surgical mesh products designed to treat POP and SUI. Plaintiffs in these suits allege various personal injuries including chronic pain, incontinence and inability to control bowel function, and permanent deformities. On February 7, 2012, the U.S. Judicial Panel on Multidistrict Litigation issued an order to consolidate and transfer certain of these claims filed against AMS in various federal courts to the Southern District of West Virginia as MDL 2325. Endo may be subject to liabilities arising out of these cases, and is responsible for the cost of managing these cases. Endo intends to contest all of these cases vigorously but will also explore all options as appropriate in the best interests of Endo. However, there can be no assurance that Endo's defense will be successful, and any defense may result in significant expense and divert management's attention from Endo's business. Endo believes it is reasonably possible that the outcomes of such cases could result in losses in excess of insurance reimbursement levels that could have a material adverse effect on Endo's business, financial condition, results of operations and cash flows.

Endo believes that the significant increase in the number of lawsuits filed against AMS and/or Endo concerning transvaginal mesh devices may have contributed to recent declines in Endo's AMS segment's women's health revenue. This litigation and any additional action on the part of the FDA may negatively affect revenue in our AMS segment's women's health line in the future. Endo cannot predict the extent to which these developments could result in future decreases in the number of surgical procedures using surgical mesh. Future decreases in the number of surgical procedures using surgical mesh may adversely affect sales of Endo's female incontinence and pelvic floor repair products.

In addition, Endo has been contacted regarding a civil investigation that has been initiated by a number of state attorneys general into mesh products, including transvaginal surgical mesh products designed to treat POP and SUI. On November 19, 2013, AMS and Endo received a subpoena from the California Attorney General's Office relating to this civil investigation. Subsequently, AMS and Endo have received additional subpoenas from other states, also related to this same civil investigation. Endo cannot predict or determine the outcome of this investigation or

reasonably estimate the amount or range of amounts of fines or penalties, if any, that might result from a settlement or an adverse outcome from this investigation.

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The combination of the businesses currently conducted by Endo and Paladin will create numerous risks and uncertainties, which could adversely affect New Endo's operating results or prevent New Endo from realizing the expected benefits of the merger and the arrangement.

Strategic transactions like the merger and the arrangement create numerous uncertainties and risks and require significant efforts and expenditures. Endo will transition from a standalone public Delaware corporation to being part of a combined company incorporated in Ireland. This combination will entail many changes, including the integration of Paladin and its personnel with those of Endo, and changes in systems. These transition activities are complex, and New Endo may encounter unexpected difficulties or incur unexpected costs, including:

the diversion of New Endo management's attention to integration of operations and the establishment of corporate and administrative infrastructures;

difficulties in achieving anticipated business opportunities and growth prospects from combining the business of Paladin with that of Endo;

difficulties in the integration of operations and systems;

difficulties in the assimilation of employees and corporate cultures;

challenges in keeping existing customers and obtaining new customers; and

challenges in attracting and retaining key personnel.

If any of these factors impairs New Endo's ability to integrate the operations of Endo with those of Paladin successfully or on a timely basis, New Endo may not be able to realize the anticipated synergies, business opportunities and growth prospects from combining the businesses. In addition, New Endo may be required to spend additional time or money on integration that otherwise would be spent on the development and expansion of its business.

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

The IRS may not agree with the conclusion that New Endo should be treated as a foreign corporation for U.S. federal income tax purposes following the transaction.

Although New Endo will be incorporated in Ireland, the IRS may assert that it should be treated as a U.S. corporation (and, therefore, a U.S. tax resident) for U.S. federal income tax purposes pursuant to Section 7874 of the Code. A corporation is generally considered a tax resident in the jurisdiction of its organization or incorporation for U.S.

federal income tax purposes. Because New Endo is an Irish incorporated entity, it would generally be classified as a foreign corporation (and, therefore, a non-U.S. tax resident) under these rules. Section 7874 provides an exception pursuant to which a foreign incorporated entity may, in certain circumstances, be treated as a U.S. corporation for U.S. federal income tax purposes.

Under Section 7874, New Endo would be treated as a foreign corporation for U.S. federal income tax purposes if the former shareholders of Endo own (within the meaning of Section 7874) less than 80% (by both vote and value) of New Endo stock by reason of holding shares in Endo (the ownership test). The Endo shareholders are expected to own less than 80% (by both vote and value) of the shares in New Endo after the merger by reason of their ownership of shares of Endo common stock. As a result, under current law, New Endo is expected to be treated as a foreign corporation for U.S. federal income tax purposes. However, there can be no assurance that there will not exist in the future a subsequent change in the facts or in law which might cause New Endo to be treated as a domestic corporation for U.S. federal income tax purposes, including with retroactive effect.

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Further, there can be no assurance that the IRS will agree with the position that the ownership test is satisfied. There is limited guidance regarding the application of Section 7874 of the Code, including with respect to the provisions regarding the application of the ownership test. Endo's obligation to complete the transactions is conditional upon its receipt of the Section 7874 opinion from Skadden, dated as of the closing date and subject to certain qualifications and limitations set forth therein, to the effect that Section 7874 of the Code and the regulations promulgated thereunder should not apply in such a manner so as to cause New Endo to be treated as a U.S. corporation for U.S. federal income tax purposes from and after the closing date. However, an opinion of tax counsel is not binding on the IRS or a court. Therefore, there can be no assurance that the IRS will not take a position contrary to Skadden's Section 7874 opinion or that a court will not agree with the IRS in the event of litigation.

See *Certain Tax Consequences of the Merger and the Arrangement U.S. Federal Income Tax Considerations Tax Residence of New Endo for U.S. Federal Income Tax Purposes* beginning on page 105 of this proxy statement/prospectus for a more detailed discussion of the application of Section 7874 of the Code to the transaction.

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

Following the acquisition of a U.S. corporation by a foreign corporation, Section 7874 of the Code may limit the ability of the acquired U.S. corporation and its U.S. affiliates to utilize certain U.S. tax attributes such as net operating losses to offset U.S. taxable income resulting from certain transactions as more fully described in *Certain Tax Consequences of the Merger and the Arrangement U.S. Federal Income Tax Considerations Tax Residence of New Endo for U.S. Federal Income Tax Purposes* and *Potential Limitation on the Utilization of Endo's (and Its U.S. Affiliates') Tax Attributes* beginning on page 106 of this proxy statement/prospectus. Based on the limited guidance available, Endo currently expects that following the transaction, this limitation will apply and as a result, Endo currently does not expect that it or its U.S. affiliates will be able to utilize certain U.S. tax attributes to offset U.S. taxable income, if any, resulting from certain specified taxable transactions. See *Certain Tax Consequences of the Merger and the Arrangement Certain U.S. Federal Income Tax Considerations Tax Residence of New Endo for U.S. Federal Income Tax Purpose* and *Potential Limitation on the Utilization of Endo's (and its U.S. Affiliates') Tax Attributes* beginning on page 106 of this proxy statement/prospectus.

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

Under current law, New Endo is expected to be treated as a foreign corporation for U.S. federal income tax purposes. However, changes to the rules in Section 7874 of the Code or regulations promulgated thereunder or other guidance issued by the Treasury or the IRS, could adversely affect New Endo's status as a foreign corporation for U.S. federal income tax purposes, and any such changes could have prospective or retroactive application to New Endo, Endo, their respective shareholders and affiliates, and/or the transaction. In addition, recent legislative proposals would expand the scope of U.S. corporate tax residence, and such legislation, if enacted, could have a material and adverse effect on New Endo.

In addition, the U.S. Congress, the Organization for Economic Co-operation and Development, and other Government agencies in jurisdictions where New Endo and its affiliates do business have had an extended focus on issues related to the taxation of multinational corporations and there are several current legislative proposals that, if enacted, would substantially change the U.S. federal income tax system as it relates to the taxation of multinational corporations. One example is in the area of base erosion and profit shifting, where payments are made between affiliates from a jurisdiction with high tax rates to a jurisdiction with lower tax rates. As a result, the tax laws in the U.S. and other countries in which New Endo and its affiliates do business could change on a prospective or retroactive basis, and any

such changes could materially and adversely affect New Endo.

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

For U.S. federal income tax purposes, the merger is intended to qualify as a non-taxable reorganization in which (i) Merger Sub will merge with and into Endo with Endo as the surviving corporation in the merger, and (ii) Endo shareholders will exchange their Endo common stock for New Endo ordinary shares received from both New Endo and Endo U.S. Inc. in the Endo share exchange. Under current U.S. federal income tax law, it is uncertain whether U.S. shareholders of Endo will be required to recognize gain or loss on the Endo share exchange. There is risk that U.S. holders (as defined below under *U.S. Federal Income Tax Considerations Scope of Discussion*) of Endo common stock will be required to recognize gain (but not loss) on the Endo share exchange because non-recognition treatment depends on the application of new and complex provisions of U.S. federal income tax law as well as certain facts that are subject to change and that could be affected by actions taken by Endo and other events beyond Endo's control. More specifically, U.S. holders of Endo common stock will be required to recognize gain on the Endo share exchange if the U.S. shareholders gain amount (as defined below under *U.S. Federal Income Tax Considerations*) exceeds the New Endo income amount (as defined below under *U.S. Federal Income Tax Considerations*). The U.S. shareholders gain amount has been and will continue to be affected by changes in Endo's stock price, trading activity in Endo's common stock, and the tax basis of U.S. holders of Endo common stock on the closing date. As a result, the U.S. shareholders gain amount cannot be known until after the closing of the merger. In this regard, Endo notes that there has been a substantial increase in Endo's stock price during the period from the signing of the arrangement agreement to the date of this proxy statement/prospectus. The New Endo income amount will depend, in part, on the earnings and profits of Endo U.S. Inc. for the taxable year that includes the closing date (which Endo expects will be 2014). Such earnings and profits, if any, will depend on overall business conditions and the overall tax position of Endo U.S. Inc. for such taxable year and will take into account, among other things, taxable operating income and loss as well as taxable non-operating income and loss (including dispositions outside the ordinary course of business and extra-ordinary items), subject to certain adjustments, and cannot be determined until the end of the year in which the merger is completed. See *Certain Tax Consequences of the Merger and the Arrangement Certain U.S. Federal Income Tax Considerations U.S. Federal Income Tax Treatment of the Merger Certain U.S. Federal Income Tax Consequences of the Merger to Endo Shareholders* beginning on page 106 of this proxy statement/prospectus.

New Endo may be subject to U.S. federal withholding tax as a result of Endo U.S. Inc.'s subscription for New Endo ordinary shares in exchange for its promissory note.

If the merger qualifies as a reorganization under Section 368(a) of the Code and Section 367(a) of the Code does not apply (see *Certain Tax Consequences of the Merger and the Arrangement Certain U.S. Federal Income Tax Considerations U.S. Federal Income Tax Treatment of the Merger*) then, as described below under *Certain Tax Consequences of the Merger and the Arrangement Certain U.S. Federal Income Tax Considerations U.S. Federal Income Tax Treatment of the Merger Certain U.S. Federal Income Tax Consequences of the Merger to Endo Shareholders Detailed Discussion of the Exception to Section 367(a) of the Code for Certain Outbound Stock Transfers*, New Endo should be treated for U.S. tax purposes as receiving a distribution from Endo U.S. Inc. immediately prior to the merger. The deemed distribution for U.S. tax purposes will be treated as a taxable dividend to the extent of Endo U.S. Inc.'s current and accumulated earnings and profits for the year of the deemed distribution and such dividend will be subject to U.S. withholding tax (at a rate of 5%) in accordance with the Convention between Ireland and the United States of America with Respect to Taxes on Income and Capital Gains, signed July 28, 1997, as amended, which is referenced in this proxy statement/prospectus as the Ireland-U.S. Tax Treaty. The amount of Endo U.S. Inc.'s current and accumulated earnings and profits for the year of the deemed distribution is uncertain, but could be substantial. See *Certain Tax Consequences of the Merger and the Arrangement Certain U.S. Federal Income Tax Considerations U.S. Federal Income Tax Treatment of the Merger U.S. Federal Withholding Tax Consequences of the Merger to New Endo* beginning on page 110 of this proxy statement/prospectus.

Notwithstanding the foregoing, if it is determined that Section 367(a) of the Code does apply, the deemed distribution and U.S. withholding tax rules would not apply. See *Certain Tax Consequences of the Merger and*

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the Arrangement Certain U.S. Federal Income Tax Considerations U.S. Federal Income Tax Considerations beginning on page 105 of this proxy statement/prospectus.

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

Paladin is currently not subject to the information and reporting requirements of the Exchange Act and other federal securities laws, and the compliance obligations of the Sarbanes-Oxley Act of 2002. Subsequent to the completion of the transactions, New Endo will need to timely and effectively implement the internal controls necessary to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, which requires annual management assessments of the effectiveness of internal controls over financial reporting and a report by our independent registered public accounting firm addressing these assessments. New Endo intends to take appropriate measures to establish or implement an internal control environment at Paladin aimed at successfully adopting the requirements of Section 404 of the Sarbanes-Oxley Act of 2002. However, it is possible that New Endo may experience delays in implementing or be unable to implement the required internal financial reporting controls and procedures, which could result in enforcement actions, the assessment of penalties and civil suits, failure to meet reporting obligations and other material and adverse events that could have a negative effect on the market price for New Endo ordinary shares.

Risks Related to the Financial Condition of New Endo

Growing the business of New Endo will require the commitment of substantial resources, which could result in future losses or otherwise limit the opportunities of New Endo.

Growing the New Endo business over the longer-term will require us to commit substantial resources towards in-licensing and/or acquiring new products and product candidates, or towards costly and time-consuming product development and clinical trials of New Endo product candidates. It will also require continued investment in the commercial operations of New Endo. New Endo's future capital requirements will depend on many factors, including many of those discussed above, such as:

the revenues from New Endo commercial products and the costs of New Endo's commercial operations;

the extent of generic competition for New Endo products;

the cost of acquiring and/or licensing new products and product candidates;

the scope, rate of progress, results and costs of New Endo's development and clinical activities;

the cost and timing of obtaining regulatory approvals and of compliance with laws and regulations;

the cost of preparing, filing, prosecuting, defending and enforcing patent claims and other intellectual property rights;

the cost of investigations, litigation and/or settlements related to regulatory activities and third-party claims; and

changes in laws and regulations, including, for example, healthcare reform legislation.

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

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

New Endo will be incorporated in Ireland and will maintain subsidiaries in the United States, Canada and South Africa. Taxing authorities, such as the IRS, actively audit and otherwise challenge these types of arrangements, and have done so in the pharmaceutical industry. The IRS may challenge the New Endo structure and transfer pricing arrangements through an audit or lawsuit. Responding to or defending such a challenge could be expensive and consume time and other resources, and divert management's time and focus from operating the New Endo business. New Endo cannot predict whether taxing authorities will conduct an audit or file a lawsuit challenging this structure, the cost involved in responding to any such audit or lawsuit, or the outcome. If New Endo is unsuccessful, it may be required to pay taxes for prior periods, interest, fines or penalties, and may be obligated to pay increased taxes in the future, any of which could require New Endo to reduce its operating expenses, decrease efforts in support of its products or seek to raise additional funds, all of which could have a material adverse effect on the New Endo business, financial condition, results of operations and growth prospects.

New Endo's actual financial positions and results of operations may differ materially from the unaudited pro forma financial data included in this proxy statement/prospectus.

The pro forma financial information contained in this proxy statement/prospectus is presented for illustrative purposes only and may not be an indication of what New Endo's financial position or results of operations would have been had the transactions been completed on the dates indicated. The pro forma financial information has been derived from the audited and unaudited historical financial statements of Endo and Paladin and certain adjustments and assumptions have been made regarding the combined company after giving effect to the transaction. The assets and liabilities of Paladin have been measured at fair value based on various preliminary estimates using assumptions that Endo management believes are reasonable utilizing information currently available. The process for estimating the fair value of acquired assets and assumed liabilities requires the use of judgment in determining the appropriate assumptions and estimates. Differences between preliminary estimates in the pro forma financial information and the final acquisition accounting will occur and could have a material impact on the pro forma financial information and the combined company's financial position and future results of operations.

In addition, the assumptions used in preparing the pro forma financial information may not prove to be accurate, and other factors may affect New Endo's financial condition or results of operations following the closing. Any potential decline in New Endo's financial condition or results of operations may cause significant variations in the share price of New Endo. See *Unaudited Pro Forma Condensed Combined Financial Information* beginning on page 235.

Risks Related to the New Endo Ordinary Shares

The market price of New Endo ordinary shares may be volatile, and the value of your investment could materially decline.

Investors who hold New Endo ordinary shares may not be able to sell their shares at or above the price at which they purchased the Endo common stock. The prices of Endo and Paladin common shares have fluctuated materially from time to time, and New Endo cannot predict the price of its ordinary shares. The risk factors described above could cause the price of New Endo ordinary shares to fluctuate materially. In addition, the stock market in general, including the market for specialty pharmaceutical companies, has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of those companies. These broad market and industry factors may materially harm the market price of New Endo ordinary shares, regardless of New Endo's operating performance. In addition, the New Endo stock price may be dependent upon the valuations and

recommendations of the analysts who cover the New Endo business, and if its results do not meet the analysts forecasts and expectations, New Endo's stock price could decline as a result of analysts lowering their valuations and recommendations or otherwise. In the past, following periods of volatility in the market, securities class-action

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litigation has often been instituted against companies. Such litigation, if instituted against New Endo, could result in substantial costs and diversion of management's attention and resources, which could materially and adversely affect New Endo's business, financial condition, results of operations and growth prospects.

Future sales of New Endo ordinary shares in the public market could cause volatility in the price of New Endo ordinary shares or cause the share price to fall.

Sales of a substantial number of New Endo ordinary shares in the public market, or the perception that these sales might occur, could depress the market price of New Endo ordinary shares, and could impair New Endo's ability to raise capital through the sale of additional equity securities. Subject to the terms of the voting agreements, the key Paladin shareholders may enter into sale, hedging or other transactions with respect to the New Endo shares that they will receive as consideration in the arrangement.

The New Endo ordinary shares to be received by Endo shareholders in connection with the merger will have different rights from the Endo common stock.

Upon consummation of the merger, Endo shareholders will become New Endo shareholders and their rights as shareholders will be governed by New Endo's memorandum and articles of association and Irish law. The rights associated with Endo common stock are different from the rights associated with New Endo ordinary shares. See *Comparison of the Rights of Holders of Endo Common Stock and New Endo Ordinary Shares* beginning on page 277.

New Endo will not have sufficient distributable reserves to pay dividends or repurchase or redeem shares following the merger and the arrangement even if considered appropriate by the New Endo board of directors unless it is permitted by the Irish High Court to create distributable reserves. This is because, under Irish law, dividends may only be paid, and share purchases and redemptions must generally be funded out of, distributable reserves. New Endo can provide no assurance that Irish High Court approval of the creation of distributable reserves will be forthcoming.

If New Endo proposes to pay dividends or to repurchase or redeem shares in the future, it may be unable to do so under Irish law. Under Irish law, dividends may only be paid, and share repurchases and redemptions must generally be funded only out of, distributable reserves. New Endo will not have distributable reserves immediately following the closing even if the proposals to approve the creation of distributable reserves of New Endo, are approved by the Endo and Paladin shareholders. The creation of distributable reserves requires the approval of the Irish High Court which New Endo plans to seek following completion of the merger. New Endo is not aware of any reason why the Irish High Court would not approve the creation of distributable reserves; however, the issuance of the required order is a matter for the discretion of the Irish High Court and there is no guarantee that such approval will be forthcoming. Even if the Irish High Court does approve the creation of distributable reserves, it may take substantially longer than the parties anticipate.

New Endo does not expect to pay dividends for the foreseeable future, and you must rely on increases in the trading prices of the New Endo ordinary shares for returns on your investment.

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

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After the completion of the merger, attempted takeovers of New Endo will be subject to Irish Takeover Rules and subject to review by the Irish Takeover Panel.

Delaware's anti-takeover statutes and laws regarding directors' fiduciary duties give the boards of directors broad latitude to defend against unwanted takeover proposals. Following the closing, New Endo will become subject to Irish Takeover Rules, as discussed in greater detail under *Description of New Endo Ordinary Shares Anti-Takeover Provisions*, under which the New Endo board of directors will not be permitted to take any action which might frustrate an offer for New Endo ordinary shares once it has received an approach which may lead to an offer or has reason to believe an offer is imminent. Further, it could be more difficult for New Endo to obtain shareholder approval for a merger or negotiated transaction after the closing of the business combination because the shareholder approval requirements for certain types of transactions differ, and in some cases are greater, under Irish law than under Delaware law. See *Description of New Endo Ordinary Shares* beginning on page 263.

Following the completion of the merger, a future transfer of New Endo ordinary shares may be subject to Irish stamp duty.

Transfers of New Endo ordinary shares could be subject to Irish stamp duty. However, transfers of New Endo ordinary shares effected by means of the transfer of book entry interests in DTC will not be subject to Irish stamp duty.

A submission was made to the Irish Revenue Commissioners seeking confirmation in relation to the operation of stamp duty in respect of the transfer of book entry interests in Clearing and Depository Services Inc. which is referred to in this proxy statement/prospectus as CDS. This confirmation has been obtained and confirms that transfers of New Endo ordinary shares effected by means of the transfer of book entry interests in CDS will not be subject to Irish stamp duty.

It is anticipated that the majority of New Endo ordinary shares will be traded through DTC and/or CDS by brokers who hold such shares on behalf of customers.

If you hold your New Endo ordinary shares directly (i.e. you are a registered shareholder), any transfer of your New Endo ordinary shares could be subject to Irish stamp duty (currently at the rate of 1% of the higher of the price paid or the market value of the shares acquired). Payment of Irish stamp duty is generally a legal obligation of the transferee.

The imposition of stamp duty could adversely affect the price of your shares.

See *Certain Tax Consequences of the Merger and the Arrangement Irish Tax Considerations Stamp Duty* beginning on page 113.

Dividends paid by New Endo may be subject to Irish dividend withholding tax.

In certain limited circumstances, dividend withholding tax (currently at a rate of 20%) may arise in respect of dividends paid on New Endo ordinary shares. A number of exemptions from dividend withholding tax exist, such that shareholders resident in European Union member states (other than Ireland) or other countries with which Ireland has signed a double tax treaty, which would include the U.S. or Canada, should generally be entitled to exemptions from dividend withholding tax provided that the appropriate documentation is in place. See *Certain Tax Consequences of the Merger and the Arrangement Irish Tax Considerations Withholding Tax on Dividends* beginning on page 114 and, in particular, please note the requirement to complete certain dividend withholding tax forms in order to qualify for many of the exemptions.

It is expected that shareholders resident in the U.S. who hold their shares through DTC may not be subject to dividend withholding tax if the addresses of the beneficial owners of such shares in the records of the brokers holding such shares are recorded as being in the U.S. (and such brokers have further transmitted the relevant information to a qualifying intermediary appointed by New Endo).

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However, other shareholders may be subject to dividend withholding tax, which could adversely affect the price of your shares. See *Certain Tax Consequences of the Merger and the Arrangement Irish Tax Considerations Withholding Tax on Dividends* beginning on page 114.

After the transaction, dividends received by Irish residents and certain other shareholders may be subject to Irish income tax.

Shareholders entitled to an exemption from Irish dividend withholding tax on dividends received from New Endo will not be subject to Irish income tax in respect of those dividends, unless they have some connection with Ireland other than their shareholding in New Endo (for example, they are resident in Ireland). Shareholders who receive dividends subject to Irish dividend withholding tax will generally have no further liability to Irish income tax on those dividends. See *Certain Tax Consequences of the Merger and the Arrangement Irish Tax Considerations Income Tax on Dividends Paid on New Endo Ordinary Shares* beginning on page 116.

Risks Related to the Tax Consequences of the Merger and Arrangement

Certain Irish Tax Consequences of the Merger and Arrangement

No Irish tax should arise for Endo shareholders or Paladin shareholders pursuant to the merger and the arrangement, unless such shareholders are resident or ordinarily resident in Ireland or hold such shares in connection with a trade carried on in Ireland through an Irish branch or agency. See *Certain Tax Consequences of the Merger and the Arrangement Irish Tax Considerations* beginning on page 112 for a more detailed description of the Irish tax consequences of the transactions.

It is recommended that each shareholder or shareholder consult his or her own tax advisor as to the tax consequences of holding shares in and receiving dividends from New Endo.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This proxy statement/prospectus and the documents incorporated in this proxy statement/prospectus by reference contain certain forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 with respect to the respective financial conditions, results of operations, financial projections and businesses of Endo, Paladin and New Endo, and the expected impact of the proposed merger and arrangement on New Endo and its business. Statements including words such as pro forma, anticipates, expects, intends, plans, predicts, believes, seeks, estimates, could, would, will, may, can, continue, forward, guidance, and the negative of these terms or other comparable or similar terminology or expressions often identify forward-looking statements. Statements included or incorporated in this proxy statement/prospectus that are not historical facts are hereby identified as forward-looking statements for the purpose of the safe harbor provided by section 27A of the Securities Act and section 21E of the Exchange Act and forward-looking information within the meaning defined under applicable Canadian securities legislation (collectively, forward-looking statements).

These forward-looking statements may include, without limitation, statements regarding the completion of the transactions, expected synergies and other benefits, including tax, financial and strategic benefits, to New Endo and the respective shareholders of Endo and Paladin of the transactions, the expected tax consequences to holders of Endo common stock and New Endo ordinary shares and the expected accounting treatment for the transactions and other statements that are not historical facts.

Although each of Endo and Paladin believes its forward-looking statements are reasonable, they are subject to important risks and uncertainties. Those include, without limitation, the failure to receive, on a timely basis or otherwise, the required approvals by Endo and Paladin shareholders, the Québec court and applicable government and regulatory authorities, the terms of those approvals, the risk that a condition to closing contemplated by the arrangement agreement may not be satisfied or waived, the inability to realize expected synergies or cost savings or difficulties related to the integration of Endo and Paladin operations, the ability of New Endo to retain and hire key personnel and maintain relationships with customers, suppliers or other business partners, or other adverse events, changes in applicable laws or regulations, competition from other pharmaceutical companies, and other risks disclosed in Endo's and Paladin's public filings, any or all of which could cause actual results to differ materially from future results expressed, projected or implied by the forward-looking statements. The forward-looking statements in this proxy statement/prospectus are qualified by these risk factors. As a result of these risks and uncertainties, the transactions could be modified, restructured or not be completed, and actual results and events may differ materially from the results and events contemplated in these forward-looking statements and from historical results. You are cautioned not to put undue reliance on any forward-looking statements, which speak only as of the date of this proxy statement/prospectus or the date of any document incorporated by reference. You should carefully read this proxy statement/prospectus together with the information incorporated herein by reference as described under the heading **Where You Can Find More Information**. completely and with the understanding that actual future results may be materially different from those that are expected by Endo and Paladin. Except as otherwise required by law, none of Endo, Paladin or New Endo undertakes any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, or to comment on expectations of, or statements made by the other party or third parties in respect of the transactions. These forward-looking statements are not guarantees of future performance, given that they involve risks and uncertainties. You should not assume that any lack of update to previously issued forward-looking statement constitutes a reaffirmation of that statement. Continued reliance on forward-looking statements is at your own risk.

Additional information about these and other risks and uncertainties and about the material factors or assumptions underlying such forward-looking statements may be found in this proxy statement/prospectus under the sections captioned **Risk Factors**, as well as under the section entitled **Risk Factors** in Endo's Form 10-K, Form 10-Q and Form

8-K filings with the SEC and the section entitled "Risks Related to Paladin Labs Business" in Paladin's annual information form for the year ended December 31, 2012 filed on SEDAR at www.sedar.com and the sections in Paladin's management's discussion and analysis entitled "Concentration of Credit Risk and Major Customers," "Liquidity Risk," "Foreign Exchange Risk," "Interest Rate Risk," and "Equity Price Risk" beginning on page 181.

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QUESTIONS AND ANSWERS ABOUT THE ENDO

SPECIAL MEETING OF SHAREHOLDERS AND VOTING

Q: How do I attend the special meeting?

A: You are invited to attend the special meeting to vote on the proposals described in this proxy statement/prospectus. The special meeting will be held on February 26, 2014, at 10:00 a.m. local time, at 1400 Atwater Drive, Malvern, PA 19355. Directions to the special meeting may be found at www.endo.com, in the section titled "About Us" under the subsection titled "Locations." Information on how to vote in person at the special meeting is discussed below. However, you do not need to attend the special meeting to vote your shares.

Q: Who can vote at the special meeting?

A: Only Endo shareholders of record at the close of business on January 22, 2014 will be entitled to vote at the special meeting. On this record date, there were 115,487,596 shares of Endo common stock outstanding and entitled to vote. Each share of Endo common stock is entitled to one vote on each matter to be voted on at the special meeting. Your proxy indicates the number of votes you have.

Shareholders of Record: Shares Registered in Your Name

If on January 22, 2014 your shares were registered directly in your name with Endo's transfer agent, American Stock Transfer & Trust Company, then you are a shareholder of record. As a shareholder of record, you may vote in person at the special meeting or vote by proxy. Whether or not you plan to attend the special meeting, Endo urges you to vote by proxy over the telephone or on the Internet as instructed below, or fill out and return an Endo proxy card.

Beneficial Owner: Shares Registered in the Name of a Broker or Bank

If on January 22, 2014 your shares were held not in your name, but rather in an account at a brokerage firm, bank, dealer, or other similar organization, then you are the beneficial owner of shares held in "street name" and this proxy statement/prospectus is being sent to you by that organization. The organization holding your account is considered to be the shareholder of record for purposes of voting at the special meeting. As a beneficial owner, you have the right to direct your broker or other agent regarding how to vote the shares in your account by following the instructions that the broker, bank or other nominee provides you along with this proxy statement/prospectus. You are also invited to attend the special meeting. However, since you are not the shareholder of record, you may not vote your shares in person at the special meeting unless you request and obtain a valid proxy from your broker or other agent.

Q: What am I voting on?

A: There are four matters scheduled for a vote at the special meeting:

Proposal to adopt the arrangement agreement and transactions contemplated thereby (including the merger) (Proposal 1);

Proposal to approve, on a non-binding advisory basis, certain compensatory arrangements between Endo and its named executive officers relating to the merger contemplated by the arrangement agreement (Proposal 2);

Proposal to approve the creation of distributable reserves, which are required under Irish law in order for New Endo to make distributions and pay dividends and to purchase or redeem shares in the future by reducing some or all of the share premium of New Endo (Proposal 3); and

Proposal to approve the adjournment of the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes at the time of the special meeting to adopt the arrangement agreement and transactions contemplated thereby (including the merger) (Proposal 4).

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Q: What are the voting recommendations of the Endo board of directors?

A: After careful consideration, the Endo board of directors has approved and declared advisable the arrangement agreement and transactions contemplated thereby (including the merger), and has determined that the arrangement agreement and the merger are fair to and in the best interests of Endo and its shareholders. The Endo board of directors recommends that you vote your shares:

FOR the adoption of the arrangement agreement and approval of the merger (Proposal 1);

FOR approval, on an advisory basis, of certain compensatory arrangements between Endo and its named executive officers relating to the merger contemplated by the arrangement agreement (Proposal 2);

FOR approval of the creation of distributable reserves, which are required under Irish law in order for New Endo to make distributions and pay dividends and to purchase or redeem shares in the future by reducing some or all of the share premium of New Endo (Proposal 3); and

FOR adjournment of the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes at the time of the special meeting to adopt the arrangement agreement and transactions contemplated thereby (including the merger) (Proposal 4).

In considering the recommendation of the board of directors of Endo, you should be aware that certain executive officers and all of the directors of Endo will have interests in the transactions that may be different from, or in addition to, the interests of Endo's shareholders generally. See *The Merger and the Arrangement Interests of Certain Persons in the Merger* beginning on page 86.

Q: What if another matter is properly brought before the special meeting?

A: The Endo board of directors knows of no other matters that will be presented for consideration at the special meeting. If any other matters are properly brought before the Endo special meeting, it is the intention of the persons named in the accompanying proxy to vote on those matters in accordance with their best judgment.

Q: How do I vote?

A: For each of the proposals, you may vote FOR or Against, or you may abstain from voting.
Shareholders of Record: Shares Registered in Your Name

If you are a shareholder of record, you may vote in person at the special meeting, you may vote by proxy using the enclosed Endo proxy card, or you may vote by proxy over the telephone or on the Internet as instructed below. Whether or not you plan to attend the special meeting, Endo urges you to vote by proxy to ensure your vote is

counted. You may still attend the special meeting and vote in person even if you have already voted by proxy.

To vote in person, come to the special meeting and we will give you a ballot when you arrive.

To vote using a Endo proxy card, simply complete, sign and date the enclosed Endo proxy card and return it promptly in the envelope provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717. If you return your signed Endo proxy card to Endo before the special meeting, the proxy holders will vote your shares as you direct.

To vote by telephone, dial toll-free 1-800-690-6903 within the U.S., U.S. territories and Canada using a touch-tone phone and follow the recorded instructions. You will be asked to provide the company number and control number from the enclosed Endo proxy card. Your vote must be received by 11:59 p.m. Eastern Time, on February 25, 2014 to be counted.

To vote through the Internet, go to www.proxyvote.com to complete an electronic Endo proxy card. You will be asked to provide the company number and control number from the enclosed Endo proxy card. Your vote must be received by 11:59 p.m. Eastern Time, on February 25, 2014 to be counted.

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Beneficial Owner: Shares Registered in the Name of Broker or Bank

If you are a beneficial owner of shares registered in the name of your broker, bank, or other agent, you should have received a proxy statement/prospectus along with voting instructions from that organization rather than from Endo. Simply follow the voting instructions provided by your broker, bank, or other agent to ensure that your vote is counted. Alternatively, you may vote by telephone or over the Internet as instructed by your broker or bank. To vote in person at the special meeting, you must obtain a valid proxy from your broker, bank, or other agent. Follow the voting instructions provided by your broker, bank, or other agent and included with this proxy statement/prospectus, or contact your broker or bank to request a proxy form.

Endo provides Internet proxy voting to allow you to vote your shares online, with procedures designed to ensure the authenticity and correctness of your proxy vote instructions. However, please be aware that you must bear any costs associated with your Internet access, such as usage charges from Internet access providers and telephone companies.

Q: How many votes do I have?

A: On each matter to be voted upon, you have one vote for each share of Endo common stock you own as of January 22, 2014. Your proxy indicates the number of votes you have.

Q: What if I return a proxy card or otherwise vote but do not make specific choices?

A: Shareholder of Record: Shares Registered in Your Name

If you are a shareholder of record and you indicate when voting on the Internet or by telephone that you wish to vote as recommended by the Endo board of directors, which recommendations are summarized under *Questions and Answers About the Endo Special Meeting of Shareholders and Voting What are the voting recommendations of the Endo board of directors?* beginning on page 45, or if you sign and return a Endo proxy card without giving specific voting instructions, then the proxy holders will vote your shares in the manner recommended by the Endo board of directors on all matters presented in this proxy statement/prospectus and as the proxy holders may determine in their discretion with respect to any other matters properly presented for a vote at the special meeting.

Beneficial Owner: Shares Registered in the Name of a Broker or Bank

If you are a beneficial owner of shares held in street name and you do not provide the organization that holds your shares with specific instructions, under the rules of various national and regional securities exchanges, the organization that holds your shares may generally vote on routine matters but cannot vote on non-routine matters. If the organization that holds your shares does not receive instructions from you on how to vote your shares on a non-routine matter, the organization that holds your shares will inform the inspector of elections for the special meeting that it does not have the authority to vote on this matter with respect to your shares. This is generally referred to as a broker non-vote. When Endo's inspector of elections tabulates the votes for any particular matter, broker non-votes will be counted for purposes of determining whether a quorum is present, but will not be counted toward the vote total for any proposal. Endo expects that each of the proposals presented at the special meeting will be considered non-routine matters, so Endo encourages you to provide voting instructions to the organization that holds your shares to ensure that your vote is counted on all four proposals.

Q: Who is paying for this proxy solicitation?

A: Endo will pay for the entire cost of soliciting proxies. In addition to this proxy statement/prospectus, Endo's directors and employees may also solicit proxies in person, by telephone, or by other means of communication.

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Directors and employees will not be paid any additional compensation for soliciting proxies. Endo may also reimburse brokerage firms, banks and other agents for the reasonable out-of-pocket cost of forwarding proxy materials to beneficial owners. Endo has also retained MacKenzie Partners, Inc. to assist in soliciting proxies. Endo will pay MacKenzie Partners, Inc. a base fee of approximately \$15,000, plus reasonable out-of-pocket expenses for these services.

Q: What does it mean if I receive more than one proxy statement/prospectus?

If you receive more than one proxy statement/prospectus, your shares may be registered in more than one name or are registered in different accounts. Please follow the voting instructions included with each proxy statement/prospectus to ensure that all of your shares are voted.

Q: Can I change my vote after submitting my proxy?

A: Yes. You can revoke your proxy at any time before the final vote at the special meeting. If you are the record holder of your shares, you may revoke your proxy in any one of the following ways:

You may submit another valid, properly completed Endo proxy card with a later date.

You may grant a subsequent proxy by telephone or through the Internet.

You may send a timely written notice that you are revoking your proxy to Endo's Secretary at 1400 Atwater Drive, Malvern, Pennsylvania 19355; telephone: (484) 216-0000.

You may attend the special meeting and vote in person. Simply attending the special meeting will not, by itself, revoke your proxy. If your shares are held in the name of a bank, broker or other holder of record, you must obtain a proxy, executed in your favor from the holder of record, to be able to vote at the special meeting.

Your most recent Endo proxy card or telephone or Internet proxy is the one that is counted.

If your shares are held by your broker or bank as a nominee or agent, you should follow the instructions provided by your broker or bank.

Q: How are votes counted?

A: Votes will be counted by the inspector of election appointed for the special meeting, who will separately count FOR, Against, Abstain and broker non-votes. Abstentions and broker non-votes will be treated as shares present for the purpose of determining the presence of a quorum for the transaction of business at the special meeting.

Abstentions will be counted towards the tabulation of shares present in person or represented by proxy and will have the same effect as votes *Against* each of the proposals. Although broker non-votes will be treated as shares present for the purpose of determining the presence of a quorum, broker non-votes will not be counted for purposes of determining the number of shares present in person or represented by proxy and entitled to vote with respect to a particular proposal. Thus, a broker non-vote will not affect the outcome of the vote on Proposals 2 through 4. A broker non-vote will, however, have the same effect as an *Against* vote on Proposal 1. All Endo common stock that have been properly voted and not revoked, will be voted at the special meeting in accordance with your instructions. If you execute the proxy but do not give voting instructions, the Endo common stock represented by that proxy will be voted FOR each of Proposals 1 through 4.

Q: How many votes are needed to approve each proposal?

A: *Proposal 1:* The proposal to adopt the arrangement agreement and transactions contemplated thereby (including the merger) must receive a *FOR* vote from the holders of at least a majority of the Endo common stock outstanding on the record date for the special meeting.

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Proposal 2: The proposal to approve, on an advisory basis, certain compensatory arrangements between Endo and its named executive officers relating to the merger contemplated by the arrangement agreement must receive a FOR vote from at least a majority of the Endo common stock represented either in person or by proxy at the special meeting and entitled to vote, although such vote will not be binding on Endo.

Proposal 3: The proposal to approve the creation of distributable reserves of New Endo must receive a FOR vote from at least a majority of the Endo common stock represented either in person or by proxy at the special meeting and entitled to vote.

Proposal 4: The proposal to approve the adjournment of the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes at the time of the special meeting to adopt the arrangement agreement and transactions contemplated thereby (including the merger) must receive a FOR vote from at least a majority of the Endo common stock represented either in person or by proxy at the special meeting and entitled to vote.

Q: How many shares will Endo's executive officers and directors be entitled to vote at the special meeting? Do you expect them to vote in favor of the proposals?

A: As of January 22, 2014, the last practicable day before the date of this proxy statement/prospectus, Endo's executive officers and directors, together with the shareholders with which certain of Endo's directors are affiliated or associated, had the right to vote approximately 1.5 million common stock, representing approximately 1.3% of the Endo common stock then outstanding and entitled to vote at the special meeting. Endo expects that its executive officers and directors, and the shareholders with which certain of Endo's directors are affiliated or associated, will vote FOR each of the proposals described above.

Q: What is the quorum requirement?

A: A quorum of shareholders is necessary to hold a valid meeting. A quorum will be present if shareholders holding at least a majority of the outstanding shares entitled to vote are present at the special meeting in person or represented by proxy. On the record date, there were 115,487,596 shares of Endo common stock outstanding and entitled to vote.

Your shares will be counted towards the quorum only if you submit a valid proxy (or one is submitted on your behalf by your broker, bank or other nominee) or if you vote in person at the special meeting. Abstentions and broker non-votes will be treated as shares present for the purpose of determining the presence of a quorum. If there is no quorum, the chairperson of the special meeting or a majority of shares present at the special meeting in person or represented by proxy may adjourn the special meeting to another date.

Q: Should I send in my stock certificate with my proxy card?

A: No. As described on page 102, Endo shareholders will be sent materials for exchanging Endo common stock shortly after the completion of the merger. Because of the potential Irish stamp duty on transfer of New Endo

ordinary shares, Endo strongly recommends that all directly registered Endo shareholders open broker accounts so they can transfer their Endo common stock into DTC prior to their exchange for New Endo ordinary shares.

Q: How can I find out the results of the voting at the special meeting?

A: Endo expects to make a public announcement of the preliminary voting results as soon as practicable following the special meeting. Final voting results are expected to be published in a current report on Form 8-K filed by Endo with the SEC on or before the fourth business day following the special meeting. If final voting results are not available to Endo in time to file a Form 8-K within four business days following the special meeting, Endo intends to file a Form 8-K to publish preliminary results and, within four business days after the final results are known to Endo, file an additional Form 8-K to publish the final results.

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Q: Will Endo hold an annual meeting in 2014? If so, when are shareholder proposals due for that meeting?

A: If the merger and arrangement are completed, Endo will become an indirect wholly owned subsidiary of New Endo and will not have any public shareholders. As a result, there will be no public participation in any future meeting of Endo shareholders. In addition, if the merger and arrangement are completed in a timely manner, it is expected that New Endo will hold an annual general meeting of shareholders in 2014. If you wish to bring a proposal before the New Endo annual general meeting, if held, you must notify New Endo's Secretary, in writing, not later than the close of business on March 23, 2014 nor earlier than the close of business on February 21, 2014. However, if the merger and arrangement are not completed or if Endo is otherwise required to do so under applicable law, Endo will hold an annual meeting of shareholders in 2014. For more information regarding New Endo annual general meetings of shareholders, see *Description of New Endo Ordinary Shares Annual Meetings of Shareholders* beginning on page 267.

In the event that Endo holds an annual meeting of shareholders in 2014, shareholders may submit proposals on matters appropriate for shareholder action at meetings of its shareholders in accordance with Rule 14a-8 promulgated under the Exchange Act. For such proposals to be included in Endo's proxy materials relating to its 2014 annual meeting of shareholders, if held, all applicable requirements of Rule 14a-8 must be satisfied and, pursuant to Rule 14a-8, such proposals must be received by Endo no later than December 12, 2013. Such proposals should be delivered to Endo Health Solutions Inc., Attn: Secretary, 1400 Atwater Drive, Malvern, Pennsylvania 19355.

Pursuant to Endo's bylaws, if you wish to bring a proposal before the shareholders or nominate a director at the Endo 2014 annual meeting of shareholders, if held, you must notify Endo's Secretary, in writing, not later than the close of business on March 24, 2014 nor earlier than the close of business on February 22, 2014. However, if the Endo 2014 annual meeting of shareholders is held prior to April 23, 2014 or after June 22, 2014, notice by the shareholder must be so received no later than the close of business on the tenth day following the day on which the 2014 annual meeting is publicly announced or the 2014 annual meeting was mailed, whichever occurs first.

In addition, Endo's bylaws require that any shareholder who wishes to submit a nomination to the board of directors must deliver written notice of the nomination to the Secretary of Endo within the time period and comply with the information requirements specified in Section 10 of Article II of the bylaws relating to shareholder nominations and the procedures set out in Endo's 2013 Proxy Statement under the heading *Committees of the Board of Directors Nominating & Governance Committee*. To be timely, a shareholder's notice to the Secretary must be received at the principal executive offices of Endo (a) in the case of the annual meeting not less than 60 days nor more than 90 days prior to the anniversary date of the immediately preceding annual meeting; provided that in the event that the annual meeting is called for a date that is prior to April 23, 2014 or after June 22, 2014, notice by the shareholder must be received at the principal executive offices of Endo not later than the close of business on the tenth day following the day on which the 2014 annual meeting is publicly announced or notice of the 2014 annual meeting was mailed, whichever first occurs and (b) in the case of a special meeting of shareholders called for the purpose of electing directors, not later than the close of business on the tenth day following the day on which notice of the date of the special meeting was mailed or publicly announced, whichever first occurs. Accordingly, to submit a nomination to the board of directors for consideration at our 2014 annual meeting that is timely within the meaning of Endo's bylaws, a shareholder must make certain notice of such nomination is received by the Secretary of Endo no earlier than February 22, 2014 and no later than March 24, 2014. Any notice of nomination that is received after the dates specified above will be considered untimely. If Endo does not receive such notice of nomination between such dates, the notice will be considered untimely.

Any shareholder who wishes to make a nomination or proposal should obtain a copy of the relevant sections of the bylaws from the Secretary of Endo.

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THE MERGER AND THE ARRANGEMENT

The Merger and the Arrangement

Under the terms of the arrangement agreement, (a) New Endo will acquire Paladin pursuant to a plan of arrangement under Canadian law and (b) Merger Sub will merge with and into Endo, with Endo as the surviving corporation in the merger. As a result of the transactions, both Endo and Paladin will become indirect wholly owned subsidiaries of New Endo.

At the effective time of the arrangement, (a) Paladin shareholders will be entitled to receive \$1.16 in cash, subject to adjustment, 1.6331 newly issued New Endo ordinary shares and one common share of Knight Therapeutics, a corporation incorporated under the laws of Canada and currently a subsidiary of Paladin, in exchange for each Paladin common share held by such shareholders; (b) all options to acquire Paladin common shares will be settled on a cash-less exercise basis for New Endo ordinary shares and common shares of Knight Therapeutics in an amount reflecting the arrangement consideration and (c) unvested rights to receive additional common shares under Paladin's share purchase plan will be settled for a cash amount based on the Paladin common share price immediately prior to closing.

The cash consideration to be received by Paladin shareholders will be increased if Endo's 10-day volume weighted average price declines by more than 7% relative to a reference price of US\$44.4642 per share during the reference valuation period, which will be the ten trading days ending on the third trading day prior to the date of the Paladin special meeting (or if such volume weighted average price is not available, as determined by a calculation agent using a reasonable good faith estimate of such price for such reference valuation period). Full cash compensation (determined on a U.S. dollar basis converted into and paid in Canadian dollars) will be provided by Endo to Paladin shareholders for any share price declines of more than 7% but less than 20% from the reference price. If Endo's share price declines between 20% and 24% from the reference price during the agreed reference period, Endo will provide cash compensation (determined on a U.S. dollar basis converted into and paid in Canadian dollars) for one half of the incremental decline to Paladin shareholders. Declines in Endo's share price beyond 24% from the reference price will not give rise to further cash compensation to Paladin shareholders. The maximum amount potentially payable to Paladin shareholders under this price protection mechanism is US\$233 million.

In addition, if the volume weighted average price per share of Endo shares is less than 76% of US\$44.4642 during a reference valuation period, which will be the ten trading days ending on the third trading day prior to the date of the Paladin special meeting (or if such volume weighted average price is not available, as determined by a calculation agent using a reasonable, good faith estimate of such price for such reference valuation period), then the voting agreements may be terminated by such shareholders.

At the effective time of the merger, (a) each share of Endo common stock will be converted into the right to receive one New Endo ordinary share; and (b) each Endo share option, restricted share award and other Endo share-based award that is outstanding will be converted into the right to receive an equity award from New Endo, which award shall be subject to substantially the same terms and conditions as were applicable to the Endo award in respect of which it was issued.

Background of the Transaction

As part of the ongoing evaluation of each of Paladin's and Endo's businesses, members of Paladin's senior management and board of directors and Endo's senior management and board of directors, respectively, periodically review and assess their respective company's financial performance, capital allocation and operations and industry and regulatory

developments as they may each impact their respective company's long-term strategic goals and plans, including the consideration of potential opportunities to enhance shareholder value, such as through acquisitions, divestitures, business combinations and other financial and strategic alternatives.

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In May 2012, Paladin undertook a review of strategic alternatives and engaged Credit Suisse Securities USA, LLC, which is referred to in this proxy statement/prospectus as Credit Suisse, as its financial advisor. From September 2012 through the middle of January 2013, a total of 25 parties were contacted, including both strategic and financial potential acquirors. No formal, binding offers to acquire Paladin were received as a result of such process. A small number of non-binding indications of interest were received. The valuation levels in such indications of interest were well below the consideration payable in the proposed transaction and, in the view of Paladin, the indications of interest did not reflect an appropriate valuation for Paladin and either contained or were on terms that were not acceptable.

On August 23, 2013, as part of its ongoing review and assessment of opportunities to enhance shareholder value, the Transactions Committee of the Endo board of directors held a telephonic meeting to discuss potential acquisition transactions in the specialty pharmaceutical industry. In addition to members of the Transactions Committee, members of Endo's senior management and representatives of Deutsche Bank, Endo's financial advisor, also attended the meeting. At the meeting, members of the Transactions Committee discussed potential transactions involving companies in the specialty pharmaceutical industry, including Paladin, and reviewed preliminary financial materials prepared by Deutsche Bank based on publicly available information. At the conclusion of the meeting, the committee authorized Endo's senior management to contact Paladin to discuss potential transactions, including a potential acquisition of Paladin by Endo.

In the days following the Transactions Committee meeting, Rajiv De Silva, President and Chief Executive Officer of Endo, contacted representatives of Credit Suisse to inquire about having discussions with Paladin senior management regarding a potential transaction. After conferring with Paladin, Paladin's advisors responded that if Endo intended to discuss a potential transaction to acquire all of Paladin, then the discussion must include a preliminary non-binding proposal as to the per share purchase price and the form of consideration.

On August 30, 2013, senior management of Endo, including Mr. De Silva, held a telephonic meeting with the Chairman of the Endo board of directors, Roger Kimmel, and the Chairman of the Transactions Committee, Michael Hyatt, to discuss, among other things, the status of communications between Endo and Paladin. Representatives of Skadden, Endo's legal advisor, also participated in the meeting. Mr. De Silva updated Messrs. Kimmel and Hyatt on his discussions with representatives of Paladin. Following an extensive discussion of a potential transaction with Paladin, it was determined that Mr. De Silva would make a preliminary, non-binding oral indication of interest to acquire Paladin at a purchase price of \$72 per share, payable primarily in shares of a newly-formed Irish holding company that would acquire both Endo and Paladin as well as in cash, subject to among other things, completion of a due diligence investigation of Paladin, negotiation of mutually acceptable definitive transaction agreements and the approval of the transaction by the Endo board of directors. In addition, in connection with the transaction, Endo would require certain members of the Goodman family and the voting trust holding certain of the Goodman family's shares in Paladin to enter into a voting agreement in support of the transaction. Later that day, Mr. De Silva communicated to representatives of Credit Suisse that he was authorized to discuss such preliminary, non-binding oral indication of interest with Jonathan Ross Goodman, Chairman of Paladin's board of directors, at a face to face meeting.

A few days later, representatives of Credit Suisse called Mr. De Silva to provide feedback on Endo's preliminary, non-binding oral indication of interest. Representatives of Credit Suisse stated that the Paladin board of directors was not actively seeking a sale transaction involving Paladin, but that Paladin would consider engaging in exploratory discussions with Endo regarding such a potential transaction. Credit Suisse further related that any such transaction must provide certainty of closing for the Paladin shareholders and certainty of value.

Following this discussion, it was agreed that Messrs. Goodman and De Silva should meet to discuss a potential transaction. In anticipation of this meeting and the sharing of non-public information, Endo and Paladin negotiated

mutual confidentiality and standstill agreements, which were executed on September 10, 2013.

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On September 11, 2013, Messrs. Goodman and De Silva met in New York City to discuss a potential transaction. At this meeting, each of Mr. Goodman and Mr. De Silva provided the other with an overview of their respective companies and their strategies, and Mr. De Silva discussed the terms of a potential transaction with Paladin at a purchase price of \$72 per share, payable in shares of a newly-formed Irish holding company, and the benefits that the Paladin shareholders would enjoy in the combined company following such a transaction. Following this meeting, it was agreed that Paladin would consider Endo's non-binding, indicative proposal and provide additional feedback to Endo.

On September 17, 2013, Mr. Goodman called Mr. De Silva to respond to Endo's non-binding, indicative proposal. Mr. Goodman stated that Paladin would be willing to proceed in discussions regarding a potential transaction at a higher purchase price of \$77 per share. Mr. Goodman also stated that the potential FDA priority review voucher associated with Paladin's Impavido product should remain with the Paladin shareholders following the transaction. Mr. Goodman reiterated that Paladin viewed certainty of closing and certainty of value, including the need for a portion of the consideration to be paid in cash, as key issues for the Paladin shareholders.

On September 18, 2013, the Transactions Committee of the Endo board of directors held a telephonic meeting, which was also attended by members of Endo senior management and representatives of Deutsche Bank and Skadden, to discuss Paladin's response. At this meeting, representatives of Deutsche Bank discussed preliminary valuation analyses of Paladin, and senior management of Endo discussed the strategic and financial opportunities presented by an acquisition of Paladin and Endo by a newly-formed Irish holding company, to be owned, following the transaction, by the former shareholders of Endo and Paladin. Following an extensive discussion, including questions from members of the committee, it was determined that Endo should send a written, non-binding proposal letter to Paladin, setting forth Endo's proposed transaction terms, which included a purchase price of \$77 per Paladin common share and sought exclusive negotiations with Paladin and immediate access to Paladin due diligence materials. It was also determined to reiterate that the Endo board of directors would require that certain members of the Goodman family and the voting trust holding certain of the Goodman family's shares in Paladin enter into a voting agreement in support of the transaction.

Later that day, Endo delivered a non-binding proposal letter to Paladin. Among other things, the non-binding proposal letter proposed an acquisition of Endo and Paladin by a newly-formed Irish holding company with the Paladin shares being acquired at a purchase price of \$77 per share, payable primarily in shares of a newly-formed Irish holding company according to a to-be-determined fixed exchange ratio, to be owned, following the transaction, by the former shareholders of Endo and Paladin. The letter also stated that the transaction consideration to be paid to Paladin shareholders would be 90%-100% in shares of the new Irish holding company, with the remainder, if any, being paid in cash, and that Endo was open to considering transaction structures that would allow the FDA priority review voucher to remain with the Paladin shareholders following the transaction.

That same day, Mr. Goodman discussed Endo's non-binding proposal letter with Paladin's board of directors. The directors discussed the valuation being proposed, both in the context of the valuations described and the outcome of the recent review of strategic alternatives process undertaken by Paladin, the then current share price, the premium that the Endo proposed valuation represented, as well as the future prospects of Paladin. The Paladin board of directors authorized management of Paladin to enter into an exclusivity agreement with Endo for a 45-day period during which the parties would pursue both mutual due diligence and the negotiation of definitive agreements.

During the period from September 20, 2013 to September 27, 2013, the parties continued to negotiate the terms of the exclusivity agreement, which was executed by the parties on September 27, 2013.

On September 24, 2013, the Endo board of directors discussed the status of the proposed transaction. The meeting was attended by members of Endo's senior management team as well as by representatives of Deutsche Bank and KPMG LLP, Endo's tax advisor, which is referred to in this proxy statement/prospectus as "KPMG".

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The Endo board of directors discussed, among other things, the strategic rationale for a potential acquisition of Paladin, a preliminary view of valuation, the pro-forma implications for Endo, potential transaction risks and a possible timeline to announcement.

On October 2, 2013, Paladin opened a virtual dataroom containing certain non-public information requested by Endo, and Endo began its due diligence investigation of the information provided.

On October 5, 2013, Messrs. Goodman and De Silva discussed the status of the parties' due diligence investigations in connection with the proposed transaction, and determined that senior management of each company should meet in Montreal in mid-October for a mutual due diligence session. During this call, Mr. Goodman reiterated the importance of the FDA priority review voucher to the Paladin shareholders and stated that the Paladin board of directors preferred that, following the transaction, the new Irish holding company have a listing on TSX. Mr. De Silva indicated that Endo would be open to exploring the feasibility of such a listing.

On October 10, 2013, senior management of Endo held a telephonic meeting with Messrs. Kimmel and Hyatt to provide an update on the status of negotiations with Paladin. Representatives from Deutsche Bank and Skadden also participated in this meeting. Also on this date, at the direction of Endo's Transactions Committee, Endo senior management contacted Houlihan Lokey Financial Advisors, Inc., which is referred to in this proxy statement/prospectus as Houlihan Lokey, to discuss, among other things, retaining Houlihan Lokey as a financial advisor in connection with the transaction. From this date through November 4, 2013, senior management of Endo provided representatives of Houlihan Lokey with information requested in connection with Houlihan Lokey's analyses related to the proposed transaction.

Also on October 10, 2013, the Paladin board of directors held a telephonic meeting. This meeting was also attended by representatives of Credit Suisse and Davies Ward Phillips & Vineberg LLP, Paladin's legal counsel, which is referred to in this proxy statement/prospectus as Davies, and certain members of Paladin senior management, who provided an update to the board on the process and the proposed transaction.

On October 14, 2013, the Audit Committee of the Endo board of directors held a telephonic meeting. Members of Endo senior management and representatives of Deutsche Bank and Skadden also participated in this meeting. At this meeting, members of Endo senior management updated the members of the committee on the status of negotiations with Paladin and answered questions from members of the committee regarding the proposed transaction.

On October 17, 2013, senior management of Endo and Paladin met in Montréal to present an overview of their respective businesses and answer due diligence questions from one another. Following this meeting, Messrs. Goodman and De Silva held a meeting to discuss issues related to the proposed transaction. At this meeting, Mr. Goodman informed Mr. De Silva that members of the Goodman family and the voting trustee of the voting trust holding Paladin common shares on behalf of the Goodman family were concerned that the fixed exchange ratio in the proposed transaction would subject Paladin shareholders to market risk in the event that the price of Endo shares dropped between execution of definitive transaction documentation and the closing of the proposed transaction. Mr. De Silva suggested a follow-up call on this topic. Later that day, Endo opened a virtual dataroom containing certain non-public information requested by Paladin, and Paladin began its due diligence investigation of the information provided.

On October 19, 2013, representatives of Skadden sent a draft arrangement agreement for the proposed transaction to Davies and Paladin. Later that day, representatives of Credit Suisse contacted Mr. De Silva and representatives of Deutsche Bank to discuss the concerns regarding potential market risk of an Endo share price decline between signing and closing, and the potential means to address these concerns proposed by the Goodman family, including a potential

one-way adjustment mechanism to increase the amount of cash payable in the transaction upon a decrease in the Endo share price and an ability to terminate the voting agreement if the Endo share price dropped below a level to be specified in the voting agreement. Mr. De Silva informed

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representatives of Credit Suisse that he would discuss these concerns with the Endo board of directors, and these matters were discussed at the October 28, 2013 meeting of Endo's Audit and Transactions Committees and with certain other members of Endo's board of directors during Mr. De Silva's regular discussions with directors regarding the proposed transaction.

On October 20, 2013, representatives of Skadden sent a draft voting agreement to the Davies attorneys representing the Goodman family and the voting trust holding certain of the Goodman family's shares in Paladin.

On October 22, 2013, representatives of Endo, Paladin, Skadden and Davies held a conference call to discuss certain of Endo's open due diligence questions regarding Paladin.

On October 23, 2013, Davies delivered a written proposal to Endo regarding the separation of Paladin's Impavido product and the related FDA priority review voucher to the Paladin shareholders in connection with the transaction. The proposal contemplated that Impavido, the related FDA priority review voucher and a \$1,000,000 capital contribution would be contributed to a new entity (later named Knight Therapeutics) that would be separated to the Paladin shareholders in connection with the proposed transaction.

Also on October 23, 2013, representatives of Davies sent a revised draft of the arrangement agreement to Endo. Also on that date, Mr. De Silva and representatives of Deutsche Bank and Credit Suisse had a follow up discussion to discuss, among other things, Paladin's board of directors' concerns regarding potential market risk of an Endo share price decline between signing and closing.

On October 24, 2013, the Audit and Transactions Committees of Endo's board of directors held a joint telephonic meeting to discuss the status of the proposed transaction. Also attending this meeting were members of Endo's senior management and representatives of Deutsche Bank, KPMG and Skadden. At this meeting, members of Endo's senior management provided an update on, among other things, Endo's due diligence investigation of Paladin, the open business issues between the parties and the status of Endo's financing discussions. Representatives of Deutsche Bank presented updated valuation materials.

That same day, the Paladin board of directors held a telephonic meeting, during which representatives of Davies, along with certain members of Paladin senior management, provided an update to the board on the proposed transaction.

On October 25, 2013, representatives of Endo and Paladin held a due diligence conference call to discuss Endo's open due diligence questions.

On October 28, 2013, the Audit and Transactions Committees of Endo's board of directors held a joint telephonic meeting to discuss the status of the proposed transaction. Also attending this meeting were members of Endo's senior management and representatives of Deutsche Bank, KPMG and Skadden. At this meeting, representatives of Skadden provided an overview of the issues presented by Paladin's revised draft of the arrangement agreement, which included, among other things, (i) the size of the termination fee payable by Paladin, (ii) the size of the termination fee payable by Endo, (iii) the treatment of employee options to acquire Paladin common shares, (iv) the inclusion of Impavido, together with the FDA priority review voucher, in Knight Therapeutics Inc., which is the entity being separated to Paladin shareholders in connection with the proposed transaction and other transaction terms; and (v) the extent of Endo's representations and warranties in the arrangement agreement. At this meeting, Mr. De Silva also updated members of the committees on Paladin's concerns regarding the potential market risk of an Endo share price decline between signing and closing, and the members of the committees discussed these concerns with senior management of Endo and representatives of Skadden and Deutsche Bank. Finally, members of the committees and representatives of

Skadden and KPMG discussed the potential tax effects of the proposed transaction structure on Endo shareholders and the potential that an excise tax under the Code could be applied to certain of Endo's officers and all of Endo's directors.

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Following extensive discussion, including numerous questions from members of the committees, it was determined to respond to Paladin's revised draft by stating to Paladin that (i) Impavido could be contributed to Knight Therapeutics (and, in any event, the \$1,000,000 capital contribution described above should not be made in connection with any stock exchange listing of Knight Therapeutics), (iii) the termination fees payable by Endo and Paladin should each be equal to approximately 3.6% of Paladin's equity value as calculated based on the transaction and (iv) Endo would not give fully reciprocal representations and warranties in the arrangement agreement, but Endo would consider providing additional representations as to litigation reserves, taxes and employee benefits matters. The members of the committees determined that more information was required before the treatment of employee options to acquire Paladin common shares could be resolved. It was also determined that Endo's senior management should explore resolving Paladin's concerns regarding the potential market risk of an Endo's share price decline between signing and closing by a potential increase to the cash portion of the consideration in the event of such a decline and by agreeing to give the Goodman family the right to terminate the voting agreement, but only in the event of a significant drop in the Endo share price. The members of the committees also determined that key members of Paladin senior management should execute employment letters in connection with the transaction.

Later in the day on October 28, 2013, representatives of Skadden sent a revised draft of the arrangement agreement to Davies reflecting, among other things, the response on the open points discussed above.

That same day, representatives of Davies sent a revised draft of the voting agreement to Skadden and Endo. Among other things, this revised draft provided that the Goodman family could terminate the voting agreement if the volume weighted average trading price of Endo common stock declined by more than 7% during a five business day reference period.

On October 30, 2013, representatives of Davies provided a revised draft of the arrangement agreement to Skadden and Endo.

That same day, representatives of Endo, Deutsche Bank and Credit Suisse discussed the issues regarding the Goodman family's concerns about potential Endo stock price declines prior to consummation of the proposed transaction. Following this discussion Endo and representatives of the Goodman family generally agreed, subject to approval by the Endo board of directors, that the cash consideration to be received by Paladin shareholders would be increased if Endo's volume weighted average share price during an agreed 10 trading day reference period declined by more than 7% relative to a reference price based on the volume weighted average trading price for the five trading days ended November 1, 2013 (which was later determined to be US\$44.4642), with Endo providing additional cash compensation to compensate Paladin shareholders for Endo share price declines of more than 7% but less than 20%, Endo providing additional cash compensation to compensate Paladin shareholders for half of the amount of Endo share price declines between 20% and 24% and no additional cash compensation being paid for Endo share price declines in excess of 24%. The parties also agreed that the Goodman family would be able to terminate the voting agreement if the volume weighted average share price of Endo during an agreed upon 10 trading day reference period declined by more than 24% from the reference price described above.

On October 31, 2013, representatives of Davies representing certain members of the Goodman family provided a revised draft of the voting agreement reflecting the termination right agreed to by the parties.

On November 1, 2013, Endo formally retained Houlihan Lokey to serve as a financial advisor in connection with the transaction.

That same day, the Endo board of directors held a day-long special meeting in New York City to discuss the status of the proposed transaction. Also attending this meeting were members of Endo's senior management and representatives

of Deutsche Bank, Skadden, KPMG and certain other of Endo's advisors. At this meeting, representatives of Skadden discussed with the board of directors their fiduciary duties under applicable law.

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Next, Mr. De Silva provided an overview of the transaction status and representatives of Endo's senior management provided an update on the status of Endo's due diligence investigation of Paladin. Following discussion of Endo's due diligence investigation, representatives of Deutsche Bank reviewed with the board of directors the presentation previously prepared by Deutsche Bank, including information regarding the valuation of Paladin and Deutsche Bank's financial analysis of the consideration to be received by the Endo shareholders in the proposed transaction. Next, Mr. De Silva and representatives of Endo's senior management discussed with the board of directors the proposed transaction structure, the risks to Endo of undertaking the transaction and the potential integration of the two companies. Representatives of KPMG and Skadden discussed with the board of directors the potential tax treatment of the proposed transaction for Endo shareholders and the potential that an excise tax under the Code could be applied to certain of Endo's officers and all of Endo's directors. Following numerous questions from directors on these topics, representatives of Deutsche Bank were excused and representatives of Houlihan Lokey joined the meeting and reviewed with the board of directors the presentation previously prepared by Houlihan Lokey, including information regarding the valuation of Paladin and Houlihan Lokey's financial analysis of the consideration to be received by the Endo shareholders in the proposed transaction. Next, representatives of Endo's senior management discussed the public relations and investor communications plan in the event the proposed transaction was executed. Finally, the board of directors and members of Endo's senior management discussed the process towards execution of definitive transaction documentation and announcement of a transaction, if the remaining issues could be resolved.

During the course of the day and in consultation with the Endo board of directors, members of Endo's senior management and representatives of Deutsche Bank, Skadden and Torys LLP, Endo's special Canadian counsel in connection with the transaction, which is referred to in this proxy statement/prospectus as Torys, engaged in negotiations of open transaction issues. Paladin agreed that the tax opinion condition was acceptable, subject to having further discussions among tax experts to understand the circumstances in which the tax opinion would not be deliverable. The parties also agreed that, subject to resolving the appropriate legal mechanics, options to acquire Paladin common shares would be accelerated in connection with the proposed transaction.

From November 1, 2013 to the morning of November 5, 2013, Endo and Paladin, assisted by representatives of Deutsche Bank, Credit Suisse, Davies, Skadden and Torys negotiated the remaining aspects of the proposed transaction, including, among other things, the details of the Knight Therapeutics separation, the scope of the representations, warranties and covenants in the arrangement agreement and the parties' respective confidential disclosure materials.

On November 2, 2013, following the determination of the calculation of the exchange ratio applicable to the Paladin common shares in the proposed transactions, Endo began negotiating with members of Paladin's senior management team the terms of their respective employment letters.

On November 3, 2013, the Paladin board of directors held a telephonic meeting to discuss the potential transaction, during which meeting, representatives of Credit Suisse, Ernst & Young LLP and Davies, together with certain members of Paladin's senior management, provided an update to the board on the proposed transaction. Later that same day, Endo senior management began negotiating with Mr. Goodman the terms of Mr. Goodman's consulting agreement with Endo, which was signed on November 5, 2013.

On the evening of November 4, 2013, the Endo board of directors held a special telephonic meeting to discuss the approval of the arrangement agreement and the other definitive transaction documentation. Prior to this meeting, members of the Endo board of directors had received an overview of the material provisions of the arrangement and voting agreements, as well as draft board resolutions and presentation materials from each of Deutsche Bank and Houlihan Lokey. Also attending this meeting were representatives of Deutsche Bank, Houlihan Lokey, KPMG, Skadden and certain other advisors of Endo. At this meeting, Mr. De Silva provided an update on the status of the

proposed transaction since the meeting of the board of directors on November 1, 2013. Next, representatives of Skadden discussed the resolution of the final open issues in connection with the proposed transaction.

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Following this discussion and numerous questions from the board of directors, representatives of Deutsche Bank reviewed with the board of directors the presentation previously prepared by Deutsche Bank, including information regarding the valuation of Paladin and Deutsche Bank's financial analysis of the consideration to be received by the Endo shareholders in the transaction, and delivered its oral opinion, which was later confirmed by a written opinion dated November 5, 2013, that, as of November 5, 2013 and based upon and subject to the assumptions, limitations, qualifications and conditions set forth in its opinion, the exchange ratio (taking into account the arrangement) was fair, from a financial point of view, to the holders of the outstanding Endo common stock.

At the request of Endo's board of directors, Houlihan Lokey then reviewed and discussed its financial analyses. Thereafter, at the request of Endo's board of directors, Houlihan Lokey verbally rendered its opinion to Endo's board of directors (which was subsequently confirmed in writing by delivery of Houlihan Lokey's written opinion addressed to Endo's board of directors dated November 5, 2013) to the effect that, as of that date and based on and subject to the procedures followed, assumptions made, qualifications and limitations on the review undertaken and other matters considered by Houlihan Lokey in connection with the preparation of its opinion, and taking into account the transactions, the exchange ratio was fair, from a financial point of view, to the holders of the outstanding Endo common stock.

Following this presentation, the Endo board of directors discussed in detail the proposed transaction and approved the arrangement agreement and its terms and conditions, substantially in the form presented to the board of directors, and the transactions contemplated by the arrangement agreement, including the merger.

At a meeting of the Paladin board of directors during the evening of November 4, 2013, which was also attended by representatives of Credit Suisse, Davies and Ernst & Young LLP, Credit Suisse provided its opinion, orally, on the fairness, from a financial point of view, to Paladin shareholders (other than Paladin shareholders subject to the voting agreement) of the consideration to be received by them under the terms of the transaction and on November 5, 2013, Credit Suisse delivered to Paladin its written fairness opinion confirming the oral fairness opinion delivered on November 4, 2013. At this meeting, the Paladin board of directors approved the arrangement agreement and its terms and conditions, substantially in the form presented to the board of directors and the transactions contemplated by the arrangement agreement.

On the evening of November 4, 2013, members of the board of directors of New Endo discussed in detail the proposed transaction and approved the arrangement agreement and its terms and conditions, substantially in the form presented to the board of directors and the transactions contemplated by the arrangement agreement.

On the morning of November 5, 2013, the parties executed the arrangement agreement, the voting agreements and the employment letters and publicly announced the transactions.

On November 21, 2013, the Compensation Committee of the Endo board of directors held a telephonic meeting to discuss if the pending transaction would be taxable to Endo shareholders and the potential that an excise tax under the Code could be applied to certain of Endo's officers and all of Endo's directors in connection with the proposed transaction. Representatives of Skadden, KPMG and Hay Group, Endo's compensation consultant, also attended this meeting. At this meeting, members of the committee also discussed potential actions that could be taken to mitigate the impact of the excise tax on certain of Endo's officers and all of Endo's directors.

On December 2, 2013, the Compensation Committee of the Endo board of directors held a telephonic meeting, which was also attended by representatives of Skadden, KPMG, Hay Group and A&L Goodbody, Endo's special Irish counsel. At this meeting, the members of the committee continued their earlier discussion of the potential for an excise tax under the Code to be applied to certain of Endo's officers and all of Endo's directors in connection with the

proposed transaction. The members of the committee had an extensive discussion of possible alternatives for mitigating the potential excise tax, including discussions related to the granting of equity awards following the transaction. Additionally, representatives of A&L Goodbody discussed certain aspects of Irish tax laws and their impact on Endo benefit plans and Endo's executive officers and directors. On December 9, 2013, the Compensation Committee of the Endo board of directors approved resolutions approving Endo's payment of any potential excise tax under the Code to be applied to certain of Endo's officers and all of Endo's directors in connection with the proposed transaction.

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Recommendations of Endo's Board of Directors; Endo's Reasons for the Merger

At its meeting on November 4, 2013, the Endo board of directors unanimously approved the arrangement agreement and the transactions contemplated thereby (including the merger). **The Endo board of directors unanimously recommends that the shareholders of Endo vote for the approval and adoption of the arrangement agreement and the transactions contemplated thereby (including the merger) and for the other resolutions to be considered at the Endo special meeting.**

The Endo board of directors considered many factors in determining to recommend the approval and adoption of the arrangement agreement and the transactions contemplated thereby (including the merger). In arriving at its determination, the board of directors consulted with Endo's senior management, legal advisors, financial advisors, accounting advisors and other advisors, reviewed a significant amount of information, considered a number of factors and concluded, in their business judgment, that the transactions are likely to result in significant strategic and financial benefits to Endo and its shareholders, including:

the creation of a leading international specialty healthcare company, with a capital structure that will allow Endo to accelerate its long-term strategy of international expansion and growth, including through additional mergers and acquisitions;

the diversification of Endo's revenue and profit streams through the acquisition of Paladin's Canadian businesses;

added breadth to Endo's geographic exposure through access to new, emerging markets such as South Africa and Latin America;

the anticipated credit profile of the combined company, which is expected to provide the combined company with increased access to cash flow and better access to capital markets;

anticipated annual recurring after-tax operational and tax synergies of at least US\$75,000,000, with additional possible revenue, operational or tax savings;

the expected generation of strong operating cash flow and an increased cash conversion ratio, which is anticipated to permit the combined company to rapidly de-lever its balance sheet;

the expected combined company adjusted effective tax rate of approximately 20%, as opposed to the current adjusted effective tax rate of Endo of 28.5%; and

enhanced global cash management flexibility and associated financial benefits through the incorporation of New Endo in Ireland.

These beliefs are based in part on the following factors considered by the Endo board of directors:

the anticipated market capitalization, strong balance sheet, free cash flow, liquidity and capital structure of New Endo;

that Endo's and Paladin's product lines and geographic scopes are complementary and do not present significant areas of overlap;

the value represented by the expected increased cash flow and earnings improvement of New Endo;

Paladin's business, operations, financial condition and future prospects;

the likelihood that the transactions will be completed on a timely basis and the limited number of conditions to Paladin's obligation to complete the transactions;

the fact that the transactions are subject to the approval and adoption of the arrangement agreement by the Endo shareholders;

the fact that Endo's obligation to consummate the transactions is subject to Endo's receipt of the Section 7874 opinion from Skadden, dated as of the closing date of the transactions, to the effect that

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Section 7874 of the Code and the regulations promulgated thereunder should not apply in such a manner so as to cause New Endo to be treated as a U.S. corporation for U.S. federal income tax purposes from and after such date;

that, subject to certain limited exceptions, Paladin is prohibited from soliciting, participating in any discussions or negotiations with respect to, providing any information to any third party regarding or entering into any agreement providing for the acquisition of Paladin;

that Paladin must pay a termination fee of \$60,000,000 if the arrangement agreement is terminated under certain circumstances specified therein;

the likelihood that Endo will be able to obtain the necessary financing given the financing commitments from the commitment parties;

the financial statements of Paladin and the prospective financial information described in more detail under the heading *Endo and Paladin Unaudited Prospective Financial Information* beginning on page 61;

the current and prospective economic environment in the healthcare industry, including the potential for further consolidation;

the global cash management and resultant tax benefits to New Endo as an Irish corporation, the benefits of which will accrue to Endo shareholders as shareholders of New Endo;

the financial analyses reviewed and discussed with the Endo board of directors by representatives of Deutsche Bank, as well as the oral opinion of Deutsche Bank rendered to the Endo board of directors on November 4, 2013 (which was subsequently confirmed in writing by delivery of a written opinion of Deutsche Bank, dated November 5, 2013) that, subject to the assumptions, limitations, qualifications and conditions contained in the written opinion, the exchange ratio of one New Endo ordinary share for each outstanding share of Endo common stock in connection with the merger, taking into account the arrangement, was fair, from a financial point of view, to the holders of Endo common stock. See *The Merger and the Arrangement Opinion of Endo's Financial Advisors Opinion of Deutsche Bank Securities Inc.* beginning on page 64;

the financial analyses reviewed by Houlihan Lokey with Endo's board of directors as well as the oral opinion of Houlihan Lokey rendered to Endo's board of directors on November 4, 2013 (which was subsequently confirmed in writing by delivery of Houlihan Lokey's written opinion addressed to Endo's board of directors dated November 5, 2013), as to the fairness, from a financial point of view and as of such date, to the holders of Endo common stock of the exchange ratio, which opinion took into account the transactions, and was based on and subject to the procedures followed, assumptions made, qualifications and limitations on the review undertaken and other matters considered by Houlihan Lokey in connection with the preparation of its

opinion. See *The Merger and the Arrangement Opinion of Endo's Financial Advisors Opinion of Houlihan Lokey Financial Advisors, Inc.* beginning on page 74; and

the current and prospective economic environment and increasing competitive burdens and constraints facing Endo.

In the course of its deliberations, the Endo board of directors also considered a variety of risks and other potentially negative factors, including the following:

the fixed exchange ratio will not adjust downwards to compensate for changes in the price of Endo's common stock or Paladin's common shares prior to the effective time of the transactions, and the terms of the arrangement agreement do not include termination rights triggered by a decrease in the value of Paladin relative to the value of Endo;

the fact that the cash consideration to be received by Paladin shareholders will be increased if Endo's 10-day volume weighted average price during the agreed reference period declines by more than 7%

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relative to a reference price of US\$44.4642 per share. Full cash compensation (determined on a U.S. dollar basis converted into and paid in Canadian dollars) will be provided by Endo to Paladin shareholders for any share price declines of more than 7% but less than 20% from the reference price. If Endo's share price declines between 20% and 24% from the reference price of US\$44.4642 during the agreed reference period, Endo will provide cash compensation (determined on a U.S. dollar basis converted into and paid in Canadian dollars) for one half of the incremental decline to Paladin shareholders. The maximum amount potentially payable to Paladin shareholders under this price protection mechanism is US\$233 million. See *The Merger and the Arrangement* beginning on page 50;

the risk arising from provisions in the arrangement agreement relating to the potential payment of a \$60,000,000 termination fee by Endo under certain circumstances specified in the arrangement agreement;

the fact that, subject to certain limited exceptions, Endo is prohibited from soliciting, participating in any discussions or negotiations with respect to, providing any information to any third party regarding or entering into any agreement providing for the acquisition of Endo;

the restrictions on the conduct of Endo's business prior to the completion of the transactions, which could delay or prevent Endo from undertaking some business opportunities that may arise pending completion of the transactions;

the adverse impact that business uncertainty pending the effective time of the transactions could have on Paladin's ability to attract, retain and motivate key personnel until the effective time of the transactions;

the fact that Endo has incurred and will continue to incur significant transaction costs and expenses in connection with the proposed transactions, regardless of whether the transactions are consummated;

the fact that, in order to obtain the approval of the responsible ministers under the Investment Canada Act, Endo may be required to agree to certain undertakings with respect to the Canadian operations of New Endo for a period of up to three years following consummation of the transactions;

the risk that the forecasted results in the unaudited prospective financial information of Endo and Paladin will not be obtained;

the risk that the transactions may not be consummated despite the parties' efforts or that consummation may be unduly delayed and the potential resulting disruptions to Endo's businesses and relationships;

the challenges posed by the combination of two business enterprises of the size and scope of Endo and Paladin, including the possibility that the anticipated cost savings and synergies and other benefits sought to be obtained from the transactions might not be achieved in the time frame contemplated or at all or the other

numerous risks and uncertainties which could adversely affect New Endo's operating results;

the risk that changes in law or regulation could adversely impact the expected benefits of the transactions to New Endo and its shareholders;

the fact that the ultimate tax treatment of the transactions for U.S. shareholders of Endo is not certain and that the aggregate gain of U.S. shareholders in their Endo common stock has been and will continue to be affected by changes in Endo's stock price and by public trading activity by current and future U.S. shareholders of Endo and such shareholders' tax basis. Additionally, the ultimate tax treatment for U.S. shareholders of Endo could be affected by actions taken by Endo and other events beyond Endo's control and cannot be determined until the end of the year in which the transactions are completed, which Endo expects will be 2014. See *Certain Tax Consequences of the Merger and the Arrangement* beginning on page 103; and

the risks of the type and nature described under the sections entitled *Risk Factors* beginning on page 29 and *Cautionary Note Regarding Forward-Looking Statements* beginning on page 43.

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After considering the foregoing potentially negative and potentially positive factors, the Endo board of directors unanimously concluded, in their business judgment, that the potentially positive factors relating to the arrangement agreement and the transactions contemplated thereby (including the merger) substantially outweighed the potentially negative factors.

The foregoing discussion of the information and factors considered by the Endo board of directors is not exhaustive but is intended to reflect the material factors considered by the Endo board of directors in its consideration of the transactions. In view of the complexity, and the large number, of the factors considered, the Endo board of directors, both individually and collectively, did not find it practicable to and did not attempt to quantify or assign any relative or specific weight to the various factors. Rather, the Endo board of directors based its recommendation on the totality of the information presented to and considered by it. In addition, individual members of the Endo board of directors may have given different weights to different factors.

The foregoing discussion of the information and factors considered by the Endo board of directors is forward-looking in nature. This information should be read in light of the factors described under the section entitled *Cautionary Note Regarding Forward-Looking Statements* beginning on page 43.

Endo and Paladin Unaudited Prospective Financial Information

Neither Paladin nor Endo, as a matter of course, makes public long-term projections as to future revenues, earnings or other results due to, among other reasons, the uncertainty of the underlying assumptions and estimates. However, in connection with the evaluation of the transaction, in October 2013, each of Paladin and Endo made available to the other party and its financial advisors certain unaudited prospective financial information on a stand-alone, pre-transaction basis.

Furthermore, as discussed below and under *The Merger and the Arrangement Opinion of Endo's Financial Advisors* beginning on page 64 of this proxy statement/prospectus, Deutsche Bank and Houlihan Lokey reviewed certain internal financial and operating information with respect to the business, operations and prospects of Paladin and Endo, including, with respect to Paladin, certain unaudited prospective financial information relating to Paladin based on certain estimates made by Endo's management for the calendar years 2014-2018 and incorporating certain adjustments thereto made by the management of Endo as well as certain extrapolations for the calendar years 2019-2023 made by management of Endo, which is referred to in this proxy statement/prospectus as Endo's Paladin projections, and, with respect to Endo, certain unaudited prospective financial information relating to Endo for the calendar years 2014-2016, which is referred to in this proxy statement/prospectus as Endo's Endo projections. Endo's management made certain adjustments to the Paladin management projected financial information for the years 2014 through 2018. The adjustments reduced Paladin's revenue estimates and were primarily based on an expectation by Endo management that prescription volume will be lower for certain on-market and pipeline products. In aggregate, these differences in assumptions reduce Paladin's projected revenues over a five-year forecast period by approximately 15%. Endo management did not consult Paladin management in making such adjustments. Endo's Endo projections and Endo's Paladin projections were also made available to the Endo board of directors in connection with the presentation of the financial analyses of Deutsche Bank and Houlihan Lokey. Endo's Endo projections were also made available to Paladin's financial advisors. The inclusion of information about Endo's Endo projections and Endo's Paladin projections in this proxy statement/prospectus should not be regarded as an indication that any of Paladin, Endo or any other recipient of this information considered, or now considers, Endo's Endo projections or Endo's Paladin projections to be predictive of actual future results. The information about Endo's Endo projections and Endo's Paladin projections included in this proxy statement/prospectus is presented solely to give Endo shareholders access to the information that was made available to Endo's financial advisors and/or the Endo board of directors, as applicable.

Endo's Endo projections and Endo's Paladin projections are each subjective in many respects and thus subject to interpretation. While presented with numeric specificity, and considered reasonable by management at the time they were prepared, Endo's Endo projections and Endo's Paladin projections reflect numerous estimates and

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assumptions with respect to industry performance and competition, general business, economic, market and financial conditions and matters specific to Paladin's and Endo's businesses, including, but not limited to, the launch of products currently in Endo's and Paladin's respective pipelines, the commercial performance of certain products, closing of Endo's previously announced acquisition of Boca Pharmacal, and cost savings unrelated to the transaction which may ultimately prove to be incorrect; and the factors listed in this proxy statement/prospectus under the section entitled *Risk Factors*, all of which are difficult to predict and many of which are beyond Paladin's or Endo's control. Furthermore, other than with respect to certain adjustments made by Endo management, Endo's Paladin projections were not internally prepared or adopted by Endo management. The information contained in Endo's Paladin projections was prepared at the time for purposes unrelated to the management of Paladin's or Endo's business and was based on assumptions that may no longer be accurate. Many of the assumptions reflected in Endo's Endo projections and Endo's Paladin projections are subject to change and none of Endo's Endo projections or Endo's Paladin projections reflect revised prospects for Endo's or Paladin's business, changes in general business or economic conditions or any other transaction or event that has occurred or that may occur and that was not anticipated at the time such financial information was prepared. Neither Endo nor Paladin has updated, nor does either of them intend to update or otherwise revise, Endo's Endo projections or Endo's Paladin projections (excluding, in the case of Endo, possible ordinary course updates of Endo's fiscal 2013-2014 guidance), except as required by law. There can be no assurance that the results reflected in any of Endo's Endo projections or Endo's Paladin projections will be realized or that actual results will not materially vary from Endo's Endo projections or Endo's Paladin projections, respectively. In addition, since Endo's Endo projections and Endo's Paladin projections cover multiple years, such information by its nature becomes less predictive with each successive year. Therefore, the inclusion of Endo's Endo projections and Endo's Paladin projections in this proxy statement/prospectus should not be relied on as predictive of actual future events nor construed as financial guidance.

Endo shareholders are urged to review Paladin's most recent Canadian Securities Administrators (CSA) filings and Endo's most recent SEC filings for a description of risk factors with respect to Paladin's and Endo's businesses. You should read the section entitled *Cautionary Note Regarding Forward-Looking Statements* beginning on page 43 of this proxy statement/prospectus for additional information regarding the risks inherent in forward-looking information such as the financial projections and *Where You Can Find More Information* beginning on page 305 of this proxy statement/prospectus.

Endo's Endo projections and Endo's Paladin projections were not prepared with a view toward public disclosure or for complying with the published guidelines of the SEC or any Canadian securities regulators regarding projections or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information. Neither Endo's independent registered public accounting firm, nor Paladin's independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to Endo's Endo projections or Endo's Paladin projections, nor have they expressed any opinion or any other form of assurance on Endo's Endo projections or Endo's Paladin projections or the achievability of the results reflected in Endo's Endo projections or Endo's Paladin projections, and they assume no responsibility for Endo's Endo projections and Endo's Paladin projections. The Deloitte & Touche LLP reports incorporated by reference in this proxy statement/prospectus relate to Endo's historical financial information, and the Ernst & Young LLP reports included in this proxy statement/prospectus relate to Paladin's historical financial information. They do not extend to the prospective financial information and should not be read to do so. Certain of the financial projections set forth herein, including Non-GAAP net income and Free cash flow, may be considered non-GAAP financial measures. Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with U.S. GAAP, and Non-GAAP financial measures as used by Endo and Paladin may not be comparable to similarly titled amounts used by other companies. Quantitative reconciliations of the prospective Non-GAAP measures included herein to the most directly comparable U.S. GAAP financial measures have not been provided. Not all of the information necessary for quantitative reconciliations is available to Endo and Paladin at this

time without unreasonable efforts. This is due primarily to variability and difficulty in making accurate detailed forecasts and projections. Accordingly, we do not believe that reconciling information for such projected figures would be meaningful.

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For the reasons described above, readers of this proxy statement/prospectus are cautioned not to unduly rely on Endo's Endo projections or Endo's Paladin projections. Neither Paladin nor Endo has made any representation to Endo or Paladin, as applicable, or any other person in the Transaction Agreement or otherwise concerning any of Endo's Endo projections or Endo's Paladin projections.

Endo's Endo projections and Endo's Paladin projections were prepared based on each of Paladin and Endo, respectively, as a stand-alone company. Such forecasts do not take into account the transactions, including the impact of negotiating or executing the transactions, the expenses that may be incurred in connection with consummating the transactions, the potential synergies that may be achieved by the combined company as a result of the transactions, the effect of any business or strategic decision or action that has been or will be taken as a result of the arrangement agreement having been executed, or the effect of any business or strategic decisions or actions which would likely have been taken if the arrangement agreement had not been executed but which were instead altered, accelerated, postponed or not taken in anticipation of the transactions.

The following tables present a summary of Endo's Endo projections and Endo's Paladin projections. These financial forecasts were based on numerous variables and assumptions that are inherently uncertain and may be beyond the control of Paladin or Endo. Important factors that may affect actual results and cause these financial forecasts not to be achieved include, but are not limited to, risks and uncertainties relating to Paladin's and Endo's businesses (including the ability to achieve strategic goals, objectives and targets over the applicable periods), industry performance, the regulatory environment, general business and economic conditions, future acquisition and disposition activity and other factors described or referenced under *Cautionary Note Concerning Forward-Looking Statements* beginning on page 43 of this proxy statement/prospectus. In addition, the forecasts also reflect assumptions that are subject to change and do not reflect revised prospects for Paladin's or Endo's businesses, changes in general business or economic conditions, or any other transaction or event that has occurred or that may occur and that was not anticipated at the time the financial forecasts were prepared. Accordingly, there can be no assurance that these financial forecasts will be realized or that Paladin's or Endo's future financial results will not materially vary from these financial forecasts. No one has made or makes any representation to any stockholder or anyone else regarding the information included in the financial forecasts set forth below. Readers of this proxy statement/prospectus are cautioned not to rely on the forecasted financial information. Some or all of the assumptions which have been made regarding, among other things, the timing of certain occurrences or impacts, may have changed since the date such forecasts were made. Endo has not updated and does not intend to update, or otherwise revise the financial forecasts to reflect circumstances existing after the date when made or to reflect the occurrence of future events, even in the event that any or all of the assumptions on which such forecasts were based are shown to be in error. Endo's projections are based on Endo management's assumptions at the time. While management of Endo believed such assumptions to be reasonable at the time, there can be no assurance that matters would develop as assumed and actual results may differ substantially. Management does not have any obligation to update any such assumptions. Accordingly, no undue reliance should be placed on any such assumptions or forecasts.

	Endo's Endo Projections		
	(in millions of USD)		
	Year Ending December 31,		
	2014E	2015E	2016E
	\$	\$	\$
Total revenues	2,475	2,468	2,618
U.S. GAAP net income	251	279	343
Adjusted net income(1)	483	462	511

Free cash flow(2) 348 466 585

Endo s Paladin Projections
(in millions of USD)

Year Ending December 31,

	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Total revenues	271	318	356	385	414	440	465	488	515	545
Net income	56	70	80	92	101	105	108	111	115	118
Adjusted net income	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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- (1) Non-GAAP measure. For this purpose, Non-GAAP net income represents U.S. GAAP net income adjusted for certain projected upfront and milestone payments; amortization of intangible assets related to marketed products and customer relationships; inventory step-up recorded as part of the acquisitions; non-cash interest expense; certain litigation related expenses; certain other items that we believe do not reflect Endo's core operating performance; the cash tax savings resulting from the recent acquisitions; and the tax effect of the pre-tax adjustments above at applicable tax rates.
- (2) Non-GAAP measures. For this purpose, free cash flow represents Non-GAAP net income plus certain amounts related to depreciation expense, amortization expense, interest expense, income tax expense and certain other items, less cash taxes, capital expenditures, certain research and development milestones and litigation and restructuring charges and less the amount of any increase or plus the amount of any decrease in net working capital.

Opinion of Endo's Financial Advisors***Opinion of Deutsche Bank Securities Inc.***

Deutsche Bank has acted as financial advisor to Endo in connection with the transactions. At the November 4, 2013, meeting of the Endo board of directors, Deutsche Bank delivered its oral opinion to the Endo board of directors, subsequently confirmed in writing, to the effect that, as of the date of such opinion, and based upon and subject to the assumptions, limitations, qualifications and conditions described in Deutsche Bank's opinion, the exchange ratio (taking into account the arrangement) was fair, from a financial point of view, to the holders of the outstanding Endo common stock.

The full text of Deutsche Bank's written opinion, dated November 5, 2013, which sets forth the assumptions made, procedures followed, matters considered and limitations, qualifications and conditions on the review undertaken by Deutsche Bank in connection with the opinion, is included in this proxy statement/prospectus as Annex F and is incorporated herein by reference. The summary of Deutsche Bank's opinion set forth in this proxy statement/prospectus is qualified in its entirety by reference to the full text of the opinion. Deutsche Bank's opinion was approved and authorized for issuance by a Deutsche Bank fairness opinion review committee and was addressed to, and was for the use and benefit of, the Endo board of directors in connection with and for purpose of its evaluation of the transactions. Deutsche Bank expressed no opinion, and its opinion does not constitute a recommendation, as to how any holder of securities of Endo or any other entity should vote or act with respect to the transactions or any other matter. Deutsche Bank's opinion was limited to the fairness of the exchange ratio (taking into account the arrangement), from a financial point of view, to the holders of the outstanding Endo common stock as of the date of the opinion. Deutsche Bank's opinion did not address any other terms of the transactions or the arrangement agreement nor did it address the terms of any other agreement entered into in connection with the transactions. Endo did not ask Deutsche Bank to, and Deutsche Bank's opinion did not, address the fairness of the transaction, or any consideration received in connection therewith, to the holders of any other class of securities, creditors or other constituencies of Endo, nor did it address the fairness of the contemplated benefits of the transactions. Deutsche Bank expressed no opinion as to the merits of the underlying business decision by Endo to engage in the transactions or the relative merits of the transactions as compared to any alternative transactions or business strategies. Also, Deutsche Bank did not express any view or opinion as to the fairness, financial or otherwise, of the amount or nature of any compensation payable to or to be received by any of the officers, directors or employees of any parties to the transaction, or any class of such persons, in connection with the transactions relative to the exchange ratio. Deutsche Bank's opinion did not in any manner address what the value of New Endo ordinary shares actually will be when issued pursuant to the transactions or the prices at which Paladin common shares,

Endo common stock or other securities will trade following the announcement or consummation of the transactions contemplated by the arrangement agreement.

In connection with its role as financial advisor to Endo, and in arriving at its opinion, Deutsche Bank reviewed certain publicly available financial and other information concerning Paladin and certain internal

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analyses, financial forecasts and other information relating to Paladin prepared by management of Paladin and approved for its use by Endo. Deutsche Bank also reviewed certain publicly available financial and other information concerning Endo and certain analyses, financial forecasts and other information relating to Endo and the combined company prepared by the management of Endo (or, in the case of certain financial forecasts for the years 2017 and 2018, extrapolated by Deutsche Bank based on guidance provided by Endo management) and approved for its use by Endo. Deutsche Bank also held discussions with certain senior officers and other representatives and advisors of Endo and Paladin regarding the businesses and prospects of Endo and Paladin, respectively, and the combined company. In addition, Deutsche Bank:

reviewed the reported prices and trading activity for the Endo shares and Paladin shares;

compared certain financial and stock market information for Paladin with, to the extent publicly available, similar information for certain other companies it considered relevant whose securities are publicly traded;

reviewed, to the extent publicly available, the financial terms of certain recent business combinations which it deemed relevant;

reviewed the arrangement agreement and certain related documents, including the voting agreements; and

performed such other studies and analyses and considered such other factors as it deemed appropriate.

Deutsche Bank did not assume responsibility for independent verification of, and did not independently verify, any information, whether publicly available or furnished to it, concerning Endo or Paladin, including, without limitation, any financial information considered in connection with the rendering of its opinion.

Accordingly, for purposes of its opinion, Deutsche Bank, with the knowledge and permission of the Endo board of directors, assumed and relied upon the accuracy and completeness of all such information. Deutsche Bank did not conduct a physical inspection of any of the properties or assets, and did not prepare, obtain or review any independent evaluation or appraisal of any of the assets or liabilities (including any contingent, derivative or off-balance-sheet assets or liabilities), of Endo, Paladin or any of their respective subsidiaries, nor did Deutsche Bank evaluate the solvency or fair value of Endo, Paladin or any of their respective subsidiaries under any law relating to bankruptcy, insolvency or similar matters. With respect to the financial forecasts, including, without limitation, the analyses and forecasts of the amount and timing of certain tax benefits, cost savings and other strategic benefits projected by Endo to be achieved as a result of the transactions which are collectively referred to in this proxy statement/prospectus as the synergies, made available to Deutsche Bank and used in its analyses, Deutsche Bank assumed, with the knowledge and permission of the Endo board of directors, that such forecasts, including the synergies, had been reasonably prepared on bases reflecting the best currently available estimates and judgments of the managements of Endo and Paladin as to the matters covered thereby, and that the financial results, including the synergies, reflected in such forecasts will be realized in the amounts and at the times projected and has relied on such forecasts in arriving at its opinion. Deutsche Bank further assumed, with the knowledge and permission of the Endo board of directors, that the transactions would have the tax effects that it discussed with Endo. Deutsche Bank also assumed, with the knowledge and permission of the Endo board of directors, that, upon consummation of the transactions, New Endo would not have any rights to the assets of Knight Therapeutics. In rendering its opinion, Deutsche Bank expressed no view as to

the reasonableness of such forecasts and projections, including, without limitation, the synergies, or the assumptions on which they are based. Deutsche Bank's opinion was necessarily based upon economic, market and other conditions as in effect on, and the information made available to it as of, the date of the opinion. Deutsche Bank expressly disclaimed any undertaking or obligation to advise any person of any change in any fact or matter affecting its opinion of which it becomes aware after the date of its opinion.

For purposes of rendering its opinion, Deutsche Bank assumed, with the knowledge and permission of the Endo board of directors, that in all respects material to its analysis, the transactions would be consummated in accordance with the terms of the arrangement agreement, without any waiver, modification or amendment of any term, condition or agreement, and no adjustments or modifications to the structure of the transactions would be made, in each case that was material to its analysis, and without any adjustment to the exchange ratio or

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arrangement consideration attributable to changes in the outstanding shares of capital stock of Endo, New Endo or Paladin by reason of any reclassification, recapitalization, stock split or combination, exchange or readjustment of shares, or any stock dividend thereon. Deutsche Bank also assumed with the knowledge and permission of the Endo board of directors, that all material governmental, regulatory or other approvals and consents required in connection with the consummation of the transactions would be obtained and that in connection with obtaining any necessary governmental, regulatory or other approvals and consents, no restrictions, terms or conditions would be imposed that would be material to its analysis. Deutsche Bank is not a legal, regulatory, tax or accounting expert and Deutsche Bank relied on the assessments made by Endo and its other advisors with respect to such issues.

Endo selected Deutsche Bank as its financial advisor in connection with the transactions based on Deutsche Bank's qualifications, expertise, reputation and experience in mergers and acquisitions. Pursuant to an engagement letter between Endo and Deutsche Bank, dated November 3, 2013, Endo has agreed to pay Deutsche Bank a transaction fee of US\$14,000,000, for its services as financial advisor to Endo, of which US\$1,500,000 became payable upon the delivery of Deutsche Bank's opinion and the remainder of which is contingent upon consummation of the transactions. Endo has also agreed to reimburse Deutsche Bank for reasonable fees, expenses and disbursements of Deutsche Bank's outside counsel and Deutsche Bank's reasonable travel and other out-of-pocket expenses incurred in connection with the transactions or otherwise arising out of the retention of Deutsche Bank, in each case on the terms set forth in its engagement letter. Endo has also agreed to indemnify Deutsche Bank and certain related persons to the fullest extent lawful against certain liabilities, including certain liabilities under the federal securities laws arising out of its engagement or the transactions.

Deutsche Bank is an internationally recognized investment banking firm experienced in providing advice in connection with mergers and acquisitions and related transactions. Deutsche Bank is an affiliate of Deutsche Bank AG, which, together with its affiliates, is referred to in this proxy statement/prospectus as the DB Group. One or more members of the DB Group have, from time to time, provided, and are currently providing, investment banking, commercial banking (including extension of credit) and other financial services to Endo or its affiliates for which they have received, and in the future may receive, compensation, including having acted as joint bookrunner with respect to an offering of 7% Senior Notes due 2019 (aggregate principal amount of US\$500 million), 7.25% Senior Notes due 2022 (aggregate principal amount of US\$400 million), a US\$1.5 billion Term Loan A Facility and as lender on a US\$500 million revolving credit facility established in connection with Endo's acquisition of American Medical Holdings, Inc. in June 2011 and in advising Endo in a potential divestiture involving its HealthTronics division. One or more members of the DB Group have agreed to provide financing to Endo and New Endo in connection with the transactions. The DB Group may also provide investment and commercial banking services to Endo, Paladin and New Endo in the future, for which we would expect the DB Group to receive compensation. In the ordinary course of business, members of the DB Group may actively trade in the securities and other instruments and obligations of New Endo, Paladin and Endo and their respective affiliates for their own accounts and for the accounts of their customers. Accordingly, the DB Group may at any time hold a long or short position in such securities, instruments and obligations.

Summary of Material Financial Analyses of Deutsche Bank

The following is a summary of the material financial analyses presented by Deutsche Bank to the Endo board of directors at its meeting held on November 4, 2013, and that were used in connection with rendering its opinion described above.

The following summary, however, does not purport to be a complete description of the financial analyses performed by Deutsche Bank, nor does the order in which the analyses are described represent the relative importance or weight given to the analyses by Deutsche Bank. Some of the summaries of financial analyses below include information

presented in tabular format. In order to fully understand the analyses, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of Deutsche Bank's analyses. Considering the data described below without considering the full narrative

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description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the analyses. Except as otherwise noted, the following quantitative information, to the extent that it is based on market data, is based on market data as it existed on or before November 1, 2013, and is not necessarily indicative of current market conditions.

Relative Ownership Analysis

In assessing the relative ownership analysis, Deutsche Bank derived values for each of Endo and Paladin using the valuation methodologies, described in the summaries under the captions *Selected Public Companies Analysis Paladin*, *Selected Public Companies Analysis Endo*, *Sum-of-the-Parts Discounted Cash Flow Analysis Paladin* and *Discounted Cash Flow Analysis Endo*, set forth below. Each of these methodologies was used to generate implied valuation ranges for Endo and Paladin (with Paladin equity value adjusted for cash consideration to be received by Paladin shareholders). For each methodology, an implied pro forma Endo ownership range was then calculated based on these implied valuation ranges.

The following table outlines the implied pro forma Endo ownership ranges derived using each of these methodologies. With respect to any given range of ownership percentages, except in the case of the last twelve-month period exchange ratio, which is referred to in this proxy statement/prospectus as the LTM exchange ratio, the upper ownership percentage assumes the maximum Endo equity value and minimum Paladin equity value, while the lower ownership percentage assumes the minimum Endo equity value and maximum Paladin equity value (as described in more detail below). The LTM exchange ratio range reflects the range of implied pro forma Endo ownership derived by utilizing the LTM exchange ratio range between Endo and Paladin of 1.230 to 1.786.

	Implied Pro Forma Endo ownership
LTM exchange ratio	76.5% - 82.7%
Trading comparables	
TEV/EBITDA (2014E)	79.0% - 87.3%
TEV/EBITDA (2014E) (including transaction benefits)	64.1% - 77.6%
P/E (2014E)	79.3% - 88.4%
P/E (2014E) (including transaction benefits)	58.7% - 74.1%
Discounted Cash Flow	
Excluding transaction benefits	70.4% - 84.6%
Including transaction benefits	55.3% - 75.1%

Deutsche Bank noted that the 1:1 exchange ratio of New Endo ordinary shares to be received per share of Endo common stock implied an approximate 77.4% pro forma Endo ownership of New Endo on a fully-diluted basis.

Deutsche Bank also presented a relative ownership sensitivity analysis based on the maximum cash consideration payable pursuant to the downside protection provided pursuant to the transactions. The following table outlines the implied pro forma Endo ownership ranges derived using each of these methodologies when the maximum cash consideration is paid:

**Implied Pro Forma Endo ownership
(Maximum Cash Consideration)**

LTM exchange ratio	79.1% - 85.7%
Trading comparables	
TEV/EBITDA (2014E)	81.9% - 89.9%
TEV/EBITDA (2014E) (including transaction benefits)	66.1% - 79.7%
P/E (2014E)	82.2% - 91.0%
P/E (2014E) (including transaction benefits)	60.3% - 75.9%
Discounted Cash Flow	
Excluding transaction benefits	73.1% - 87.1%
Including transaction benefits	57.0% - 77.1%

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Historical Trading Analysis Paladin

Deutsche Bank reviewed the historical closing trading prices for Paladin common shares during the 52-week period ended November 1, 2013, which ranged from a low of \$39.06 per share on November 21, 2012 to a high of \$65.60 per share on October 2, 2013. Deutsche Bank also noted that the closing price of Paladin common shares on November 1, 2013 was \$63.79 per share and its five-day volume weighted average price as of November 1, 2013 was \$63.83 per share.

Deutsche Bank noted to the Endo board of directors that, based on the terms of the transactions, an implied 77.4% pro forma Endo ownership of New Endo, the five-day volume weighted average share price of Endo as of November 1, 2013 and the five-day average USD/CAD exchange rate as of November 1, 2013, the nominal value per common share of Paladin to be paid in the transactions was \$77.00.

Analyst Price Targets Paladin

Deutsche Bank reviewed the stock price targets for Paladin common shares in 11 recently published, publicly available research analysts' reports, which indicated low and high stock price targets ranging from \$58.00 to \$70.00 per share for reports published prior to November 1, 2013.

Selected Public Companies Analysis Paladin

Deutsche Bank reviewed and compared certain financial information and commonly used valuation measurements for Paladin with corresponding financial information and valuation measurements for the following companies:

Akorn, Inc.

Auxilium Pharmaceuticals, Inc.

Impax Laboratories, Inc.

Jazz Pharmaceuticals plc

Meda AB

Mallinckrodt plc

Santarus, Inc.

Although none of the above selected companies is directly comparable to Paladin, the companies included were chosen because they are publicly traded companies with financial and operating characteristics that, for purposes of analysis, may be considered similar to those of Paladin. Accordingly, the analysis of publicly traded companies was

not simply mathematical. Rather, it involved complex considerations and qualitative judgments, reflected in the opinion of Deutsche Bank, concerning differences in financial and operating characteristics of the selected companies and other factors that could affect the public trading value of such companies.

Based on the closing prices of the common stock of the selected companies on November 1, 2013, information contained in the most recent public filings of the selected companies, earnings before interest, taxes, depreciation and amortization (from consensus analyst forecasts), which is referred to in this proxy statement/prospectus as EBITDA, and earnings per share (from consensus analyst forecasts), which is referred to in this proxy statement/prospectus as EPS, for Paladin and the selected companies, Deutsche Bank calculated the following multiples with respect to Paladin and each of the selected companies:

total enterprise value as a multiple of estimated EBITDA, which is referred to in this proxy statement/prospectus as TEV/EBITDA multiples, for 2014; and

price as a multiple of estimated EPS, which is referred to in this proxy statement/prospectus as P/E multiples, for 2014.

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Akorn, Inc. and Meda AB were adjusted to take into account the pro forma financial impact of recently announced acquisitions based on publicly available information.

The results of this analysis are summarized as follows:

	TEV/EBITDA (2014E)	P/E (2014E)
All Selected Companies		
High	17.5x	43.7x
Mean	11.6x	22.0x
Median	11.2x	18.4x
Low	8.3x	15.7x

Based in part upon the trading multiples of the selected companies described above and estimates of EBITDA and EPS for Paladin based on Endo management's view of the financial forecast as provided by management of Paladin, and taking into account its professional judgment and experience, Deutsche Bank calculated a range of estimated implied values per Paladin common share by applying multiples of TEV to 2014 estimated EBITDA of 10.0x to 15.0x, multiples of TEV to 2014 estimated EBITDA (including transaction benefits) of 10.0x to 15.0x, multiples of price to 2014 estimated net income of 16.0x to 23.0x and multiples of price to 2014 estimated net income (including transaction benefits) of 16.0x to 23.0x, resulting in ranges of implied value of approximately \$51.31 to \$68.62 per Paladin common share, \$100.34 to \$142.16 per Paladin common share, \$48.85 to \$68.35 per Paladin common share and \$127.29 to \$181.12 per Paladin common share, respectively.

Selected Transactions Analysis - Paladin

Deutsche Bank reviewed publicly available information relating to the following selected transactions announced since March 2006, which is referred to in this proxy statement/prospectus as the selected transactions.

Date Announced	Target	Acquiror
April 29, 2013	Actient Holdings LLC	Auxilium Pharmaceuticals, Inc.
February 27, 2013	Agila Specialties Private Limited	Mylan Inc.
April 25, 2012	Actavis, Inc.	Watson Pharmaceuticals, Inc.
July 7, 2008	APP Pharmaceuticals, Inc.	Fresenius SE
July 20, 2007	MedPointe Inc.	Meda AB
October 23, 2006	Connetics Corporation	Stiefel Laboratories, Inc.
March 13, 2006	Andrx Corporation	Watson Pharmaceuticals, Inc.

Although none of the selected transactions is directly comparable to the transactions, the companies in the selected transactions were selected by Deutsche Bank based on upon its general experience and knowledge of precedent transactions of a similar nature that for purposes of this analysis may be considered similar to the transactions.

With respect to each selected transaction, Deutsche Bank calculated the multiples of the target's total enterprise value to its EBITDA for the twelve-month period, which is referred to in this proxy statement/prospectus as LTM EBITDA, prior to announcement of the applicable transaction and, for certain of those selected transactions, calculated the percent reduction of the multiple when compared with the TEV/EBITDA multiple after including announced transaction benefits.

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The results of this analysis are summarized as follows:

	TEV as Multiple of LTM EBITDA	% Reduction in TEV as Multiple of LTM EBITDA (including transaction benefits)
Selected Transactions		
High	19.4x	(22.0%)
Mean	16.5x	(32.3%)
Median	16.3x	(32.4%)
Low	13.8x	(42.5%)

Based in part upon the multiples of the selected transactions described above, Deutsche Bank calculated ranges of estimated implied values per Paladin common share by applying multiples of 14.0x to 18.5x to Paladin's LTM EBITDA and 9.5x to 12.5x to Paladin's LTM EBITDA (including transaction benefits), resulting in ranges of implied value of approximately \$67.33 to \$83.61 per Paladin common share and \$97.63 to \$123.19 per Paladin common share, respectively.

Sum-of-the-Parts Discounted Cash Flow Analysis - Paladin

Deutsche Bank performed a sum-of-the-parts discounted cash flow analysis of Paladin using financial forecasts and other information and data provided by Endo's management to calculate a range of implied net present values of Paladin's base business excluding Serelaxin, Paladin's pipeline product for the treatment of acute heart failure, which is referred to in this proxy statement/prospectus as Serelaxin, and business development, which is referred to in this proxy statement/prospectus as the base business, its Serelaxin business, its Latin America business and its business development component and an implied range of implied present values per Paladin common share as of December 31, 2013.

In performing the discounted cash flow analysis, Deutsche Bank applied a range of discount rates of 8.5% to 10.5% to (i) Endo's management estimate, of the after-tax unlevered free cash flows of each of Paladin's base business, its Serelaxin business, its Latin America business and its business development component for the period January 1, 2014 through December 31, 2023, using the mid-year convention, and (ii) a range of estimated terminal values of Paladin's base business, its Serelaxin business, its Latin America business and its business development component derived by growing the adjusted projected 2023 unlevered after-tax free cash flows using perpetuity growth rates of 0.0% to 3.0%.

Taking into account Endo's management estimates of cash balances as of December 31, 2013, long-term investments outstanding as of September 30, 2013, and the market value of Paladin's ownership in Litha based on a five-day volume weighted average price as of November 1, 2013, this analysis resulted in a range of implied present values per Paladin common share as of December 31, 2013 of approximately \$61.60 to \$91.18 per share.

Deutsche Bank also performed a discounted cash flow analysis on the net present value of the transaction benefits, applying a range of discount rates of 8.5% to 10.5% to (i) Endo's management estimates of the after-tax unlevered free cash flows for the period January 1, 2014 through December 31, 2019, using the mid-year convention, and (ii) a range of estimated terminal values derived by growing the adjusted projected 2019 unlevered after-tax free cash flow using perpetuity growth rates of -2.0% to 2.0%.

Taking into account the net present value of the transaction benefits resulted in a range of implied present values per Paladin common share as of December 31, 2013 of approximately \$108.32 to \$169.27 per share.

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Historical Trading Analysis Endo

Deutsche Bank reviewed the historical closing trading prices for Endo common stock during the 52-week period ended November 1, 2013, which ranged from a low of US\$25.06 per share on January 4, 2013 to a high of US\$47.03 per share on October 1, 2013.

Deutsche Bank also noted that the closing price of Endo common stock on November 1, 2013 was US\$44.22 per share and its five-day volume weighted average price as of November 1, 2013 was US\$44.46 per share.

Analyst Price Targets Endo

Deutsche Bank reviewed the stock price targets for Endo common stock in 23 recently published, publicly available research analysts' reports, which indicated low and high stock price targets ranging from US\$25.00 to US\$53.00 per share for reports published prior to November 1, 2013.

Selected Public Companies Analysis Endo

Deutsche Bank reviewed and compared certain financial information and commonly used valuation measurements for Endo with corresponding financial information and valuation measurements for the following companies:

Specialty Pharmaceuticals:

Jazz Pharmaceuticals plc

Questcor Pharmaceuticals, Inc.

Generics:

Actavis plc

Mylan, Inc.

Teva Pharmaceutical Industries Ltd.

Medical Devices:

ArthroCare Corporation

CONMED Corporation

Hill-Rom Holdings, Inc.

Hologic, Inc.

NuVasive, Inc.

ResMed Inc.

Thoratec Corporation

Although none of the above selected companies is directly comparable to Endo, the companies included were chosen because they are publicly traded companies with financial and operating characteristics that, for purposes of analysis, may be considered similar to those of Endo. Accordingly, the analysis of publicly traded companies was not simply mathematical. Rather, it involved complex considerations and qualitative judgments, reflected in the opinion of Deutsche Bank, concerning differences in financial and operating characteristics of the selected companies and other factors that could affect the public trading value of such companies.

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Based on the closing prices of the common stock of the selected companies on November 1, 2013, information contained in the most recent public filings of the selected companies and EBITDA and EPS (from consensus analyst forecasts) for Endo and the selected companies, Deutsche Bank calculated the following multiples with respect to Endo and each of the selected companies:

TEV/EBITDA multiples for 2014; and

P/E multiples for 2014.

Actavis plc and Mylan, Inc. were adjusted to take into account the pro forma financial impact of recently announced acquisitions based on publicly available information.

The results of this analysis are summarized as follows:

	TEV/EBITDA (2014E)	P/E (2014E)
Specialty Pharmaceuticals		
High	9.8x	15.7x
Mean	8.2x	12.9x
Median	8.2x	12.9x
Low	6.6x	10.1x
Generics		
High	11.3x	12.3x
Mean	9.4x	10.6x
Median	9.6x	11.3x
Low	7.3x	8.2x
Medical Devices		
High	14.1x	27.1x
Mean	11.3x	19.7x
Median	11.4x	18.9x
Low	8.6x	13.4x

Based in part upon the trading multiples of the selected companies described above and estimates of EBITDA and EPS for Endo as provided by management of Endo, and taking into account its professional judgment and experience, Deutsche Bank calculated a range of estimated implied values per share of Endo common stock by applying multiples of TEV to 2014 estimated EBITDA of 8.5x to 10.5x and multiples of price to 2014 estimated EPS of 11.0x to 15.0x, resulting in ranges of implied value of approximately US\$42.52 to US\$56.07 per share of Endo common stock and US\$43.10 to US\$58.77 per share of Endo common stock, respectively.

Discounted Cash Flow Analysis Endo

Deutsche Bank performed a discounted cash flow analysis of Endo using financial forecasts and other information and data provided by Endo's management to calculate a range of implied net present values per share of Endo common stock as of December 31, 2013.

In performing the discounted cash flow analysis, Deutsche Bank applied a range of discount rates of 8.5% to 10.5% to (i) Endo's management estimates of the after-tax unlevered free cash flows for the period January 1, 2014 through December 31, 2018, using the mid-year convention, and (ii) a range of estimated terminal values derived by applying a range of multiples of 6.0x to 8.0x to terminal LTM EBITDA.

Taking into account Endo's management estimates of net indebtedness as of December 31, 2013, this analysis resulted in a range of implied present values per share of Endo common stock as of December 31, 2013 of approximately US\$36.38 to US\$54.09 per share.

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Deutsche Bank also noted for the Endo board of directors certain additional factors for informational purposes. This information included, among other things, an analysis of premia paid in 14 selected life sciences transactions with total enterprise values between US\$1.0 billion and US\$5.0 billion announced since March 2009. The premia in this analysis were calculated by comparing the per share acquisition price in each transaction to the closing price of the target company's common stock for the date one day prior to the earlier of the date of announcement of the transactions or the date on which the trading price of the target's common stock was perceived to be affected by a potential transaction and to the 52-week high closing price of the target company's common stock prior to such date. The mean, median, high and low premia for the selected transactions were 62%, 54%, 163% and 12%, respectively, for the one-day prior metric and 23%, 16%, 70% and (52%), respectively, for the 52-week high metric. Deutsche Bank also noted that the \$77.00 of nominal value per share to be paid in the transaction represented a premium of 21% to the \$63.79 closing price of Paladin common shares on November 1, 2013, a premium of 21% to the \$63.83 five-day volume weighted average price as of November 1, 2013 and a premium of 17% to the \$65.60 high closing price for Paladin common shares for the 52-week period ended November 1, 2013. In addition, on the basis of a different sample set which included 20 stock consideration transactions with transaction values greater than US\$1 billion in which the pro forma target ownership percentage would be less than 40%, Deutsche Bank noted to the Endo board of directors that the number of transactions in which the premia was less than 10%, between 10-20%, between 20-30%, between 30-40%, between 40-50% and greater than 50% was one, four, seven, seven, one and zero, respectively, when calculated using the one-day prior metric.

Miscellaneous

This summary of the analyses is not a complete description of Deutsche Bank's opinion or the analyses underlying, and factors considered in connection with, Deutsche Bank's opinion. The preparation of a fairness opinion is a complex process involving the application of subjective business and financial judgment in determining the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and, therefore, is not readily susceptible to partial analysis or summary description. Deutsche Bank believes that its analyses described above must be considered as a whole and that considering any portion of such analyses and of the factors considered without considering all analyses and factors could create a misleading view of the process underlying its opinion. Selecting portions of the analyses or summary set forth above, without considering the analyses as a whole, could create an incomplete view of the processes underlying the Deutsche Bank opinion. In arriving at its fairness determination, Deutsche Bank considered the results of all of its analyses and did not attribute any particular weight to any factor or analysis. Rather, it made its fairness determination on the basis of its experience and professional judgment after considering the results of all of its analyses. No company or transaction in the analyses described above is identical to Paladin, Endo, the combined company or the transactions.

In conducting its analyses and arriving at its opinion, Deutsche Bank utilized a variety of generally accepted valuation methods. The analyses was prepared solely for the purpose of enabling Deutsche Bank to provide its opinion to the Endo board of directors as to fairness of the exchange ratio (taking into account the arrangement), from a financial point of view, to the holders of the outstanding Endo common stock as of the date of the opinion and does not purport to be an appraisal or necessarily reflect the prices at which businesses or securities actually may be sold, which are inherently subject to uncertainty. As described above, in connection with its analyses, Deutsche Bank made, and was provided by the managements of Endo and Paladin with, numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of Deutsche Bank, Endo or Paladin. Analyses based on estimates or forecasts of future results are not necessarily indicative of actual past or future values or results, which may be significantly more or less favorable than suggested by such analyses. Because such analyses are inherently subject to uncertainty, being based upon numerous factors or events beyond the

control of Endo or Paladin or their respective advisors, Deutsche Bank does not assume responsibility if future results or actual values are materially different from these forecasts or assumptions.

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The terms of the transactions, including the exchange ratio, were determined through arm's-length negotiations between the Endo and Paladin and were approved by the Endo board of directors. Although Deutsche Bank provided advice to the Endo board of directors during the course of these negotiations, the decision to enter into the arrangement agreement was solely that of the Endo board of directors. Deutsche Bank did not recommend any specific consideration to Endo or the Endo board of directors, or that any specific amount or type of consideration constituted the only appropriate consideration for the transactions. As described above, the opinion of Deutsche Bank and its presentation to the Endo board of directors were among a number of factors taken into consideration by the Endo board of directors in making its determination to approve the arrangement agreement and the transactions contemplated thereunder.

Opinion of Houlihan Lokey Financial Advisors, Inc.

On November 4, 2013, Houlihan Lokey verbally rendered its opinion to Endo's board of directors (which was subsequently confirmed in writing by delivery of Houlihan Lokey's written opinion addressed to Endo's board of directors dated as of November 5, 2013), that, as of November 4, 2013, taking into account the transactions, the exchange ratio was fair, from a financial point of view, to the holders of the outstanding Endo common stock.

Houlihan Lokey's opinion was directed to the Endo board of directors (in its capacity as such) and only addressed the exchange ratio from a financial point of view and did not address any other aspect or implication of the transactions or any other agreement, arrangement or understanding. The summary of Houlihan Lokey's opinion in this proxy statement/prospectus is qualified in its entirety by reference to the full text of its written opinion, which is attached as Annex G to this proxy statement/prospectus and describes the procedures followed, assumptions made, qualifications and limitations on the review undertaken and other matters considered by Houlihan Lokey in connection with the preparation of its opinion. However, neither Houlihan Lokey's opinion nor the summary of its opinion and the related analyses set forth in this proxy statement/prospectus are intended to be, and do not constitute, advice or a recommendation to Endo's board of directors or any security holder of Endo or any other person as to how to act or vote with respect to any matter relating to the transactions, including the merger.

In arriving at its opinion, Houlihan Lokey, among other things:

reviewed a draft of the arrangement agreement dated as of November 4, 2013 (for the verbal opinion) and November 5, 2013 (for the written opinion), including the plan of arrangement attached as a schedule to the arrangement agreement, but not including any other schedule attached to the arrangement agreement;

reviewed a draft of a memorandum prepared by KPMG, Endo's tax advisor, dated as of November 3, 2013 regarding the acquisition and financing structure, the transaction steps and the tax consequences of the transactions;

reviewed certain publicly available business and financial information relating to Endo and Paladin that Houlihan Lokey deemed to be relevant, including certain publicly available research analyst estimates with respect to the future financial performance of Endo and Paladin;

reviewed certain information relating to the sources and uses of the financing in the transactions prepared by the management of Endo;

reviewed certain information relating to the historical, current and future operations, financial condition and prospects of Endo and Paladin made available to Houlihan Lokey by Endo, including (a) financial projections prepared by and discussed with the management of Endo relating to Endo for the fiscal years ending 2013 through 2016, (b) financial projections (and adjustments thereto) prepared in consultation with the management of Endo relating to Endo for the fiscal years ending 2017 through 2018 that the management of Endo advised Houlihan Lokey have been reasonably prepared in good faith on bases reflecting the best currently available estimates and judgments of such management as to

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the future financial results and condition of Endo, (c) financial projections prepared by and discussed with the management of Endo relating to Paladin for the fiscal years ending 2013 through 2023, and (d) certain forecasts and estimates of potential cost savings and tax benefits expected to result from the transactions, all as prepared by or at the direction of the management of Endo;

spoke with certain members of the management of Endo and certain of its representatives and advisors regarding the business of Endo and Paladin, operations, financial condition and prospects of Endo and Paladin, the transactions and related matters;

spoke with certain members of the management of Paladin regarding the business, operations, financial condition and prospects of Paladin and related matters;

compared the financial and operating performance of Endo and Paladin with that of other public companies that Houlihan Lokey deemed to be relevant;

considered the publicly available financial terms of certain other transactions that Houlihan Lokey deemed to be relevant;

reviewed the current and historical market prices and trading volume for certain of Endo's and Paladin's publicly-traded securities, and the current and historical market prices and trading volume of the publicly-traded securities of certain other companies that Houlihan Lokey deemed to be relevant; and

conducted such other financial studies, analyses and inquiries and considered such other information and factors as Houlihan Lokey deemed appropriate.

At the instruction of Endo management, Houlihan Lokey assumed that upon consummation of the transactions, New Endo will not have any rights to the assets of Knight Therapeutics.

Houlihan Lokey relied upon and assumed, without independent verification, the accuracy and completeness of all data, material and other information furnished, or otherwise made available, to Houlihan Lokey, discussed with or reviewed by Houlihan Lokey, or publicly available, and does not assume any responsibility with respect to such data, material and other information. In addition, management of Endo advised Houlihan Lokey, and Houlihan Lokey assumed, that the financial projections (and adjustments thereto) reviewed by Houlihan Lokey were reasonably prepared in good faith on bases reflecting the best currently available estimates and judgments of such management as to the future financial results and condition of Endo and Paladin, and Houlihan Lokey expressed no opinion with respect to such projections or the assumptions on which they are based. Furthermore, upon the advice of the management of Endo, Houlihan Lokey assumed that the forecasts and estimates of potential cost savings and tax benefits expected to result from the transactions reviewed by Houlihan Lokey were reasonably prepared in good faith on bases reflecting the best currently available estimates and judgments of the management of Endo and that these potential cost savings and tax benefits will be realized in the amounts and the time periods indicated by these forecasts and estimates, and Houlihan Lokey expressed no opinion with respect to these potential cost savings and tax benefits or the assumptions on which they are based. Houlihan Lokey relied upon and assumed, without independent verification, that there was no change in the business, assets, liabilities, financial condition, results of operations, cash

flows or prospects of Endo and Paladin since the respective dates of the most recent financial statements and other information, financial or otherwise, provided to Houlihan Lokey that would be material to Houlihan Lokey's analyses or its opinion, and that there was no information or any facts that would make any of the information reviewed by Houlihan Lokey incomplete or misleading. In addition, Houlihan Lokey relied upon, without independent verification, the assessment of the management of Endo as to its ability to integrate the businesses of Endo and Paladin, and Houlihan Lokey assumed, at the direction of Endo, that there will be no developments with respect to any such matters that would have affected Houlihan Lokey's analyses or its opinion.

Houlihan Lokey relied upon and assumed, without independent verification, that (a) the representations and warranties of all parties to the arrangement agreement and all other related documents referenced therein are true

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and correct, (b) each party to the arrangement agreement and such other related documents will fully and timely perform all of the covenants and agreements required to be performed by such party, (c) all conditions to the consummation of the transactions will be satisfied without waiver thereof, and (d) the transactions will be consummated in a timely manner in accordance with the terms described in the arrangement agreement and such other related documents, without any amendments or modifications to the arrangement agreement and any related document. Houlihan Lokey relied upon and assumed, without independent verification, that (i) the transactions will be consummated in a manner that complies in all respects with all applicable foreign, federal and state statutes, rules and regulations, and (ii) all governmental, regulatory, and other consents and approvals necessary for the consummation of the transactions will be obtained and that no delay, limitations, restrictions or conditions will be imposed or amendments, modifications or waivers made that would result in the disposition of any assets of Endo or Paladin, or otherwise have an effect on the transactions, Endo, Paladin or New Endo or any expected benefits of the transactions that would be material to Houlihan Lokey's analyses or its opinion. Houlihan Lokey also relied upon and assumed, without independent verification, at the direction of Endo, that any adjustments to the exchange ratio will not be material to Houlihan Lokey's analyses or its opinion. In addition, Houlihan Lokey relied upon and assumed, without independent verification, that the final forms of any draft documents provided to it will not differ in any respect from the drafts of these documents provided to it.

Furthermore, in connection with Houlihan Lokey's opinion, Houlihan Lokey was not requested to make, and did not make, any physical inspection or independent appraisal or evaluation of any of the assets, properties or liabilities (fixed, contingent, derivative, off-balance-sheet or otherwise) of Endo, Paladin or any other party, nor was Houlihan Lokey provided with any such appraisal or evaluation. Houlihan Lokey did not estimate, and expressed no opinion regarding, the liquidation value of any entity or business. Houlihan Lokey did not undertake any independent analysis of any potential or actual litigation, regulatory action, possible unasserted claims or other contingent liabilities, to which Endo or Paladin was or may have been a party or was or may have been subject, or of any governmental investigation of any possible unasserted claims or other contingent liabilities to which Endo or Paladin was or may have been a party or was or may have been subject.

Houlihan Lokey was not requested to, and did not, (a) initiate or participate in any discussions or negotiations with, or solicit any indications of interest from, third parties with respect to the transactions, the securities, assets, businesses or operations of Endo, Paladin, New Endo or any other party, or any alternatives to the transactions, (b) negotiate the terms of the transactions, or (c) advise Endo's board of directors, Endo, Paladin or any other party with respect to alternatives to the transactions. Houlihan Lokey's opinion necessarily assumed the absence of further material changes in the financial, economic and market conditions from those prevailing on November 4, 2013, the date Houlihan Lokey gave its opinion. Houlihan Lokey's opinion is necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to Houlihan Lokey as of, November 4, 2013. Houlihan Lokey has not undertaken, and is under no obligation, to update, revise, reaffirm or withdraw its opinion, or otherwise comment on or consider events occurring or coming to Houlihan Lokey's attention after, November 4, 2013. Subsequent events could materially affect the conclusion set forth in its opinion, including changes in industry performance or market conditions; changes to the business, financial condition and results of operations of Endo or Paladin; changes in the terms of the transactions; and the failure to consummate the transactions within a reasonable period of time.

Houlihan Lokey did not express any opinion as to what the value of the Endo common stock actually will be when exchanged pursuant to the arrangement agreement or the price or range of prices at which the Endo common stock or New Endo ordinary shares may be purchased or sold, or otherwise be transferable, at any time. Houlihan Lokey assumed that the New Endo ordinary shares to be issued in the transactions to the holders of Endo common stock immediately prior to the transactions will be listed on NASDAQ and TSX. In addition, Houlihan Lokey did not express any opinion as to the terms of any refinancing of convertible notes of Endo.

Houlihan Lokey's opinion was furnished for the use of the Endo board of directors (in its capacity as such) in connection with its evaluation of the transactions and may not be used for any other purpose without Houlihan Lokey's prior written consent. Houlihan Lokey's opinion should not be construed as creating any

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fiduciary duty on Houlihan Lokey's part to any party. Houlihan Lokey's opinion is not intended to be, and does not constitute, a recommendation to the Endo board of directors, holders of Endo common stock or any other party as to how to act, vote or make any election with respect to any matter relating to, or whether to tender shares in connection with, the transactions or otherwise.

Houlihan Lokey was not requested to opine as to, and Houlihan Lokey's opinion does not express an opinion as to or otherwise address, among other things: (a) the underlying business decision of Endo, its affiliates, their respective security holders or any other party to proceed with or effect any portion or aspect of the transactions, (b) the terms of any arrangements, understandings, agreements or documents related to, or the form, structure or any other portion or aspect of, the transactions or otherwise (except if and only to the extent expressly specified in its opinion), (c) the fairness of any portion or aspect of the transactions to the holders of any class of securities, creditors or other constituencies of Endo or its affiliates, or to any other party except if and only to the extent expressly set forth in its written opinion, (d) the relative merits of the transactions as compared to any alternative business strategies or transactions that might be available for Endo, Paladin, their affiliates or any other party or the effect of any other transactions in which any party might engage, (e) the fairness of any portion or aspect of the transactions to any one class or group of Endo's or any other party's security holders or other constituents vis-à-vis any other class or group of Endo's or such other party's security holders or other constituents (including the allocation of any consideration amongst or within such classes or groups of security holders or other constituents), (f) how the Endo board of directors, any holder of Endo common stock or any other securityholder of Endo, or any other party, should act with respect to any portion or aspect of the transactions (including, without limitation, how to vote with respect to the transactions) or any investment decision, (g) the solvency, creditworthiness or fair value of Endo, Paladin, New Endo, their affiliates or any other participant in the transactions, or any of their respective assets, under any applicable laws relating to bankruptcy, insolvency, fraudulent conveyance or similar matters, or (h) the fairness, financial or otherwise, of the amount, nature or any other aspect of any compensation to or consideration payable to or received by any officers, directors or employees of any party to the transactions, any class of such persons or any other party, relative to the exchange ratio or otherwise. Furthermore, no opinion, counsel or interpretation is intended in matters that require legal, regulatory, accounting, insurance, tax or other similar professional advice. Houlihan Lokey assumed that such opinions, counsel or interpretations have been or will be obtained from the appropriate professional sources. Furthermore, Houlihan Lokey relied, with the consent of the Endo board of directors, on the assessments by Endo and its advisors, as to all legal, regulatory, accounting, insurance and tax matters with respect to Endo, Paladin, New Endo, any of their respective affiliates and the transactions or otherwise. Houlihan Lokey further relied upon and assumed that (i) New Endo will not be treated as a U.S. corporation for U.S. federal income tax purposes, and (ii) the tax benefits of the transactions, as articulated to Houlihan Lokey by Endo, will be realized on a timeframe and in amounts not materially different from the descriptions Houlihan Lokey received from Endo. The issuance of Houlihan Lokey's opinion was approved by a committee authorized to approve opinions of such nature.

In preparing its opinion to Endo's board of directors, Houlihan Lokey performed a variety of analyses, including those described below. The summary of Houlihan Lokey's analyses is not a complete description of the analyses underlying Houlihan Lokey's opinion. The preparation of a fairness opinion is a complex process involving various quantitative and qualitative judgments and determinations with respect to the financial, comparative and other analytical methods employed and the adaptation and application of these methods to the unique facts and circumstances presented. As a consequence, neither a fairness opinion nor its underlying analyses is readily susceptible to summary description. Houlihan Lokey arrived at its opinion based on the results of all analyses undertaken by it and assessed as a whole and did not draw, in isolation, conclusions from or with regard to any individual analysis, methodology or factor. While the results of each analysis were taken into account in reaching Houlihan Lokey's overall conclusion with respect to fairness, Houlihan Lokey did not make separate or quantifiable judgments regarding individual analyses. Houlihan Lokey believes that its analyses and the following summary must be considered as a whole and that selecting portions of its analyses, methodologies and factors, without considering all analyses, methodologies and factors, could create a

misleading or incomplete view of the processes underlying Houlihan Lokey's analyses and opinion.

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In performing its analyses, Houlihan Lokey considered general business, economic, industry and market conditions, financial and otherwise, and other matters as they existed on, and could be evaluated as of, the date of its opinion. No company, transaction or business used in Houlihan Lokey's analyses for comparative purposes is identical to Endo or Paladin, or the proposed transactions, including the merger and the arrangement, and an evaluation of the results of those analyses is not entirely mathematical. As a consequence, mathematical derivations (such as the low, high, median and mean) of financial data are not by themselves meaningful and in selecting the ranges of multiples to be applied were considered in conjunction with experience and the exercise of judgment. The estimates contained in the financial forecasts prepared by or at the direction of the management of Endo, or made available to Houlihan Lokey by Endo, and the implied reference range values indicated by Houlihan Lokey's analyses are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than those suggested by the analyses. In addition, any analyses relating to the value of assets, businesses or securities do not purport to be appraisals or to reflect the prices at which businesses or securities actually may be sold, which may depend on a variety of factors, many of which are beyond the control of Endo. Much of the information used in, and accordingly the results of, Houlihan Lokey's analyses are inherently subject to substantial uncertainty.

Houlihan Lokey's opinion was only one of many factors considered by Endo's board of directors in evaluating the proposed transactions. Neither Houlihan Lokey's opinion nor its analyses were determinative of the exchange ratio offered to holders of Endo common shares or of the views of Endo's board of directors or management with respect to the merger or the exchange ratio offered to holders of Endo common shares. The type and amount of consideration payable in the merger were determined through negotiation between Endo and Paladin, and the decision to enter into the arrangement agreement was solely that of Endo's board of directors.

The following is a summary of the material financial analyses reviewed by Houlihan Lokey with the Endo board of directors in connection with the preparation of Houlihan Lokey's opinion rendered on November 4, 2013. **The order of the analyses does not represent relative importance or weight given to those analyses by Houlihan Lokey. The analyses summarized below include information presented in tabular format. The tables alone do not constitute a complete description of the analyses. Considering the data in the tables below without considering the full narrative description of the analyses, as well as the methodologies underlying, and the assumptions, qualifications and limitations affecting, each analysis, could create a misleading or incomplete view of Houlihan Lokey's analyses.**

For purposes of its analyses, Houlihan Lokey reviewed a number of financial metrics, including:

Enterprise value generally, the value as of a specified date of the relevant company's outstanding equity securities (taking into account outstanding options and other securities convertible, exercisable or exchangeable into or for equity securities) plus the amount of its net debt (the amount, as applicable, of its outstanding indebtedness, non-convertible preferred stock, capital lease obligations and non-controlling interests less the amount of cash and cash equivalents on its balance sheet); and

EBITDA generally, the amount of the relevant company's earnings before interest, taxes, depreciation and amortization, adjusted for certain non-recurring items, for a specified time period.

In conducting its analyses, Houlihan Lokey used various methodologies to review the valuations of Endo and Paladin on a stand-alone basis and of Endo and Paladin on a relative basis, taking into account the impact of pro forma effects of the transactions, including the synergies and other benefits of the transactions, to assess the fairness of the exchange ratio of one share of common stock of Endo held by the existing holders of Endo common stock immediately prior to

the transactions for one ordinary share of New Endo. Specifically, for purposes of its opinion, Houlihan Lokey conducted analyses of selected publicly-traded companies, selected precedent transactions and discounted cash flow, and conducted a has / gets analysis that compared (a) the implied aggregate value reference ranges of all Endo common stock held by the existing holders of Endo common stock immediately prior to the transactions as described below with (b) the implied aggregate value reference ranges of all New Endo ordinary shares held by the existing holders of Endo common stock

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immediately prior to the transactions. Houlihan Lokey calculated the implied aggregate value reference ranges of New Endo ordinary shares attributable to existing holders of Endo common stock immediately prior to the transactions based on a sum of the parts approach, which incorporated, among other things, implied enterprise value reference ranges for Endo and implied enterprise value reference ranges for Paladin, in each case, as described below, and the impact of benefits of the transactions, including synergies, and other pro forma effects of the transactions. In addition, the consideration to be received in the arrangement in respect of each Paladin common share was incorporated.

Selected Publicly-Traded Companies Analyses

Analysis of Selected Publicly-Traded Companies – Generally. Houlihan Lokey selected the companies listed below because, based on its professional judgment and experience, such companies' businesses and operating profiles are relevant to those of Endo or Paladin, as the case may be. However, because of the inherent differences between the businesses, operations and prospects of Endo and Paladin, and the businesses, operations and prospects of their respective selected companies, no company is exactly the same as Endo or Paladin. Therefore, Houlihan Lokey believed that it was inappropriate to, and therefore did not, rely solely on the quantitative results of the selected publicly-traded companies analysis. Accordingly, Houlihan Lokey also made qualitative judgments concerning differences between the financial and operating characteristics and prospects of each of Endo and Paladin, relative to their respective selected companies, that would affect the public trading values of each in order to provide a context in which to consider the results of the quantitative analysis. These qualitative judgments related primarily to the differing sizes, growth prospects, profitability levels and degrees of operational risk associated with Endo and Paladin, and, in each case, their respective selected companies.

Unless the context indicates otherwise, enterprise values and equity values used in the selected publicly-traded companies analyses were calculated using the closing price of the common stock of the selected companies listed below as of November 1, 2013. The estimates of the future financial and operating performance of Endo and Paladin relied upon by Houlihan Lokey for the financial analyses described below were based on the financial projections prepared by or at the direction of the management of Endo, or made available to Houlihan Lokey by Endo. The estimates of adjusted EBITDA of the selected companies listed below were based on certain publicly available research analyst estimates for those companies.

The financial data reviewed included:

Enterprise value as a multiple of estimated calendar year 2013 adjusted EBITDA;

Enterprise value as a multiple of estimated calendar year 2014 adjusted EBITDA; and

Enterprise value as a multiple of estimated calendar year 2015 adjusted EBITDA.

The estimates of adjusted EBITDA used by Houlihan Lokey in preparing its financial analyses and opinion are calculated on a different basis than the Adjusted EBITDA metric utilized by Paladin.

Analysis of Selected Publicly-Traded Companies – As Applied to Endo. Houlihan Lokey reviewed certain data for selected publicly-traded companies that Houlihan Lokey deemed relevant to Endo, including:

Specialty Pharmaceuticals Selected Companies:

Actavis, Plc.

Hospira, Inc.

Jazz Pharmaceuticals Public Limited Company

Mylan, Inc.

Teva Pharmaceutical Industries Limited

Valeant Pharmaceuticals International, Inc.

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The following table summarizes the results of Houlihan Lokey's analysis:

	Enterprise Value / Calendar Year 2013E Adjusted EBITDA	Enterprise Value / Calendar Year 2014E Adjusted EBITDA	Enterprise Value / Calendar Year 2015E Adjusted EBITDA
Low	6.9x	6.5x	6.8x
High	19.3x	13.8x	12.7x
Median	11.8x	9.6x	8.5x
Mean	12.3x	9.9x	9.0x

Medical Devices & Services Selected Companies:

Boston Scientific Corporation

Coloplast A/S

C.R. Bard, Inc.

Cyberonics, Inc.

Exactech, Inc.

Hologic, Inc.

Integra LifeSciences Holdings Corporation

The following table summarizes the results of Houlihan Lokey's analysis:

	Enterprise Value / Calendar Year 2013E Adjusted EBITDA	Enterprise Value / Calendar Year 2014E Adjusted EBITDA	Enterprise Value / Calendar Year 2015E Adjusted EBITDA
Low	8.2x	7.7x	7.0x
High	17.7x	16.1x	14.9x
Median	12.1x	11.1x	10.0x

Mean	12.8x	11.4x	10.2x
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Taking into account the results of the selected publicly-traded companies analysis, Houlihan Lokey applied selected multiple ranges of 7.75x to 8.75x, 8.00x to 9.00x and 7.50x to 8.50x, to Endo management's estimates of calendar year 2013 adjusted EBITDA, calendar year 2014 adjusted EBITDA and calendar year 2015 adjusted EBITDA for Endo, respectively. The selected publicly-traded companies analysis indicated implied enterprise value reference ranges for Endo of approximately US\$7,856,600,000 to US\$8,870,400,000 based on the multiples of calendar year 2013 adjusted EBITDA; US\$7,378,300,000 to US\$8,300,600,000 based on the multiples of calendar year 2014 adjusted EBITDA; and US\$6,817,900,000 to US\$7,727,000,000 based on the multiples of calendar year 2015 adjusted EBITDA, respectively. The selected publicly-traded companies analysis indicated implied aggregate value reference ranges of all Endo common stock held by the existing holders immediately prior to the transactions of approximately US\$4,367,300,000 to US\$5,268,300,000 based on the multiples of calendar year 2013 adjusted EBITDA; US\$3,907,600,000 to US\$4,774,500,000 based on the multiples of calendar year 2014 adjusted EBITDA; and US\$3,369,200,000 to US\$4,242,700,000 based on the multiples of calendar year 2015 adjusted EBITDA, respectively.

Analysis of Selected Publicly-Traded Companies As Applied to Paladin. Houlihan Lokey reviewed certain data for selected publicly-traded companies that Houlihan Lokey deemed relevant to Paladin, including:

Adcock Ingram Holdings Limited*

Aspen Pharmacare Holdings Limited

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Gedeon Richter Plc

Hikma Pharmaceuticals plc

Salix Pharmaceuticals, Ltd.

Santarus, Inc.

Shire plc

Stada Arzneimittel AG

Valeant Pharmaceuticals International, Inc.

The following table summarizes the results of Houlihan Lokey's analysis:

	Enterprise Value / Calendar Year 2013E Adjusted EBITDA	Enterprise Value / Calendar Year 2014E Adjusted EBITDA	Enterprise Value / Calendar Year 2015E Adjusted EBITDA
Low	9.2x	8.2x	7.2x
High	19.6x	14.7x	12.7x
Median	12.8x	10.7x	9.2x
Mean	13.9x	11.1x	9.8x

* CFR Pharmaceuticals announced the acquisition of Adcock Ingram Holdings Limited on July 3, 2013. Accordingly, multiples for Adcock Ingram Holdings Limited were calculated using the closing price of the common stock as of July 1, 2013 to reflect market value on an unaffected basis.

Taking into account the results of the selected publicly-traded companies analysis, Houlihan Lokey applied selected multiple ranges of 12.00x to 13.00x, 12.00x to 13.00x and 10.00x to 11.00x, to Endo management's estimates of calendar year 2013 adjusted EBITDA, calendar year 2014 adjusted EBITDA and calendar year 2015 adjusted EBITDA for Paladin, respectively. The selected publicly-traded companies analysis indicated implied enterprise value reference ranges for Paladin of approximately US\$971,200,000 to US\$1,052,100,000 based on the multiples of calendar year 2013 adjusted EBITDA; US\$957,400,000 to US\$1,037,100,000 based on the multiples of calendar year 2014 adjusted EBITDA; and US\$991,900,000 to US\$1,091,000,000 based on the multiples of calendar year 2015 adjusted EBITDA, respectively.

Selected Precedent Transactions Analyses

Analysis of Selected Precedent Transactions Generally. The reasons for and the circumstances surrounding each of the selected transactions analyzed were diverse and there are inherent differences between the businesses, operations, financial conditions and prospects of Endo and Paladin and those of the companies included in the selected precedent transactions analysis. Accordingly, Houlihan Lokey believed that a purely quantitative selected precedent transactions analysis would not be particularly meaningful in its analyses. Houlihan Lokey therefore also made qualitative judgments concerning differences between the characteristics of Endo and Paladin and those of the targets in their respective selected precedent transactions.

Unless the context indicates otherwise, transaction values and adjusted EBITDA for the selected precedent transactions analysis described below were calculated on an enterprise value basis based on the announced transaction equity price and other public information available at the time of the announcement.

Houlihan Lokey considered certain financial terms of certain transactions involving target companies that Houlihan Lokey deemed relevant.

The financial data reviewed included:

Transaction value as a multiple of latest 12 months adjusted EBITDA; and

Transaction value as a multiple of estimated next fiscal year adjusted EBITDA.

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Analysis of Selected Precedent Transactions As Applied to Endo. Houlihan Lokey reviewed the transaction value and financial multiples in selected transactions that Houlihan Lokey, based on its experience with merger and acquisition transactions, deemed relevant to Endo, including:

Specialty Pharmaceuticals Selected Precedent Transactions:

Date Announced	Target	Acquiror
9/9/2013	Laboratorios Andromco S.A.	Grunenthal GmbH
8/29/2013	Veropharm Co. Ltd.	GardenHills OOO
8/27/2013	Hi-Tech Pharmacal Co., Inc.	Akorn, Inc.
7/3/2013	Adcock Ingram Holdings Limited	CFR Pharmaceuticals S.A.
7/29/2013	Elan Corporation	Perrigo Company
5/27/2013	Bausch & Lomb Holdings Inc.	Valeant Pharmaceuticals International Inc.
5/20/2013	Warner Chilcott Plc	Actavis, Inc.
9/3/2012	Medicis Pharmaceutical Corporation	Valeant Pharmaceuticals International
7/16/2012	Par Pharmaceutical Companies Inc.	TPG Capital, L.P.; TPG Partners VI
4/25/2012	Actavis Group Hf	WATSON PHARMA S.a.r.l.
11/18/2011	Graceway Pharmaceuticals	Medecis Pharmaceutical Corporation
5/24/2011	Prometheus Laboratories Inc.	Nestle Health Science S.A.
5/19/2011	Nycomed SICAR S.C.A.	Takeda Pharmaceutical Company
5/2/2011	Cephalon Inc.	Teva Pharmaceuticals USA, Inc.
9/28/2010	Generics Bidco I, LLC	Endo Pharmaceuticals Holdings Inc.
2/21/2011	ProStrakan Group plc	Hyowa Hakko Kirin Co., Ltd.
8/9/2010	Penwest Pharmaceuticals Co.	Endo Pharmaceuticals Holdings Inc.
10/12/2010	King Pharmaceuticals LLC	Pfizer Inc.

The following table summarizes the results of Houlihan Lokey's analysis:*

	Transaction Value/ Latest Twelve Months Adjusted EBITDA	Transaction Value/ Estimated Next Fiscal Year Adjusted EBITDA
Low	4.7x	5.4x
High	30.8x	15.4x
Median	10.9x	9.3x
Mean	12.4x	9.7x

* Low, high, median and mean figures shown above exclude transactions for which no meaningful information was available.

Medical Devices & Services Selected Precedent Transactions:

Date Announced	Target	Acquiror
9/25/2013	MAKO Surgical Corp.	Stryker Corporation

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9/4/2013	Rochester Medical Corporation	C.R. Bard, Inc.
5/3/2012	Kensey Nash Corporation	Royal DSM N.V.
1/31/2012	Navilyst Medical Inc.	AngioDynamics Inc.
10/3/2011	Atrium Medical Corporation	MAQUET Cardiovascular LLC
7/13/2011	Kinetic Concepts Inc.	Apax Partners LLP: Canada
4/27/2011	Synthes Inc.	Johnson & Johnson
4/11/2011	American Medical Systems	Endo Pharmaceuticals Holdings Inc.
3/7/2011	CaridianBCT, Inc.	Terumo Corporation
10/18/2010	AGA Medical Holdings Inc.	St. Jude Medical Inc.
10/10/2010	Biosensors International Group	Beijing Hony Future Investment
6/1/2010	ev3 Inc.	Covidien Group S.a.r.l.
4/29/2010	ATS Medical Inc.	Medtronic, Inc.
1/25/2010	Invatec s.r.l.	Medtronic, Inc.

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The following table summarizes the results of Houlihan Lokey's analysis:*

	Transaction Value/ Latest Twelve Months Adjusted EBITDA	Transaction Value/ Estimated Next Fiscal Year Adjusted EBITDA
Low	9.0x	8.8x
High	31.0x	24.6x
Median	14.2x	16.3x
Mean	17.5x	16.9x

* Low, high, median and mean figures shown above exclude transactions for which no meaningful information was available.

Taking into account the results of the selected precedent transactions analysis, Houlihan Lokey applied a selected multiple range of 8.00x to 9.00x to Endo management's estimates of calendar year 2013 adjusted EBITDA for Endo. The selected precedent transactions analysis indicated an implied enterprise value reference range for Endo of approximately US\$8,110,100,000 to US\$9,123,800,000 and an implied aggregate value reference range of all Endo common stock held by the existing holders immediately prior to the transactions of approximately US\$4,609,300,000 to US\$5,488,000,000 based on the multiples of calendar year 2013 adjusted EBITDA.

Selected Precedent Transactions Analysis As Applied to Paladin. Houlihan Lokey reviewed the transaction value and financial multiples in selected transactions that Houlihan Lokey, based on its experience with merger and acquisition transactions, deemed relevant to Paladin, including:

Date Announced	Target	Acquiror
9/9/2013	Laboratorios Andromco S.A.	Grunenthal GmbH
8/29/2013	Veropharm Co. Ltd.	GardenHills OOO
8/27/2013	Hi-Tech Pharmacal Co., Inc.	Akorn, Inc.
7/3/2013	Adcock Ingram Holdings Limited	CFR Pharmaceuticals S.A.
7/29/2013	Elan Corporation	Perrigo Company
5/27/2013	Bausch & Lomb Holdings Inc.	Valeant Pharmaceuticals International Inc.
5/20/2013	Warner Chilcott Plc	Actavis, Inc.
9/3/2012	Medicis Pharmaceutical Corporation	Valeant Pharmaceuticals International
7/16/2012	Par Pharmaceutical Companies Inc.	TPG Capital, L.P.; TPG Partners VI
4/25/2012	Actavis Group Hf	WATSON PHARMA S.a.r.l.
11/18/2011	Graceway Pharmaceuticals	Medecis Pharmaceutical Corporation
5/24/2011	Prometheus Laboratories Inc.	Nestle Health Science S.A.
5/19/2011	Nycomed SICAR S.C.A.	Takeda Pharmaceutical Company
5/2/2011	Cephalon Inc.	Teva Pharmaceuticals USA, Inc.
9/28/2010	Generics Bidco I, LLC	Endo Pharmaceuticals Holdings Inc.
2/21/2011	ProStrakan Group plc	Hyowa Hakko Kirin Co., Ltd.
8/9/2010	Penwest Pharmaceuticals Co.	Endo Pharmaceuticals Holdings Inc.
10/12/2010	King Pharmaceuticals LLC	Pfizer Inc.

The following table summarizes the results of Houlihan Lokey's analysis:*

	Transaction Value/ Latest Twelve Months Adjusted EBITDA	Transaction Value/ Estimated Next Fiscal Year Adjusted EBITDA
Low	4.7x	5.4x
High	30.8x	15.4x
Median	10.9x	9.3x
Mean	12.4x	9.7x

* Low, high, median and mean figures shown above exclude transactions for which no meaningful information was available.

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Taking into account the results of the selected precedent transactions analysis, Houlihan Lokey applied a selected multiple range of 12.00x to 13.00x to Endo management's estimates of calendar year 2013 adjusted EBITDA for Paladin. The selected transactions analysis indicated an implied enterprise value reference range for Paladin of approximately US\$971,200,000 to US\$1,052,100,000 based on the multiples of calendar year 2013 adjusted EBITDA.

Discounted Cash Flow Analyses

Analysis of Discounted Cash Flow Generally. A discounted cash flow analysis is a valuation methodology used to derive a valuation of an asset by calculating the present value of estimated future cash flows to be generated by the asset. Present value refers to the current value of future cash flows or amounts and is obtained by discounting those future cash flows or amounts by a discount rate that takes into account macro-economic assumptions and estimates of risk, the opportunity cost of capital, expected returns and other appropriate factors.

Analysis of Discounted Cash Flow As Applied to Endo. Houlihan Lokey performed a discounted cash flow analysis of Endo by calculating the estimated net present value of the projected unlevered, after-tax free cash flows of Endo based on the financial projections prepared by or at the direction of the management of Endo, or made available to Houlihan Lokey by Endo. Houlihan Lokey calculated terminal values for Endo by applying a range of terminal value EBITDA multiples of 7.00x to 8.00x to Endo's fiscal year 2018 estimated EBITDA. The net present values of Endo's projected future cash flows and terminal values were then calculated using discount rates ranging from 7.00% to 8.00%. The discounted cash flow analysis indicated an implied enterprise value reference range for Endo of approximately US\$8,862,500,000 to US\$10,151,900,000 and an implied aggregate value reference range of all Endo common stock held by the existing holders immediately prior to the transactions of approximately US\$5,261,400,000 to US\$6,379,000,000.

Discounted Cash Flow Analysis As Applied to Paladin. Houlihan Lokey performed a discounted cash flow analysis of Paladin by calculating the estimated net present value of the projected unlevered, after-tax free cash flows of Paladin based on the financial projections prepared by or at the direction of the management of Endo, or made available to Houlihan Lokey by Endo. Houlihan Lokey calculated terminal values for Paladin by applying a range of terminal value EBITDA multiples of 8.50x to 9.50x to Paladin's fiscal year 2023 estimated EBITDA. The net present values of Paladin's projected future cash flows and terminal values were then calculated using discount rates ranging from 7.25% to 8.25%. The discounted cash flow analysis indicated an implied enterprise value reference range for Paladin of approximately US\$1,264,500,000 to US\$1,440,800,000.

Has / Gets Analysis

Houlihan Lokey compared, (a) the implied aggregate value reference ranges of all Endo common stock held by the existing holders of Endo common stock immediately prior to the transactions (see the *Has* columns in the tables below) to (b) the implied aggregate value reference ranges of all New Endo ordinary shares held by the existing holders of Endo common stock immediately prior to the transactions (see the *Gets* columns in the tables below) across each of its financial analyses. The results are shown in the tables below.

In each case Houlihan Lokey calculated the *Gets* based on a *sum-of-the parts* approach, which incorporated, among other things, implied enterprise value reference ranges for Endo, implied enterprise value reference ranges for Paladin, the impact of benefits of the transactions, including synergies, and other pro forma effects of the transactions. In addition, the consideration to be received in the arrangement in respect of each Paladin common share was incorporated.

Selected Publicly-Traded Companies Analysis (in U.S. dollars)

	Has		Gets	
2013E Adjusted EBITDA	\$ 4,367,300,000	\$ 5,268,300,000	\$ 4,964,000,000	\$ 5,949,000,000
2014E Adjusted EBITDA	\$ 3,907,600,000	\$ 4,774,500,000	\$ 4,604,500,000	\$ 5,521,700,000
2015E Adjusted EBITDA	\$ 3,369,200,000	\$ 4,242,700,000	\$ 4,213,900,000	\$ 5,142,000,000

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	Has		Gets	
2013E Adjusted EBITDA	\$ 4,609,300,000	\$5,488,000,000	\$ 5,149,200,000	\$6,134,100,000

Discounted Cash Flow Analysis (in U.S. dollars)

	Has		Gets	
	\$ 5,261,400,000	\$6,379,000,000	\$ 5,913,300,000	\$7,169,300,000

Other Information

Historical Share Price. Houlihan Lokey noted that the trailing low and high 52-week intraday trading prices for Endo common stock as of November 1, 2013 were US\$25.01 per share and US\$47.09 per share, respectively. Houlihan Lokey also noted that the trailing low and high 52-week intraday trading prices for Paladin common shares as of November 1, 2013 were US\$37.36 per share and US\$63.94 per share, respectively.

Other Matters

Houlihan Lokey was engaged by Endo's board of directors to provide an opinion to Endo's board of directors as to the fairness, from a financial point of view and as of the date of its opinion, to the holders of Endo common stock of the exchange ratio, which opinion took into account the transactions, and was based on and subject to the procedures followed, assumptions made, qualifications and limitations on the review undertaken and other matters considered by Houlihan Lokey in connection with the preparation of its opinion. Endo engaged Houlihan Lokey based on Houlihan Lokey's experience and reputation. Houlihan Lokey is regularly engaged to render financial opinions in connection with mergers, acquisitions, divestitures, leveraged buyouts, and for other purposes. Pursuant to its engagement letter with Endo, Houlihan Lokey is entitled to a transaction fee of US\$1,350,000. No portion of Houlihan Lokey's fee is contingent upon the successful completion of the transactions or any conclusions set forth in Houlihan Lokey's opinion. Endo also agreed to reimburse Houlihan Lokey for certain expenses and to indemnify Houlihan Lokey, its affiliates and certain related parties against certain liabilities and expenses, including certain liabilities under the federal securities laws, arising out of or relating to Houlihan Lokey's engagement.

Endo also engaged Houlihan Lokey to provide certain additional financial analyses related to the transactions, for which Houlihan Lokey will receive a fee for such services, which is not contingent upon the consummation of the transactions.

In the ordinary course of business, certain of Houlihan Lokey's employees and affiliates, as well as investment funds in which they may have financial interests or with which they may co-invest, may acquire, hold or sell, long or short positions, or trade or otherwise effect transactions, in debt, equity, and other securities and financial instruments (including loans and other obligations) of, or investments in, Endo, Paladin, or any other party that may be involved in the transactions and their respective affiliates or any currency or commodity that may be involved in the transactions.

Houlihan Lokey has in the past provided certain financial advisory services to Endo in connection with another opinion that was ultimately not delivered for which Houlihan Lokey has received compensation. Such financial advisory services were in support of another proposed merger and acquisition transaction for which definitive transaction documentation was not entered into. Houlihan Lokey and certain of its affiliates may provide investment

banking, financial advisory and other financial services to Endo, other participants in the transactions or certain of their respective affiliates in the future, for which Houlihan Lokey and such affiliates may receive compensation. Furthermore, in connection with bankruptcies, restructurings, and similar matters, Houlihan Lokey and certain of its affiliates may have in the past acted, may currently be acting and may in the future act as financial advisor to debtors, creditors, equity holders, trustees, agents and other interested parties (including, without limitation, formal and informal committees or groups of creditors) that may have included or

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represented and may include or represent, directly or indirectly, or may be or have been adverse to, Endo, Paladin, other participants in the transactions or certain of their respective affiliates, for which advice and services Houlihan Lokey and such affiliates have received and may receive compensation.

Interests of Certain Persons in the Merger

In considering the recommendation of the Endo board of directors with respect to the merger, Endo shareholders should be aware that certain executive officers and all of the directors of Endo have certain interests in the merger that may be different from, or in addition to, the interests of Endo shareholders generally. The Endo board of directors was aware of these interests and considered them, among other matters, in approving the arrangement agreement and the merger and making its recommendation that the Endo shareholders approve the arrangement agreement and the merger. These interests are described below.

Management***Endo Employment Following the Merger***

The New Endo executive officers after the transactions are expected to be the same as the executive officers of Endo prior to the effective time of the transactions.

Endo Merger-Related Compensation

Under Endo's written employment agreements with its named executive officers, the merger does not constitute a change in control, and therefore the merger will not trigger any benefits under the employment agreements. Likewise, the merger does not constitute a change in control under the equity compensation plans of Endo and therefore will not cause any acceleration of outstanding Endo equity awards. However, in connection with the merger, certain payments may be made, as described below under *Golden Parachute Compensation*.

Paladin Arrangement-Related Compensation

Certain current key employees of Paladin have entered into employment letters with Paladin, as described below under *Description of Key Agreements*, relating to their employment following the transactions.

Additionally, as described in *Treatment of Outstanding Paladin Equity Awards*, the vesting and exercisability of the equity awards held by the key employees will be accelerated at the effective time and the purchase rights held by key employees under Paladin's employee share purchase plan will be settled for a cash amount. The following table summarizes the value of such vesting acceleration and purchase right cash-out:

Name	Equity \$(1)	Total \$(2)
Jonathan Ross Goodman	4,600,889	4,600,889
Mark Beaudet	9,393,564	9,393,564
Samira Sakhia	6,341,226	6,341,226
Mark Nawacki	6,321,287	6,321,287
François Desrosiers	2,587,262	2,587,262
Patrice Larose	3,789,013	3,789,013

- (1) Equity. Represents the value of the accelerated vesting of unvested options held by each individual under the Paladin share option plan and the amount of cash that each individual will receive in respect of purchase rights under the Paladin employee share purchase plan. Amounts in respect of unvested options included in this column are all single-trigger in nature, namely, eligibility to receive the payment is conditioned solely on the occurrence of a change in control. The value of such options under the Paladin share option plan will be calculated, in respect of each right to acquire one Paladin common share pursuant to an option, as the aggregate of the value of one Knight Therapeutics common share plus an amount of New Endo ordinary shares

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equal to an exchange rate of 1.6331 multiplied by a factor generally determined by dividing (y) the sum of the arrangement cash consideration plus the amount that the closing price of a Paladin common share on TSX on the trading day immediately preceding the date the arrangement becomes effective exceeds the exercise price for each Paladin common share subject to the option (the in-the-money amount per share), by (z) the closing price of a Paladin common share on TSX on the trading day immediately preceding the date the arrangement becomes effective. If the in-the-money amount per share is equal to or less than zero, then the value of the options is nil. For purposes of the table above, the values are based on a closing price of \$127.00 per Paladin common share on TSX on January 10, 2014. The actual value on the vesting date of the options subject to accelerated vesting will depend on a number of factors, including the value of Knight Therapeutics common shares on that date, the value of Endo common stock prior to the date of the special meeting of Endo shareholders and the value of Paladin common shares on the trading day immediately preceding the date the arrangement becomes effective. The cash value in respect of purchase rights under the Paladin employee share purchase plan is calculated as outlined in the section *Treatment of Outstanding Paladin Equity Awards* above.

- (2) Total. As described above, the amounts set forth under the column captioned Total consist of the value of the accelerated vesting of unvested options held by each individual, determined as described in footnote (1) above, and the amount of cash that each individual will receive in respect of purchase rights under the Paladin employee share purchase plan.

Golden Parachute Compensation

As discussed in *Certain U.S. Federal Income Tax Consequences of the Merger to Endo Shareholders*, while for U.S. federal income tax purposes, the merger is intended to qualify as a non-taxable reorganization, there is risk that Endo shareholders will be required to recognize gain (but not loss) on the Endo share exchange. If Endo shareholders are required to recognize gain, any individuals which are each referred to in this proxy statement/prospectus as a covered individual, who is or was an executive officer or director of Endo or New Endo and subject to the reporting requirements of Section 16(a) of the Exchange Act at any time during the six months before and six months after the closing of the merger will be subject to an excise tax (15% in 2013) under Section 4985 of the Code on the value of certain stock compensation held at any time during the same period by the covered individual.

It will not be known until after the merger (possibly as late as the first quarter of 2015) whether or not Endo shareholders will be required to recognize gain in connection with the share exchange and, therefore, whether or not the covered individuals will be subject to the excise tax. If applicable, the excise tax applies to all payments (or rights to payment) granted to the covered individuals by Endo or New Endo in connection with the performance of services if the value of such payment is based on (or determined by reference to) the value of stock in Endo or New Endo (excluding certain statutory incentive stock options and holdings in tax qualified plans). This includes any outstanding (1) nonqualified stock options, whether vested or unvested, (2) restricted stock awards that remain subject to forfeiture, (3) unvested restricted stock unit awards, (4) vested but deferred shares and (5) unvested performance restricted stock unit awards, held by the covered individuals during this twelve month period. However, even if the excise tax is applicable generally, the excise tax will not apply to (1) any stock option which is exercised prior to the closing date of the merger, or to the stock acquired in such exercise, if the related income is recognized on or before the closing date, and (2) any other specified stock compensation which is exercised, sold, distributed, cashed-out, or otherwise paid prior to the closing date in a transaction in which income is recognized.

The Endo board of directors carefully considered the impact of the potential Section 4985 excise tax on the covered individuals, determining that the imposition of the tax on the covered individuals, when the vesting of outstanding equity awards subject to the excise tax is not being accelerated and covered individuals are receiving no additional benefit in connection with the transaction, would result in the affected individuals being deprived of a substantial portion of the value of their equity awards. The Endo board of directors concluded that it would not be appropriate to

permit a significant burden arising from a transaction expected to bring significant strategic

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and financial benefits to Endo and its shareholders, including operational and tax synergies, to be imposed on the individuals most responsible for consummating the transaction and promoting the success of the combined companies.

In addition, the Endo board of directors assessed and compared the relative costs and benefits of two approaches for mitigating the possible impact of the Section 4985 excise tax: (1) reimbursing the covered individuals for the Section 4985 excise tax that would be payable by them as a result of the transaction (and any resulting income), and (2) accelerating the vesting of and/or canceling these officers and directors equity awards. In weighing these alternatives, and deciding in favor of reimbursing the covered individuals for the Section 4985 excise tax and the resulting income, as opposed to accelerating the vesting and delivery of outstanding equity awards, the Endo board of directors considered the uncertainty of whether the excise tax will apply and the high cost to Endo, New Endo and their shareholders of accelerating the awards given, in particular, the short tenure of many members of Endo's current leadership team. Specifically, given that as discussed in *Certain U.S. Federal Income Tax Consequences of the Merger to Endo Shareholders*, the merger may qualify as a non-taxable reorganization, the Endo board of directors determined that accelerating the vesting and payment of outstanding equity awards to avoid the excise tax (which would have to be done prior to the closing of the merger and therefore prior to when it would be known whether the excise tax applied) could result in Endo or New Endo incurring an unnecessary compensation expense following the merger to make the new grants that would be necessary to incentivize and retain key individuals and align the interests of the executive officers and directors with shareholders following the merger. Conversely, if the covered individuals are reimbursed for the excise tax, Endo will only incur additional expense if and when it is determined that the excise tax is applicable.

In addition, the Endo board of directors considered the strong desire to continue to align the interests of executive officers and directors with stockholder interests through substantial and meaningful officer and director equity ownership. Several of Endo's executive officers are newly employed and therefore have a significant number of unvested equity awards. The board determined that the effect of accelerating the vesting of, or canceling, such awards would be to lose significant retention value during a crucial period. Furthermore, the Endo board of directors considered the strong preference communicated by Endo's investors that Endo's executive officers hold long-term performance-based compensation, which represents a large percentage of the unvested awards outstanding, and that accelerating the vesting of these performance-based awards could result in unearned compensation being paid to the executives.

Therefore, after careful consideration, the Endo compensation committee of the board of directors concluded that, if the excise tax becomes applicable, Endo would provide the covered individuals with a payment with respect to the excise tax, so that, on a net after-tax basis, they would be in the same position as if no such excise tax, which is referred to in this proxy statement/prospectus as the excise tax payment, had been applied. The actual amounts to be paid to the covered individuals by Endo, if any, will not be determinable until after the consummation of the transactions. These amounts would be paid following the closing of the merger, which is subject to approval and adoption of the arrangement agreement and the merger by Endo's stockholders, and following the determination that the exchange was taxable. These payments are intended only to place them in the same position as other equity compensation holders after the merger. In addition, the covered individuals will retain the obligation to pay income and other taxes on all of their individual equity awards when due. The outstanding equity awards held by the covered individuals will continue to reflect the same terms, including vesting schedules, at the combined entity.

The estimated value of the excise tax payment for each of the named executive officers (and each additional executive officer identified) is set forth below in the table entitled Golden Parachute Compensation. When compared against the enhanced value of the transactions to Endo's shareholders, the potential cost of the excise tax payment is relatively insignificant. The estimated aggregate excise tax payment to be paid to the Endo executive officers not set forth in the table below (which includes three additional individuals) is approximately US \$3,956,553. The estimated aggregate

excise tax payment to Endo's nine non-employee directors is approximately US \$6,994,007. In each case, the value of the payments was calculated based on certain

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assumptions as set forth in footnote 3 to the Golden Parachute Compensation table and does not include any tax reimbursement related to any stock-based compensation grants that may be made to the covered individuals during the 6-month period following the merger. Any such grants will be made in the discretion of the compensation committee of the New Endo board of directors as determined to be appropriate in furtherance of a compensation philosophy intended to support New Endo's business strategy by attracting and retaining highly-talented individuals and motivating them to achieve competitive corporate performance. The value of any such grants (and any related tax reimbursement) is not determinable at this time. However, the Endo board of directors expects that the New Endo board of directors will determine that no grants of stock-based compensation will be made to any director of New Endo who is currently a director of Endo or to New Endo's chief executive officer during the 6-month period following the merger.

The following table and the related footnotes present information about the compensation payable to the named executive officers of Endo in connection with the merger (and such additional individuals identified in the table below), assuming it occurs on February 28, 2014. The compensation shown in the table below is subject to a nonbinding advisory vote of the shareholders of Endo at the special meeting, as described in this registration statement under Shareholder Advisory Vote on Certain Compensatory Arrangements.

Golden Parachute Compensation

Named Executive Officer(1)	Tax	Total
	Reimbursement USD(2)	USD(3)
Rajiv De Silva	7,831,424	7,831,424
David P. Holveck(4)		
Suketu P. Upadhyay	901,268	901,268
Alan G. Levin(5)	2,157,247	2,157,247
Julie H. McHugh(6)		
Ivan P. Gergel, M.D.	3,047,050	3,047,050
Caroline B. Manogue	6,285,625	6,285,625

- (1) Under applicable SEC rules, Endo's named executive officers for this purpose include the individuals who served as Endo's principal executive officer and principal financial officer during 2012 as well as Endo's three other most highly compensated executive officers during 2012. Endo's current chief executive officer, Rajiv De Silva, and current chief financial officer, Suketu P. Upadhyay, who both commenced employment with Endo after the end of 2012, have been included in this table for informational purposes even though they are not named executive officers under applicable SEC rules.
- (2) Represents the potential aggregate payments in U.S. dollars to be made in respect of certain equity awards, as described in greater detail above in the section entitled *Golden Parachute Compensation*.
- (3) The amounts in this column are in U.S. dollars and consist of the excise tax payments to be made to the individuals set forth in this table if such individuals become subject to the excise tax under Section 4985 of the Code as a result of the consummation of the proposed transaction. The amount of the payment would be calculated based on the closing price of Endo's stock as of the consummation of the merger and each individual's relevant equity awards held as of that date. For purposes of the table above, the payment is based on: (1) an assumed price of Endo's stock of US\$58.446 (the average closing price per Endo share over the first five business days following the public announcement of the transactions on November 5, 2013); (2) the assumption that the

transactions will be consummated on February 28, 2014; (3) the individuals' relevant stock-based compensation held as of November 5, 2013, except for any restricted stock units or performance share units that are scheduled to vest prior to February 28, 2014; (4) the assumption that no stock options are exercised between November 5, 2013 and February 28, 2014; (5) a 15% excise tax rate; and (6) each individual's estimated effective tax rate, including a federal marginal income tax rate of 39.6% and applicable state, local and payroll taxes. The amounts in this column do not include any tax reimbursement related to any stock-based compensation grants that may be made to the covered individuals.

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- during the 6-month period following the merger. The actual amount of the excise tax payment for each covered individual, if any, will be determinable following the consummation of the proposed transaction.
- (4) Mr. Holveck retired from Endo effective March 18, 2013. Because Mr. Holveck was not an executive officer within six months before closing, his equity awards are not subject to the excise tax and accordingly, he will not receive any payment in connection with the merger.
 - (5) Mr. Levin retired as chief financial officer of Endo effective as of September 23, 2013 and terminated his employment on December 6, 2013.
 - (6) Ms. McHugh terminated her employment effective as of May 29, 2013. Because Ms. McHugh was not an executive officer within six months before closing, her equity awards are not subject to the excise tax and accordingly, she will not receive any payment in connection with the merger.

Description of Key Agreements

Jonathan Ross Goodman Consulting Agreement. In connection with the transactions, Endo and Mr. Goodman have entered into a consulting agreement that will become effective on the closing of the transactions. Mr. Goodman's employment with Paladin will cease upon the closing date, and for one year thereafter, Mr. Goodman will serve as an advisor to the New Endo board of directors. For his advisory services, Mr. Goodman will receive a cash payment of US \$25,000 each calendar quarter. In addition, on the first trading day following the closing date, New Endo will grant restricted stock units to Mr. Goodman equal in value to US\$150,000, which will be subject to the terms and conditions in the applicable equity plan and award agreement.

Mark Beaudet Employment Letter. In connection with the transactions, Paladin and Mr. Beaudet have entered into an employment letter that will become effective on the closing of the transactions. Following the closing date, Mr. Beaudet will continue his employment with Paladin as President. Mr. Beaudet's base salary will be \$357,500 per year. Mr. Beaudet will also be entitled to receive a cash bonus of \$200,000 subject to his continued employment for a period of six months following the closing date and provided that applicable integration objectives are satisfied. Mr. Beaudet would receive the cash bonus amount prior to the expiring of the said six month period if his employment is terminated by Paladin without serious reason (as such term is used in the Civil Code of Québec) or he terminates his employment for Good Reason as such term is defined in a change in control letter from Paladin to Mr. Beaudet dated March 4, 2013. On the first trading day following the closing date, New Endo will grant 50,000 stock options to Mr. Beaudet, which will be subject to the terms and conditions in the applicable equity plan and award agreement. Mr. Beaudet is eligible to receive the severance and benefits as set forth in his current change in control letter if (i) prior to twenty-four months following the closing date, he is terminated by Paladin without serious reason or he terminates his employment for Good Reason or (ii) between six and twenty-four months following the closing date Mr. Beaudet resigns (other than a resignation in connection with events constituting serious reason), provided that, in either case, he executes a release at the time of his termination of employment.

Samira Sakhia Employment Letter. In connection with the transactions, Paladin and Ms. Sakhia have entered into an employment letter that will become effective on the closing of the transactions. Following the closing date, Ms. Sakhia will continue her employment with Paladin as Chief Financial Officer. Ms. Sakhia's base salary will be \$311,709 per year. Ms. Sakhia will also be entitled to receive a cash bonus of \$200,000 subject to her continued employment for a period of six months following the closing date and provided that applicable integration objectives are satisfied. Ms. Sakhia would receive the cash bonus amount prior to the expiring of the said six month period if her employment is terminated by Paladin without serious reason (as such term is used in the Civil Code of Québec) or she terminates her employment for Good Reason as such term is defined in a change in control letter from Paladin to Ms. Sakhia dated March 4, 2013. On the first trading day following the closing date, New Endo will grant 25,000 stock options to Ms. Sakhia, which will be subject to the terms and conditions in the applicable equity plan and award

agreement. Ms. Sakhia is eligible to receive the severance and benefits as set forth in her current change in control letter if (i) prior to twenty-four months following the closing date, she is terminated by Paladin without serious reason or she terminates her employment for Good Reason or (ii) between six and

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twenty-four months following the closing date, Ms. Sakhia resigns (other than a resignation in connection with events constituting serious reason), provided that, in either case, she executes a release at the time of her termination of employment.

Mark Nawacki Employment Letter. In connection with the transactions, Paladin and Mr. Nawacki have entered into an employment letter that will become effective on the closing of the transactions. Following the closing date, Mr. Nawacki will continue his employment with Paladin as Executive Vice President, Business & Corporate Development. Mr. Nawacki's base salary will be \$311,709 per year. Mr. Nawacki will also be entitled to receive a cash bonus of \$200,000 subject to his continued employment for a period of six months following the closing date and provided that applicable integration objectives are satisfied. Mr. Nawacki would receive the cash bonus amount prior to the expiring of the said six month period if his employment is terminated by Paladin without serious reason (as such term is used in the Civil Code of Québec) or he terminates his employment for "Good Reason" as such term is defined in a "change in control" letter from Paladin to Mr. Nawacki dated March 4, 2013. On the first trading day following the closing date, New Endo will grant 25,000 stock options to Mr. Nawacki, which will be subject to the terms and conditions in the applicable equity plan and award agreement. Mr. Nawacki is eligible to receive the severance and benefits as set forth in his current change in control letter if (i) prior to twenty-four months following the closing date, he is terminated by Paladin without serious reason or he terminates his employment for Good Reason or (ii) between six and twenty-four months following the closing date, Mr. Nawacki resigns (other than a resignation in connection with events constituting serious reason), provided that, in either case, he executes a release at the time of his termination of employment.

François Desrosiers Employment Letter. In connection with the transactions, Paladin and Mr. Desrosiers have entered into an employment letter that will become effective on the closing of the transactions. Following the closing date, Mr. Desrosiers will continue his employment with Paladin as Vice President, International Operations, IT & Market Data. Mr. Desrosiers's base salary will be \$221,143 per year. Mr. Desrosiers will also be entitled to receive a cash bonus of \$100,000 subject to his continued employment for a period of six months following the closing date and provided that applicable integration objectives are satisfied. Mr. Desrosiers would receive the cash bonus amount prior to the expiring of the said six month period if his employment is terminated by Paladin without serious reason (as such term is used in the Civil Code of Québec) or he terminates his employment for "Good Reason" as such term is defined in a "change in control" letter from Paladin to Mr. Desrosiers dated April 1, 2013. On the first trading day following the closing date, New Endo will grant 25,000 stock options to Mr. Desrosiers, which will be subject to the terms and conditions in the applicable equity plan and award agreement. Mr. Desrosiers is eligible to receive the severance and benefits as set forth in his current change in control letter if (i) prior to twenty-four months following the closing date, he is terminated by Paladin without serious reason or he terminates his employment for Good Reason or (ii) between six and twenty-four months following the closing date, Mr. Desrosiers resigns (other than a resignation in connection with events constituting serious reason), provided that, in either case, he executes a release at the time of his termination of employment.

Patrice Larose Employment Letter. In connection with the transactions, Paladin and Dr. Larose have entered into an employment letter that will become effective on the closing of the transactions. Following the closing date, Dr. Larose will continue his employment with Paladin as Vice President of Scientific Affairs. Dr. Larose's base salary will be \$210,125 per year. Dr. Larose will also be entitled to receive a cash bonus of \$100,000 subject to his continued employment for a period of six months following the closing date and provided that applicable integration objectives are satisfied. Dr. Larose would receive the cash bonus amount prior to the expiring of the said six month period if his employment is terminated by Paladin without serious reason (as such term is used in the Civil Code of Québec) or he terminates his employment for "Good Reason" as such term is defined in a "change in control" letter from Paladin to Dr. Larose dated March 4, 2013. On the first trading day following the closing date, New Endo will grant 20,000 stock options to Dr. Larose, which will be subject to the terms and conditions in the applicable equity plan and award

agreement. Dr. Larose is eligible to receive the severance and benefits as set forth in his current change in control letter if (i) prior to twenty-four months following the closing date, he is terminated by Paladin without serious reason or he terminates his employment for Good Reason or

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(ii) between six and twenty-four months following the closing date Mr. Larose resigns (other than a resignation in connection with events constituting serious reason), provided that, in either case, he executes a release at the time of his termination of employment.

Indemnification

Endo had obtained directors and officers indemnification insurance coverage. This insurance covers directors and officers individually where exposures exist, other than those for which Endo is able to provide indemnification.

Paladin's by-laws include standard indemnification provisions for its directors and officers. In addition, Paladin has entered into indemnification agreements with all of its directors and officers and certain outside directors of Paladin's subsidiaries in respect of liability reasonably incurred by such persons in connection with any proceeding that relates to or arises from such persons service as officer or director of Paladin or as officer or director of any other entity at the request of Paladin. Paladin's indemnification obligations under such agreements are conditional upon such persons (i) having acted honestly and in good faith with a view to the best interests of Paladin, or as the case may be, to the best interests of the other entity for which such persons acted as officer or director at the request of Paladin; and (ii) in the case of a criminal or administrative action that is enforced by a monetary proceeding, such persons had reasonable ground for believing that their conduct was lawful.

All indemnification or exculpation rights existing in favor of present or former directors and officers of Paladin, Endo or any of their respective subsidiaries as provided in the constating documents of such party or contracts to which such a party is bound and which is in effect as of the date of the arrangement agreement will continue in full force and effect and without modification for the period contemplated therein.

In addition, New Endo will, and will cause each of Endo and Paladin to, maintain in effect for seven years from the closing date directors' and officers' liability insurance covering those persons who are currently covered by the directors' and officers' liability insurance policies of Endo and Paladin, as applicable, on terms not less favorable than such existing insurance coverage. However, in the event that any claim is brought under such directors' and officers' liability insurance policy, such policy will be maintained until its final disposition.

Endo will indemnify and hold harmless the members of the boards of directors of New Endo, CanCo 1, Endo Limited, Endo U.S. Inc., Merger Sub and their affiliates to the fullest extent permitted by applicable law for losses actually incurred by the director in connection with his or her duties as director for such entity from the date of the arrangement agreement to the closing date, unless such loss is related to:

a violation of the director's duties under applicable law;

gross negligence, fraud or intentional misconduct by the director; or

actions taken or omitted by such director in violation of the organizational documents of the entities on which they serve as director or of the arrangement agreement.

Security Ownership of Certain Beneficial Owners and Management

Endo

The following table sets forth, as of January 15, 2014, the name, address and holdings of each person, including any group as defined in Section 13(d)(3) of the Exchange Act, known by Endo to be the beneficial owner of more than 5% of common stock. Footnote (a) below provides a brief explanation of what is meant by the term beneficial ownership. The following table also sets forth, as of January 15, 2014, the number of shares of common stock beneficially owned by each of Endo's then current directors and the Chief Executive Officer, the Chief Financial Officer and the other three most highly compensated executive officers of Endo as of January 15, 2014. The following table also sets forth, as of January 15, 2014, the number of shares of common stock beneficially owned by all then current directors and executive officers of Endo as a group.

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Name of Beneficial Owner	Number of Shares of Common Stock Beneficially Owned (a)	Percentage of Class (a)
<i>Directors and Executive Officers:</i>		
Roger H. Kimmel (b)	226,810	*
John J. Delucca (c)(p)	67,921	*
Arthur J. Higgins (d)(p)		*
Nancy J. Hutson, Ph.D. (e)(p)	38,669	*
Michael Hyatt (f)	318,671	*
William P. Montague (g)(p)	18,479	*
David B. Nash, M.D., M.B.A. (h)	670	*
Jill D. Smith (i)(p)	9,599	*
William F. Spengler (j)(p)	25,768	*
Rajiv De Silva (k)(p)	280,714	*
Suketu Upadhyay (l)(p)		*
Donald DeGolyer (m)(p)		*
Ivan P. Gergel, M.D. (n)(p)	119,817	*
Caroline B. Manogue (o)(p)	353,675	*

* The percentage of the class to be owned by such security holder represents less than 1%.

- (a) Beneficial ownership is a term broadly defined by the SEC in Rule 13d-3 under the Exchange Act, and includes more than the typical form of stock ownership, that is, stock held in the person's name. The term also includes what is referred to as indirect ownership, meaning ownership of shares as to which a person has or shares investment power. For purposes of this table, a person or group of persons is deemed to have beneficial ownership of any shares as of a given date that such person has the right to acquire within 60 days after such date.
- (b) Mr. Kimmel is the Chairman of the Board of Endo. The business address for Mr. Kimmel is c/o Rothschild, Inc., 1251 Avenue of the Americas, New York, New York 10022. Mr. Kimmel's beneficial ownership represents (i) options to purchase 49,810 shares of common stock granted under the Endo Health Solutions Inc. 2000, 2004 and 2007 Stock Incentive Plans which will be exercisable within the next 60 days and (ii) 12,000 directly owned shares of common stock and (iii) 165,000 shares of common stock held in trusts for which Mr. Kimmel serves as trustee and as to which shares Mr. Kimmel holds either the sole or the shared power of disposition and power to vote. His beneficial ownership excludes 2,500 shares of common stock held in trusts for the benefit of one of Mr. Kimmel's adult children, as to which shares Mr. Kimmel has neither the power of disposition nor the power to vote.
- (c) Mr. Delucca is a director of Endo. Mr. Delucca's beneficial ownership represents (i) options to purchase 39,810 shares of common stock granted under the Endo Health Solutions Inc. 2000, 2004 and 2007 Stock Incentive Plans which will be exercisable within the next 60 days and (ii) 28,111 directly owned shares of common stock.
- (d) Mr. Higgins is a director of Endo. Given his December 2013 appointment to Endo's Board, Mr. Higgins has no beneficial ownership in Endo as of January 15, 2014. However, he has been granted 1,016 restricted stock units, none of which has vested as of January 15, 2014.
- (e) Dr. Hutson is a director of Endo. Dr. Hutson's beneficial ownership represents (i) options to purchase 18,186 shares of our common stock granted under the Endo Health Solutions Inc. 2007 Stock Incentive Plan which will be exercisable within the next 60 days and (ii) 20,483 directly owned shares of common stock.
- (f) Mr. Hyatt is a director of Endo. The business address for Mr. Hyatt is c/o Irving Place Capital, 745 Fifth Avenue, 7th Floor, New York, New York 10151. Mr. Hyatt's beneficial ownership represents (i) options to purchase

59,810 shares of common stock granted under the Endo Health Solutions Inc. 2000, 2004 and 2007 Stock Incentive Plans which will be exercisable within the next 60 days, (ii) 238,111 directly owned shares of common stock and (iii) 20,750 shares held in trusts for which Mr. Hyatt serves as trustee and as to which shares Mr. Hyatt holds either the sole or the shared power of disposition or the power to vote.

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- (g) Mr. Montague is a director of Endo. Mr. Montague's beneficial ownership represents options to purchase 18,479 shares of common stock granted under the Endo Health Solutions Inc. 2007 Stock Incentive Plans which will be exercisable within the next 60 days.
- (h) Dr. Nash is a director of Endo. The business address for Dr. Nash is c/o Jefferson School of Population Health, 901 Walnut Street, 10th Floor, Philadelphia, Pennsylvania 19107. Dr. Nash's beneficial ownership represents 670 directly owned shares of common stock.
- (i) Ms. Smith is a director of Endo. Ms. Smith's beneficial ownership represents 9,599 directly owned shares of common stock.
- (j) Mr. Spengler is a director of Endo. Mr. Spengler's beneficial ownership represents (i) options to purchase 23,650 shares of common stock granted under the Endo Health Solutions Inc. 2004 and 2007 Stock Incentive Plans which will be exercisable within the next 60 days and (ii) 2,118 directly owned shares of common stock.
- (k) Mr. De Silva became a director of Endo and our President and Chief Executive Officer effective March 18, 2013. Mr. De Silva's beneficial ownership represents (i) options to purchase 45,299 shares of common stock granted under the 2010 Stock Incentive Plan which will become exercisable in the next 60 days, (ii) 172,100 directly owned shares of common stock and (iii) 63,315 shares of common stock held in trusts. His beneficial ownership excludes (i) options to purchase 90,600 shares of common stock granted under the Endo Health Solutions Inc. 2010 Stock Incentive Plan which will not be exercisable within the next 60 days, (ii) 27,394 shares of unvested restricted stock units and (iii) 164,364 unvested, unearned performance share units.
- (l) Mr. Upadhyay became our Executive Vice President & Chief Financial Officer effective September 23, 2013. Given his September 2013 appointment as Executive Vice President & Chief Financial Officer, Mr. Upadhyay has no beneficial ownership in Endo as of January 15, 2014. However, he has been granted 15,418 shares of unvested restricted stock units and 15,418 unvested, unearned performance share units.
- (m) Mr. DeGolyer became our Chief Operating Officer effective August 1, 2013. Given his August 2013 appointment as Chief Operating Officer, Mr. DeGolyer has no beneficial ownership in Endo as of January 15, 2014. However, he has been granted 30,604 shares of unvested restricted stock units and 30,604 unvested, unearned performance share units.
- (n) Dr. Gergel is our Executive Vice President, Research & Development & Chief Scientific Officer. Dr. Gergel's beneficial ownership represents (i) options to purchase 75,637 shares of common stock granted under the Endo Health Solutions Inc. 2004, 2007 and 2010 Stock Incentive Plans which will be exercisable within the next 60 days and (ii) 44,180 directly owned shares of common stock. His beneficial ownership excludes (i) options to purchase 52,331 shares of common stock granted under the Endo Health Solutions Inc. 2004, 2007 and 2010 Stock Incentive Plans which will not be exercisable within the next 60 days, (ii) 16,031 shares of unvested restricted stock units and (iii) 38,083 unvested, unearned performance share units.
- (o) Ms. Manogue is our Executive Vice President, Chief Legal Officer & Secretary. Ms. Manogue's beneficial ownership represents (i) options to purchase 309,358 shares of common stock granted under the Endo Health Solutions Inc. 2000, 2004, 2007 and 2010 Stock Incentive Plans which will be exercisable within the next 60 days and (ii) 44,317 directly owned shares of common stock. Her beneficial ownership excludes (i) options to purchase 50,164 shares of common stock granted under the Endo Health Solutions Inc. 2004 and 2010 Stock Incentive Plans which will not be exercisable within the next 60 days, (ii) 15,352 shares of unvested restricted stock units and (iii) 43,707 unvested, unearned performance share units.
- (p) The business address for this person is c/o Endo Health Solutions Inc., 1400 Atwater Drive, Malvern, Pennsylvania 19355.

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The following table sets forth certain information regarding the beneficial ownership of Paladin's common shares as of January 21, 2014 (except as noted) by: (i) each of Paladin's current directors; (ii) each of Paladin's current executive officers; (iii) all current executive officers and directors of Paladin as a group; and (iv) all those known by Paladin to be beneficial owners of more than 10% of its common shares.

Name of Beneficial Owner	Number of Shares of Common Stock Beneficially Owned	Percentage of Class (a)
<i>Directors and Executive Officers:</i>		
Jonathan Ross Goodman	839,635(a)(b)(c)	4%
Robert N. Lande	6,600	*
Mark A. Beaudet	4,264(d)	*
Gerald McDole	5,932	*
James C. Gale	29,053	*
Joel H. Raby	4,500	*
Samira Sakhia	7,570	*
Mark H. Nawacki	5,932	*
Patrice Larose	144	*
François Desrosiers	778	*
All current directors and executive officers of Paladin Labs Inc. as a group (10 persons)	900,792	4.3%
<i>Other Stockholders:</i>		
4527712 Canada Inc.(e)	6,975,187	34.0%

* *The percentage of the class to be owned by such security holder represents less than 1%.*

- (a) Jonathan Ross Goodman owns 25% of the non-voting shares of Joddes Limited, which directly owns 4,241,245 common shares of Paladin. 4527714 Canada Inc. is the voting trustee for and has direction and control over the Paladin common shares held by Joddes Limited.
- (b) Includes 100 Paladin common shares owned by Noah Goodman.
- (c) Includes 683,486 common shares of Paladin owned by 3487911 Canada Inc. which is controlled by Jonathan Ross Goodman. 4527712 Canada Inc. is the voting trustee for, and has direction and control over, the Paladin common shares held by 3487911 Canada Inc.
- (d) Includes 100 Paladin common shares owned by Matthew Beaudet and 100 Paladin common shares owned by Ethan Beaudet.
- (e) 4527712 Canada Inc. is the voting trustee in respect of Paladin common shares owned directly by Joddes Limited (4,241,245 Paladin common shares) and indirectly held by members of the Goodman family (2,733,942 Paladin common shares). 4527712 Canada Inc. is controlled by Mr. Morris Goodman.

Compensation of New Endo's Executive Officers

New Endo did not have any employees during the year ended December 31, 2012 and, accordingly, has not included any compensation and other benefits information with respect to that or prior periods.

Information concerning the historical compensation paid by Endo to its named executive officers is contained in Endo's Annual Report on Form 10-K for the year ended December 31, 2012, under the heading *Executive*

Compensation on page 118 thereto and is incorporated herein by reference.

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Following the transactions, it is expected that a compensation committee of New Endo will be formed, and pursuant to the responsibilities outlined in its charter, the committee will oversee and determine the compensation of the chief executive officer and other executive officers of New Endo and will evaluate and determine the appropriate executive compensation philosophy and objectives for New Endo in the normal course of business.

This New Endo compensation committee is expected to review its compensation policies with respect to the executive officers of New Endo after the transactions and in the normal course of business, consistent with its charter, the New Endo compensation committee will also evaluate and determine the appropriate design of the New Endo executive compensation program and the appropriate process for establishing executive compensation consistent with past practices.

Compensation of New Endo's Directors

Information concerning the historical compensation paid by Endo to its non-employee directors, all of whom are expected to be non-employee directors of New Endo, is contained in Endo's Annual Report on Form 10-K for the year ended December 31, 2012, under the heading *Executive Compensation* beginning on page 118 thereto and is incorporated herein by reference.

Following the transactions, New Endo's compensation committee will review director compensation in the normal course of business as a result of the merger and pursuant to the responsibilities outlined in the compensation committee's charter. New Endo will not maintain a directors deferred compensation plan in order to comply with Irish tax law.

Financing

New Endo anticipates that the total funds needed to complete the transactions will be funded through a combination of:

(i) available cash on hand of Endo; and

(ii) third-party debt financing consisting of the following:

(A) senior secured term loan facilities, which is referred to in this proxy statement/prospectus as the term loan facilities, consisting of (x) a term loan A facility in an aggregate principal amount equal to US\$1,100.0 million and (y) a term loan B facility in an aggregate principal amount equal to US\$425.0 million;

(B) a senior secured revolving credit facility in an aggregate amount of US\$750.0 million, which is referred to in this proxy statement/prospectus as the revolving credit facility, and together with the term loan facilities, the senior secured credit facilities; provided however that up to US\$200.0 million of Revolving Credit Facility funds may be utilized to complete the transaction or to pay transaction costs; and

(C) the issuance of US\$700.0 million in aggregate principal amount of 5.75% Senior Notes due 2022 that were issued on December 19, 2013, which are referred to in this proxy statement/prospectus as the new senior notes.

The new senior notes were issued by Endo Finance Co., a wholly-owned subsidiary of Endo (referred to in this proxy statement/prospectus as Endo Finance). Upon issuance of the new senior notes, 100% of the gross proceeds were

deposited with an escrow agent to be held until (i) consummation of the transactions or (ii) the earlier of the July 1, 2014 or the date that Endo has determined to terminate or abandon the transactions. If the transactions are consummated, (i) Endo Finance will merge with and into an indirect wholly-owned subsidiary of New Endo (New Endo Finance), with New Endo Finance surviving and assuming all of Endo Finance s obligations under the new senior notes; (ii) an indirect wholly-owned subsidiary of New Endo will become a co-obligor of the new senior notes; (iii) the escrowed funds will be released from escrow simultaneously with the consummation of the transactions; and (iv) the net proceeds of the offering of new senior notes will be used,

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together with borrowings under the term loan facilities, to refinance certain existing indebtedness of Endo, to pay related fees and expenses and for general corporate purposes, which may include strategic acquisitions. If the transactions are not consummated, upon the earlier of July 1, 2014 or the date that Endo has determined to terminate or abandon the transactions, (i) Endo Finance will merge with and into Endo, with Endo surviving and assuming all of Endo Finance's obligations under the new senior notes; (ii) the escrowed funds will be released; and (iii) the net proceeds of the offering of new senior notes will be used for general corporate purposes, which may include strategic acquisitions.

On November 5, 2013, Endo received a debt commitment letter, which is referred to in this proxy statement/prospectus as the debt commitment letter, from Deutsche Bank AG New York Branch, Deutsche Bank AG Cayman Islands Branch (referred to in this proxy statement/prospectus as DBCI), Deutsche Bank Securities Inc., Royal Bank of Canada (referred to in this proxy statement/prospectus as RBC), and RBC Capital Markets, LLC, collectively referred to in this proxy statement/prospectus as the agents, to provide the facilities, subject to the conditions set forth in the debt commitment letter.

Each agent's commitments with respect to the facilities, and each agent's agreements to perform the services described in the debt commitment letter, will automatically terminate on the first to occur of (i) 5:00 p.m., New York City time, on May 5, 2014, unless on or prior to such time the transactions have been consummated, (ii) the date of the termination of the arrangement agreement, or (iii) the consummation of the arrangement without the use of the senior secured credit facilities.

The documentation governing the debt financing has not been finalized and, accordingly, the actual terms of the debt financing may differ from those described in this document. Although the debt financing described in this document is not subject to a due diligence or market out, such financing may not be considered assured. The obligation of the arrangers to provide debt financing under the debt commitment letter is subject to a number of conditions. There is a risk that these conditions will not be satisfied and the debt financing may not be funded when required. As of the date of this proxy statement, no alternative financing arrangements or alternative financing plans have been made in the event the debt financing described in this document is not available.

Endo has, with the consent of the holders of a majority in aggregate principal amount outstanding of each of (i) its US\$500 million in aggregate principal amount outstanding of 7% Senior Notes due 2019, (ii) its US\$400 million in aggregate principal amount outstanding of 7.00% Senior Notes due 2020 and (iii) its US\$400 million in aggregate principal amount outstanding of 7 1/4% Senior Notes due 2022, entered into amendments to the related indentures providing that no change of control offer will be required under such indentures as a result of the transactions. The amendments will become operative immediately prior to the effective time of the transactions. As a result of the receipt of such consents, the commitments under the debt commitment letter with respect to the senior bridge facility to fund the takeout of such senior notes were terminated.

Regulatory Approvals Required***U.S. Regulatory Approvals***

Under the HSR Act, and the rules and regulations promulgated thereunder by the Federal Trade Commission, which is referred to in this proxy statement/prospectus as the FTC, the merger cannot be consummated until notifications have been submitted and certain information has been furnished to the Antitrust Division and the FTC, and specified waiting period requirements have been satisfied.

Endo and Paladin each filed a Pre-Merger Notification and Report Form pursuant to the HSR Act with the Antitrust Division and the FTC on November 27, 2013. On December 17, 2013 the FTC granted early termination of the waiting period, thereby satisfying the requirement for HSR Act approval under the arrangement agreement.

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Canadian Regulatory Approvals

Competition Act (Canada) Approval

Part IX of the Competition Act (Canada) requires that the parties to certain transactions that exceed the thresholds set out in sections 109 and 110 of the Competition Act (Canada) provide the commissioner with pre-closing notice of the transaction.

Subject to certain limited exceptions, the parties to a notifiable transaction cannot complete the transaction until they have provided to the commissioner the information prescribed pursuant to subsection 114(1) of the Competition Act (Canada) or otherwise complied with Part IX and the applicable waiting period pursuant to section 123 of the Competition Act (Canada) has expired or been terminated or an appropriate waiver has been provided by the commissioner. The waiting period is 30 calendar days after the day on which the parties to the transaction submit the prescribed information, provided that, before the expiry of this period, the commissioner has not notified the parties pursuant to subsection 114(2) of the Competition Act (Canada) that he requires additional information that is relevant to the commissioner's assessment of the transaction.

In addition or as an alternative to filing the prescribed information, a party to a notifiable transaction may comply with Part IX by applying to the commissioner for: (i) an advance ruling certificate issued by the commissioner pursuant to section 102 of the Competition Act (Canada); or (ii) a no-action letter from the commissioner. The commissioner may issue either an advance ruling certificate or no-action letter in respect of a transaction if he is satisfied that there are not sufficient grounds on which to apply to the Competition Tribunal for an order under section 92 of the Competition Act (Canada). In these circumstances, a transaction may be completed before the end of the applicable waiting period if the commissioner notifies the parties (either by issuing an advance ruling certificate pursuant to subsection 102 of the Competition Act (Canada) or a no-action letter).

Upon completion of his review, the commissioner may decide to: (i) challenge a notifiable transaction, if the commissioner concludes that it is likely to substantially prevent or lessen competition, and seek an order of the Competition Tribunal (a) prohibiting the completion of the notifiable transaction on an interim or permanent basis, (b) requiring the divestiture of shares or assets or the dissolution of the notifiable transaction, if it has been completed, and/or (c) with the consent of the person against whom the order is directed, requiring that person to take any other action; (ii) issue a no-action letter advising the parties that the commissioner does not intend to challenge the notifiable transaction at that time (but that he retains the authority to do so for one year after completion of the notifiable transaction); (iii) issue an advance ruling certificate; or (iv) allow the waiting period to expire without doing any of the foregoing. Where an advance ruling certificate is issued and the notifiable transaction to which the advance ruling certificate relates is substantially completed within one year after the advance ruling certificate is issued, the commissioner cannot seek an order of the Competition Tribunal in respect of the notifiable transaction solely on the basis of information that is the same or substantially the same as the information on the basis of which the advance ruling certificate was issued.

The obligations of Endo and Paladin to complete the arrangement are conditional upon Competition Act (Canada) approval being obtained in accordance with the arrangement agreement. Pursuant to the arrangement agreement, Competition Act (Canada) approval will be obtained if either (i) the commissioner has issued an advance ruling certificate and such advance ruling certificate has not been modified or withdrawn prior to closing; (ii) New Endo and Paladin have given the notice required under section 114 of the Competition Act (Canada) with respect to the transactions contemplated by the arrangement agreement and the applicable waiting periods under section 123 of the Competition Act (Canada) have expired or been terminated in accordance with the Competition Act (Canada); or (iii) the obligation to give the requisite notice has been waived pursuant to paragraph 113(c) of the Competition Act

(Canada), and, in the case of either (ii) or (iii), the commissioner shall have issued a no-action letter, and any terms and conditions attached to such no-action letter are acceptable to Endo acting reasonably, and such no-action letter has not been modified or withdrawn prior to closing.

The transactions contemplated by the arrangement agreement (including the arrangement and the merger) are a notifiable transaction under the Competition Act (Canada), and as such, Endo and Paladin must comply

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with the Part IX merger notification provisions. Endo submitted a request for an advance ruling certificate or no-action letter to the commissioner on November 27, 2013. The commissioner issued a no-action letter on December 18, 2013, thereby satisfying the requirement for the Competition Act (Canada) approval under the arrangement agreement.

Investment Canada Act Approval

Under the Investment Canada Act, certain transactions involving the acquisition of control of a Canadian business by a non-Canadian are subject to review under Part IV or IV.1 of the Investment Canada Act and cannot be implemented unless the Minister of Industry is satisfied that the transaction is likely to be of net benefit to Canada. The transactions contemplated by the arrangement agreement constitute a reviewable transaction under the Investment Canada Act.

If a transaction is a reviewable transaction, an application for review must be filed with the Investment Review Division of Industry Canada and the approval of the Minister of Industry must be obtained prior to implementation of the reviewable transaction.

The submission of an application for review triggers an initial review period of up to 45 days. If the Minister of Industry has not completed the review by that date, the Minister of Industry may unilaterally extend the review period by up to a further 30 days (and he may seek additional extensions with agreement of the applicant).

The prescribed factors to be considered by the Minister of Industry in determining whether a reviewable transaction is likely to be of net benefit to Canada include, among other things, (i) the effect of the investment on the level and nature of economic activity in Canada (including the effect on employment, capital investment, resource processing, utilization of Canadian products and services and exports), (ii) the degree and significance of participation by Canadians in the acquired business, (iii) the effect of the investment on productivity, industrial efficiency, technological development, product innovation, product variety and competition in Canada, (iv) the effect of the investment on competition within an industry in Canada, (v) the compatibility of the investment with national and provincial industrial, economic and cultural policies, and (iv) the contribution of the investment to Canada's ability to compete in world markets. The Minister of Industry will also consider, among other things, the views of the provincial governments where Paladin carries on business and any written undertakings offered by Endo to Her Majesty in right of Canada in determining whether a reviewable transaction is likely to be of net benefit to Canada.

If, following his review, the Minister of Industry is satisfied that a reviewable transaction is likely to be of net benefit to Canada, the Minister of Industry is required to send a notice to that effect to Endo. If the Minister of Industry does not send notice to Endo of his approval within the 45-day period or the extended period, as the case may be, the Minister of Industry is deemed to be satisfied that the reviewable transaction is likely to be of net benefit to Canada and shall send a notice to that effect to Endo.

If, following his review, the Minister of Industry is not satisfied that a reviewable transaction is likely to be of net benefit to Canada, the Minister of Industry is required to send a notice to that effect to Endo, advising Endo of its right to make further representations and submit (additional) undertakings within 30 days from the date of such notice or any further period that may be agreed to by Endo and the Minister of Industry.

Within a reasonable time after the expiry of the period for making representations and submitting undertakings as described above, the Minister of Industry shall send notice to the applicant that either the Minister of Industry is satisfied that the investment is likely to be of net benefit to Canada or confirmation that the Minister of Industry is not satisfied that the investment is likely to be of net benefit to Canada. In the latter case, the reviewable transaction may not be implemented.

The obligation of Endo and Paladin to complete the arrangement are conditional upon Investment Canada Act approval being obtained in accordance with the arrangement agreement. Pursuant to the arrangement

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agreement, Investment Canada Act approval will be obtained if New Endo shall have received written evidence from the Minister of Industry that the Minister of Industry is satisfied or deemed to be satisfied that the transactions contemplated by the arrangement agreement are likely to be of net benefit to Canada pursuant to the Investment Canada Act and such approval has not been modified or withdrawn.

Endo filed an application for review with the Investment Review Division of Industry Canada on November 26, 2013 and the initial 45 day review period would end on January 10, 2014. This initial review period was unilaterally extended for an additional 30 days by the Minister of Industry and can only be extended further on consent of the parties beyond that date. Endo and Paladin are cooperating with the Minister of Industry in his review of the application and in connection thereto Endo submitted draft undertakings on December 24, 2013 and revised draft undertakings on January 17, 2014 to the Minister of Industry. As of the date of this proxy statement/prospectus, the Investment Canada Act approval required pursuant to the arrangement agreement has not been obtained and no assurance can be provided that it will be obtained.

South African Competition Act Approval

Chapter 3 of the Competition Act (South Africa) requires that parties to a merger, defined in terms of section 12 of the Competition Act (South Africa), that meet thresholds prescribed in terms of section 11 of the Competition Act (South Africa) read with the Government General Notice 216 of 2009, which is referred to in this proxy statement/prospectus as a notifiable merger, notify the South African Competition Commission of that merger in the prescribed manner and form. Endo and Paladin meet the thresholds prescribed for an intermediate merger, which is a notifiable merger under the Competition Act (South Africa). In terms of section 13A(3) of the Competition Act (South Africa), parties to an intermediate merger may not implement that merger until it has been approved, with or without conditions, by the South African Competition Commission in terms of section 14(1)(b) of the Competition Act (South Africa). In terms of section 14(1) of the Competition Act (South Africa), within 20 business days after all parties to an intermediate merger have fulfilled all their notification requirements in the prescribed manner and form, the South African Competition Commission may extend the period in which it has to consider the proposed merger by a single period not exceeding 40 business days and, in that case, must issue an extension certificate to any party who notified it of the merger; or after having considered the merger in terms of section 12A, must issue a certificate in the prescribed form (i) approving the merger; (ii) approving the merger subject to any conditions; or (iii) prohibiting implementation of the merger.

Because of Paladin's ownership interest in Litha, a company operating in South Africa, among other places, the transactions contemplated by the arrangement agreement (including the arrangement and the merger) constitute a notifiable merger under the Competition Act (South Africa), and as such, Endo and Paladin must comply with the section 13A merger notification provision and the obligations of Endo and Paladin to complete the arrangement are conditional upon Competition Act (South Africa) approval. Endo and Paladin prepared a merger notification in the prescribed manner and form, which was notified to the South African Competition Commission on November 26, 2013. On December 3, 2013, Endo and Paladin received an extension certificate, notifying them that the review period under the Competition Act (South Africa) was extended for a period of 40 business days and would expire at 11:59 p.m., Central Africa Time, on February 24, 2014. Endo and Paladin are cooperating with the South African Competition Commission in the review of the merger.

As of the date of this proxy statement/prospectus, the Competition Act (South Africa) approval required pursuant to the arrangement agreement has not been obtained and no assurance can be provided that it will be obtained.

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Applicable Canadian Securities Laws

Distribution and Resale of New Endo Ordinary Shares under Canadian Securities Laws

The New Endo ordinary shares received pursuant to the arrangement will not be legended and may be resold through registered dealers in each of the provinces of Canada provided that (i) the trade is not a control distribution (as defined in National Instrument 45-102 Resale of Securities); (ii) no unusual effort is made to prepare the market or create a demand for those securities; (iii) no extraordinary commission or consideration is paid in respect of that trade; and (iv) if the selling security holder is an insider or officer of New Endo (as defined under applicable Canadian securities legislation), the insider or officer has no reasonable grounds to believe that New Endo is in default of that legislation. Each Endo shareholder and option holder is urged to consult the holder's professional advisors with respect to restrictions applicable to trades in New Endo ordinary shares under applicable Canadian securities legislation.

Upon completion of the arrangement, New Endo will become a reporting issuer in each of the provinces of Canada. As the New Endo ordinary shares are not currently listed on a stock exchange, unless and until such a listing is obtained, holders of New Endo ordinary shares may not have a market for their shares. New Endo has applied to list the ordinary shares to be issued or made issuable pursuant to the arrangement and the merger on NASDAQ and TSX. Listing will be subject to New Endo fulfilling all the listing requirements of NASDAQ and TSX. It is a mutual condition to the completion of the transactions that the New Endo ordinary shares be approved for listing on NASDAQ and conditionally approved for listing on TSX, subject to New Endo fulfilling all the listing requirements of NASDAQ and TSX.

Ongoing Canadian Reporting Obligations of New Endo

Upon completion of the arrangement, New Endo will become a reporting issuer in each of the provinces of Canada. Pursuant to National Instrument 71-102 Continuous Disclosure and Other Exemptions Relating to Foreign Issuers, New Endo will be generally exempt from Canadian statutory financial and other continuous and timely reporting requirements, including the requirement for insiders of New Endo to file reports with respect to trades of New Endo securities and the requirements with respect to meetings of shareholders. As a condition of the availability of these exemptions New Endo must (i) comply with the requirements of U.S. securities laws and the rules of the NASDAQ stock market; (ii) file with the relevant provincial securities regulatory authorities copies of its documents filed with the SEC under the Exchange Act; and (iii) send to Canadian securityholders the same material that is sent to U.S. securityholders.

Additionally, New Endo will be required to comply with Canadian legal requirements under Multilateral Instrument 61-101 Protection of Minority Security Holders in Special Transactions, which is referred to in this proxy statement/prospectus as MI 61-101, subject to certain minimum percentage thresholds of New Endo ordinary shares being held by residents of Canada. MI 61-101 includes requirements for the protection of minority shareholders in certain transactions, including transactions with insiders and other related parties.

Accounting Treatment of the Transactions

Endo will account for the acquisition pursuant to the arrangement agreement and using the acquisition method of accounting in accordance with U.S. generally accepted accounting principles. Endo will be the accounting acquiror. Endo will measure the Paladin assets acquired and Paladin liabilities assumed at their fair values including net tangible and identifiable intangible assets as of the closing of the transactions. Any excess of the purchase price over those fair values will be recorded as goodwill.

Restrictions on Resales

All New Endo ordinary shares received by Endo shareholders in the merger will be freely tradable, except that New Endo ordinary shares received in the merger by persons who become affiliates of New Endo for

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purposes of Rule 144 under the Securities Act may be resold by them only in transactions permitted by Rule 144, or as otherwise permitted under the Securities Act. Persons who may be deemed affiliates of New Endo generally include individuals or entities that control, are controlled by or are under common control with, New Endo and may include the executive officers and directors of New Endo as well as its principal shareholders.

Procedures for Exchange of Endo Common Stock for New Endo Ordinary Shares

At the effective time, New Endo will deposit certificates, or at New Endo's option, evidence of shares in book entry form, representing the total number of New Endo ordinary shares deliverable to the Endo shareholders pursuant to the merger. As soon as reasonably practicable (and in any event within four business days) after the effective time, the exchange agent will mail each holder of record of Endo shares a letter of transmittal and instructions for use in surrendering the Endo shares in exchange for the consideration owed to them pursuant to the merger. See *The Arrangement Agreement Merger Consideration to Endo Shareholders* beginning on page 122.

Upon surrender of Endo shares for cancellation to the exchange agent, together with a duly executed letter of transmittal and any other documents reasonably required by the exchange agent, the holder of such Endo shares is entitled to receive in exchange: (i) that number of New Endo ordinary shares into which such holder's Endo shares were converted pursuant to the terms of the arrangement agreement (see *The Arrangement Agreement Merger Consideration to Endo Shareholders* beginning on page 122) and (ii) a check in the amount of U.S. dollars equal to any cash dividends with respect to New Endo ordinary shares made after the effective time. The properly surrendered Endo shares will be cancelled.

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CERTAIN TAX CONSEQUENCES OF THE MERGER AND THE ARRANGEMENT

Scope of Discussion

The following is a summary of certain U.S. federal income tax consequences of the merger to Endo and New Endo and to U.S. holders and non-U.S. holders (each as defined below) of Endo common stock. This summary also describes certain U.S. federal income tax consequences of the subsequent ownership and disposition by U.S. holders of New Endo ordinary shares.

This summary does not address the U.S. federal income tax consequences of the ownership and disposition by non-U.S. holders of New Endo ordinary shares. Accordingly, non-U.S. holders should consult their tax advisors regarding the U.S. federal, U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local, and non-U.S. tax consequences (including the potential application of and operation of any income tax treaties) relating to the ownership and disposition of New Endo ordinary shares.

This summary is based on provisions of the Code, United States Treasury regulations promulgated thereunder (whether final, temporary, or proposed), administrative rulings, and judicial interpretations thereof, and the Ireland-U.S. Tax Treaty, all as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect.

This summary is for general information purposes only and does not purport to be a complete analysis or listing of all potential U.S. federal income tax considerations that may apply to a holder as a result of the merger or as a result of the ownership and disposition of New Endo ordinary shares. In addition, this summary does not take into account the individual facts and circumstances of any particular holder that may affect the U.S. federal income tax consequences to such U.S. holder, including specific tax consequences to a holder under an applicable tax treaty. Accordingly, this summary is not intended to be, and should not be construed as, legal or U.S. federal income tax advice with respect to any holder. In addition, this summary does not address the U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local, or non-U.S. tax consequences of the merger or the ownership and disposition of New Endo ordinary shares. Holders should consult their tax advisors regarding such tax consequences in light of their particular circumstances.

Endo will receive certain opinions from Skadden regarding certain U.S. federal income tax consequences of the merger. However, an opinion of tax counsel is not binding on the IRS or a court. Therefore, there can be no assurance that the IRS will not take a position contrary to Skadden's opinions or that a court will not agree with the IRS in the event of litigation. See *U.S. Federal Income Tax Considerations* beginning on page 105.

No ruling has been requested or will be obtained from the IRS regarding the U.S. federal income tax consequences of the merger or any other matter; thus, there can be no assurance that the IRS will not challenge the U.S. federal income tax treatment described below or that, if challenged, such treatment will be sustained by a court. This summary is not binding on the IRS, and the IRS is not precluded from taking a position that is different from, and contrary to, the positions taken in this summary. In addition, because the authorities on which this summary is based are subject to various interpretations, the IRS and the U.S. courts could disagree with one or more of the positions taken in this summary.

This summary is limited to considerations relevant for investors holding Endo common stock, and, after the completion of the merger, New Endo ordinary shares, as capital assets (generally, property held for investment). This summary does not discuss all aspects of U.S. federal income taxation that may be important to holders in light of their individual circumstances, including holders subject to special tax rules, such as:

banks, financial institutions, underwriters, insurance companies;

real estate investment trusts and regulated investment companies;

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tax-exempt organizations, qualified retirement plans, individual retirement accounts, or other tax-deferred accounts;

expatriates or former long-term residents of the United States;

persons holding shares through a partnership, limited liability, or other fiscally or tax transparent entity;

dealers or traders in securities, commodities or currencies;

grantor trusts;

persons subject to the alternative minimum tax;

U.S. persons whose functional currency is not the U.S. dollar;

regulated investment companies and real estate investment trusts;

persons who received Endo common stock, or, after the merger, New Endo ordinary shares, through the exercise of incentive stock options or through the issuance of restricted stock under an equity incentive plan or through a tax-qualified retirement plan;

persons who own (directly or through attribution) 5% or more (by vote or value) of the outstanding Endo common stock, or, after the merger, the outstanding New Endo ordinary shares; or

holders holding Endo common stock, or, after the merger, New Endo ordinary shares, as a position in a straddle, as part of a synthetic security or hedge, as part of a conversion transaction or other integrated investment, or as other than a capital asset.

Holders that are subject to special provisions under the Code, including holders described immediately above, should consult their tax advisors regarding the U.S. federal, U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local, and non-U.S. tax consequences of the merger and the ownership and disposition of New Endo ordinary shares.

As used in this proxy statement/prospectus, the term U.S. holder means a beneficial owner of Endo common stock, and, after the completion of the merger, New Endo ordinary shares, that is, for U.S. federal income tax purposes:

an individual who is a citizen or resident of the U.S.;

a corporation or other entity taxable as a corporation that is created or organized in the United States or under the laws of the United States or any political subdivision thereof;

an estate the income of which is subject to U.S. federal income taxation regardless of its source; or

a trust that (i) is subject to the primary supervision of a court within the United States and the control of one or more U.S. persons with respect to all of its substantial decisions, or (ii) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

As used in this proxy statement/prospectus, the term *non-U.S. holder* means a beneficial owner of Endo common stock and, after the completion of the merger, New Endo ordinary shares (other than a partnership or other entity or arrangement treated as a partnership for U.S. federal income tax purposes) that is not a U.S. holder.

The U.S. federal income tax treatment of a partner in a partnership (including any entity or arrangement treated as a partnership for U.S. federal income tax purposes) that is the beneficial owner of Endo common stock, and, after the completion of the merger, New Endo ordinary shares generally will depend on the status of the partner and the activities of the partnership. A partner in such a partnership should consult its tax advisor regarding the associated tax consequences.

Table of Contents**U.S. Federal Income Tax Considerations*****U.S. Federal Income Tax Consequences of the Merger to Endo***

Endo will not be subject to U.S. federal income tax on the merger; however, Endo will continue to be subject to U.S. tax after the merger. Endo (and its U.S. affiliates) may be subject to limitations on the utilization of certain tax attributes, as described below. In conjunction with the merger, New Endo, Endo, Paladin, and their respective subsidiaries will engage in certain intercompany transactions. Except as specifically described below, this discussion does not address any tax considerations relating to such intercompany transactions.

Tax Residence of New Endo for U.S. Federal Income Tax Purposes

Under current U.S. federal income tax law, a corporation generally will be considered to be resident for U.S. federal income tax purposes in its place of organization or incorporation. Accordingly, under the generally applicable U.S. federal income tax rules, New Endo, which is an Irish incorporated entity, would generally be classified as a non-U.S. corporation (and, therefore, not a U.S. tax resident). Section 7874 of the Code and the regulations promulgated thereunder, however, contain specific rules (more fully discussed below) that may cause a non-U.S. corporation to be treated as a U.S. corporation for U.S. federal income tax purposes. These rules are complex and there is little or no guidance as to their application.

Under Section 7874, a corporation created or organized outside the United States (i.e., a non-U.S. corporation) will nevertheless be treated as a U.S. corporation for U.S. federal income tax purposes (and, therefore, a U.S. tax resident subject to U.S. federal income tax on its worldwide income) if each of the following three conditions are met: (1) the non-U.S. corporation directly or indirectly acquires substantially all of the assets held directly or indirectly by a U.S. corporation (including through the acquisition of all of the outstanding shares of the U.S. corporation), (2) the non-U.S. corporation's expanded affiliated group does not have substantial business activities in the non-U.S. corporation's country of organization or incorporation relative to the expanded affiliated group's worldwide activities, and (3) the shareholders of the acquired U.S. corporation hold at least 80% (by either vote or value) of the shares of the non-U.S. acquiring corporation after the acquisition by reason of holding shares in the U.S. acquired corporation (which includes the receipt of the non-U.S. corporation's shares in exchange for the U.S. corporation's shares), which is referred to in this proxy statement/prospectus as the ownership test.

At the merger effective time, New Endo will acquire all of Endo's assets through the indirect acquisition of all of Endo's outstanding shares, but New Endo, including its expanded affiliated group, is not expected to have substantial business activities in Ireland. As a result, New Endo will be treated as a U.S. corporation for U.S. federal income tax purposes under Section 7874 unless, after the merger, the former shareholders of Endo are treated as owning (within the meaning of Section 7874) less than 80% (by both vote and value) of New Endo's ordinary shares by reason of holding shares in Endo.

Based on the rules for determining share ownership under Section 7874 and certain factual assumptions, after the merger, Endo shareholders are expected to be treated as holding less than 80% (by both vote and value) of the New Endo ordinary shares by reason of their ownership of Endo common stock. However, whether the ownership test has been satisfied must be finally determined after the closing of the merger, by which time there could be adverse changes to the relevant facts and circumstances. Further, a subsequent change in the facts or in law might cause New Endo to be treated as a domestic corporation for U.S. federal income tax purposes, including with retroactive effect. In addition, by the time of the closing of the merger, there could be a change in law under Section 7874 of the Code, in the regulations promulgated thereunder, or other changes in law that, if enacted, could (possibly retroactively) cause New Endo to be treated as a U.S. corporation for U.S. federal income tax purposes. In such event, New Endo could be

liable for substantial additional U.S. federal income tax on its operations and income following the closing of the merger.

Endo's obligation to effect the transactions is conditional upon its receipt of the Section 7874 opinion from Skadden, dated as of the closing date and subject to certain qualifications and limitations set forth therein, to the

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effect that Section 7874 of the Code and the regulations promulgated thereunder should not apply in such a manner so as to cause New Endo to be treated as a U.S. corporation for U.S. federal income tax purposes from and after the closing date.

Regardless of the application of Section 7874 of the Code, New Endo is expected to be treated as an Irish resident company for Irish tax purposes because New Endo is incorporated under Irish law and is intending to have its place of central management and control (as determined for Irish tax purposes) in Ireland. The remaining discussion assumes that New Endo will not be treated as a U.S. corporation for U.S. federal income tax purposes under Section 7874 of the Code.

Potential Limitation on the Utilization of Endo's (and Its U.S. Affiliates') Tax Attributes

Following the acquisition of a U.S. corporation by a non-U.S. corporation, Section 7874 may limit the ability of the acquired U.S. corporation and its U.S. affiliates to utilize certain U.S. tax attributes (including net operating losses and certain tax credits) to offset U.S. taxable income resulting from certain transactions. Specifically, if the shareholders of the acquired U.S. corporation hold at least 60% (but less than 80%), by either vote or value, of the shares of the non-U.S. acquiring corporation by reason of holding shares in the U.S. corporation, the taxable income of the U.S. corporation (and any person related to the U.S. corporation) for any given year, within a ten-year period beginning on the last date the U.S. corporation's properties were acquired, will be no less than that person's inversion gain for that taxable year. A person's inversion gain includes gain from the transfer of shares or any other property (other than property held for sale to customers) and income from the license of any property that is either transferred or licensed as part of the acquisition, or, if after the acquisition, is transferred or licensed to a non-U.S. related person.

Pursuant to the arrangement agreement, the Endo shareholders are expected to receive at least 60% (but less than 80%) of the vote and value of the New Endo ordinary shares by reason of holding Endo common stock. As a result, Endo and its U.S. affiliates would be limited in their ability to utilize certain U.S. tax attributes to offset their inversion gain, if any. However, neither Endo nor its U.S. affiliates expects to recognize any inversion gain as part of the merger, nor do they currently intend to engage in any transaction in the near future that would generate inversion gain. If, however, Endo or its U.S. affiliates were to engage in any transaction that would generate any inversion gain in the future, such transaction may be fully taxable to Endo or its U.S. affiliates (notwithstanding that it may have certain deductions and other U.S. tax attributes which, but for the application of Section 7874, it would be able to use to offset some or all of such gain) and thus Endo may pay U.S. federal income tax sooner than it otherwise would have.

Certain U.S. Federal Income Tax Consequences of the Merger to Endo Shareholders***Overview***

In the merger, (i) Merger Sub will merge with and into Endo with Endo surviving, and (ii) for U.S. federal income tax purposes, Endo shareholders will exchange their Endo common stock for New Endo ordinary shares received from both New Endo and Endo U.S. Inc. in the Endo share exchange. Endo expects to receive the reorganization opinion from Skadden dated as of the closing date and subject to certain qualifications and limitations set forth therein, to the effect that, among other things, the merger should qualify as a reorganization within the meaning of Section 368(a) of the Code. However, neither the obligation of Endo nor the obligation of New Endo to complete the merger is conditioned upon the receipt of such opinion. See *Opinion Regarding the U.S. Federal Income Tax Treatment of the Merger to Endo Shareholders* below.

Although shareholders generally do not recognize gain or loss on an exchange of their stock pursuant to a reorganization, with respect to cross-border reorganizations, Section 367(a) of the Code and regulations promulgated thereunder generally require U.S. shareholders to recognize gain (but not loss) if stock of a U.S. corporation is exchanged for stock of a non-U.S. corporation and the U.S. shareholders receive more than 50% (by vote or value) of the stock of the non-U.S. corporation. Endo shareholders will receive more than 50% of the

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New Endo ordinary shares; consequently, absent an applicable exception, U.S. holders of Endo common stock will be required to recognize gain (but not loss) on their exchange of Endo common stock for New Endo ordinary shares in the merger in an amount equal to the excess of the fair market value of the New Endo ordinary shares received over the adjusted tax basis of the Endo common stock exchanged therefor.

An exception promulgated in Treasury regulations provides that Section 367(a) will not apply to certain triangular reorganizations (including those like the merger) if certain specified conditions (discussed in detail below) are satisfied. It is currently uncertain whether the specified conditions will be satisfied and whether, as a result, Endo shareholders would recognize gain or loss on the Endo share exchange. There is risk that Endo shareholders will be required to recognize gain (but not loss) on the Endo share exchange because, as described below, non-recognition treatment depends on the application of new and complex provisions of U.S. federal income tax law as well as certain facts that are subject to change, that could be affected by actions taken by Endo and other events beyond Endo's control, are subject to change and that cannot be known prior to the end of the year in which the merger is completed. For example, increases in the Endo stock price following signing of the arrangement agreement and prior to the Endo share exchange may increase the U.S. shareholders gain amount (as defined below) and make it more likely that Endo shareholders will be required to recognize gain (but not loss) on the Endo share exchange. See *Detailed Discussion of the Exception to Section 367(a) of the Code for Certain Outbound Stock Transfers* beginning on page 107.

Following the completion of the merger, New Endo intends to notify Endo shareholders via one or more website announcements regarding whether the specified conditions have been satisfied. These announcements will be updated once actual year-end information becomes available.

Detailed Discussion of the Exception to Section 367(a) of the Code for Certain Outbound Stock Transfers

As noted, Section 367(a) of the Code and regulations promulgated thereunder generally require U.S. shareholders to recognize gain (but not loss) if stock of a U.S. corporation is exchanged for stock of a non-U.S. corporation in an otherwise non-taxable reorganization and the U.S. shareholders receive more than 50% (by vote or value) of the stock of the non-U.S. corporation. However, under Treasury regulations, if certain specified conditions (discussed below) are satisfied, Section 367(a) generally will not apply to a reorganization in which a U.S. subsidiary of a non-U.S. corporation purchases stock of the non-U.S. corporation in exchange for cash, debt, or other non-stock property and uses the purchased stock to acquire another corporation from such corporation's shareholders. Pursuant to the arrangement agreement, (i) Endo U.S. Inc., a U.S. corporation and subsidiary of New Endo, will be treated as acquiring New Endo ordinary shares from New Endo, a non-U.S. corporation, in exchange for a promissory note and (ii) such New Endo ordinary shares will be used by Endo U.S. Inc. in the Endo share exchange to acquire Endo in the merger. Accordingly, if the conditions discussed below are satisfied, Section 367(a) should not apply and the Endo shareholders should not recognize any gain or loss on the Endo share exchange.

Under the applicable Treasury regulations, the acquisition of the New Endo ordinary shares by Endo U.S. Inc. in exchange for the promissory note is treated as a deemed distribution by Endo U.S. Inc. to New Endo (referenced herein as the deemed distribution) in an amount equal to the fair market value of the promissory note. The deemed distribution is subject to Section 301 of the Code. The specified conditions referenced above are satisfied if, as a factual and legal matter: (1) a portion of the deemed distribution to New Endo is treated as a dividend under Section 301(c)(1) of the Code (which is determined based on the current and accumulated earnings and profits of Endo U.S. Inc. (as determined for U.S. federal income tax purposes)), (2) New Endo is subject to U.S. withholding tax on such amount in accordance with the U.S.-Ireland Tax Treaty, and (3) the sum of (a) the portion of the deemed distribution to New Endo that is treated as a dividend and (b) the portion of the deemed distribution that is treated as gain under Section 301(c)(3) of the Code (such sum referenced herein as the New Endo income amount), exceeds the aggregate built-in gain (generally, fair market value minus adjusted tax basis) in the Endo common stock transferred

to Endo U.S. Inc. by all U.S. shareholders in the Endo share exchange (such built-in gain is referenced herein as the U.S. shareholders gain amount.)

Whether Endo U.S. Inc. will have positive earnings and profits for the taxable year that includes the merger (which is expected to be the 2014 calendar year) will depend on overall business conditions and the overall tax position of Endo U.S. Inc. for such taxable year. Such earnings and profits, if any, will take into account, among other things,

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taxable operating income and loss as well as taxable non-operating income and loss (including dispositions outside the ordinary course of business and extra-ordinary items), subject to certain adjustments, and cannot be determined until the end of the year in which the merger is completed. If Endo U.S. Inc. has positive earnings and profits, New Endo will be subject to withholding on the deemed dividend received from Endo U.S. Inc.

It is uncertain whether the New Endo income amount will exceed the U.S. shareholders gain amount, because the U.S. shareholders gain amount cannot be known with certainty until after the closing date. The U.S. shareholders gain amount will depend on the trading price of the Endo common stock and the tax basis of such stock at the time of the Endo share exchange, neither of which can be predicted with certainty. In particular, increases in the Endo stock price following signing of the arrangement agreement and prior to the Endo share exchange may increase the U.S. shareholders gain amount and make it more likely that Endo shareholders will be required to recognize gain (but not loss) on the Endo share exchange. Moreover, because Endo is a public company, information as to the tax basis of the Endo common stock may not be determinable with certainty or obtainable from all U.S. shareholders and is subject to change based on trading activity in the shares. Following closing, New Endo will undertake a study to estimate the tax basis of the shares of Endo common stock at the time of the Endo share exchange in order to assist New Endo in evaluating whether Endo shareholders will be required to recognize gain (but not loss) on the Endo share exchange. Further, the sampling methodology used to determine the U.S. shareholders gain amount or the amount of gain so determined may be challenged by the IRS, and if the IRS were to make such a challenge, there is no assurance that a court would not agree with the IRS.

Opinion Regarding the U.S. Federal Income Tax Treatment of the Merger to Endo Shareholders

Endo expects to receive a written opinion (the reorganization opinion) from Skadden dated as of the closing date and subject to certain qualifications and limitations set forth therein, to the effect that the merger should qualify as a reorganization within the meaning of Section 368(a) of the Code, and that, while the matter is not certain, if, on the closing date, the New Endo income amount exceeds the U.S. shareholders gain amount, no gain or loss should be recognized by Endo shareholders on the Endo share exchange. However, neither the obligation of Endo nor the obligation of New Endo to complete the merger is conditioned upon the receipt of such reorganization opinion.

Skadden's reorganization opinion will be based on factual representations (which will be relied upon without independent verification), including that the promissory note issued by Endo U.S., Inc. to New Endo in exchange for New Endo ordinary shares will, based upon the opinion of third party experts and other professional advisors, be treated as debt for U.S. federal income tax purposes and covenants set forth in a certificate from Endo in connection with the delivery of the opinion. Skadden's reorganization opinion will also be based on customary assumptions, including that (i) the merger and all related transactions will be consummated in accordance with the arrangement agreement, this proxy statement/prospectus, and any other relevant documents, (ii) any factual matters, statements, and representations contained in this proxy statement/prospectus and such other documents are true, correct, and complete, and (iii) all relevant parties will continue to comply, in all material respects, with any covenants and agreements contained herein and in such documents.

The ability of Skadden to render the reorganization opinion described above (and the U.S. federal income tax consequences to Endo, New Endo, and Endo shareholders) could be affected by changes in facts and circumstances or amendments to applicable U.S. federal income tax law that arise after the date hereof. In addition, if any of the assumptions, factual representations, or covenants contained in the certificate from Endo or the supporting documentation is or becomes untrue or incomplete or is not complied with, in all material respects, then, Skadden's reorganization opinion may no longer be valid and the U.S. federal income tax consequences of the merger could differ from those described in the opinion and herein and there could be adverse tax consequences for Endo and its stockholders.

The rules discussed above are relatively new, their application is complex, and there is little guidance regarding their application. No ruling has been or will be sought from the IRS with respect to the merger, and an

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opinion of tax counsel is not binding on the IRS or a court. There can be no assurance, therefore, that the IRS will not take a contrary position or that a court will not agree with a contrary position of the IRS in the event of litigation. In addition, it is possible that the relevant Treasury regulations could be amended, possibly on a retroactive basis.

U.S. holders should consult their advisors as to the U.S. federal income tax treatment of the merger and related transactions in light of their particular circumstances.

Other U.S. Federal Income Tax Consequences of the Merger to U.S. Holders

If the merger qualifies as a reorganization under Section 368(a) of the Code and Section 367(a) of the Code does not apply, then, (1) a U.S. holder should not recognize gain or loss on the Endo share exchange, (2) such holder's aggregate adjusted tax basis in the New Endo ordinary shares received in the Endo share exchange should equal the aggregate adjusted tax basis of the Endo common stock surrendered in the Endo share exchange, and (3) such holder's holding period for the New Endo ordinary shares received in the Endo share exchange should include the holding period for the Endo common stock surrendered in the Endo share exchange. If the U.S. holder acquired different blocks of Endo common stock at different times and at different prices, such U.S. holder's adjusted tax basis and holding periods in its New Endo ordinary shares will be determined by reference to each block of Endo common stock.

Notwithstanding the foregoing, if it is determined that Section 367(a) of the Code does apply (because, for example, the New Endo income amount does not exceed the U.S. shareholders gain amount), then, a U.S. holder would recognize gain, if any, in an amount equal to the excess of the fair market value of the New Endo ordinary shares received over such holder's adjusted tax basis in the shares of Endo common stock exchanged therefor. Any such gain would be capital gain, and generally would be long-term capital gain if the U.S. holder's holding period for the Endo common stock exceeded one year at the time of the Endo share exchange. The adjusted tax basis in the New Endo ordinary shares received would be equal to the adjusted tax basis of the Endo common stock exchanged therefor, increased by the amount of gain recognized. The U.S. holder would not recognize any loss in its shares of Endo common stock and would not be permitted to net any realized losses against any gain recognized with respect to other shares of Endo common stock. The adjusted tax basis in the New Endo ordinary shares received would be equal to the adjusted tax basis of the Endo common stock exchanged therefor and the holding period for any New Endo ordinary share received by such holder would include the holding period of the Endo common stock exchanged therefor.

Other U.S. Federal Income Tax Consequences of the Merger to Non-U.S. Holders

Regardless of the U.S. federal income tax treatment of the Endo share exchange, a non-U.S. holder generally will not be subject to U.S. federal income or tax on any gain realized on such share exchange unless,

the gain is effectively connected with a U.S. trade or business conducted by such non-U.S. holder in the United States (and, if required by an applicable income tax treaty, is attributable to a permanent establishment or fixed place of business maintained by the non-U.S. holder in the United States); or

such non-U.S. holder is an individual who is present in the United States for 183 days or more during the taxable year in which the merger is completed, and certain other conditions are met.

Gain described in the first bullet point above will be subject to U.S. federal income taxation in the same manner as gain of a U.S. holder (and, in the case of a non-U.S. holder that is a non-U.S. corporation, may be subject to an

additional branch profits tax equal to 30% of its effectively connected earnings and profits (or such lower rate as may be applicable under an applicable income tax treaty)).

Gain described in the second bullet point above will generally be subject to U.S. federal income tax at a rate of 30% (or such lower rate as may be specified by an applicable income tax treaty), which may be offset by the non-U.S. holder's U.S. source capital losses, provided that the holder has timely filed U.S. federal income tax returns with respect to such losses.

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A Non-U.S. holder will not be subject to U.S. backup withholding if it provides a certification of exempt status (generally on an IRS Form W-8). Any amounts withheld under the backup withholding rules will generally be allowed as a refund or a credit against the non-U.S. holder's U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

U.S. Federal Withholding Tax Consequences of the Merger to New Endo

If the merger qualifies as a reorganization under Section 368(a) of the Code and Section 367(a) of the Code does not apply, then, as described above, New Endo should be treated as receiving distribution from Endo U.S. Inc. immediately prior to the merger. The deemed distribution will be treated as a taxable dividend to the extent of Endo U.S. Inc.'s current and accumulated earnings and profits for the year of the deemed distribution (which may include accumulated earnings and profits, if any, of Endo U.S. Inc. from years prior to the year of the deemed distribution) and will be subject to U.S. withholding tax (at a rate of 5%) in accordance with the U.S.-Ireland Tax Treaty. The amount of Endo U.S. Inc.'s current and accumulated earnings and profits for the year of the deemed distribution is uncertain, but could be substantial. Notwithstanding the foregoing, if it is determined that Section 367(a) of the Code does apply (because, for example, the New Endo income amount does not exceed the U.S. shareholders gain amount), the deemed distribution and U.S. withholding tax rules would not apply.

U.S. Federal Income Tax Consequences to U.S. Holders of the Ownership and Disposition of New Endo Ordinary Shares***Distributions on New Endo Ordinary Shares***

Subject to the discussion under *Passive Foreign Investment Company Status* below, the gross amount of any distribution on New Endo ordinary shares (including withheld taxes, if any) made out of New Endo's current or accumulated earnings and profits (as determined for U.S. federal income tax purposes) will generally be taxable to a U.S. holder as ordinary dividend income on the date such distribution is actually or constructively received. Any such dividends paid to corporate U.S. holders generally will not qualify for the dividends-received deduction that may otherwise be allowed under the Code. Distributions in excess of New Endo's current and accumulated earnings and profits will be treated first as a non-taxable return of capital to the extent of the U.S. holder's basis in its New Endo ordinary shares, and thereafter as capital gain.

Dividends paid in currencies other than the U.S. dollar, if any, will generally be taxable to a U.S. holder as ordinary dividend income in an amount equal to the U.S. dollar value of the currency received on the date such distribution is actually or constructively received. Such U.S. dollar value must be determined using the spot rate of exchange on such date, regardless of whether the non-U.S. currency is actually converted into U.S. dollars on such date. The U.S. holder may realize exchange gain or loss if the currency received is converted into U.S. dollars after the date on which it is actually or constructively received. Any such gain or loss will be ordinary and will be treated as from sources within the United States for U.S. foreign tax credit purposes.

Dividends received by non-corporate U.S. holders (including individuals) from a qualified foreign corporation may be eligible for reduced rates of taxation, provided that certain holding period requirements and other conditions are satisfied. For these purposes, a non-U.S. corporation will be treated as a qualified foreign corporation if it is eligible for the benefits of a comprehensive income tax treaty with the United States which is determined by the U.S. Treasury Department to be satisfactory for purposes of these rules and which includes an exchange of information provision. The U.S. Treasury Department has determined that the Ireland-U.S. Tax Treaty meets these requirements. A non-U.S. corporation is also treated as a qualified foreign corporation with respect to dividends paid by that corporation on shares that are readily tradable on an established securities market in the United States. U.S. Treasury Department

guidance indicates that the New Endo ordinary shares, which are expected to be listed on the NASDAQ, will be considered readily tradable on an established securities market in the United States. There can be no assurance that the New Endo ordinary shares will be considered readily tradable on an established securities market in future years. New Endo will not constitute a qualified foreign corporation for purposes of these rules if it is a passive foreign investment company, or PFIC for the taxable year in which it pays a dividend or for the preceding taxable year. See *Passive Foreign Investment Company Status* below.

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Subject to certain conditions and limitations, withholding taxes, if any, on dividends paid by New Endo may be treated as foreign taxes eligible for credit against a U.S. holder's U.S. federal income tax liability under the U.S. foreign tax credit rules. For purposes of calculating the U.S. foreign tax credit, dividends paid on New Endo ordinary shares will be treated as income from sources outside the United States and will generally constitute passive category income. The rules governing the U.S. foreign tax credit are complex. U.S. holders should consult their tax advisors regarding the availability of the U.S. foreign tax credit under their particular circumstances.

Sale, Exchange, Redemption or Other Taxable Disposition of New Endo Ordinary Shares

Subject to the discussion under *Passive Foreign Investment Company Status* below, a U.S. holder will generally recognize gain or loss on any sale, exchange, redemption, or other taxable disposition of New Endo ordinary shares in an amount equal to the difference between the amount realized on the disposition and such holder's tax basis in the shares. The tax basis of New Endo ordinary shares received by a U.S. holder in the Endo share exchange is discussed above under *Other U.S. Federal Income Tax Consequences of the Merger to U.S. Holders*. Any gain or loss recognized by a U.S. holder on a taxable disposition of New Endo ordinary shares will generally be capital gain or loss and will be long-term capital gain or loss if the holder's holding period in such shares (which will include the holder's holding period in the shares of Endo common stock surrendered in the Endo share exchange (assuming the merger qualifies as a reorganization as described above)) exceeds one year at the time of the disposition. The deductibility of capital losses is subject to limitations. Any gain or loss recognized by a U.S. holder on the sale or exchange of New Endo ordinary shares will generally be treated as U.S. source gain or loss.

Passive Foreign Investment Company Status

Notwithstanding the foregoing, certain adverse U.S. federal income tax consequences could apply to a U.S. holder if New Endo is treated as a PFIC for any taxable year during which the U.S. holder holds New Endo ordinary shares. A non-U.S. corporation, such as New Endo, will be classified as a PFIC for U.S. federal income tax purposes for any taxable year in which, after applying certain look-through rules, either (i) 75% or more of its gross income for such year consists of certain types of passive income or (ii) 50% or more of the value of its assets (determined on the basis of a quarterly average) during such year produce or are held for the production of passive income. Passive income generally includes dividends, interest, royalties, rents, annuities, net gains from the sale or exchange of property producing such income and net foreign currency gains.

If Section 367(a) of the Code does not apply to the Endo share exchange (see *Detailed Discussion of the Exception to Section 367(a) of the Code for Certain Outbound Stock Transfers* above), then New Endo could have significant passive income for the year of the merger as a result of Endo U.S. Inc.'s deemed distribution to New Endo (described above under *Detailed Discussion of the Exception to Section 367(a) of the Code for Certain Outbound Stock Transfers*). Nonetheless, New Endo is not currently expected to be treated as a PFIC for U.S. federal income tax purposes for the taxable year of the merger (taking into account the start-up exception) or for foreseeable future taxable years. This conclusion is a factual determination, however, that must be made annually at the close of each taxable year and, thus, is subject to change. There can be no assurance that either New Endo will not be treated as a PFIC for any taxable year.

If New Endo were to be treated as a PFIC, U.S. holders holding New Endo ordinary shares could be subject to certain adverse U.S. federal income tax consequences with respect to gain realized on a taxable disposition of such shares and certain distributions received on such shares. In addition, dividends received with respect to New Endo ordinary shares would not constitute qualified dividend income eligible for preferential tax rates if New Endo is treated as a PFIC for the taxable year of the distribution or for its preceding taxable year. Certain elections (including a mark-to-market election) may be available to U.S. holders to mitigate some of the adverse tax consequences resulting

from PFIC treatment. U.S. holders should consult their tax advisers regarding the application of the PFIC rules to their investment in the New Endo ordinary shares.

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Information Reporting and Backup Withholding

In general, information reporting will apply to dividends in respect of New Endo ordinary shares and the proceeds from the sale, exchange, or redemption of New Endo ordinary shares that are paid to a U.S. holder within the United States (and in certain cases, outside the United States), unless such holder is an exempt recipient. A backup withholding tax (currently at a rate of 28%) may apply to such payments if the holder fails to provide a TIN or certification of exempt status or fails to report in full dividend and interest income.

Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against the holder's U.S. federal income tax liability provided the required information is timely furnished to the IRS. The IRS may impose a penalty upon any taxpayer that fails to provide its correct TIN.

Certain U.S. holders holding specified non-U.S. financial assets with an aggregate value in excess of the applicable dollar threshold are required to report information relating to New Endo ordinary shares, subject to certain exceptions (including an exception for New Endo ordinary shares held in accounts maintained by certain financial institutions), by attaching a complete IRS Form 8938, Statement of Specified Non-U.S. Financial Assets, to their tax return, for each year in which they hold New Endo ordinary shares. Holders should consult their tax advisors regarding information reporting requirements relating to their ownership of New Endo ordinary shares.

THE U.S. FEDERAL INCOME TAX CONSEQUENCES SUMMARIZED ABOVE ARE FOR GENERAL INFORMATION ONLY. EACH HOLDER OF ENDO COMMON STOCK OR NEW ENDO ORDINARY SHARES SHOULD CONSULT ITS TAX ADVISOR AS TO THE CONSEQUENCES OF THE MERGER AND AN INVESTMENT IN NEW ENDO ORDINARY SHARES IN LIGHT OF ITS PARTICULAR CIRCUMSTANCES.

Irish Tax Considerations

Scope of Discussion

The following is a summary of the material Irish tax considerations for certain beneficial owners of Endo shares who receive consideration in the form of New Endo ordinary shares and who are the beneficial owners of such shares. The summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to each of the shareholders or shareholders. The summary is based upon Irish tax laws and the practice of the Irish Revenue Commissioners in effect on the date of this proxy statement/prospectus. Changes in law and/or administrative practice may result in alteration of the tax considerations described below.

The summary does not constitute tax advice and is intended only as a general guide. The summary is not exhaustive and shareholders should consult their own tax advisors about the Irish tax consequences (and tax consequences under the laws of other relevant jurisdictions) of the transactions and of the acquisition, ownership and disposal of New Endo ordinary shares. The summary applies only to shareholders or shareholders who will own New Endo ordinary shares as capital assets and does not apply to other categories of shareholders or shareholders, such as dealers in securities, trustees, insurance companies, collective investment schemes, pension funds and shareholders or shareholders who have, or who are deemed to have, acquired their New Endo ordinary shares by virtue of an Irish office or employment (performed or carried on in Ireland).

Irish Tax on Chargeable Gains

Endo shareholders who are neither resident nor ordinarily resident in Ireland for Irish tax purposes and do not hold their shares in connection with a trade carried on by such shareholders through an Irish branch or agency will not be within the charge to Irish tax on chargeable gains on the cancellation of their Endo common stock, or on receipt of New Endo ordinary shares pursuant to the merger and arrangement.

Paladin shareholders who are neither resident nor ordinarily resident in Ireland for Irish tax purposes and do not hold their shares in connection with a trade carried on by such shareholders through an Irish branch or agency will not be within the charge to Irish tax on chargeable gains on the disposal of their Paladin common shares, or on the receipt of New Endo ordinary shares, cash and Knight Therapeutics shares pursuant to the merger and arrangement.

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Endo shareholders or Paladin shareholders who are resident or ordinarily resident for tax purposes in Ireland, or who hold their shares in connection with a trade or business carried on by such holder in Ireland through a branch or agency, should consult their own tax advisors as to the Irish tax consequences of the merger and arrangement.

New Endo shareholders who are neither resident nor ordinarily resident in Ireland for Irish tax purposes and do not hold their shares in connection with a trade carried on by such shareholders through an Irish branch or agency will not be liable for Irish tax on chargeable gains realized on a subsequent disposal of their New Endo ordinary shares.

Stamp Duty

The rate of stamp duty (where applicable) on transfers of shares of Irish incorporated companies is 1% of the price paid or the market value of the shares acquired, whichever is greater. Where Irish stamp duty arises it is generally a liability of the transferee.

The documents effecting the merger and arrangement will not attract Irish stamp duty.

Irish stamp duty may, depending on the manner in which the New Endo ordinary shares are held, be payable in respect of transfers of New Endo ordinary shares after the effective time.

Shares Held Through DTC

A transfer of New Endo ordinary shares effected by means of the transfer of book entry interests in DTC will not be subject to Irish stamp duty.

Shares Held Through CDS

A submission was made to the Irish Revenue Commissioners seeking confirmation in relation to the operation of stamp duty in respect of transfers of New Endo ordinary shares effected by means of the transfer of book entry interests in CDS. This confirmation has been obtained from the Irish Revenue Commissioners and confirms that a transfer of New Endo ordinary shares effected by means of the transfer of book entry interests in CDS will not be subject to Irish stamp duty.

On the basis that most ordinary shares in New Endo are expected to be held through DTC or CDS, it is anticipated that most transfers of ordinary shares will be exempt from Irish stamp duty.

Shares Held Outside of DTC Transferred Into or Out of DTC

A transfer of New Endo ordinary shares where any party to the transfer holds such shares outside of DTC may be subject to Irish stamp duty. New Endo shareholders wishing to transfer their shares into (or out of) DTC may do so without giving rise to Irish stamp duty provided:

there is no change in the beneficial ownership of such shares as a result of the transfer; and

the transfer into (or out of) DTC is not effected in contemplation of a subsequent sale of such shares by a beneficial owner to a third party.

Shares Held Outside of CDS Transferred Into or Out of CDS

As noted above, a submission was made to the Irish Revenue Commissioners seeking confirmation in relation to the operation of Irish stamp duty in respect of certain transfers of New Endo ordinary shares. This submission sought confirmation that the analysis noted above in respect of transfers of New Endo shares into or out of DTC would also apply in respect of transfers into or out of CDS. This confirmation has been obtained and confirms that shareholders wishing to transfer their shares into (or out of) CDS may do so without giving rise to Irish stamp duty provided:

there is no change in the beneficial ownership of such shares as a result of the transfer; and

the transfer into (or out of) CDS is not effected in contemplation of a subsequent sale of such shares by a beneficial owner to a third party.

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Due to the potential Irish stamp duty charge on transfers of New Endo ordinary shares, it is strongly recommended that those shareholders who do not hold their shares through DTC or CDS (or through a broker who in turn holds such shares through DTC or CDS) should arrange for the transfer of their Endo shares into DTC or CDS as soon as possible and before the transactions are consummated. It is also strongly recommended that any person who wishes to acquire New Endo ordinary shares after the effective time of the transactions acquires such shares through DTC or CDS (or through a broker who in turn holds such shares through DTC or CDS).

Withholding Tax on Dividends

As noted elsewhere in this proxy statement/prospectus, New Endo does not expect to pay dividends for the foreseeable future. To the extent that it does make dividend payments (or other returns to shareholders that are treated as distributions for Irish tax purposes), it should be noted that such distributions made by New Endo will, in the absence of one of many exemptions, be subject to Irish dividend withholding tax, which is referred to in this proxy statement/prospectus as DWT, currently at a rate of 20%.

For DWT purposes, a distribution includes any distribution that may be made by New Endo to its shareholders, including cash dividends, non-cash dividends and additional shares taken in lieu of a cash dividend.

Where an exemption does not apply in respect of a distribution made to a particular shareholder, New Endo is responsible for withholding DWT prior to making such distribution.

General Exemptions

The following is a general overview of the scenarios where it will be possible for New Endo to make payments of dividends without deduction of DWT.

Irish domestic law provides that a non-Irish resident shareholder is not subject to DWT on dividends received from New Endo if such shareholder is beneficially entitled to the dividend and is either:

a person (not being a company) resident for tax purposes in a relevant territory (including the U.S. and Canada) and is neither resident nor ordinarily resident in Ireland (for a list of relevant territories for DWT purposes see *Annex I* to this proxy statement/prospectus);

a company resident for tax purposes in a relevant territory, provided such company is not under the control, whether directly or indirectly, of a person or persons who is or are resident in Ireland;

a company, wherever resident, that is controlled, directly or indirectly, by persons resident in a relevant territory and who is or are (as the case may be) not controlled by, directly or indirectly, persons who are not resident in a relevant territory ;

a company, wherever resident, whose principal class of shares (or those of its 75% direct or indirect parent) is substantially and regularly traded on a stock exchange in Ireland, on a recognized stock exchange in a relevant territory or on such other stock exchange approved by the Irish Minister for Finance; or

a company, wherever resident, that is wholly owned, directly or indirectly, by two or more companies where the principal class of shares of each of such companies is substantially and regularly traded on a stock exchange in Ireland, on a recognized stock exchange in a relevant territory or on such other stock exchange approved by the Irish Minister for Finance;

and provided, in all cases noted above, New Endo or, in respect of shares held through DTC or CDS, any qualifying intermediary appointed by New Endo, has received from the shareholder, where required, the relevant

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Irish Revenue Commissioners DWT forms, which are referred to in this proxy statement/prospectus as DWT forms, prior to the payment of the dividend. In practice, in order to ensure sufficient time to process the receipt of relevant DWT forms, the shareholder where required should furnish the relevant DWT forms to:

its broker (and the relevant information should be further transmitted to any qualifying intermediary appointed by New Endo) before the record date for the dividend (or such later date before the dividend payment date as may be notified to the shareholder by the broker) if its shares are held through DTC or CDS, or

New Endo's transfer agent, Computershare Trust Company, N.A., at least seven business days before the record date for the dividend if its shares are held outside of DTC or CDS.

Links to the various DWT forms are available at: <http://www.revenue.ie/en/tax/dwt/forms/index.html>. Such forms are generally valid, subject to a change in circumstances, until December 31 of the fifth year after the year in which such forms were completed.

For non-Irish resident shareholders who cannot avail themselves of one of Ireland's domestic law exemptions from DWT, it may be possible for such shareholders to rely on the provisions of a double tax treaty to which Ireland is party to reduce the rate of DWT.

Shares Held by U.S. Resident Shareholders

It is expected that dividends paid in respect of New Endo ordinary shares that are owned by U.S. residents and held through DTC may not be subject to DWT provided the addresses of the beneficial owners of such shares in the records of the broker holding such shares are in the U.S. It is strongly recommended that such shareholders ensure that their information is properly recorded by their brokers (so that such brokers can further transmit the relevant information to a qualifying intermediary appointed by New Endo).

Dividends paid in respect of New Endo ordinary shares that are held outside of DTC and are owned by residents of the U.S., will not be subject to DWT if such shareholders satisfy the conditions of one of the exemptions referred to above under the heading *General Exemptions*, including the requirement to furnish the appropriate and valid DWT form and IRS Form 6166 to New Endo's transfer agent, Computershare Trust Company, N.A., to confirm their U.S. residence at least seven business days before the record date for the dividend.

If any shareholder who is resident in the U.S. receives a dividend from which DWT has been withheld, the shareholder should generally be entitled to apply for a refund of such DWT from the Irish Revenue Commissioners, provided the shareholder is beneficially entitled to the dividend.

Shares Held by Residents of Relevant Territories Other Than the U.S.

Shareholders who are residents of relevant territories, other than the U.S., such as Canada, must satisfy the conditions of one of the exemptions referred to above under the heading *General Exemptions*, including the requirement to furnish valid DWT forms, in order to receive dividends without suffering DWT. If such shareholders hold their shares through DTC or CDS, they must provide the appropriate DWT forms to their brokers (so that such brokers can further transmit the relevant information to a qualifying intermediary appointed by New Endo) before the record date for the dividend (or such later date before the dividend payment date as may be notified to the shareholder by the broker). If

such shareholders hold their shares outside of DTC or CDS, they must provide the appropriate DWT forms to New Endo's transfer agent, Computershare Trust Company, N.A., at least seven business days before the record date for the dividend.

If any shareholder who is resident in a relevant territory receives a dividend from which DWT has been withheld, the shareholder may be entitled to a refund of DWT from the Irish Revenue Commissioners provided the shareholder is beneficially entitled to the dividend.

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Shares Held by Residents of Ireland

Most Irish tax resident or ordinarily resident shareholders (other than Irish resident companies that have completed the appropriate DWT forms) will be subject to DWT in respect of dividends paid on their New Endo ordinary shares.

Shareholders who are residents of Ireland, but are entitled to receive dividends without DWT, must complete the appropriate DWT forms and provide them to their brokers (so that such brokers can further transmit the relevant information to a qualifying intermediary appointed by New Endo) before the record date for the dividend (or such later date before the dividend payment date as may be notified to the shareholder by the broker) (in the case of shares held through DTC or CDS), or to New Endo's transfer agent, Computershare Trust Company, N.A., at least seven business days before the record date for the dividend (in the case of shares held outside of DTC or CDS).

New Endo shareholders who are resident or ordinarily resident in Ireland or are otherwise subject to Irish tax should consult their own tax advisors.

Shares Held by Other Persons

New Endo shareholders who do not fall within any of the categories specifically referred to above may nonetheless fall within other exemptions from DWT. If any shareholders are exempt from DWT, but receive dividends subject to DWT, such shareholders may apply for refunds of such DWT from the Irish Revenue Commissioners.

Qualifying Intermediary

Prior to paying any dividend, New Endo will put in place an agreement with an entity that is recognized by the Irish Revenue Commissioners as a qualifying intermediary, which will provide for certain arrangements relating to distributions in respect of shares of New Endo that are held through DTC or CDS, which are referred to as the deposited securities. The agreement will provide that the qualifying intermediary shall distribute or otherwise make available to the relevant nominee of the depository, any cash dividend or other cash distribution with respect to the deposited securities after New Endo delivers or causes to be delivered to the qualifying intermediary the cash to be distributed.

The qualifying intermediary will be responsible for determining where shareholders reside, whether they have provided the required U.S. tax information and whether they have provided the required DWT forms. Shareholders that are required to file DWT forms in order to receive dividends free of DWT should note that such forms are generally valid, subject to a change in circumstances, until December 31 of the fifth year after the year in which such forms were completed.

Income Tax on Dividends Paid on New Endo Ordinary Shares

Irish income tax may arise for certain persons in respect of dividends received from Irish resident companies. A New Endo shareholder who is neither resident nor ordinarily resident in Ireland and who is entitled to an exemption from DWT generally has no liability to Irish income tax or the universal social charge on a dividend from New Endo unless he or she holds his or her New Endo ordinary shares through a branch or agency in Ireland through which a trade is carried on.

A New Endo shareholder who is neither resident nor ordinarily resident in Ireland and who is not entitled to an exemption from DWT generally has no additional liability to Irish income tax or to the universal social charge unless he or she holds his or her New Endo ordinary shares through a branch or agency in Ireland through which a trade is

carried on. The DWT deducted by New Endo discharges the liability to Irish income tax.

A New Endo shareholder who is neither resident nor ordinarily resident in Ireland and is a resident of a relevant territory or otherwise exempt from Irish DWT but who receives dividends subject to DWT should be able to make a reclaim of the DWT from the Irish Revenue Commissioners unless he or she holds his or her New Endo ordinary shares through a branch or agency in Ireland through which a trade is carried on.

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Irish resident or ordinarily resident New Endo shareholders may be subject to Irish tax and/or the universal social charge and/or Pay Related Social Insurance on dividends received from New Endo. Such New Endo shareholders should consult their own tax advisors.

Capital Acquisitions Tax

Irish capital acquisitions tax, which is referred to in this proxy statement/prospectus as CAT, comprises principally gift tax and inheritance tax. CAT could apply to a gift or inheritance of New Endo ordinary shares irrespective of the place of residence, ordinary residence or domicile of the parties. This is because New Endo ordinary shares are regarded as property situated in Ireland as the share register of New Endo must be held in Ireland. The person who receives the gift or inheritance has primary liability for CAT.

CAT is levied at a rate of 33% above certain tax-free thresholds. The appropriate tax-free threshold is dependent upon (i) the relationship between the donor and the donee and (ii) the aggregation of the values of previous gifts and inheritances received by the donee from persons within the same group threshold. Gifts and inheritances passing between spouses are exempt from CAT. Children have a tax-free threshold of 225,000 in respect of taxable gifts or inheritances received from their parents. New Endo shareholders should consult their own tax advisors as to whether CAT is creditable or deductible in computing any domestic tax liabilities.

THE IRISH TAX CONSIDERATIONS SUMMARIZED ABOVE ARE FOR GENERAL INFORMATION ONLY. EACH ENDO SHAREHOLDER AND PALADIN SHAREHOLDER SHOULD CONSULT HIS OR HER TAX ADVISOR AS TO THE PARTICULAR CONSEQUENCES THAT MAY APPLY TO SUCH SHAREHOLDER.

IN LIGHT OF THE FOREGOING, HOLDERS ARE URGED TO CONSULT AND MUST RELY ON THE ADVICE OF THEIR OWN TAX ADVISORS REGARDING THE TAX CONSEQUENCES TO THEM OF THE MERGER, INCLUDING APPLICABLE U.S. FEDERAL, PROVINCIAL, STATE, LOCAL, CANADIAN, IRISH AND OTHER FOREIGN, AND OTHER TAX CONSEQUENCES.

Certain Canadian Federal and Provincial Tax Consequences of the Arrangement to Paladin

Certain of the transactions to be undertaken in connection with the business separation agreement and the delivery of Knight Therapeutics common shares for Paladin common shares under the arrangement are taxable events for Canadian federal and provincial income tax purposes and could potentially give rise to Canadian federal and provincial income tax for Paladin. It is not anticipated that the amount of any such tax liability will be material.

DELAWARE APPRAISAL RIGHTS

Appraisal rights are statutory rights under Delaware law that enable shareholders who object to certain extraordinary transactions to demand that Paladin pay such shareholders the fair value of their shares instead of receiving the consideration offered to shareholders in connection with the extraordinary transaction. However, appraisal rights are not available in all circumstances. Appraisal rights are not available to Endo shareholders in connection with the merger.

LISTING OF NEW ENDO ORDINARY SHARES ON NASDAQ AND TSX

It is a mutual condition to the completion of the merger and the arrangement that the New Endo ordinary shares be approved for listing on NASDAQ and conditionally approved for listing on TSX. New Endo has applied to list the

New Endo ordinary shares to be issued or made issuable pursuant to the arrangement and the merger on NASDAQ and TSX. Listing will be subject to New Endo fulfilling all the listing requirements of NASDAQ and TSX.

Endo common stock and Paladin common shares will be delisted from NASDAQ and TSX, respectively, following the completion of the arrangement.

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**VOTE OF ENDO SHAREHOLDERS REQUIRED TO ADOPT THE ARRANGEMENT AGREEMENT;
BOARD RECOMMENDATION**

The affirmative vote of the holders of a majority of the Endo common stock outstanding on the record date for the special meeting is required for the approval of the proposal to adopt the arrangement agreement.

The Endo board of directors recommends that the Endo shareholders vote FOR the proposal to adopt the arrangement agreement and transactions contemplated thereby (including the merger).

**VOTE OF PALADIN SHAREHOLDERS REQUIRED TO ADOPT THE ARRANGEMENT AGREEMENT;
BOARD RECOMMENDATION**

The approval of the arrangement and the adoption of the arrangement agreement require the affirmative vote of at least 66 $\frac{2}{3}$ % of the votes cast by Paladin shareholders present in person or represented by proxy at the Paladin special meeting.

After careful consideration, the Paladin board of directors has unanimously approved and declared advisable the arrangement agreement and the transactions contemplated thereby, and has determined that the arrangement is fair from a financial point of view to the public shareholders of Paladin and in the best interests of Paladin.

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THE COMPANIES

Endo International Limited

New Endo is a private limited company incorporated in Ireland (registered number 534814), formed on October 31, 2013 for the purpose of holding Paladin and Endo following completion of the transactions. To date, New Endo has not conducted any activities other than those incident to its formation, the execution of the arrangement agreement and the taking of certain steps in connection thereto, including the preparation of applicable filings under the U.S. securities laws and regulatory filings made in connection with the transactions.

On or prior to the completion of the transaction, New Endo will be re-registered as a public limited company and renamed Endo International plc. Following the consummation of the transactions, Endo and Paladin will be indirect wholly owned subsidiaries of New Endo. Upon consummation of the merger and arrangement, the former shareholders of Endo are expected to own approximately 77.4% of the outstanding ordinary shares of New Endo on a fully-diluted basis, and the former shareholders of Paladin and holders of Paladin options are expected to own approximately 22.6% of the outstanding ordinary shares of New Endo on a fully-diluted basis.

It is a mutual condition of the merger that as of the effective time of the transactions the ordinary shares of New Endo will be conditionally approved for listing on each of the NASDAQ and TSX. New Endo's principal executive offices are located at 25-28 North Wall Quay International Financial Services Centre Dublin 1, Ireland, and its telephone number is (011) 353-1-649-2000.

Endo Health Solutions Inc.

Endo is a U.S.-based, specialty healthcare company focused on branded and generic pharmaceuticals, devices and services. Endo provides products to its customers which ultimately improve the lives of patients. Endo aims to maximize shareholder value by adapting to the continually evolving healthcare market and customer needs. Through Endo's four operating segments: AMS, Endo Pharmaceuticals, HealthTronics and Qualitest Pharmaceutical, Endo is dedicated to improving care through an innovative suite of branded products, generics, devices, technology and services. On January 9, 2014, Endo announced that it had entered into the HealthTronics sale agreement to sell all of the issued and outstanding shares of common stock of HealthTronics, Inc. See *The Business of Endo* beginning on page 255. Endo regularly evaluates and, where appropriate, executes on opportunities to expand through acquisitions of products and companies in areas that will serve patients and customers and that Endo believes will offer above average growth characteristics and attractive margins. In particular, Endo looks to continue to enhance its product lines by acquiring or licensing rights to additional products and regularly evaluating selective acquisition and license opportunities. Such acquisitions or licenses may be effected through the purchase of assets, joint ventures and licenses or by acquiring other companies.

As a result of the merger, Endo will become an indirect wholly owned subsidiary of New Endo.

Endo's principal executive offices are located at 1400 Atwater Drive, Malvern, Pennsylvania 19355 and its telephone number is (484) 216-0000. For additional information on Endo and its business, see *Where You Can Find More Information* beginning on page 305.

Paladin Labs Inc.

Paladin Labs Inc., a Canadian corporation headquartered in Montréal, Canada, is a specialty pharmaceutical company focused on acquiring or in-licensing innovative pharmaceutical products for the Canadian and world markets. With

this strategy, a focused national sales team and proven marketing expertise, Paladin has evolved into one of Canada's leading specialty pharmaceutical companies. Paladin's shares trade on TSX under the symbol PLB. More information about Paladin can be obtained at www.paladin-labs.com.

Paladin's principal executive offices are located at 100 Alexis Nihon Blvd., Suite 600, Saint-Laurent, Québec H4M 2P2 and its telephone number is (514) 340-1112. For additional information on Paladin and its business see *The Business of Paladin* beginning on page 255.

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RDS Merger Sub, LLC

Merger Sub is a limited liability company incorporated in Delaware and a direct wholly owned subsidiary of Endo U.S. Inc., formed on November 1, 2013. To date, Merger Sub has not conducted any activities other than those incident to its formation, the execution of the arrangement agreement and the preparation of applicable filings under the U.S. securities laws and regulatory filings made in connection with the transactions.

Merger Sub's registered address is the Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware 19801.

Endo Limited

Endo Limited is a private limited company incorporated in Ireland as Sinopia II Limited on October 29, 2013 with a name change to Sportwell II Limited on October 31, 2013 and with a further name change to Endo Limited on November 28, 2013. Endo Limited is a direct subsidiary of New Endo. To date, Endo Limited has not conducted any activities other than those incident to its formation, the execution of the arrangement agreement and the preparation of applicable filings under the U.S. securities laws and regulatory filings made in connection with the transactions.

Endo U.S. Inc.

Endo U.S. Inc. is a corporation incorporated in Delaware as ULU Acquisition Corp. on November 1, 2013, with a name change to Endo U.S. Inc. on December 5, 2013 and is an indirect subsidiary of New Endo, formed on November 1, 2013. To date, Endo U.S. Inc. has not conducted any activities other than those incident to its formation, the execution of the arrangement agreement and the preparation of applicable filings under the U.S. securities laws and regulatory filings made in connection with the transactions. Endo U.S. Inc.'s principal executive offices are located at 1209 Orange Street, Wilmington, DE 19801.

8312214 Canada Inc.

8312214 Canada Inc. is a corporation incorporated in Canada and an indirect subsidiary of New Endo, formed on November 1, 2013. To date, 8312214 Canada Inc. has not conducted any activities other than those incident to its formation and the execution of the arrangement agreement. 8312214 Canada Inc.'s principal executive offices are located at 79 Wellington Street West Suite 3000, TD Centre Toronto, Ontario M5K 1N2.

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THE ARRANGEMENT AGREEMENT

The following is a summary of certain material terms of the arrangement agreement and is qualified in its entirety by reference to the complete text of the arrangement agreement, which is incorporated into this proxy statement/prospectus by reference in its entirety and attached as *Annex A* to this proxy statement/prospectus. Endo and Paladin urge you to read carefully this entire proxy statement/prospectus, including the annexes and the documents incorporated by reference. You should also review the section entitled *Where You Can Find More Information* beginning on page 305.

The arrangement agreement has been included to provide you with information regarding its terms, and Endo and Paladin recommend that you read the arrangement agreement carefully and in its entirety. Except for its status as the contractual document that establishes and governs the legal relations among the parties with respect to the merger and arrangement, Endo and Paladin do not intend for the arrangement agreement to be a source of factual, business or operational information about the companies. The arrangement agreement contains representations and warranties of the parties as of specific dates and may have been used for purposes of allocating risk between the parties rather than establishing matters as facts. Those representations and warranties are qualified in several important respects, which you should consider as you read them in the arrangement agreement. The representations and warranties are qualified in their entirety by certain information Endo filed with the SEC, or Paladin filed with the Canadian Securities Administrators prior to the date of the arrangement agreement, as well as by confidential disclosure letters that Endo and Paladin delivered to each other in connection with the execution of the arrangement agreement, and are qualified by contractual standards of materiality that may differ from what shareholders consider to be material. Information concerning the subject matter of the representations and warranties may have changed since the date of the arrangement agreement and new information qualifying a representation or warranty may have been included in this proxy statement/prospectus. For the foregoing reasons, you should not rely on the representations and warranties contained in the arrangement agreement as statements of factual information.

Closing of the Merger and the Arrangement

Unless the arrangement agreement is terminated prior to such time (see *Termination of the Arrangement Agreement* beginning on page 139), the closing of the merger and the arrangement will occur on a date to be specified by Endo and Paladin, which shall be no later than the first business day following the satisfaction or waiver of all of the conditions set forth in the arrangement agreement (other than conditions that by their nature are to be satisfied at the closing, but subject to the satisfaction or waiver of those conditions).

As soon as practicable on the closing date, Endo shall file the certificate of merger with the Secretary of State of the State of Delaware and make any and all other filings required under the DGCL. On the terms and subject to the conditions of the arrangement agreement, at the merger effective time, Merger Sub will be merged with and into Endo and the separate existence of Merger Sub will cease. Endo will survive the merger as an indirect wholly owned subsidiary of New Endo. For purposes of this section, Endo following the merger effective time is referred to as the surviving corporation.

The arrangement requires approval by the Québec court under section 192 of the Canada Business Corporations Act, which is referred to in this proxy statement/prospectus as the CBCA. On January 17, 2014, Paladin obtained the Interim Order providing for the calling and the holding of the Paladin special meeting and other procedural matters related to the arrangement. See the Interim Order, which is attached as *Annex D* to this proxy statement/prospectus.

Subsequent and subject to the approval of the arrangement resolution by Paladin shareholders at the Paladin special meeting in accordance with the interim order, the hearing in respect of an order of the Québec court approving the

arrangement, which is referred to in this proxy statement/prospectus as the final order will be scheduled. At the hearing, the Québec court will consider, among other things, the fairness and reasonableness of the arrangement. The Québec court may approve the arrangement in any manner it may direct, subject to

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compliance with such terms and conditions, if any, as it deems fit. Participation in the hearing on the final order, including who may participate and present evidence or argument and the procedure for doing so, will be subject to the terms of the interim order.

Any Paladin shareholder or other person who wishes to participate, to appear, to be represented, and to present evidence or arguments at the hearing, must serve and file a notice of appearance, which is referred to in this proxy statement/prospectus as a notice of appearance, and satisfy the other requirements of the Québec court, as will be outlined in the interim order. In the event that the hearing is postponed, adjourned or rescheduled then, subject to further direction of the Québec court, only those persons having previously served a notice of appearance in compliance with the interim order will be given notice of the new date. Assuming the final order is granted and the conditions to closing contained in the arrangement agreement are satisfied or waived, then the articles of arrangement of Paladin in respect of the arrangement that are required by the CBCA to be sent to the Director appointed pursuant to section 260 of the CBCA, which is referred to in this proxy statement/prospectus as the CBCA Director, after the final order is made which shall be in form and substance satisfactory to each of Paladin and Endo, acting reasonably, which is referred to in this proxy statement prospectus as the articles of arrangement, will be filed with the CBCA Director to give effect to the arrangement.

Merger Consideration to Endo Shareholders

At the merger effective time, each share of Endo common stock then issued and outstanding, and all rights in respect thereof, shall be canceled and automatically converted into and become the right to receive one New Endo ordinary share.

Arrangement Consideration to Paladin Shareholders

At the effective time, Paladin shareholders will receive \$1.16 in cash, subject to adjustment, 1.6331 newly issued New Endo ordinary shares and one common share of Knight Therapeutics in exchange for each Paladin common share held by such shareholders.

The cash consideration to be received by Paladin shareholders will be increased if Endo's 10-day volume weighted average price during the agreed reference period declines by more than 7% relative to a reference price of US\$44.4642 per share. Full cash compensation (determined on a U.S. dollar basis converted into and paid in Canadian dollars) will be provided by Endo to Paladin shareholders for any share price declines of more than 7% but less than 20% from the reference price. If Endo's share price declines between 20% and 24% from the reference price during the agreed reference period, Endo will provide cash compensation (determined on a U.S. dollar basis converted into and paid in Canadian dollars) for one half of the incremental decline to Paladin shareholders. Declines in Endo's share price beyond 24% from the reference price will not give rise to further cash compensation to Paladin shareholders. The maximum amount potentially payable to Paladin shareholders under this price protection mechanism is US\$233 million.

Treatment of Outstanding Endo Equity Awards

Each option to purchase Endo common stock under the Endo equity incentive plans, whether vested or unvested, that is outstanding immediately prior to the merger effective time will be converted, on substantially the same terms and conditions as were applicable under such option before the merger effective time, into an option to acquire New Endo ordinary shares equal to the number of shares subject to the Endo option immediately prior to the merger effective time multiplied by the exchange ratio, at an exercise price per share equal to the exercise price per share applicable to such option immediately prior to the merger effective time divided by the exchange ratio.

Each other equity award that is outstanding immediately prior to the merger effective time under Endo's equity incentive plans including outstanding Endo performance share units and deferred share units held by Endo's

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nonemployee directors will be converted, on substantially the same terms and conditions as were applicable under such equity award before the merger effective time, into a right to receive the number of New Endo ordinary shares equal to the number of shares subject to such equity award immediately prior to the merger effective time multiplied by the exchange ratio. In addition, purchase rights under ongoing offerings under Endo's employee stock purchase program will be converted into purchase rights to acquire New Endo ordinary shares on substantially the same terms and conditions as were applicable before the merger effective time.

Each of the current Endo equity incentive plans and the employee stock purchase program will be assumed by New Endo as of the merger effective time.

Treatment of Outstanding Paladin Equity Awards

Each right to acquire one Paladin common share pursuant to an option to purchase Paladin common shares under the Paladin stock option plan that is outstanding at the effective time will fully vest and will be settled in exchange for one Knight Therapeutics common share plus an amount of New Endo ordinary shares equal to 1.6331 multiplied by a factor generally determined by dividing (y) the sum of the arrangement cash consideration plus the in-the-money amount per share, by (z) the closing price of a Paladin common share on TSX on the trading day immediately preceding the effective date of the arrangement. If the in-the-money amount per share is equal to or less than zero then the consideration for the settlement of such right will be nil.

All purchase rights of each participant under the Paladin employee share purchase plan will be cancelled for a cash amount equal to 25% of the aggregate number of shares purchased on behalf of that participant under the Paladin employee share purchase plan, with the participant's contributions in respect of each of the eight fiscal quarters ending immediately prior to the effective time (but excluding any Paladin common shares purchased with such participant's contributions after November 5, 2013 that exceeded his or her rate of contribution before that date), multiplied by the closing price of a Paladin common share on TSX on the trading day immediately preceding the effective date of the arrangement.

Each of the Paladin stock option plan and share purchase plan will be terminated at the effective time.

Governing Documents Following the Merger

Surviving Corporation. The certificate of incorporation of the surviving corporation will be the certificate of incorporation of Merger Sub as in effect immediately prior to the merger effective time. The bylaws of the surviving corporation will be the bylaws of Merger Sub as in effect immediately prior to the merger effective time.

New Endo. New Endo has agreed to take, or cause to be taken, such actions as are necessary so that, effective as of immediately prior to the closing, the New Endo memorandum and articles of association shall be substantially in the form as set forth in *Annex E* to this proxy statement/prospectus.

Exchange of Endo Stock Certificates Following the Merger

Prior to the merger effective time, Endo will appoint a bank or trust company reasonably acceptable to Paladin to act as exchange agent for the payment and delivery of the merger consideration, which is referred to in this proxy statement/prospectus as the exchange agent.

At or prior to the merger effective time, New Endo will deposit with the exchange agent, for the benefit of the holders of certificates of Endo common stock, for exchange through the exchange agent, (i) on behalf of Endo U.S. Inc.,

certificates representing the number of New Endo ordinary shares subscribed for by Endo U.S. Inc. and (ii) on behalf of itself, certificates representing the remainder of New Endo ordinary shares to be issued as merger consideration (or if uncertificated New Endo ordinary shares will be issued, New Endo shall make appropriate alternative arrangements).

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As promptly as reasonably practicable after the merger effective time, New Endo will cause, and in any event within four business days after the merger effective time, the exchange agent to mail to each holder of record of a certificate for Endo common stock and each holder of record of non-certificated outstanding Endo common stock, which are referred to in this proxy statement/prospectus as book-entry shares, a letter of transmittal and instructions for effecting the surrender of those certificates or book-entry shares in exchange for certificates representing the appropriate number of New Endo ordinary shares as provided by the arrangement agreement.

Endo shareholders should not return their certificates with the enclosed Endo proxy card. Stock certificates should be returned with a letter of transmittal that will be sent to Endo shareholders following the merger effective time as described above, validly executed in accordance with the instructions you will receive.

Upon surrender of a duly executed letter of transmittal and a certificate representing Endo common stock or a book-entry share of Endo common stock, the holder of such certificate or book-entry share will be entitled to receive such number of New Endo ordinary shares equal to the number of shares of Endo common stock represented by such certificate or book-entry share. No interest will be paid or accrued on any amount payable upon surrender of certificates or book-entry shares representing Endo common stock. New Endo and the exchange agent will be entitled to deduct and withhold from any amount payable as consideration to shareholders such amounts as required with respect to making any payment for taxes, and such amounts withheld will be treated as having been paid to such shareholder.

After the merger effective time, the stock transfer books of Endo will be closed and there will be no further registration of transfers on the stock transfer books of Endo. If, after the merger effective time, certificates representing Endo common stock or book-entry Endo common stock are presented to New Endo or the exchange agent, they will be canceled and exchanged as provided above. If a certificate representing Endo common stock has been lost, stolen or destroyed, the exchange agent shall issue to such shareholder the consideration described above in respect of the Endo common stock represented by such certificate only upon such shareholder making an affidavit regarding the loss, theft or destruction, and, if required by New Endo, posting a bond in such reasonable and customary amount as New Endo may reasonably direct as indemnity, against any claim that may be made against New Endo or the exchange agent in respect of the certificate alleged to have been lost, stolen or destroyed.

Any portion of the consideration deposited with the exchange agent that has not been transferred to the holders of certificates representing Endo common stock or of book-entry Endo common stock as of the one year anniversary of the merger effective time shall be delivered to New Endo or its designee and the remaining New Endo ordinary shares included in such consideration shall be sold at the best price and former holders of Endo common stock shall thereafter only look to New Endo for payment of the merger consideration without any interest thereon for payment of such holder's portion of the cash proceeds of the sale of the New Endo ordinary shares.

Representations and Warranties

Endo and Paladin made representations and warranties in the arrangement agreement on behalf of themselves and their respective subsidiaries that are subject, in some cases, to specified exceptions and qualifications contained in the arrangement agreement (including qualifications by concepts of knowledge, materiality and/or dollar thresholds) and are further modified and limited by confidential disclosure letters delivered by Endo and Paladin to each other. The representations and warranties made by Endo are also subject to and qualified by certain information included in Endo's filings made with the SEC and the representations and warranties made by Paladin are also subject to and qualified by certain information included in Paladin's filings on the System for Electronic Document Analysis and Retrieval, referred to in this proxy statement/prospectus as SEDAR, website maintained by the Canadian Securities Administrators at www.sedar.com.

The representations and warranties made by Paladin relate to the following subject matters, among other things:

corporate organization and similar corporate matters, including the qualification to do business under applicable law, corporate standing and corporate power;

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the authority of Paladin to enter into the arrangement agreement and due execution and delivery of the arrangement agreement and the completion of the transactions contemplated thereby;

required approvals;

the absence of the violation of applicable laws, constating documents, material contracts or material permits as a result of the merger and the arrangement;

the capital structure and equity securities of Paladin;

Paladin subsidiaries;

reporting issuer status under and compliance with applicable Canadian securities laws;

compliance with listing requirements;

certain financial statements;

internal controls and disclosure controls;

the absence of certain undisclosed liabilities;

the absence of certain changes and events since December 31, 2012 or June 30, 2013, as applicable;

compliance with applicable laws;

possession of material permits required by applicable laws;

litigation;

title to real property, absence of liens and leasehold interests;

leases of real property;

assets;

taxes;

material contracts, including the absence of violation or breach in any material respect of each such contract;

labor and other employment matters, including benefit plans;

compliance with certain regulatory matters;

intellectual property;

environmental matters;

insurance;

relationships with third parties;

books and records;

non-arm's length transactions;

no collateral benefits;

corrupt practices legislation;

fairness opinion from Paladin's financial advisor;

Paladin board approval; and

Paladin shareholder approval.

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The representations and warranties made by Endo relate to the following subject matters, among other things:

corporate organization and similar corporate matters;

the authority of Endo to enter into the arrangement agreement and due execution and delivery of the arrangement agreement and the completion of the transactions contemplated thereby;

required approvals;

the absence of the violation of applicable laws, constating documents, material contracts or material permits as a result of the merger and the arrangement;

the capital structure and equity securities of Endo;

validity and authorization to issue the New Endo ordinary shares to be issued to pursuant to the plan of arrangement and the merger;

Endo public disclosure record;

certain financial statements;

compliance with applicable listing requirements;

absence of certain liabilities;

absence of certain changes and events since December 31, 2012 or June 30, 2013, as applicable;

compliance with applicable laws;

litigation;

material contracts, including the absence of violation or breach in any material respect of each such contract;

Endo board approval;

Endo shareholder approval;

classification as Canadian under Investment Canada Act;

financial resources;

taxes; and

the effect of the merger and the arrangement on incorporation and incentive plans.

The representations and warranties made by New Endo relate to the following subject matters, among other things:

business and operations;

capital structure and equity securities of New Endo; and

whitewash requirements under the Irish Companies Acts of 1963 to 2012, which are referred to in this proxy statement/prospectus as the Companies Acts.

Under the arrangement agreement, Endo and Paladin agreed that except for the representations and warranties expressly contained in the arrangement agreement, each party does not make any other representation or warranty.

Survival of Representations and Warranties

The representations and warranties of Endo, New Endo and Paladin contained in the arrangement agreement will terminate and expire immediately following the closing (or, if the arrangement agreement is earlier terminated, at the time of the expiration).

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Material Adverse Effect

Several of the representations, warranties, covenants, closing conditions and termination provisions contained in the arrangement agreement refer to the concept of a material adverse effect.

For purposes of the arrangement agreement, a material adverse effect with respect to each of Endo or Paladin means any result, fact, change, effect, event, circumstance, occurrence or development that, taken together with all other results, facts, changes, effects, events, circumstances, occurrences or developments, has, or would reasonably be expected to have, a material and adverse effect on the business, operations, results of operations or condition (whether financial or otherwise) of the subject company and its subsidiaries, taken as a whole, except as arising out of or resulting from any of the following:

changes, developments or conditions in or relating to general international, political, economic or financial or capital market conditions, or political, economic or financial or capital market conditions in any jurisdiction in which the subject company or any of its subsidiaries operate or carry on business;

changes, developments or conditions resulting from any act of sabotage or terrorism or any outbreak of hostilities or declared or undeclared war, or any escalation or worsening of such acts of sabotage, terrorism, hostilities or war;

any earthquake, hurricane, tornado or other similar natural disaster;

changes or developments in or relating to currency exchange or interest rates;

changes or developments generally affecting the pharmaceutical industry or the medical device industry (as applies only to an Endo material adverse effect);

any change in IFRS or U.S. GAAP;

any actions taken (or omitted to be taken) by the subject company upon the express written request of the other party; or

any failure by the subject company to meet projections of revenue, earnings or other financial measures in and of itself (provided that the underlying cause of such failure may be taken into account in determining whether a material adverse effect has occurred unless otherwise excluded under this definition)

provided, however, that the effect of the changes or developments described in all bullets above other than the last two bullets shall not be excluded to the extent that any of the changes or developments therein disproportionately adversely affect the subject company and its subsidiaries, taken as a whole, in comparison to other persons who operate in a similar industry.

Covenants

Paladin Interim Operating Covenants

Paladin has undertaken covenants in the arrangement agreement relating to the conduct of its business prior to the completion of the arrangement or the earlier termination of the arrangement agreement. Unless Endo otherwise consents in writing (to the extent that such consent is permitted by applicable law) or expressly permitted or specifically contemplated by the arrangement agreement or as is otherwise required by applicable law or order, Paladin:

and its subsidiaries will maintain their respective facilities and will continue to operate and conduct their respective businesses in the ordinary course;

and its subsidiaries will comply in all material respects with the terms of all material contracts and Paladin will use its commercially reasonable efforts to maintain and preserve its and its subsidiaries' respective business organizations, assets, permits, properties, rights, goodwill and business relationships and keep available the services of its and its subsidiaries' respective officers and employees as a group;

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will not, and will cause its wholly owned subsidiaries not to, and will use its commercially reasonable efforts, in its capacity as a shareholder of Litha to cause Litha not to (provided that nothing shall restrict any director or officer of Litha in the exercise of its fiduciary or other applicable duties to Litha), directly or indirectly:

amend or otherwise change the Paladin charter documents;

declare, set aside or pay any dividend on or make any distribution or payment or return of capital (x) in respect of Paladin common shares or (y) in respect of the equity interests of any subsidiary of Paladin that is not directly or indirectly wholly owned by Paladin (in each case, whether in cash or property);

split, divide, consolidate, combine or reclassify Paladin common shares or any other securities;

issue, grant, sell or pledge or authorize or agree to issue, grant, sell or pledge any Paladin common shares or other securities of Paladin or its subsidiaries (including options or any equity-based or equity-linked awards such as restricted or deferred share units or phantom share plans), or securities convertible into or exchangeable or exercisable for, or otherwise evidencing a right to acquire, Paladin common shares or other securities of Paladin or its subsidiaries, other than the issuance of Paladin common shares issuable pursuant to the exercise of options outstanding on the date hereof or otherwise in accordance with a certain Paladin employee share purchase plan;

(A) grant any increases in the compensation of any of its directors, executive officers or employees, except for increases in the compensation of employees with total annual compensation not in excess of \$500,000 in the ordinary course of business consistent with past practice; (B) except as required by the arrangement agreement or as required by applicable law (i) grant or increase any severance, change in control, termination or similar compensation or benefits payable to any director, officer or employee, (ii) except as contemplated by the arrangement agreement, accelerate the time of payment or vesting of, or the lapsing of restrictions with respect to, or fund or otherwise secure the payment of, any compensation or benefits under any Paladin plan or (iii) enter into, terminate or materially amend any Paladin plan (or any plan, program, agreement, or arrangement that would constitute a Paladin plan if in effect on the date hereof); (C) hire any person to be employed by Paladin or any of its subsidiaries or terminate the employment of any employee of Paladin or any of its subsidiaries, other than the hiring or firing of employees with total annual compensation not in excess of \$500,000 in the ordinary course of business consistent with past practice or (D) grant any equity or equity-based awards;

redeem, purchase or otherwise acquire any outstanding Paladin common shares or other securities or securities convertible into or exchangeable or exercisable for Paladin common shares or any such other securities, other than in transactions between two or more Paladin wholly owned subsidiaries or between Paladin and a Paladin wholly owned subsidiary;

amend the terms of any securities of Paladin or any of its subsidiaries;

adopt a plan of liquidation or resolution providing for the liquidation or dissolution of Paladin or any of its subsidiaries;

reorganize, amalgamate or merge;

make any material changes to any of its accounting policies, principles, methods, practices or procedures (including by adopting any material new accounting policies, principles, methods, practices or procedures) or as contemplated by the arrangement agreement or in connection with any transactions contemplated by the arrangement agreement, except as required by applicable laws or IFRS;

make any material change to its general practices and policies relating to the payment of accounts payable or the collection of accounts receivable;

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except for sales in the ordinary course of business, or as contemplated hereby or in connection with any transactions contemplated hereby, sell, pledge, lease, license, dispose of or encumber any assets or properties of Paladin (including the shares or other equity securities of any subsidiary of Paladin) or of any of its subsidiaries having a value greater than \$1,000,000 in the aggregate;

(A) acquire (by merger, amalgamation, consolidation, arrangement or acquisition of shares or other equity securities or interests or assets or otherwise) any corporation, partnership, association or other business organization or division thereof or any property or asset, or make any investment by the purchase of securities, contribution of capital, property transfer, or purchase of any property or assets of any other person or entity that, together with all other such acquisitions, investments, contributions, transfers or purchases, has a value greater than \$5,000,000 in the aggregate other than in connection with the purchase of additional Litha shares for an aggregate consideration equal to \$15,000,000 or (B) enter into any letter of intent, agreement in principle, acquisition agreement or other similar agreement with respect to such a transaction;

incur any indebtedness or issue any debt securities, or assume, guarantee, endorse or otherwise as an accommodation become responsible for the obligations of any other person or entity, or make any loans or advances in excess of \$1,000,000 in the aggregate to any other persons or entities;

enter into any material currency, commodity, interest rate or equity related hedge, derivative, swap or other financial risk management contract;

pay, discharge or satisfy any claim, liability or obligation prior to the same being due, other than the payment, discharge or satisfaction of liabilities reflected or reserved against in Paladin financial statements, or voluntarily waive, release, assign, settle or compromise any proceeding, where such payment, discharge, satisfaction, waiver, release, assignment, settlement or compromise exceeds \$1,000,000 in the aggregate or in any case, would entail any non-monetary damages;

settle or compromise any action, claim or other proceeding brought by any present, former or purported holder of its securities in connection with the transactions contemplated by the arrangement agreement, the merger or the arrangement;

enter into any material new line of business, enterprise or other activity;

expend or commit to expend any amounts with respect to capital expenses, where such expenditure or commitment exceeds \$1,000,000 in the aggregate;

enter into any lease or sublease of real property (whether as a lessor, sublessor, lessee or sublessee), or modify, amend or exercise any right to renew any lease or sublease of real property or acquire any interest in real property that would exceed \$500,000 per year;

(x) other than in the ordinary course of business, enter into any contract that would, if entered into prior to the date hereof, be a Paladin material contract, or (y) materially modify, materially amend or terminate any Paladin material contract or waive, release or assign any material rights or claims thereunder;

other than in the ordinary course of business, fail to use commercially reasonable efforts to maintain in full force and effect the existing material insurance policies covering Paladin or its subsidiaries;

make, change, revoke or rescind any material election relating to taxes or make any material amendment with respect to any tax return;

take any action that would reasonably be expected to prevent or significantly impede or materially delay the completion of the arrangement or the merger;

make, or permit any of Paladin's subsidiaries to, make, any loan to any officer or director of Paladin or any of its subsidiaries;

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enter into, modify or terminate any contract with respect to any of the foregoing or otherwise agree or announce an intention to do any of the foregoing; or

other than in the ordinary course of business, submit any material information to or enter into any material discussions with or respond to any enquiry from any regulatory authority with respect to any product, without having fully and promptly consulted with, and had due regard to the feedback received from, Endo;

will comply with all laws, and use commercially reasonable efforts to comply with all regulatory guidelines affecting the operation of Paladin; and

will promptly notify Endo in writing of any material change (as defined in the Securities Act) (Ontario) in relation to Paladin, and Paladin will promptly notify Endo in writing of any circumstance or development that, to the knowledge of Paladin, has had or would reasonably be expected to have, individually or in the aggregate, a material adverse effect on Paladin.

Endo Interim Operating Covenants

Endo has undertaken covenants in the arrangement agreement relating to the conduct of its business prior to the completion of the merger or the earlier termination of the arrangement agreement. Unless Paladin otherwise consents in writing (to the extent that such consent is permitted by applicable law) or as is otherwise expressly permitted or specifically contemplated by the arrangement agreement or as is otherwise required by applicable law or order, Endo:

and Endo's material subsidiaries will maintain their respective facilities and will continue to operate and conduct their respective businesses in the ordinary course;

will use commercially reasonable efforts to maintain and preserve its and its material subsidiaries' respective business organizations, assets, properties, rights, goodwill and business relationships and keep available the services of its and its subsidiaries' respective officers and employees as a group;

will not, and will not permit any of its material subsidiaries to, directly or indirectly:

amend or otherwise change the Endo charter documents in a manner adverse to Paladin shareholders;

declare, set aside, make or pay any dividend or other distribution with respect to any of its securities other than in the ordinary course of business and consistent with past practice, except, in the case of any of Endo's wholly owned subsidiaries, for dividends payable to Endo or among wholly owned subsidiaries of Endo;

split, divide, consolidate, combine or reclassify Endo common stock;

amend the material terms of any other securities;

adopt a plan of liquidation or resolution providing for the liquidation or dissolution of Endo or any of its subsidiaries;

issue any Endo securities other than in settlement of any outstanding equity compensation awards; and

will promptly notify Paladin of any circumstance or development that, to the knowledge of Endo, has had or would reasonably be expected to have, individually or in the aggregate, a material adverse effect.

Board Recommendations; Endo and Paladin Shareholder Meetings

The Endo board of directors has unanimously adopted resolutions approving the arrangement agreement, recommending that the holders of Endo common stock vote to adopt the arrangement agreement and transactions contemplated thereby (including the merger) and directing that the arrangement agreement and merger be submitted to a vote of the Endo shareholders. The Paladin board of directors has adopted resolutions approving

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the arrangement agreement, recommending that the holders of Paladin common shares vote to adopt the arrangement resolution approving the arrangement. In furtherance thereof and subject to the requirements of applicable law, Endo and Paladin have agreed to take all lawful action to convene a meeting of their respective shareholders, at which Endo shareholders will consider the adoption of the arrangement agreement and approval of the merger and Paladin shareholders will consider approving the arrangement resolution, as promptly as practicable after the registration statement on Form S-4 of which this proxy statement/prospectus is a part, is declared effective.

Under the arrangement agreement, subject to the exceptions set forth below, the Endo and Paladin boards of directors have agreed to recommend that their respective shareholders vote in favor of the adoption of the arrangement agreement and the approval of the merger, in the case of Endo shareholders, and in favor of the arrangement resolution in the case of Paladin. The arrangement agreement further provides that the Endo and Paladin board of directors may withdraw or modify its recommendation if, prior to the special meeting of its shareholders, the Endo or Paladin board of directors, respectively, determines in good faith, after consultation with its outside legal and financial advisors, that the failure to take the relevant action would be reasonably likely to be inconsistent with its fiduciary duties to its shareholders under applicable law. The arrangement agreement will be submitted to the holders of Endo common stock for approval and adoption at the special meeting regardless of whether the Endo board of directors changes its recommendation or approval after the date of the arrangement agreement unless the arrangement agreement is terminated prior to the date of such meeting pursuant to the terms thereof. The arrangement resolution will be submitted to the holders of Paladin common shares for approval and adoption at the special meeting, regardless of whether the Paladin board of directors changes its recommendation or approval after the date of the arrangement agreement unless the arrangement agreement is terminated prior to the date of such meeting pursuant to the terms thereof.

Third Party Acquisition Proposals

Subject to the exceptions described below, Endo and Paladin have each agreed that it will not, and none of its subsidiaries will, directly or indirectly, through any of their representatives or otherwise:

initiate, solicit, facilitate or knowingly encourage any inquiries or the making of any acquisition proposal or potential acquisition proposal (which, for the purposes of this proxy statement/prospectus, is defined as any proposal, offer, inquiry or indication of interest, for either Endo or Paladin with respect to (a) any acquisition by any person of the voting equity securities of Endo or Paladin, respectively, representing 20% or more of its voting equity securities then outstanding or (b) any acquisition by any person of any assets of Endo or Paladin, respectively, and/or its subsidiaries individually or in the aggregate contributing 20% or more of the consolidated revenue or representing 20% or more of the assets of Endo or Paladin, respectively, and its subsidiaries taken as a whole, whether in a single or in a series of related transactions, in each case excluding the arrangement (with respect to Paladin) or the merger (with respect to Endo) and other transactions contemplated by the arrangement agreement and any transaction between Endo or Paladin, respectively, and its wholly owned subsidiaries);

participate or engage in any discussions or negotiations regarding, or provide any information with respect to, or otherwise cooperate in any way with, or assist or participate in, knowingly encourage or otherwise facilitate, any effort or attempt by any other person (other than it or its affiliates) to make or complete an acquisition proposal;

effect any change of recommendation by its board of directors; or

accept or enter into any letter of intent, transaction agreement or other agreement, arrangement or undertaking constituting or related to, or that would reasonably be expected to lead to, any acquisition proposal.

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However, if, prior to the Paladin special meeting or the special meeting, as applicable, Paladin or Endo receives a written acquisition proposal that was not solicited after the date of the arrangement agreement in contravention of the restrictions described above, Paladin or Endo, as applicable, may:

contact the person making the acquisition proposal (or such person's representatives) solely for the purpose of clarifying the terms of such acquisition proposal and the likelihood of consummation of such acquisition proposal; and

if the board of directors of Paladin or Endo, as applicable, determines in good faith, following consultation with its outside legal counsel and financial advisors, that such acquisition proposal is, or could reasonably be expected to lead to, a superior proposal (as defined below) and that the failure to take the applicable action would be inconsistent with such board of directors' fiduciary duties under applicable law, then Paladin or Endo, as applicable, may:

furnish to such person (and such person's representatives) non-public information relating to Paladin or Endo, as applicable, pursuant to a confidentiality agreement that is no less restrictive of such person than the confidentiality agreement between Paladin and Endo; provided that such non-public information provided to such person is also provided to Paladin or Endo, as applicable; and

engage in discussions and negotiations with such person and its representatives with respect to such acquisition proposal.

A superior proposal with respect to Endo or Paladin for the purpose of this proxy statement/prospectus means, in general terms, an unsolicited bona fide acquisition proposal for Endo or Paladin, respectively, involving an acquisition of its securities or assets at the 50% level in the case of Endo and, in the case of Paladin, at the 100% level as it relates to securities of Paladin and all or substantially all as it relates to assets of Paladin, by a third party which: (a) the board of directors has determined in good faith, after consultation with its financial advisors and outside legal counsel: (i) would, taking into account all of the terms and conditions of such acquisition proposal, and if consummated in accordance with its terms (but not assuming away any risk of non-completion), result in a transaction which is more favorable to the shareholders from a financial point of view than the arrangement and the merger; (ii) is reasonably capable of being completed in accordance with its terms, without undue delay, taking into account all legal, financial, regulatory and other aspects of such acquisition proposal and the person or persons making such acquisition proposal; (b) is not subject to any financing condition and in respect of which any required financing to complete such acquisition proposal has been demonstrated to be available to the satisfaction of the board of directors, acting in good faith after consultation with its financial advisors and outside legal counsel; and (c) is made available to all of the Endo shareholders or the Paladin shareholders as applicable, on the same terms and conditions.

Paladin may, prior to the Paladin special meeting, terminate the arrangement agreement or enter into an agreement in respect of an acquisition proposal or effect a change of recommendation of its board of directors if and only if:

such acquisition proposal did not result from a breach of Paladin's non-solicitation covenants under the arrangement agreement;

Paladin's board of directors has determined in good faith, after consultation with its outside legal and financial advisors, that such acquisition proposal constitutes a superior proposal, as applicable, and that the failure to take the relevant action would be reasonably likely to be inconsistent with its board's fiduciary duties;

Paladin has delivered a written notice to Endo promptly (but in any event within one day) after the determination by the Paladin board of directors that a superior proposal exists advising Endo that Paladin has received a superior proposal and including written notice of the determination of the Paladin board of directors that the acquisition proposal constitutes a superior proposal and provided Endo with the document containing the acquisition proposal;

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a period of five business days has elapsed from the date on which Endo received the notice relating to a superior proposal and the document containing the acquisition proposal;

Endo has been given the opportunity to offer to amend the terms of the arrangement agreement and the arrangement and the merger during such five day period and the Paladin board of directors has determined in good faith, after consultation with its outside legal counsel and financial advisors, that such acquisition proposal continues to be a superior proposal as compared to the arrangement agreement, the arrangement and the merger and that the failure to take the relevant action would be reasonably likely to be inconsistent with the Paladin board's fiduciary duties; and

Paladin's board of directors determines to terminate the arrangement agreement to enter into any agreement in respect of a superior proposal, it terminates the arrangement agreement and pays the termination fee as required under the arrangement agreement.

Endo may, prior to the special meeting of Endo shareholders, terminate the arrangement agreement or enter into an agreement in respect of an acquisition proposal or effect a change of recommendation of its board of directors if and only if:

such acquisition proposal did not result from a breach of Endo's non-solicitation covenants under the arrangement agreement;

Endo's board of directors has determined in good faith, after consultation with its outside legal and financial advisors, that such acquisition proposal constitutes a superior proposal, and that the failure to take the relevant action would be reasonably likely to be inconsistent with its board's fiduciary duties; and

if its board of directors determines to terminate the arrangement agreement to enter into any agreement in respect of a superior proposal, it terminates the arrangement agreement and pays the termination fee as required under the arrangement agreement.

Regulatory Approvals

Each party to the arrangement agreement shall use commercially reasonable efforts to:

as promptly as practicable, obtain from any governmental authority all waivers, consents, clearances and approvals required to be obtained in connection with the consummation of the transactions contemplated by the arrangement agreement (including the arrangement and the merger);

as promptly as reasonably practicable (but in any event within 14 days following the date of the arrangement agreement), make all filings and submissions, including, without limiting the foregoing, an application by New Endo for an advance ruling certificate or no-action letter under the Competition Act (Canada) (to the extent the Competition Act (Canada) approval is required under applicable law in respect of the transactions

contemplated by the arrangement agreement (including the arrangement and the merger)) and an application by New Endo for review under the Investment Canada Act, except that each party's pre-merger notification filings under Part IX of the Competition Act (Canada) will be made within 20 days of the filing of the advance ruling certificate unless the parties agree otherwise, and thereafter make any other required or appropriate submissions, that are required or reasonably necessary to consummate the transactions contemplated by the arrangement agreement (including the arrangement and the merger), including all filings and submissions required in connection with the required regulatory approvals; and

as promptly as reasonably practicable, take reasonable actions to provide notice to any third party, or obtain from any third party any waivers, consents and approvals required to be obtained, in connection with the consummation of the transactions contemplated by the arrangement agreement (including the arrangement and the merger).

Each of the parties to the arrangement agreement agrees to cooperate and to use commercially reasonable efforts to obtain any waivers, consents, clearances and approvals required in connection with the consummation of the

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transactions contemplated under the arrangement agreement (including the arrangement and the merger) under the HSR Act, the Competition Act (Canada), the Investment Canada Act, Competition Act (South Africa) and any other federal, provincial, state or foreign law designed to prohibit, restrict or regulate actions for the purpose or effect of monopolization or restraint of trade or foreign investment, and respond to any requests of any governmental authority for information or documentary material under any such relevant laws. In furtherance of the foregoing, each of Endo and Paladin also agrees to take any and all steps necessary to resolve any objections from governmental authorities and to avoid or eliminate impediments under any relevant law that may be asserted by any governmental authority with respect to the transactions so as to enable the closing to occur as promptly as practicable and in any event no later than May 5, 2014 (or such later date as agreed to by the parties of the arrangement agreement); provided, however, that Endo and Paladin are not required to take any action or consent to taking any action that would, individually or in the aggregate, reasonably be expected to be material and adverse to Paladin and its subsidiaries and to Endo and its subsidiaries, taken as a whole.

Additional Agreements

The arrangement agreement contains certain other covenants, including covenants relating to cooperation between Endo and Paladin in the preparation of this proxy statement/prospectus, other filings to be made with the SEC and other governmental filings, obtaining consents, access to information and performing their respective obligations regarding public announcements. Endo and Paladin have further agreed, as applicable, to the following additional covenants and agreements in the arrangement agreement, among others:

New Endo, Endo and Paladin have agreed to take all required steps to cause (i) dispositions of Endo shares resulting from the arrangement or the merger by each individual who will be subject to the reporting requirements of Section 16(a) of the Exchange Act with respect to Endo immediately prior to the merger effective time to be exempt under Rule 16b-3 of the Exchange Act and (ii) acquisitions of New Endo ordinary shares or Endo shares resulting from the arrangement or the merger by each individual who will be subject to the reporting requirements of Section 16(a) of the Exchange Act with respect to Endo immediately prior to the merger effective time to be exempt under Rule 16b-3 of the Exchange Act;

Endo and Paladin have agreed to use their respective commercially reasonable efforts to cause the New Endo ordinary shares to be issued in the merger and the arrangement to be approved for listing on NASDAQ subject only to official notice of issuance and conditionally approved for listing on TSX, subject only to the satisfaction of the customary listing conditions of TSX, prior to the closing;

Endo and Paladin have agreed to use their respective commercially reasonable efforts to cause the Knight Therapeutics common shares to be issued in the arrangement to be conditionally approved for listing on TSX-V, subject only to the satisfaction of the customary listing conditions of TSX-V, prior to the closing, provided that the obligations of Paladin and Endo to complete the arrangement or consummate the merger are not conditioned upon any such approval for listing;

Endo and Paladin have agreed to use all reasonable endeavors to submit to the vote of their respective shareholders to approve the creation of distributable reserves of New Endo; and

Endo and Paladin agree to use commercially reasonable efforts to execute agreements necessary to effect the separation transaction.

Endo has agreed to use commercially reasonable endeavors to procure the carrying out of the whitewash requirements by New Endo and/or Endo Limited and any of their Irish subsidiaries prior to taking actions contemplated by the arrangement agreement which may constitute unlawful financial assistance under Irish law, and Endo and Paladin have agreed that such actions shall not be performed until the whitewash requirements have been met.

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Employee Matters

Under the arrangement agreement New Endo agrees, subject to applicable legal requirements that:

employees of Paladin who continue as employees of New Endo or its subsidiaries after the completion of the merger, who are referred to in this proxy statement/prospectus as the continuing employees, will receive, during the one year period following the closing date, compensation and benefits that, with respect to each such employee, are substantially similar in the aggregate to either, in New Endo's sole discretion, (i) the compensation and benefits provided to similarly situated employees of Endo or (ii) the compensation and benefits provided to such employee under the Paladin benefit plans; and

continuing employees who participate in the benefit plans of New Endo and Endo, which are referred to in this proxy statement/prospectus as the new plans, will generally receive credit under such plans for their years of service with Paladin before the closing date for purposes of vesting, eligibility to participate and level of benefits, and New Endo will generally use all reasonable endeavors to cause (i) pre-existing condition exclusions and actively-at-work requirements of the new plans to be waived for such continuing employees and (ii) eligible expenses incurred by such continuing employees and their eligible dependents under the Paladin plans to be taken into account under the new plans for the satisfaction of deductible, coinsurance and out-of-pocket requirements.

Nothing contained in the arrangement agreement will (i) create any right in any employee of Paladin or any of the subsidiaries to continued employment by New Endo, Endo, Paladin, or any respective subsidiary or preclude the ability of Endo, Paladin, or any respective subsidiary to terminate the employment of any employee for any reason, (ii) require New Endo, Endo, Paladin, or any respective subsidiary to continue any Paladin benefit plans or prevent the amendment, modification or termination thereof after the closing date, (iii) confer upon any Paladin employee any rights or remedies under or by reason of the arrangement agreement or (iv) be treated as an amendment to any particular employee benefit plan of Endo, Paladin or any respective subsidiary.

Financing Covenant

Paladin agreed in the arrangement agreement to, and to cause its wholly-owned subsidiaries to, use its commercially reasonable efforts to cause its and their representatives to, use commercially reasonable efforts to provide customary and reasonable cooperation with respect to the arrangement of debt financing in connection with the consummation of closing, which is referred to in this proxy statement/prospectus as a debt financing, including, subject to certain conditions and exceptions, among other things:

(i) assisting in the preparation for and participation in a reasonable number of lender marketing meetings, presentations, road shows and calls and a reasonable number of other due diligence and drafting sessions with prospective lenders and/or underwriters and ratings agencies and otherwise providing cooperation that is customary and reasonable in connection with the marketing efforts,

(ii) providing pertinent and customary information regarding Paladin and its subsidiaries reasonably requested, including any requested documentation and other information regarding Paladin and its subsidiaries required under applicable know your customer and anti-money laundering rules and regulations, financial statements and financial projections, and other pertinent financial information,

(iii) assisting in the preparation of appropriate and customary offering documents, lender and investor presentations, rating agency presentations, bank information memoranda, prospectuses and similar documents for the debt financing, which contain all financial statements and other data relating to Paladin and its subsidiaries and all appropriate pro forma financial information of Paladin and its subsidiaries in accordance with, or reconciled to, U.S. GAAP and prepared in accordance with Regulation S-X under the Securities Act and under applicable Canadian securities law, and all other data (including selected financial data) relating to Paladin and its subsidiaries that the SEC and applicable Canadian securities regulators would require in a registered debt offering or that would be necessary for an investment bank to receive customary comfort (including negative assurance comfort) from independent accountants in connection with a registered debt offering,

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(iv) providing reasonable and customary authorization letters authorizing the distribution of information to prospective lenders,

(v) causing its independent accountants to provide reasonable assistance and cooperation, including accounting due diligence sessions, and providing consent to use audit reports relating to Paladin and reasonable assistance in facilitating the provision of customary comfort (including negative assurance comfort) by such independent accountants,

(vi) assisting with the review of and comment on the debt financing definitive documentation,

(vii) taking all reasonable and customary corporate or other organizational action reasonably requested and necessary to permit the consummation of the debt financing,

(viii) providing pertinent and customary information with respect to its property and assets and facilitating the pledge and perfection of liens security and the providing of guarantees supporting the debt financing,

(ix) using commercially reasonable efforts to ensure that the financing sources benefit from the existing lending relationships of Paladin and its subsidiaries,

(x) providing all cooperation that is reasonable and customary to satisfy the conditions precedent to the debt financing or any financing documents relating thereto, and

(xi) assisting Endo and its affiliates in obtaining corporate and facilities ratings for the debt financing.

Separation of Knight Therapeutics

Paladin and Endo agree to cooperate and use commercially reasonable efforts to effect the transactions by which Impavido, Paladin's product for the treatment of leishmaniasis, is transferred to Knight Therapeutics.

Officers and Directors upon Completion of the Merger

The directors of Merger Sub immediately prior to the merger effective time will be the directors of the surviving corporation until the earlier of their resignation or removal or until their respective successors are duly appointed, elected and qualified. The officers of Merger Sub immediately prior to the merger effective time shall be the officers of the surviving corporation until the earlier of their resignation or removal or until their respective successors are duly elected or appointed and qualified.

Endo and Paladin shall take all actions necessary so that, as of the earlier of the effective time or the merger effective time, the board of directors of New Endo shall consist of individuals who are the members of the board of directors of Endo as of the date of the arrangement agreement.

Conditions to the Completion of the Merger and the Arrangement

The completion of the transactions depends upon the satisfaction or waiver of a number of conditions, all of which, to the extent permitted by applicable law, may be waived by Endo and/or Paladin, as applicable.

The following conditions, among other conditions, must be satisfied or waived before Paladin is obligated to complete the arrangement:

Paladin shareholders shall have approved the arrangement at the Paladin special meeting;

Endo shareholders shall have approved the merger at the special meeting;

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the Québec court shall have approved (i) the interim order calling the holding of the Paladin special meeting to consider the arrangement and (ii) the arrangement, in each case on terms acceptable to Paladin and Endo;

NASDAQ shall have approved for listing (subject only to official notice of issuance) and TSX shall have conditionally approved (subject only to customary listing conditions) of the New Endo ordinary shares to be issued in the merger and the arrangement;

all required regulatory approvals shall have been obtained and shall remain in full force and effect and applicable waiting periods shall have expired or been terminated, in each case without the imposition of any action or consent to taking of any action by Endo or Paladin which would, individually or in the aggregate, reasonably be expected to be material and adverse to Paladin and its subsidiaries and Endo and its subsidiaries, taken as a whole;

no governmental authority shall have enacted a law or order that prevents the consummation of the transactions or instituted a proceeding to prohibit consummation of the transactions;

the registration statement of which this proxy statement/prospectus is a part shall be effective, and there shall not be a stop order issued by the SEC suspending the effectiveness of such registration statement or any proceedings initiated for that purpose by the SEC;

Endo shall have complied in all material respects with its obligations, covenants and agreements in the arrangement agreement to be performed or complied with on or before the closing date;

since the date of the arrangement agreement, no material adverse effect on Endo shall be continuing and there shall not have occurred a result, fact, change, effect, event, circumstance, occurrence or development that would reasonably be expected to have, individually or in the aggregate, a material adverse effect on Endo;

as of the date of the arrangement agreement and as of the closing date, the representation and warranty made by Endo in the arrangement agreement relating to the absence of a material adverse effect since December 31, 2012 shall be true and correct in all respects;

the remaining representations and warranties made by Endo in the arrangement agreement shall be true and correct in all respects (disregarding all materiality or material adverse effect qualifications) as of the closing date (other than representations and warranties which by their terms are made as of a specific date, which will be accurate as of such date), except for breaches of representations and warranties which have not had and would not reasonably be expected to have, individually or in the aggregate, a material adverse effect on Endo;

the representations and warranties made by New Endo in the arrangement agreement shall be true and correct in all respects as of the date of the arrangement agreement and as of the closing date; and

Paladin shall have received a certificate dated the closing date and validly executed by a senior officer of Endo to the effect that certain conditions have been satisfied.

The following conditions, among other conditions, must be satisfied or waived before Endo is obligated to complete the merger:

Paladin shareholders shall have approved the arrangement at the Paladin special meeting;

Endo shareholders shall have approved the merger at the special meeting;

the Québec court shall have approved (i) the interim order calling the holding of the Paladin special meeting to consider the arrangement and (ii) the arrangement, in each case on terms acceptable to Paladin and Endo;

NASDAQ shall have approved for listing (subject only to official notice of issuance) and TSX shall have conditionally approved (subject only to customary listing conditions) of the New Endo ordinary shares to be issued in the merger and the arrangement;

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all required regulatory approvals shall have been obtained and shall remain in full force and effect and applicable waiting periods shall have expired or been terminated, in each case without the imposition of any restraint;

no governmental authority shall have enacted a law or order that prevents the consummation of the transactions or instituted a proceeding to prohibit consummation of the transaction;

the registration statement of which this proxy statement/prospectus is a part shall be effective, and there shall not be a stop order issued by the SEC suspending the effectiveness of such registration statement or any proceedings initiated for that purpose by the SEC;

Paladin shall have complied in all material respects with its obligations, covenants and agreements in the arrangement agreement to be performed or complied with on or before the closing date;

since the date of the arrangement agreement, no material adverse effect on Paladin shall be continuing and there shall not have occurred a result, fact, change, effect, event, circumstance, occurrence or development that would reasonably be expected to have, individually or in the aggregate, a material adverse effect on Endo;

as of the date of the arrangement agreement and as of the closing date, the representation and warranty made by Paladin in the arrangement agreement relating to the absence of a material adverse effect since December 31, 2012 shall be true and correct in all respects;

the remaining representations and warranties made by Paladin in the arrangement agreement shall be true and correct in all respects (disregarding all materiality or material adverse effect qualifications) as of the closing date (other than representations and warranties which by their terms are made as of a specific date, which will be accurate as of such date), except for breaches of, individually or in the aggregate, representations and warranties which have not and would not reasonably be expected to have a material adverse effect on Paladin;

no applicable law or order shall be and remain in effect which imposes, and no suit, action, claim, proceeding or investigation shall be pending or threatened by any governmental authority which seeks to impose any material limitations on Endo's or New Endo's ownership of Paladin or any Paladin subsidiary or any requirement that Endo, New Endo or Paladin or any of their respective subsidiaries agree to or implement any restraint;

the plan of arrangement shall not have been modified or amended in a manner adverse to Endo without Endo's consent;

Endo shall have received from Skadden an opinion, dated as of the closing date, to the effect that Section 7874 of the Code and the regulations promulgated thereunder should not apply in a manner so as to cause New Endo to be treated as a domestic corporation for U.S. federal income tax purposes from and after the closing date; and

Endo shall have received a certificate dated the closing date and validly executed by a senior officer of Paladin to the effect that certain conditions have been satisfied.

Indemnification

All indemnification or exculpation rights existing in favor of present or former directors and officers of Paladin, Endo or any of their respective subsidiaries as provided in the constating documents of such party or contracts to which such a party is bound and which is in effect as of the date of the arrangement agreement will continue in full force and effect and without modification for the period contemplated therein.

In addition, New Endo will, and will cause each of Endo and Paladin to, maintain in effect for seven years from the closing date directors and officers liability insurance covering those persons who are currently covered by the directors and officers liability insurance policies of Endo and Paladin, as applicable, on terms not less favorable than such existing insurance coverage.

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Endo will indemnify and hold harmless the members of the boards of New Endo, CanCo 1, Endo Limited, Endo U.S. Inc., Merger Sub and their affiliates to the fullest extent permitted by applicable law for losses actually incurred by the director in connection with his or her duties as director for such entity from the date of the arrangement agreement to the closing date, unless such loss is related to:

a violation of the director's duties under applicable law;

gross negligence, fraud or intentional misconduct by the director; or

actions taken or omitted by such director in violation of the organizational documents of the entities on which they serve as director or of the arrangement agreement.

Termination of the Arrangement Agreement

The arrangement agreement may be terminated at any time prior to the closing in the following ways:

by mutual written consent of Endo and Paladin;

by either Endo or Paladin if the closing shall not have occurred by the close of business on the date that is six months after the date of the arrangement agreement (or such later date as agreed to by the parties to the arrangement agreement), except that the right to so terminate the arrangement agreement will not be available to Endo or Paladin if its failure to fulfill any obligation under the arrangement agreement has been a principal cause of, or resulted in the failure of the closing to occur by such date;

by either Endo or Paladin if the requisite vote for approval of the merger by the Endo shareholders shall not have been obtained upon the taking of such vote(s) at a duly held meeting of shareholders of Endo, or at any adjournment thereof;

by either Endo or Paladin if the requisite vote for approval of the arrangement by the Paladin shareholders shall not have been obtained upon the taking of such vote(s) at a duly held meeting of shareholders of Paladin, or at any adjournment thereof;

by either Endo or Paladin if the closing shall not have occurred by the close of business on the outside date, except that the right to so terminate the arrangement agreement will not be available to Endo or Paladin if its failure to fulfill any obligation under the arrangement agreement has been a principal cause of, or resulted in the failure of the closing to occur by such date;

by either Endo or Paladin if any governmental authority shall have issued a law or order or taken any other action restraining, enjoining or otherwise prohibiting the arrangement or the merger and such order or other action shall have become final and nonappealable;

by Endo, (i) if the Paladin board changes its recommendation to approve the arrangement, (ii) to permit Endo to enter into an agreement providing for a superior proposal, (iii) if Paladin materially breaches its non-solicitation covenants in the arrangement agreement, (iv) if Paladin breaches any of its representations, warranties, covenants or other agreements contained in the arrangement agreement, which breach or failure would render the conditions precedent to Endo's obligations under the arrangement agreement not to be satisfied and which breach is not cured within 30 days following written notice by Endo to Paladin of such breach or by its nature cannot be cured within that time or (v) a material adverse effect on Paladin shall have occurred; or

by Paladin, (i) if the Endo board changes its recommendation to approve the arrangement, (ii) to permit Paladin to enter into an agreement providing for a superior proposal, (iii) if Endo breaches any of its representations, warranties, covenants or other agreements contained in the arrangement agreement, which breach or failure would render the conditions precedent to Paladin's obligations under the arrangement agreement not to be satisfied and which breach is not cured within 30 days following written notice by Paladin to Endo of such breach or by its nature cannot be cured within that time or (iv) a material adverse effect on Endo shall have occurred.

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Termination Fees; Effect of Termination

Under the arrangement agreement, Paladin will be required to pay Endo a termination fee of \$60,000,000 if the arrangement agreement is terminated:

by Paladin to permit Paladin to enter into an agreement that constitutes a superior proposal; or

(x) (i) by Endo or Paladin if the closing of the transactions does not occur by May 5, 2014, (ii) by Paladin following the failure of Paladin shareholders to approve the arrangement or (iii) by Endo if the Paladin board of directors has changed its recommendation to approve the arrangement or Paladin materially breaches its non-solicitation covenants under the arrangement agreement, if (y) (i) prior to such termination, an acquisition proposal for Paladin shall have been made public and (ii) within nine months following such termination, Paladin or its subsidiaries shall have consummated any transaction in respect to an acquisition proposal for Paladin or entered into an agreement expected to lead to an acquisition proposal for Paladin.

Under the arrangement agreement, Endo will be required to pay Paladin a termination fee of \$60,000,000 if the arrangement agreement is terminated:

by Endo to permit Endo to enter into an agreement that constitutes a superior proposal;

by Paladin if the Endo board of directors has changed its recommendation to approve the merger; or

(x) (i) by Endo or Paladin if the closing of the transactions does not occur by May 5, 2014, (ii) by Endo or Paladin following the failure of Endo shareholders to approve the merger or (iii) by Paladin if Endo materially breaches its non-solicitation covenants under the arrangement agreement, if (y) (i) prior to such termination, an acquisition proposal for Endo shall have been made public and (ii) within nine months following such termination, Endo or its subsidiaries shall have consummated any transaction in respect to an acquisition proposal for Endo or entered into an agreement expected to lead to an acquisition proposal for Endo.

Obligations in Event of Termination

In the event of a termination as described above, the arrangement agreement will become void and of no effect except for certain sections of the arrangement agreement. Such termination shall not relieve any party to the arrangement agreement of any liability for damages resulting from a breach of the arrangement agreement.

Expenses

Whether the transactions contemplated by the arrangement agreement are or are not consummated, all legal and accounting costs and expenses incurred in connection with the arrangement agreement and the transactions thereunder will be paid by the party incurring such costs and expenses, subject to certain exceptions, including the following:

fees associated with any filings shall be split evenly between Endo and Paladin;

Endo shall reimburse Paladin for any documented out-of-pocket costs and expenses incurred by Paladin in connection with its cooperation with respect to the debt financing; or

in the event of the commencement of a suit resulting from the failure of Endo or Paladin to pay a termination fee, the party that has failed to pay shall pay the other party its reasonable and documented costs and expenses in connection with such suit.

Amendment

The arrangement agreement may, at any time prior to closing, be amended by written agreement of Endo and Paladin without notice or authorization on the part of Endo or Paladin shareholders; provided however, that

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the sections with respect to the governing law, waiver of jury trial, attornment, service of process, third party beneficiaries, amendments, injunctive release, and no recourse may not be modified, waived by Endo or terminated in a manner that is adverse in any respect to a source of debt financing without the prior written consent of such source of debt financing.

Governing Law

The arrangement agreement is governed by and construed in accordance with the laws of the State of Delaware without giving effect to any choice or conflict of law provision or rule (whether of the State of Delaware or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Delaware, except that the approval and effectiveness of the arrangement shall be governed by the Canada Business Corporations Act, which is referred to as the CBCA in this proxy statement/prospectus.

Injunctive Relief

Endo and Paladin have acknowledged and agreed, subject to the provisions described under *Termination of the Arrangement Agreement* beginning on page 139, that each would be irreparably harmed if any of the provisions of the arrangement agreement are not performed in accordance with their specific terms or are otherwise breached for which money damages would not be an adequate remedy at law. Accordingly, Endo and Paladin will be entitled to an injunction or injunctions and other equitable relief to prevent breaches of the arrangement agreement, any requirement for the securing or posting of any bond in connection with the obtaining of such injunctive or other equitable relief is waived.

THE VOTING AGREEMENTS

The following is a summary of the material provisions of the voting agreements entered into by Endo and certain shareholders of Paladin, and is qualified in its entirety by reference to the full text of such voting agreements, which are attached as Schedule D to *Annex A* to this proxy statement/prospectus and are incorporated by reference into this proxy statement/prospectus.

Concurrently with the execution and delivery of the arrangement agreement, Jonathan Ross Goodman, and each of the following other shareholders of Paladin entered into a voting agreement with Endo, each of which is referred to in this proxy statement/prospectus as a voting agreement : 3487938 Canada Inc., 3260217 Nova Scotia Company, 3487911 Canada Inc., Joddes Limited, The Goodman Davis (2008) Family Trust, and Deborah Goodman Davis, which persons are collectively referred to in this proxy statement/prospectus as the key Paladin shareholders. The key Paladin shareholders owned in the aggregate approximately 34% of the outstanding Paladin common shares as of the date of the arrangement agreement. Approximately 7,131,336 Paladin common shares, or 34%, of Paladin common shares outstanding on the record date for the Paladin special meeting, to be held February 24, 2014, were held by the key Paladin shareholders and subject to the restrictions of the voting agreements.

Jonathan Ross Goodman has agreed to vote (or cause to be voted) all Paladin common shares owned, indirectly or directly, now or in the future, whether beneficially or of record, by him and each of the other key Paladin shareholders that is a party to a voting trust agreement has agreed that the voting trustee shall vote (or cause to be voted) all Paladin common shares owned, indirectly or directly, now or in the future, whether beneficially or of record, by such shareholder, which shares are referred to in this proxy statement/prospectus as the subject Paladin common shares, at any meeting of the shareholders of Paladin, or at any adjournment or postponement thereof, and on every action by written consent taken by the shareholders of Paladin where votes on the arrangement resolution is sought:

in favor of the transactions, including the approval of the arrangement resolution and any actions required in furtherance thereof; and

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against any acquisition proposal or merger, takeover bid or similar transaction involving Paladin; any reorganization, recapitalization, dissolution, liquidation or winding up of Paladin or its subsidiaries; any amendment of Paladin's incorporation documents that would reasonably be regarded as being directed towards or likely to prevent, delay or impede consummation of the transactions; any action that would result in a breach of representation, warranty or covenant of Paladin under the arrangement agreement; or any other action that would reasonably be regarded as being directed towards or likely to prevent, delay or impede the consummation of the transactions.

Restrictions on Shares Held by the Key Paladin Shareholders

The key Paladin shareholders have agreed to certain transfer restrictions for the subject Paladin common shares. In particular, prior to the termination of the voting agreements, the key Paladin shareholders may not (i) directly or indirectly, sell, transfer, tender, pledge, encumber, gift, assign or otherwise dispose of or exchange any or all of their subject Paladin common shares or enter into any related contract, option, agreement, arrangement or understanding (including any profit sharing agreement), (ii) grant any proxies or powers of attorney, or any other authorization or consent with respect to any or all such subject Paladin common shares or (iii) deposit any such subject Paladin common shares into a voting trust or enter into a voting agreement with respect to such shares. The voting agreement will terminate upon consummation of the transactions and, accordingly, the restrictions contained therein will no longer apply.

Each key Paladin shareholder agrees that it will not exercise appraisal or dissent rights provided under any applicable laws or otherwise in connection with the arrangement and the transactions contemplated by the arrangement agreement considered at the Paladin special meeting.

Subject to the terms of the voting agreements, the key Paladin shareholders may enter into sale, hedging or other transactions with respect to the New Endo shares that they will receive as consideration in the arrangement.

Termination of the Voting Agreements

The voting agreements will terminate upon the earlier of (i) the termination of the arrangement agreement or (ii) the consummation of the transactions. The voting agreements may also be terminated in writing by mutual agreement of the parties prior to the effective time, or by Jonathan Ross Goodman or the voting trustee, as the case may be, (i) if the effective date has not occurred by six months after the date of the arrangement agreement (or such later date as agreed to by the parties to the arrangement agreement), (ii) if the arrangement agreement is amended by the parties resulting in a reduction in the purchase price payable per security or (iii) if the volume weighted average price per share of Endo common stock is less than 76% of US\$44.4642 during a reference valuation period, which will be the ten trading days ending on the third trading day prior to the date of the Paladin special meeting (or if such volume weighted average price is not available, as determined by a calculation agent using a reasonable, good faith estimate of such price for such reference valuation period).

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SHAREHOLDER ADVISORY VOTE ON CERTAIN COMPENSATORY ARRANGEMENTS

Background; Shareholder Resolution

Under the Dodd-Frank Act and Section 14A of the Exchange Act, Endo shareholders are entitled to vote to approve, on an advisory basis, the compensation of the named executive officers of Endo that is based on or otherwise relates to the merger as disclosed in this registration statement, which compensation is referred to in this registration statement as the merger-related compensation. The terms of the merger-related compensation are described in this registration statement under *The Merger and the Arrangement Interests of Certain Persons in the Merger Golden Parachute Compensation* beginning on page 87.

In accordance with the above requirements, Endo is asking its shareholders to vote on the adoption of the following resolution:

RESOLVED, that the compensation that may be paid or become payable to the named executive officers of Endo Health Solutions Inc. in connection with the merger, as disclosed in the Golden Parachute Compensation table and narrative discussion as set forth in this registration statement under *The Merger and the Arrangement Interests of Certain Persons in the Merger Golden Parachute Compensation* beginning on page 87 is hereby APPROVED.

Required Vote; Board Recommendation

The affirmative vote of the holders of at least a majority of the Endo common stock represented and voting either in person or by proxy at the special meeting and entitled to vote is required for approval of the proposal to approve the merger-related compensation. However, because the vote on this proposal is advisory, it will not be binding on the Endo board of directors. Thus, regardless of the outcome of this advisory vote, such compensation may be payable, subject only to the Endo board's discretion and the conditions applicable thereto, if Proposal 1 is approved.

The advisory vote on the merger-related compensation (which is referred to in this registration statement as Proposal 2) is a vote separate and apart from the vote to adopt the merger agreement and approve the merger, and is a vote separate and apart from the votes on each of the other proposals. Accordingly, you may vote to approve this Proposal 2 and vote against any of the other proposals, or you may vote against this Proposal 2 and vote to adopt the merger agreement and approve the merger and to approve any of the other proposals. Advisory approval of this Proposal 2 to approve the merger-related compensation is not a condition to the completion of the merger and whether or not this Proposal 2 is approved will have no impact on the completion of the merger.

The Endo board of directors recommends that the Endo shareholders vote FOR the proposal to approve, on an advisory basis, the merger-related compensation as described in this registration statement.

Table of Contents**CREATION OF DISTRIBUTABLE RESERVES OF NEW ENDO****Background**

Under Irish law, dividends and distributions and, generally, share repurchases or redemptions, will only be permitted to be made following the transactions from distributable reserves in New Endo's unconsolidated balance sheet prepared in accordance with the Companies Acts. Distributable reserves generally means accumulated realized profits of New Endo less accumulated realized losses of New Endo and includes reserves created by way of capital reduction. In addition, no distribution or dividend will be able to be made unless the net assets of New Endo are equal to, or in excess of, the aggregate of New Endo's called up share capital plus undistributable reserves and the distribution does not reduce New Endo's net assets below such aggregate. Undistributable reserves include the share premium account, the capital redemption reserve fund and the amount by which New Endo's accumulated unrealized profits, so far as not previously utilized by any capitalization, will exceed New Endo's accumulated unrealized losses, so far as not previously written off in a reduction or reorganization of capital. See *Description of New Endo Ordinary Shares Dividends* beginning on page 265 and *Description of New Endo Ordinary Shares Share Repurchases, Redemptions and Conversions* beginning on page 266.

Immediately following the transaction, the unconsolidated balance sheet of New Endo will not contain any distributable reserves, and shareholders' equity in such balance sheet will be comprised entirely of share capital (equal to the aggregate par value of the New Endo ordinary shares issued pursuant to the transaction) and share premium resulting from the issuance of New Endo ordinary shares in the transactions. The share premium arising will be equal to (1) the sum of (a) the aggregate market value of the Paladin common shares as of the close of trading on TSX on the day the transactions are completed, less the cash consideration paid to the Paladin shareholders pursuant to the acquisition less the value of the Knight common shares issued to the Paladin shareholders, and (b) the net market value of the Endo common stock exchanged by Endo shareholders for the right to receive New Endo ordinary shares pursuant to the merger, less (2) the nominal value of the New Endo ordinary shares issued pursuant to the transactions.

The Endo shareholders are being asked at the special meeting and the Paladin shareholders are being asked at the Paladin special meeting to approve a proposal to reduce the share premium of New Endo to allow the creation of distributable reserves of New Endo. If the shareholders of both Endo and Paladin approve the creation of distributable reserves and the transactions are completed, such approval will facilitate New Endo seeking the approval of the Irish High Court, which is required for the creation of distributable reserves to be effective, as soon as practicable following the completion of the transactions.

The approval of the distributable reserves proposals are not a condition to the completion of the transactions and whether or not they are approved will have no impact on the completion of the transactions. Accordingly, if the shareholders of Endo and Paladin approve the transactions but either the shareholders of Endo or of Paladin (or both) do not approve the distributable reserves proposals, the transactions will still be completed.

Until the Irish High Court approval is obtained, or distributable reserves are created as a result of the profitable operation of the New Endo group, New Endo will not have sufficient distributable reserves to pay dividends or to repurchase or redeem shares following the transactions. In addition, although New Endo is not aware of any reason why the Irish High Court would not approve the creation of distributable reserves, the issuance of the required order is a matter for the discretion of the Irish High Court. See *Risk Factors Risks Related to the New Endo Ordinary Shares* beginning on page 39.

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Required Vote; Board Recommendation

The affirmative vote of the holders of at least a majority of the Endo common stock represented and voting either in person or by proxy at the special meeting and entitled to vote is required for approval of this Proposal 3 to approve the creation of distributable reserves of New Endo by reducing some or all of the share premium of New Endo.

The vote on this Proposal 3 to approve the creation of distributable reserves of New Endo is a vote separate and apart from the vote on Proposal 1 to adopt the arrangement agreement and transactions contemplated thereby (including the merger) and is a vote separate and apart from the votes on each of the other proposals. Accordingly, you may vote to approve this Proposal 3 and vote against any of the other proposals, or you may vote against this Proposal 3 and vote to adopt the arrangement agreement and transactions contemplated thereby (including the merger) and to approve any of the other proposals. Approval of this Proposal 3 is not a condition to the completion of the merger and whether or not this Proposal 3 is approved will have no impact on the completion of the merger.

The Endo board of directors recommends that the Endo shareholders vote FOR the proposal to approve the creation of distributable reserves of New Endo.

POSSIBLE ADJOURNMENT OF THE ENDO SPECIAL MEETING

If Endo fails to receive a sufficient number of votes to approve the proposal to adopt the arrangement agreement and transactions contemplated thereby (including the merger), Endo may propose to adjourn the special meeting, if a quorum is present, for the purpose of soliciting additional proxies to approve the proposal to adopt the arrangement agreement and transactions contemplated thereby (including the merger).

The affirmative vote of the holders of at least a majority of the Endo common stock represented and voting either in person or by proxy at the special meeting and entitled to vote is required for approval of the proposal to adjourn the special meeting, if necessary, if a quorum is present, to solicit additional proxies if there are not sufficient votes in favor of the proposal to adopt the arrangement agreement and transactions contemplated thereby (including the merger).

The Endo board of directors recommends that the Endo shareholders vote FOR the proposal to adjourn the special meeting, if necessary, if a quorum is present, to solicit additional proxies if there are not sufficient votes in favor of the proposal to adopt the arrangement agreement and transactions contemplated thereby (including the merger).

Table of Contents**SELECTED HISTORICAL FINANCIAL DATA OF ENDO**

The selected historical financial data and selected historical balance sheet data set out below as of and for the fiscal years ended December 31, 2008 through December 31, 2012 are derived from Endo's audited condensed consolidated financial statements for the fiscal years then ended. The selected historical financial data and selected historical balance sheet set out below as of and for the nine months ended September 30, 2013 and 2012 are derived from Endo's unaudited condensed consolidated financial statements for the periods then ended. The information set forth below is a summary that should be read together with the historical audited consolidated financial statements of Endo and the related notes thereto as well as the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in the Annual Report on Form 10-K for the year ended December 31, 2012 previously filed with the SEC and incorporated by reference into this proxy statement/prospectus. Historical results are not necessarily indicative of any results to be expected in the future. For more information, see the section entitled "Where You Can Find More Information" beginning on page 305 of this proxy statement/prospectus.

	Nine Months Ended		Years Ended December 31,				
	September 30, 2013	2012	2012	2011	2010	2009	2008
(in thousands of USD, except per share data)							
Consolidated Statement of Operations Data							
Total revenues	\$ 2,189,982	\$ 2,226,303	\$ 3,027,363	\$ 2,730,121	\$ 1,716,229	\$ 1,460,841	\$ 1,260,536
Operating income (loss)	291,486	152,591	(551,727)	508,366	465,366	390,024	387,474
Income (loss) before income tax	202,108	6,492	(741,583)	351,691	420,698	359,660	391,828
Consolidated net income (loss)	129,329	15,755	(688,021)	242,065	287,020	266,336	255,336
Less: Net income attributable to noncontrolling interests	38,758	39,826	52,316	54,452	28,014		
Net income (loss) attributable to Endo Health Solutions Inc.	\$ 90,571	\$ (24,071)	\$ (740,337)	\$ 187,613	\$ 259,006	\$ 266,336	\$ 255,336
Basic and Diluted Net Income (Loss) Per Share Attributable to Endo Health Solutions Inc.							
Basic	\$ 0.80	\$ (0.21)	\$ (6.40)	\$ 1.61	\$ 2.23	\$ 2.27	\$ 2.07

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Diluted	\$	0.77	\$	(0.21)	\$	(6.40)	\$	1.55	\$	2.20	\$	2.27	\$	2.06
Shares used to compute basic net income (loss) per share attributable to Endo Health Solutions Inc.		112,691		116,688		115,719		116,706		116,164		117,112		123,248
Shares used to compute diluted net income (loss) per share attributable to Endo Health Solutions Inc.		116,890		116,688		115,719		121,178		117,951		117,515		123,720
Cash dividends declared per share	\$		\$		\$		\$		\$		\$		\$	

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	As of and for the Period Ended September 30, 2013	2012	As of and for the Year Ended December 31,				2008
			2011	2010	2009		
	(in thousands of USD)						
Consolidated Balance Sheet Data							
Cash and cash equivalents	\$ 594,085	\$ 547,916	\$ 547,620	\$ 466,214	\$ 708,462	\$ 775,693	
Total assets	6,455,256	6,568,559	7,292,583	3,912,389	2,488,803	1,908,733	
Long-term debt, less current portion, net	2,644,628	3,037,947	3,424,329	1,045,801	322,534	243,150	
Other long-term obligations, including capitalized leases	797,717	669,386	706,885	327,431	196,678	71,999	
Total Endo Health Solutions Inc. shareholders equity	1,276,878	1,072,856	1,977,690	1,741,591	1,497,411	1,207,111	
Noncontrolling interests	60,486	60,350	61,901	61,738			
Total shareholders equity	\$ 1,337,364	\$ 1,133,206	\$ 2,039,591	\$ 1,803,329	\$ 1,497,411	\$ 1,207,111	
Other Financial Data:							
Net cash provided by operating activities	\$ 272,472	\$ 733,879	\$ 702,115	\$ 453,646	\$ 295,406	\$ 355,627	
Net cash (used in) provided by investing activities	\$ (126,989)	\$ (88,467)	\$ (2,374,092)	\$ (896,323)	\$ (245,509)	\$ 179,807	
Net cash (used in) provided by financing activities	\$ (100,473)	\$ (645,547)	\$ 1,752,681	\$ 200,429	\$ (117,128)	\$ (110,066)	

The comparability of the forgoing information is impacted by certain charges for asset impairments and certain litigation-related and other matters during 2012, and a number of significant acquisitions that have occurred since 2009, along with the debt incurred to finance these acquisitions. These business combinations have had a significant impact on Endo's financial statements in their respective years of acquisition and in subsequent years. This impact results from the consideration transferred by Endo for the acquisition, the initial and subsequent purchase accounting for the underlying acquisition and the post-acquisition consolidation of the acquired entity's assets, liabilities and results of operations. For further information regarding the comparability of the financial data presented in the tables above and factors that may impact comparability of future results, refer to *Management's Discussion and Analysis of Financial Condition and Results of Operations* as well as the Consolidated Financial Statements and related notes included in Endo's Annual Report on Form 10-K for the year ended December 31, 2012 that is incorporated by reference into this proxy statement/prospectus.

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The following historical consolidated financial information is provided to assist you in your analysis of the financial aspects of the arrangement and the merger. Paladin derived (i) the financial information as of and for the fiscal years ended December 31, 2008 through December 31, 2012 from its historical audited consolidated financial statements and related notes for the fiscal years then ended and (ii) the financial information as of and for the nine months ended September 30, 2013 and 2012 from its unaudited condensed consolidated financial statements and related notes which include, in the opinion of Paladin's management, all normal and recurring adjustments that are considered necessary for the fair statement of the results for such interim periods and dates. The information set forth below is only a summary that you should read together with the historical audited consolidated financial statements of Paladin and the related notes, as well as the sections titled "Management's Discussion and Analysis" contained in the annual report for the year ended December 31, 2012 and quarterly report for the nine months ended September 30, 2013 that Paladin previously filed with SEDAR at www.sedar.com and that are attached to this proxy statement/prospectus. Historical results are not necessarily indicative of any results to be expected in the future.

	(Unaudited)						
	Nine Months Ended						
	September 30,						
	2013⁽¹⁾	2012⁽¹⁾⁽²⁾	2012⁽¹⁾	2011⁽¹⁾	2010⁽¹⁾	2009⁽¹⁾	2008⁽¹⁾
	(in thousands of Canadian dollars, except per share amounts)						
Consolidated							
Income Statement Data							
Revenues	\$ 207,169	\$ 142,592	\$ 210,200	\$ 141,466	\$ 127,989	\$ 109,693	\$ 82,744
Gross income	122,928	94,170	133,390	102,172	93,862	80,000	62,594
Adjusted EBITDA ⁽³⁾	72,882	58,021	82,043	67,712	56,441	39,183	28,941
Income before income taxes ⁽⁴⁾⁽⁵⁾	51,943	60,877	76,255	64,265	41,374	44,025	20,109
Net income	38,596	46,935	58,355	50,151	29,856	37,738	13,798
Net income attributable to shareholders of Paladin	\$ 38,043	\$ 47,138	\$ 59,906	\$ 50,151	\$ 29,856	\$ 37,738	\$ 13,798
Earnings per common share							
Basic	1.85	2.32	2.94	2.51	1.60	2.23	0.93
Diluted	1.80	2.25	2.86	2.43	1.54	2.16	0.92

	As of						
	September 30,						
	2013⁽¹⁾	2012⁽¹⁾	2011⁽¹⁾	2010⁽¹⁾	2009⁽¹⁾	2008⁽¹⁾	
	(in thousands of Canadian dollars, except per share amounts)						
Consolidated							
Balance Sheet Data							
	\$ 230,727	\$ 257,958	\$ 239,009	\$ 139,389	\$ 105,369	\$ 21,342	

Cash and cash equivalents and marketable securities net of bank overdraft						
Current assets	362,521	348,170	274,738	179,912	145,299	61,870
Total assets	605,698	604,517	397,913	280,623	235,395	132,140
Current portion of long-term liabilities and finance lease liability						
	5,916	6,600	984			
Total long-term liabilities	50,140	61,319	7,844	539	5,750	341
Equity attributable to shareholders	409,615	383,706	322,726	228,845	194,802	95,348

The comparability of the forgoing information is impacted by a number of acquisitions that have occurred since 2008. These business combinations have had a significant impact on Paladin's financial statements in their respective years of acquisition and in subsequent years. This impact results from the consideration transferred by Paladin for the acquisition, the initial and subsequent purchase accounting for the underlying acquisition and the

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post-acquisition consolidation of the acquired entity's assets, liabilities and results of operations. For further information regarding the comparability of the financial data presented in the tables above and factors that may impact comparability of future results, refer to Management's Discussion and Analysis of Financial Condition and Results of Operations of Paladin as well as the Consolidated Financial Statements and related notes included in this proxy statement/prospectus and previously filed on SEDAR at www.sedar.com.

1. Paladin adopted IFRS as issued by the International Accounting Standards Board effective January 1, 2010, as a result, financial information for the periods ended September 30, 2013 and 2012 as well as for the years ended December 31, 2012, 2011 and 2010 were prepared and are presented in accordance with IFRS. The financial information for 2009 and prior years were prepared and are presented in accordance with accounting principles generally accepted in Canada in effect prior to January 1, 2011, which we refer to in this proxy statement/prospectus as Canadian GAAP. Certain comparative figures have been reclassified to conform with the presentation of the financial statements of Paladin for the year ended December 31, 2012.
2. On July 2, 2012, Paladin acquired a controlling interest in Litha and consolidated Litha's results and financial condition effective the same date.
3. The term Adjusted EBITDA (earnings before interest, taxes, depreciation and amortization) does not have any standardized meaning under IFRS or Canadian GAAP and therefore may not be comparable to similar measures presented by other companies. Paladin defines Adjusted EBITDA (which is referred to in this proxy statement/prospectus as Adjusted EBITDA) as earnings before interest expense, other expense (income), taxes, depreciation and amortization, foreign exchange gains (losses), share of net income (loss) in associates and joint venture and unusual items, such as write-downs and gains (losses) on intellectual property and investments. Adjusted EBITDA is calculated and presented consistently from period to period and agrees, on a consolidated basis, with the amount disclosed as Earnings before under-noted items on the consolidated statements of income. Paladin believes Adjusted EBITDA to be an important measurement that allows it to assess the operating performance of its ongoing business on a consistent basis without the impact of amortization expenses. Paladin excludes amortization expenses because their level depends substantially on non-operating factors such as the historical cost of intangible assets. Paladin's method for calculating Adjusted EBITDA may differ from that used by other issuers and, accordingly, this measure may not be comparable to Adjusted EBITDA used by other issuers.
4. In 2009, in accordance with Canadian GAAP an extraordinary gain in the amount of \$29,417 was recorded on the acquisition of Isotechnika Inc., representing the difference between the purchase price allocation and the consideration paid and is included in income before income taxes.
5. In 2008, in accordance with Canadian GAAP an extraordinary gain in the amount of \$4,072 was recorded on the acquisition of Virexx Medical Corp., representing the difference between the purchase price allocation and the consideration paid and is included in income before income taxes.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF PALADIN

Set forth below is the management's discussion and analysis for Paladin for (i) the year ended December 31, 2012 compared to the year ended December 31, 2011, as derived from Paladin's audited annual consolidated financial statements for the year ended December 31, 2012, (ii) the year ended December 31, 2011 compared to the year ended December 31, 2010, as derived from Paladin's audited annual consolidated financial statements for the year ended December 31, 2011, and (iii) the quarter and nine months ended September 30, 2013 compared to the quarter and nine months ended September 30, 2012, as derived from Paladin's condensed interim consolidated financial statements for the interim period ended September 30, 2013.

The following discussion and analysis of Paladin's financial condition and results of operations should be read in conjunction with the consolidated financial statements of Paladin and related notes included elsewhere in this proxy statement/prospectus. This discussion contains forward-looking statements that involve risks and uncertainties. Paladin's actual results could differ materially from those discussed below. Factors that could cause or contribute to such differences include, but are not limited to, those identified below and those discussed in the section entitled "Risk Factors" included elsewhere in this proxy statement/prospectus as filed on SEDAR at www.sedar.com.

MANAGEMENT'S DISCUSSION AND ANALYSIS (DECEMBER 31, 2012)

In thousands of Canadian dollars except for share and per share amounts

All other currencies are in thousands

This management's discussion and analysis provides an overview of Paladin's operations, performance and financial condition for the year 2012, and compares the 2012 results to those of 2011 prepared in accordance with IFRS. On July 2 2012, Paladin acquired a controlling interest in Litha and consolidated Litha's results and financial condition effective the same date. It is intended to complement and supplement financial information included in the interim and annual consolidated financial statements, related notes, other financial information found elsewhere in the annual report and in the annual information form or other documents filed on SEDAR at www.sedar.com. As a result, it should be read in conjunction with such financial information. This management's discussion and analysis is current as at March 22, 2013 and as at this date 20,564,538 shares and 1,448,621 options were issued and outstanding.

OVERVIEW & CORPORATE HIGHLIGHTS

In 2012, Paladin continued to make significant progress in acquiring the rights to innovative products, advancing the regulatory status and market access of its product pipeline, expanding sales of key promoted products and its geographic footprint, as follows:

Product development:

Filed a new drug submission and subsequently obtained approval from Health Canada for Silenor® (doxepin) for the treatment and symptomatic relief of insomnia.

Received regulatory approval from Health Canada and subsequently launched Oralair[®], a sublingual grass pollen immunotherapy tablet for the treatment of symptoms of moderate to severe seasonal grass pollen allergic rhinitis with or without conjunctivitis.

Entered into a license and supply agreement with Nuvo Research Inc. (TSX:NRI), which is referred to in this proxy statement/prospectus as Nuvo, acquiring the exclusive Canadian rights to market and sell Synera[®], a topical patch combining lidocaine, tetracaine and heat, upon regulatory approval. Paladin also agreed to loan Nuvo \$8,000 in two equal tranches, of which \$4,000 was advanced on closing.

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Filed a non-traditional product license application for Travelan[®], an over the counter, which is referred to in this proxy statement/prospectus as OTC , product for the prevention of traveler s diarrhea.

Entered into a licensing agreement with QRxPharma Limited (ASX:QRX and OTCQX:QRXPY), for MOXDUO[®], a novel, patented, immediate release, fixed dose formulation of morphine and oxycodone for the treatment of acute pain in Canada.

Entered into a licensing and distribution agreement with Dynamiclear Australia, for Dynamiclear Rapid[™], a novel, OTC product for the symptomatic treatment of cold sores, in Canada.

Entered into an exclusive distribution agreement with Moberg Derma for Emtrix[™], an OTC product for the treatment of fingernail and toenail fungal infections in Canada.

Corporate development:

Entered into a strategic partnership whereby Paladin bought the remaining 55.01% of Pharmaplan and merged the Pharmaplan business with the pharma division of Litha effective July 2, 2012.

Appointed Jonathan Ross Goodman as Chairman of the Paladin board of directors.

Initiated launch of commercial operations in Latin America with the acquisition of a controlling stake of 50.01% in Ativa Pharma S.A., which is referred to in this proxy statement/prospectus as Ativa, a start-up specialty pharmaceutical company headquartered in Mexico City, Mexico, effective January 1, 2013.

Subsequent to the year ended December 31, 2012:

Entered into an exclusive Canadian distribution agreement and the option to acquire distribution rights in Sub-Saharan Africa with Allergy Therapeutics plc (AIM:AGY) for Pollinex[®]-R an allergy vaccine for the treatment of allergic rhinitis due to ragweed pollen. Paladin Canada (as defined below) will co-promote Pollinex[®]-R with Takeda Canada Inc. from January 1, 2013 to August 31, 2013 prior to taking over all selling and distribution activities.

Entered into an exclusive licensing agreement with Apeiron Biologics AG for APN311, a novel antibody-based immunotherapy for children with high-risk neuroblastoma, in Canada and Sub-Saharan Africa.

2012 FINANCIAL HIGHLIGHTS

Revenues reached \$210,200, an increase of 49% over the prior year

Adjusted EBITDA was \$82,043, a 21% increase over the prior year

Net income was \$58,355, an increase of 16% over the prior year

Cash flows from operations reached \$69,603, a 2% increase over the prior year

Consolidated Litha revenues of \$56,327, EBITDA of \$5,522 and net loss of \$2,710
Effective July 2, 2012, Paladin acquired a controlling interest in Litha (refer to section Significant transactions and business combination for further details). Subsequent to the acquisition of Litha, Paladin is now structured in the following two operating segments:

Paladin Canada and rest of the world excluding Africa, which is referred to in this proxy statement/prospectus as Paladin Canada : a specialty pharmaceutical company focused on researching, developing, acquiring, in-licensing, marketing, and distributing innovative pharmaceutical products.

Africa, which is referred to in this proxy statement/prospectus as the Litha division : a diversified healthcare company focused on acquiring, in-licensing, marketing, and distributing

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pharmaceuticals and medical devices as well as supplying vaccines to South Africa and countries comprising the South African Development Community, which is referred to in this proxy statement/prospectus as the SADC, region in conjunction with establishing manufacturing capacity in the biotechnology area of vaccines.

The business activities of Paladin Canada and the Litha division are described as follows:

Paladin Canada's revenues are principally derived from sales of its pharmaceutical products to pharmaceutical wholesalers, chain pharmacies and licensees in Canada and the rest of the world (excluding Africa).

The Litha division's revenues are principally derived from sales from pharmaceutical, which is referred to in this proxy statement/prospectus as Litha Pharma, medical, which is referred to in this proxy statement/prospectus as Litha Medical, and biotech, which is referred to in this proxy statement/prospectus as Litha Biotech, divisions in South Africa and the SADC. Litha Pharma revenues are principally derived from sales of pharmaceutical products to pharmaceutical wholesalers, chain pharmacies, government agencies, and hospitals. Litha Medical revenues are principally derived from the sale of medical devices and complementary products to public and private hospitals as well as pharmacies. Litha Biotech revenues are principally derived from sale of vaccines to the government of South Africa and to the private sector.

In addition, Litha Biotech holds an investment in a joint venture in the Biologicals and Vaccines Institute of Southern Africa (Pty) Limited, which is referred to in this proxy statement/prospectus as Biovac. Biovac was established in 2003 between the Government of South Africa and the Biovac Consortium, which is referred to in this proxy statement/prospectus as Biovac Consortium, of which Litha owns 85%. Biovac Consortium owns 52.5% of Biovac and the government of South Africa owns the remaining 47.5%. Biovac was formed to establish domestic production facilities to ensure the security and sustainability of vaccine supply to the South African and the greater southern African region. Biovac has established facilities for warehousing, cold chain distribution, research and development and quality control laboratories for vaccines. Following regulatory inspection and certification, commercial manufacturing is anticipated to begin in 2014.

Paladin's expenses are comprised primarily of cost of goods sold (including royalty payments to those companies from which Paladin licenses its products), selling, marketing, general and administrative expenses and interest expense. In addition, a substantial portion of Paladin's expenses are related to the amortization of the intangible assets Paladin acquires.

Paladin's annual and quarterly operating results with respect to Paladin Canada and Litha Pharma are primarily affected by the level of acceptance of Paladin's products by physicians, pharmacies, hospitals and their patients, and the timing and number of product launches. The level of patient and physician acceptance of the products, the acceptance of provincial government reimbursement on such products, market access, as well as the availability of similar therapies, impact Paladin's revenues by driving the level and timing of prescriptions for its products. Each new product launch requires significant promotional investment during the first three to five years from launch. The Litha division's revenues from the Litha Medical and Litha Biotech divisions are mainly affected by the demand of the products by hospitals and pharmacies, request for tenders by government as well as export opportunities within the SADC region.

Paladin's revenues reached \$210,200 for the year ended December 31, 2012 compared to \$141,466 for last year. The Litha acquisition contributed \$56,327 to revenues for the year ended December 31, 2012. For the year ended December 31, 2012, Paladin's net income was \$58,355 or \$2.86 per fully diluted share compared to \$50,151 or \$2.43 per fully diluted share last year.

As at December 31, 2012, Paladin's total assets were \$604,517 of which net assets attributable to shareholders of Paladin were \$383,706 compared to \$322,726 as at December 31, 2011. Paladin's cash, cash equivalents and marketable securities net of bank overdraft amounted to \$257,958 as at December 31, 2012 compared to \$239,009 as at December 31, 2011.

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CRITICAL ACCOUNTING ESTIMATES

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the amounts of assets, liabilities, revenue and expenses reported in the consolidated financial statements. Actual amounts and results could differ from those estimates. The following are considered to be the key accounting estimates and judgements made.

Revenue recognition

Revenue is recognized when title and risk of loss is passed to the customer and reliable estimates can be made of relevant deductions. Gross revenue is reduced by discounts, credits, allowances and product returns. Accruals are made at the time of sale for the estimated discounts, credits, allowances and product returns, based on available market information and historical experience. Because the amounts are estimated they may not fully reflect the final outcome, and the amounts are subject to change. The level of accrual is reviewed and adjusted regularly in light of contractual and legal obligations, historical trends, past experience and projected market conditions. Market conditions are evaluated using wholesaler and other third-party analyses, market research data and internally generated information. Future events could cause the assumptions on which the accruals are based to change, which could affect the future results of Paladin.

In certain situations, such as initial product launches for which Paladin has limited comparable information or where the market or client acceptance has not been clearly established, Paladin may determine that it has not met the requirements for recognition of revenue, such as the ability to reasonably determine provisions for product returns, as a result Paladin will defer the recognition of revenue for these product sales until such criteria are met.

Inventory valuation

The reserve for inventory primarily consists of all or a portion of the inventory which has reached its expiration or is not expected to be sold, based on the specific facts and circumstances. In order to determine whether the inventory is properly stated at the lower of cost or net realizable value, management reviews the amount of inventory on hand, the remaining shelf life and estimates the time required to sell such inventory taking into account current and expected market conditions and competition.

Assets arising from business combinations

During 2012, Paladin invested \$47,643 (2011: \$20,448) on business acquisitions (refer to Note 5 of the annual audited consolidated financial statements). Based on existing accounting standards Paladin allocated the cost of the acquisition to the underlying net assets acquired based on their respective estimated fair values. As part of this allocation process, Paladin must identify and attribute values and estimated lives to the identifiable assets acquired, mainly intangible assets. These determinations involve significant estimates and assumptions regarding cash flow projections, economic risk and weighted cost of capital rates such as length of license agreement, expected market penetration, terminal values and country specific risk. These estimates and assumptions determine the amount allocated to identifiable intangible assets and goodwill, as well as the amortization period for identifiable intangible assets with finite lives. If future events or results differ adversely from these estimates and assumptions, Paladin could record increased amortization or impairment charges in the future.

Intangible assets

The factors that drive the actual economic useful life of the intangible assets are inherently uncertain, and include patent protection, physician loyalty and prescribing patterns, competition by products prescribed for similar indications, introductions of competing products, the impact of promotional efforts, adverse patient reactions to products or similar products including negative publicity and many other issues. The terms generally

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range from 2 to 15 years. Capitalized milestones and other license payments are based on future cash flows that are derived from business forecasts and are inherently judgemental.

Estimated useful lives are reviewed annually and impairment tests are undertaken if events occur which call into question the carrying values of the assets. Impairment tests are based on risk-adjusted future cash flows discounted using Paladin's weighted average cost of capital. These future cash flows are based on business forecasts and are therefore inherently judgemental. Future events could cause the assumptions used in these impairment reviews to change with a consequential adverse effect on the future results of Paladin.

Income taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. Paladin establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile.

Deferred tax assets are recognized for all unused tax losses and SR&ED expenditures carried forward to the extent that it is probable that taxable profit will be available against which the losses and SR&ED expenditures can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

RECENT ACCOUNTING PRONOUNCEMENTS

Certain new standards, interpretations and amendments to existing standards issued by the IASB or IFRIC that are not yet effective up to the date of issuance of Paladin's consolidated financial statements are listed below. These standards are mandatory for accounting periods beginning January 1, 2013 with the exception of IFRS 9 which is mandatory for accounting periods starting with January 1, 2015. Paladin is assessing the impact of these pronouncements on its consolidated results and financial position. Paladin intends to adopt these standards when they become effective.

IFRS 9 Financial Instruments (Classification and Measurement)

IFRS 10 Consolidated Financial Statements

IFRS 11 Joint Arrangements

IFRS 12 Disclosure of Interest in Other Entities

IFRS 13 *Fair value measurements*

IAS 1 *Presentation of financial statements*

IAS 28 *Investments in Associates and Joint Ventures*

CORPORATE ANNOUNCEMENT: JONATHAN ROSS GOODMAN

On August 18, 2011, Paladin announced that its President and CEO, Mr. Jonathan Ross Goodman, was involved in an accident and was hospitalized with serious injuries. As Mr. Goodman was unable to perform his duties as President and CEO, the Paladin board of directors asked Mr. Mark Beaudet, Co-Founder, Director and

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Vice President Marketing and Sales of Paladin, to assume such duties on an interim basis. Effective May 29, 2012, Mr. Jonathan Ross Goodman was appointed as Chairman of the Paladin board of directors. As part of his new role, Mr. Jonathan Ross Goodman regularly meets with senior management of Paladin to discuss ongoing business matters. Mr. Mark Beaudet continues as Paladin's interim President and CEO of Paladin.

RESULTS OF OPERATIONS

Year ended December 31, 2012 compared to year ended December 31, 2011.

Paladin Canada's results of operations:

	Years Ended December 31,	
	2012	2011
	\$	\$
Revenues	153,873	141,466
Cost of sales	44,112	39,294
Gross income	109,761	102,172
Adjusted EBITDA	76,521	67,712
Income before income tax	79,479	64,265
Net income	61,065	50,151
Net income attributable to shareholders of Paladin	61,065	50,151

The Litha division's results of operations:

	Six Months Ended December 31, 2012	
	ZAR	CAD
Revenues	480,260	56,327
Cost of sales	279,087	32,698
Gross income	201,173	23,629
Adjusted EBITDA	46,865	5,522
Loss before income tax	28,323	3,224
Net loss	23,682	2,710
Net loss attributable to shareholders of Paladin	10,127	1,159

Revenues

Revenues increased \$68,734 or 49% to \$210,200 for the year ended December 31, 2012 from \$141,466 for the year ended December 31, 2011. The consolidation of the Litha division's financial results accounted for \$56,327 of incremental revenues for the year ended December 31, 2012.

Table of Contents**Paladin Canada Revenues**

Revenues increased \$12,407 or 9% to \$153,873 for the year ended December 31, 2012 from \$141,466 for the year ended December 31, 2011. The increase in revenues for 2012 is mostly attributable to the sales growth of certain significant promoted products, including Trelstar[®], Testim[®], Metadol[®], Abstral[®] and Digifab[®] which combined increased by 13% compared to 2011. In addition, incremental revenues from products acquired and/or launched, and corporate acquisitions since 2011 contributed \$10,175 in 2012 including \$6,001 resulting from the acquisition of Labopharm. Furthermore, in accordance with Paladin's revenue recognition policy, Paladin Canada has deferred revenue of \$4,468 as at December 31, 2012 (2011 \$5,098).

Product revenues highlights for Paladin Canada's most significant promoted products using IMS Canada sales data for 2012 compared to 2011 are as follows:

Promoted Products	Sales Data Per IMS Canada in 2012(ii) \$	Change vs. 2011 %
Tridural [®]	11,702	0%
Trelstar [®]	7,899	14%
Testim [®]	5,248	25%
Metadol [®]	11,289	6%
Abstral [®] (i)	1,022	656%
Plan B [®]	9,142	(11%)
Digifab [®] (i)	3,095	4,087%
Glucagen [®]	826	57%
Urocit [®] -K	207	83%
Total	50,430	13%

(i) Products launched during 2011

(ii) Paladin has chosen not to disclose product by product revenue information for competitive reasons, however, the table above does include detailed IMS Canada sales data, essentially end-user pharmacy purchase volume data, to allow the reader to better understand revenue changes from period to period on certain significant products. It is important that readers of this sales data note that IMS Canada sales data may not necessarily correspond to Paladin's recording of revenue in accordance with IFRS.

Generic versions of Pennsaid[®] and Plan B[®], respectively, have been approved in Canada and while it is not yet known if or when the generic version of Pennsaid[®] will be sold in the Canadian market, the generic version of Plan B[®] was launched in September 2011. Should a generic version of Pennsaid[®] successfully commercially launch the sales of Pennsaid[®] would decline significantly. A generic version of Plan B[®] was launched in September 2011 and as a result the Plan B[®] sales decreased by 11% in 2012 compared to 2011, according to IMS Canada sales data.

The Litha Division Revenues

Revenues for the period from July 2, 2012 to December 31, 2012 were \$56,327. Revenues by division are as follows; \$31,680 from Litha Pharma; \$18,309 from Litha Medical; and \$6,338 from Litha Biotech excluding the joint venture in Biovac which is accounted for separately under Share of net loss from a joint venture in the annual audited consolidated statements of income.

Gross Income

Total gross income increased \$31,218 or 31% to \$133,390 for the year ended December 31, 2012 from \$102,172 for the same period last year. Gross income, as a percentage of revenues, decreased 9% to 63% for the year ended December 31, 2012 from 72% in 2011. The decrease in the gross income as a percentage of revenue is attributable to the consolidation of the Litha division's results which have a lower gross income margin than Paladin Canada.

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Paladin Canada Gross Income

Total gross income increased \$7,589 or 7% to \$109,761 for the year ended December 31, 2012 from \$102,172 for the same period last year. Gross income, as a percentage of revenues, decreased by 1% to 71% for the year ended December 31, 2012 from 72% for the same period last year.

The decrease in gross income as a percentage of revenues for the year ended December 31, 2012 relative to the comparative period last year is mainly the result of product mix and the effect of reduced margins on certain newly launched and acquired products.

The Litha Division Gross Income

The Litha division's gross income was \$23,629 for the period from July 2, 2012 to December 31, 2012. Gross income, as a percentage of revenues, was 42% for the year ended December 31, 2012. The total gross income is made up of \$14,990 from Litha Pharma, \$7,095 from Litha Medical and \$1,544 from Litha Biotech, excluding the joint venture in Biovac which is accounted for separately under Share of net loss from a joint venture in the annual audited consolidated statements of income. Gross income as a percentage of revenues by division is as follows: Litha Pharma 47%; Litha Medical 39%; and, Litha Biotech 24%.

Selling, General and Administrative Expense

Selling, general and administrative expense increased \$17,030 or 53% to \$49,013 for the year ended December 31, 2012 from \$31,983 for the same period last year. Selling, general and administrative expense, as a percentage of revenues, remained steady at 23% for the year ended December 31, 2012 compared to the same period last year.

Paladin Canada Selling, General and Administrative Expense

Selling, general and administrative expense decreased \$1,246 or 4% to \$30,737 for the year ended December 31, 2012 from \$31,983 for the same period last year. Selling, general and administrative expense, as a percentage of revenues, decreased to 20% for the year ended December 31, 2012 compared to 23% for the same period last year.

The decrease in selling, general and administrative expenses for the year ended December 31, 2012 compared to the same period last year is mainly the result of decreased transaction related expenses. Paladin substantially completed the restructuring of Labopharm during the second quarter of 2012. The promotional activities driving selling and marketing costs primarily relate to Paladin Canada's continued promotional activities for Tridur[®], Trelstar[®], Testim[®], Metadol[®] Plan B[®], and the product launch costs related to Abstral[®] and Oralair[®].

The Litha Division Selling, General and Administrative Expense

Selling, general and administrative expense was \$18,276 for the period from July 2, 2012 to December 31, 2012. Selling, general and administrative expense, as a percentage of revenues, was 32% for the period from July 2, 2012 to December 31, 2012.

Research and Development Expense

Research and development expense decreased \$1,979 or 20% to \$7,794 for the year ended December 31, 2012 from \$9,773 for the same period last year. Research and development expense, as a percentage of revenues, decreased by 3% to 4% for the year ended December 31, 2012 from 7% for the same period last year. The decrease in research and

development expenses is mainly due to reduction of Labopharm related expenses as well as partnering of certain research and development projects and research-based product license payments

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during the year ended December 31, 2011 not incurred in the current year. The decrease in research and development expense is partially offset by the Litha division related research and development costs of \$423 for the period from July 2, 2012 to December 31, 2012.

Interest Income

Interest income decreased \$1,836 or 25% to \$5,460 for the year ended December 31, 2012 from \$7,296 for the same period last year. The decrease for the year ended December 31, 2012 is the result of the decrease in interest earned from debentures issued to strategic partners by \$3,322 mainly as a result of the Prostrakan facility as defined below and as described further in Significant transactions and business combinations section below, partially offset by interest income of \$592 earned by the Litha division and higher interest income related to higher average daily cash and marketable securities balances for the year ended December 31, 2012, compared to the same period last year.

Interest Expense

Interest expense amounted to \$2,181 for the year ended December 31, 2012. The interest expense was substantially all incurred on bank overdrafts and financial liabilities including a finance lease liability, held by the Litha division for the period since acquisition as further described in Notes 21, 22 and 27 of the annual audited consolidated financial statements.

Amortization of Intangible Assets

Amortization expense decreased by \$5,896 or 27% to \$16,132 for the year ended December 31, 2012 from \$22,028 for the same period last year. The decrease in amortization expense is the result of certain pharmaceutical product licenses and rights having reached full amortization during the year, partly offset by amortization related to the acquisition of intangible assets, mostly through the acquisition of Litha and Labopharm during 2011.

Depreciation of Property, Plant and Equipment

Depreciation expense increased by \$567 or 417% to \$703 for the year ended December 31, 2012 from \$136 for the same period last year. The increase in depreciation expense is mainly attributed to the property, plant and equipment acquired through the Litha transaction.

Other Finance Expense (Income)

Paladin recorded other finance expense of \$1,164 for the year ended December 31, 2012. During the year ended December 31, 2012, Paladin disposed of certain shares held in portfolio companies, a convertible debenture and warrants for proceeds of \$934 and \$5,192, representing a net loss of \$575 and \$564, respectively. Furthermore during the year ended December 31, 2012, in accordance with IAS 39, Paladin re-measured the fair value of conversion options held on certain of its convertible debentures using the Black-Scholes valuation model and recorded an unrealized loss on these derivatives of \$384. Moreover, during the same period, Paladin recorded \$311 in interest accretion on convertible debentures. The consolidation of the Litha division's results accounted for \$48 in other finance income for the year ended December 31, 2012.

During the year ended December 31, 2011, Paladin redeemed its Prostrakan secured convertible debt facility, which is referred to in this proxy statement/prospectus as the Prostrakan facility, for proceeds of \$86,432, made up of: the principal of the Prostrakan facility of \$77,232; the interest accrued at May 17, 2011 of \$778; a break free of \$3,089; and the balance of interest payable for the first year of \$5,333, resulting in an early redemption gain of \$8,422. In

connection with the same Prostrakan facility, Paladin re-measured the fair value of a conversion option on the Prostrakan facility, deemed to be \$nil and recorded an unrealized loss of \$4,572,

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partially offset by a gain of \$3,568 on the re-measurement of an early redemption option. In addition, Paladin recorded \$1,220 of accreted interest on Paladin's convertible debentures, principally the Prostrakan facility. Furthermore, Paladin disposed of certain shares held in portfolio companies for \$16,465, representing a net gain of \$5,105. Finally, as part of Paladin's on-going assessment of investment carrying values, management determined its investments in Somaxon and Isotechnika to be impaired and recorded a write-down of \$5,056.

Foreign Exchange Loss

During the year ended December 31, 2012, Paladin recorded a foreign exchange loss of \$1,211. Paladin Canada recorded a loss of \$520, mainly as a result of the strengthening of the Canadian dollar relative to the EURO and the South African Rand impacting Paladin's net monetary position in these currencies during the year ended December 31, 2012. The Litha division recorded a loss of \$691 for period July 2, 2012 to December 31, 2012 mainly due to the weakening of the ZAR relative to the USD and EURO impacting the Litha division's net monetary position as well as the effects of the forward contracts held during the period July 2 to December 31, 2012.

During the year ended December 31, 2011, Paladin recorded a foreign exchange loss of \$80 on Paladin's foreign operating results, mainly as a result of the weakening of the CAD relative to the USD and as a result of the strengthening of the CAD relative to the EURO and ZAR, and its impact on Paladin's net monetary position in these currencies.

Other Income

Other income was \$3,035 for the year ended December 31, 2012, compared to \$97 for the same period last year. During the year ended December 31, 2012, Paladin fully discharged its liability on a Labopharm finance lease through an assignment agreement and recorded a gain on settlement of \$2,108. Furthermore, Paladin recorded income from an operating lease of \$181 offset by other expenses of \$15. The consolidation of the Litha division's results accounted for \$213 in other finance expense for year ended December 31, 2012. In addition, Paladin disposed of certain assets and licensed certain research and development activities recording a gain of \$974 for the year ended December 31, 2012.

During the year ended December 31, 2011, Paladin received a contractual partner payment of \$97 and recorded a \$97 gain in other income.

Share of Net Income from Associates

Pharmaplan

On March 1, 2011, Paladin acquired an additional 10% ownership interest in Pharmaplan, a privately-owned specialty pharmaceutical company based in Johannesburg, South Africa increasing Paladin's ownership from 34.99% to 44.99%. The equity interest acquired in Pharmaplan represented an investment subject to significant influence which was accounted for using the equity method from the effective date of acquisition up to July 1, 2012.

As of July 2, 2012, Paladin acquired the remaining 55.01% interest in Pharmaplan Paladin did not own and merged the Pharmaplan business with Litha Pharma. Effective July 2, 2012, Pharmaplan is a wholly owned subsidiary of Litha such that Pharmaplan is accounted for as part of the consolidation of Litha within Paladin's consolidated results for the year ended December 31, 2012.

Paladin's share of Pharmaplan's net income for the year ended December 31, 2012 decreased by \$808 to \$948 compared to \$1,756 for same period last year due to the merger transaction described above and its effects on the

accounting for Pharmaplan results post the merger effective July 2, 2012.

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Firefly

The investment in associate relates to a 30% investment in a property holding company, Firefly Investments Ltd., which is referred to in this proxy statement/prospectus as Firefly, held by Litha. Litha's share of Firefly's net income for the period from July 2, 2012 to December 31, 2012 is \$51. Refer to paragraph Investment in associates for further details.

Share of Net Loss from a Joint venture

Paladin has an ownership interest of 44.54% in Litha which has an ownership interest of 85% in Biovac Consortium. Biovac Consortium has an ownership interest of 52.5% in Biovac. The Government of South Africa jointly controls and is a 47.5% shareholder of Biovac. The investment is accounted for as an investment in joint venture effective July 2, 2012 (refer to paragraph Interest in a joint venture for further details).

Paladin's share of Biovac's net loss for the year ended December 31, 2012 is \$725.

Purchase Gain on Business Combination

On October 7, 2011, Paladin acquired all of the issued and outstanding common shares of Labopharm Inc. at a price of \$0.2857 per share in cash, for a total cash consideration of \$20,448 and the settlement of a loan receivable of \$9,712 (refer to Note 5 of the annual audited consolidated financial statements), for a total purchase price of \$30,160. The excess of the net assets acquired of \$47,230 over the purchase price represented a purchase gain of \$17,070.

Gain on revaluation of equity investment

Prior to the Combined Transactions discussed in the section Significant transactions and business combinations, Paladin held a 44.99% interest in Pharmaplan and considered it an equity investment recorded at a value of \$18,480 under Investment in an associate on the consolidated balance sheet. In conjunction with Paladin's acquisition of the remaining 55.01% interest in Pharmaplan, Paladin, in accordance with IFRS, revalued its original investment in Pharmaplan as of July 2, 2012 at \$30,774 and recorded a gain of \$12,294.

Restructuring, Shutdown and Other Costs

As discussed above, on October 7, 2011, Paladin acquired all of the issued and outstanding common shares of Labopharm and in connection with this acquisition, Paladin incurred restructuring costs of \$8,795 which, when netted against the purchase gain of \$17,070 results in a net gain on acquisition of \$8,275.

Income Before Income Tax and Under-noted Items

Income before income tax and undernoted items increased \$7,971 to \$63,961 for the year ended December 31, 2012 compared to income before income tax and undernoted items of \$55,990 for the same period last year.

Provision for Income Taxes

The provision for income taxes increased by \$3,786 or 27% to \$17,900 for the year ended December 31, 2012 from \$14,114 for the year ended December 31, 2011. The effective tax rate was 23% for the year ended December 31, 2012 compared to 22% for the same period last year. The increase in effective rate in the current year is principally due to the decrease in non-taxable gains net of impairment of financial assets included in net income in comparison to the

previous year. The non-taxable gains relate to the revaluation of the investment in Pharmaplan in relation with the Litha acquisition in 2012 and the purchase gain recorded on the acquisition of Labopharm and the repayment of the Prostrakan facility in the prior year. Please refer to the Significant transactions and business combinations section below.

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The provision for income taxes increased \$4,300 or 30% to \$18,414 for the year ended December 31, 2012 from \$14,114 for the year ended December 31, 2011. The effective tax rate was 23% for the year ended December 31, 2012 compared to 22% for the same period last year. The increase in effective rate in the current year is principally due to the decrease in non-taxable gains net of impairment of financial assets included in net income in comparison to the previous year. The non-taxable gains relate to the revaluation of the investment in Pharmaplan in relation with the Litha acquisition in 2012 and the purchase gain recorded on the acquisition of Labopharm and the repayment of the Prostrakan facility in the prior year. Please refer to the Significant transactions and business combinations section below.

Paladin Canada has the following tax pools detailed below which may be applied against taxable income:

	Available		Recognize		Expires in
	2012	2011	2012	2011	
	\$	\$	\$	\$	
Non-capital tax losses					
Canada					
Federal	29,530	28,746	20,491	23,245	2030-2032
Provincial	29,429	22,343	20,626	19,271	2030-2032
Scientific Research and Experimental Development expenditures					
Canada					
Federal	71,701	130,203	57,469	118,125	N/A
Provincial	42,877	99,025	39,850	86,993	N/A
Investment tax credits					
Canada					
Federal	31,186	31,084	24,840	24,674	2017-2031

	Available		Recognized		Expires in
	2012	2011	2012	2011	
	\$	\$	\$	\$	
Foreign subsidiaries					
Non-capital tax losses					
Barbados	22,797	24,224	5,781	6,103	2013-2021
Ireland	198,243	203,586	19,612	24,799	N/A
South Africa	7,635	N/A	7,635	N/A	N/A
United States of America	359	932			2027-2032(i)

(i) The major portion of the US non-capital tax losses are subject to certain restrictions by the application of Section 382 of the Internal Revenue Code of the United States.

The amount of tax benefit claimed in the current and prior years is subject to audit by the taxation authorities and could be reduced by a material amount in the future.

The Litha Division

The income taxes recovery of the Litha division was \$514 for the six months ended December 31, 2012. The effective tax rate was 16% for the period July 2, 2012 to December 31, 2012. The Litha division tax rate is lower than the South African statutory tax rate of 28% due to non-deductible expenses, mainly share based compensation and certain interest expenses.

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Due to the factors set forth above, net income was \$58,355 or \$2.86 per share on a fully-diluted basis for the year ended December 31, 2012 compared to \$50,151 or \$2.43 per share on a fully-diluted basis for the year ended December 31, 2011.

Net income attributable to shareholders of Paladin

Due to the factors set forth above, net income attributable to shareholders of Paladin was \$59,906 for the year ended December 31, 2012, compared to \$50,151 for the same period last year. Net income attributable to shareholders from Paladin was \$61,065 for the year ended December 31, 2012 offset by a net loss attributable from the Litha division of \$1,159.

Net loss attributable to non-controlling interests

The net loss attributable to non-controlling interests for the year ended December 31, 2012 consists of \$109 for the 15% non-controlling interest in Biovac Consortium not held by Litha and \$1,442 for the 55.56% economic ownership of Litha not held by Paladin's shareholders.

LIQUIDITY AND CAPITAL RESOURCES

Paladin's Investment Policy regulates the investment activities relating to cash resources. An Investment Committee composed of representatives from management and the Board of Directors monitors compliance with said policy. Paladin invests in strategic investments in the form of equity or strictly in liquid, high-grade investment securities with varying terms to maturity, selected with regard to the expected timing of investments and expenditures for continuing operations and prevailing interest rates.

Paladin believes that its existing cash, cash equivalents and marketable securities, as well as cash generated from operations are sufficient to finance its current operations, working capital requirements and future product acquisitions. At present, Paladin is actively pursuing other acquisitions that may require the use of substantial capital resources. There are no present agreements or commitments with respect to any such acquisitions.

Paladin has a \$8,000 extendable revolving unsecured credit facility in place with one of Paladin's bankers. As at December 31, 2012, approximately \$1,000 is being utilized for certain operational letter of credits.

The table below sets forth a summary of cash flow activity and should be read in conjunction with Paladin's consolidated statements of cash flows within the annual audited consolidated financial statements for the year ended December 31, 2012.

	2012	2011
	\$	\$
Cash inflow from operating activities	69,603	68,113
Net cash outflow from investing activities	(18,332)	(120,118)
Net cash (outflow) inflow from financing activities	(5,079)	27,930
Foreign exchange rate gain (loss) on cash and cash equivalents	437	(105)

Increase (Decrease) in cash and cash equivalents during the year	46,629	(24,180)
Cash and cash equivalents, beginning of year	72,115	96,295
Cash and cash equivalents end of year	118,744	72,115
Marketable securities, end of year	146,258	166,894
Bank overdraft	(7,044)	
Cash, cash equivalents, marketable securities net of bank overdraft, end of year	257,958	239,009

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	Paladin Canada	Litha Division	Consolidated
Year Ended December 31, 2012	\$	\$	\$
Cash inflow from operating activities	68,048	1,555	69,603
Net cash outflow from investing activities	(22,705)	(912)	(23,617)
Net cash in Litha at acquisition dates		5,285	5,285
Total net cash (outflow) inflow from investing activities	(22,705)	4,373	(18,332)
Net cash outflow from financing activities	(4,666)	(413)	(5,079)
Foreign exchange rate gain on cash and cash equivalents	437		437
Increase in cash and cash equivalents during the year	41,114	5,515	46,629
Cash and cash equivalents, beginning of year	72,115		72,115
Cash and cash equivalents end of year	113,229	5,515	118,744
Marketable securities, end of year	146,258		146,258
Bank overdraft		(7,044)	(7,044)
Cash, cash equivalents, marketable securities net of bank overdraft, end of year	259,487	(1,529)	257,958

Paladin's cash, cash equivalents, restricted cash and marketable securities net of bank overdraft increased by \$18,949 to \$257,958 at December 31, 2012 from \$239,009 at December 31, 2011. The increase is primarily a result of cash flows generated from operating activities of \$69,603 offset by cash outflows for the acquisition of Litha of \$42,358 (net of cash acquired upon acquisition). Working capital (current assets less current liabilities) increased \$48,092 to \$255,487 at December 31, 2012 from \$207,395 at December 31, 2011 primarily due to the increase in the cash, cash equivalents and marketable securities explained above.

No dividend was declared or paid by Paladin or Litha on its common shares during the current financial year. In addition, Paladin does not expect to pay dividends in the near future.

Cash flows from operating activities increased by \$1,490 or 2% to \$69,603 for the year ended December 31, 2012 from \$68,113 for the same period last year. Cash flows from operating activities represent the cash flows from net earnings, excluding revenues and expenses not affecting cash, principally amortization and depreciation, deferred taxes, share-based compensation expense, foreign exchange (gains) losses, gain on revaluation of equity investment, other income, share of net income from associates, share of net loss from a joint venture and other finance expenses (income) in addition to net changes in non-cash balances relating to operations.

During the year ended December 31, 2012, Paladin invested \$18,332 compared to \$120,118 for the years ended December 31, 2011. Paladin invested \$42,358 towards the acquisition of a subsidiary and \$4,000 in a secured debenture with a strategic partner, repaid loans and other balances payable of \$995, invested \$1,453 in the acquisition of property, plant and equipment and invested \$1,111 in acquisition of intangible assets. These cash outflows from investing activities were partially offset by \$19,960 net of cash flows invested in same upon maturity of marketable securities, \$3,319 in form of dividends from an associate, \$1,466 from disposal of intangible assets, \$6,620 from the disposal of financial assets and \$220 from the disposal of property plant and equipment.

During 2011, Paladin invested \$123,245 in marketable securities net of cash flows generated from maturing marketable securities, acquired pharmaceutical product licenses and rights for \$7,617, invested \$2,936 in an associate, acquired a subsidiary, net of cash included as part of the acquisition, for \$1,109, partially offset by the disposal of financial assets for \$12,246 net of purchases and dividends received from an associate of \$2,871.

Cash flows used in financing activities were \$5,079 compared to cash flows generated in financing activities of \$27,930 for the years ended December 31, 2012 and December 31, 2011 respectively. During the year ended December 31, 2012, Paladin used \$2,278 to repurchase 58,716 of its own common shares under the terms of its

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normal course issuer bid, paid \$3,366 for the settlement of the Labopharm finance lease, repaid \$500 related to the Labopharm finance lease obligations and repaid \$1,766 of long term liabilities. The cash outflows from financing activities were partially offset by \$1,478 from share option exercises and the issuance of common shares under the share purchase plan for cash and increased a bank overdraft by \$1,353.

During 2011, Paladin issued 1,150,000 common shares through a bought deal share offering at a price of \$35.00 per common share for net proceeds of \$38,607. In addition, Paladin received \$3,311 from stock option exercises and the issuance of common shares under the employee share purchase plan for cash. Moreover, during the year Paladin made a payment of \$13,241 related to debt previously carried by Labopharm and used \$580 to repurchase 16,704 of its own common shares under the terms of its normal course issuer bid.

INVESTMENT IN ASSOCIATES

On March 16, 2010, Paladin entered into a strategic investment to acquire an initial 34.99% ownership interest in Pharmaplan, a privately-owned specialty pharmaceutical company based in Johannesburg, South Africa. Paladin paid \$18,861 including a non-interest bearing loan of \$2,879 (ZAR 21,000). In addition, Paladin committed to additional future consideration by increasing its ownership position by 5% per year over the next 3 years to 49.99%, with such additional consideration based upon Pharmaplan's future financial results. In addition, Paladin had the option to increase its ownership interest in Pharmaplan to 100% in 2013, at a purchase price determined using Pharmaplan's future financial results, payable in ZAR. Refer to Note 5 of the annual audited consolidated financial statements for additional information.

On March 1, 2011, Paladin entered into an agreement with Pharmaplan to accelerate the purchase of Pharmaplan shares leading to the acquisition of a total 10% ownership interest in Pharmaplan. This increased Paladin ownership from 34.99% to 44.99% effective March 1, 2011. Paladin paid \$5,975 including the settlement of the non-interest bearing loan mentioned above.

The equity interest acquired in Pharmaplan represented an investment subject to significant influence which was accounted for using the equity method from the date of the acquisition, March 16, 2010. The investments were initially recorded at cost and adjustments are made to include Paladin's share of Pharmaplan's net income. Paladin's share of net income is adjusted to reflect the amortization of the fair value adjustments related to Paladin's share of the net identifiable assets of Pharmaplan acquired and the tax impact on the distributable earnings.

Paladin is presenting selected financial information derived from Pharmaplan's IFRS compliant unaudited financial statements for information purposes.

Pharmaplan's statement of income data

	For the Period from January 1 to July 1, 2012 \$	Year Ended December 31, 2011 \$
Revenues	24,411	46,346
Cost of sales	12,515	22,524

Gross income	11,896	23,822
Earnings before under-noted items	5,711	13,563
Interest, depreciation and income taxes	1,948	4,361
Net income for the period	3,763	9,202

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On July 2, 2012, in conjunction with the Litha acquisition further discussed in Note 5 of annual audited consolidated financial statements, Paladin acquired the 55.01% interest it did not own in Pharmaplan and in accordance with IFRS revalued and eliminated its original investment in Pharmaplan as of July 2, 2012 at \$30,774 and recorded a gain of \$12,294.

Paladin, as part of the Litha acquisition further discussed in Note 5 of annual audited consolidated financial statements, acquired a 30% equity interest and has significant influence in Firefly, a private real estate property management company responsible for managing the property on which Litha's headquarters are located.

	Year Ended December 31, 2012	Year Ended December 31, 2011
	\$	\$
Carrying values, beginning of year	20,850	15,739
Additions in the year	607	5,975
Eliminations in the year	(18,480)	
Share of net income for the year before adjustments	1,918	4,018
Adjustments to net income:		
Amortization of fair value adjustments	(886)	(1,764)
Taxation	(33)	(498)
Share of net income for the year	999	1,756
Foreign exchange translation adjustments	(31)	
Share of dividends received in the year	(3,319)	(2,620)
Carrying values, end of year	626	20,850

INTEREST IN A JOINT VENTURE

As part of the acquisition of Litha, Paladin acquired a 52.5% interest in Biovac on July 2, 2012 refer to Note 5 of annual audited financial statements for additional details. Biovac is a jointly controlled entity with the Government of South Africa, involved in the production and commercialization of vaccines in South Africa and SADC. The interest in the joint venture is accounted for using the equity method of accounting. The joint venture is initially recorded at fair value and adjustments are made to include Paladin share of Biovac's net income. Paladin share of net income (loss) from the joint venture is adjusted to reflect the amortization of the fair value adjustments related to Paladin share of the net identifiable assets of Biovac acquired and their tax impact.

	For the Period from July 2 to December 31, 2012
	\$
Carrying value, July 2, 2012	32,882
Share of net loss for the period before adjustments	(328)

Adjustments to net loss:	
Amortization of fair value adjustments	(551)
Taxation	154
Share of net loss from the joint venture for the period	(725)
Foreign exchange translation adjustments	(1,681)
Carrying value, December 31, 2012	30,476

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Paladin is presenting selected financial information derived from Biovac's unaudited financial statements:

	For the Period from July 2 to December 31, 2012
Biovac's statement of income data	\$
Revenues	59,130
Loss before under-noted items	(307)
Interest, depreciation and income taxes	(318)
Net income	(625)
	2012
Biovac's balance sheet data	\$
Current assets	73,882
Long-term assets	30,016
Total Assets	103,898
Current liabilities	13,409
Long-term liabilities	81,766
Total Liabilities	95,175

Paladin's share of the joint venture's minimum capital investment commitments as at December 31, 2012 is \$4,062, including ZAR13,965, 1,691 and £128. These commitments end in 2013.

SIGNIFICANT TRANSACTIONS AND BUSINESS COMBINATIONS**Pharmaplan / Litha acquisition**

On February 21, 2012, Paladin entered into a strategic partnership whereby it agreed to accelerate the purchase of the remaining 55.01% interest in Pharmaplan it did not own at that date and to merge the Pharmaplan business with the pharma division of Litha, a publicly listed diversified healthcare company on the Johannesburg Stock Exchange, with headquarters in Johannesburg, South Africa, which is referred to in this proxy statement/prospectus as the combined transactions. On July 2, 2012, Paladin acquired the 55.01% interest in Pharmaplan for cash consideration of \$38,150 and the issuance of 88,948 common shares at \$44.97 per share. Litha subsequently acquired 100% of the share capital of Pharmaplan from Paladin in exchange for cash of \$15,450 (ZAR 125,000) and the issuance of 169,090,909 Litha common shares at \$0.3399 (ZAR2.75) per share. Paladin further acquired an additional 73,083,214 shares of Litha from third parties at \$0.3399 (ZAR2.75) per share for a total net consideration of \$24,943 (ZAR200,802). Upon the closing of these transactions Paladin owns 242,174,122 common shares of Litha, representing a 44.54% interest in Litha making it Litha's single largest shareholder. The Combined Transactions described above in conjunction with certain shareholder agreements for 13.42% of Litha's outstanding common shares give Paladin control over more than half of the voting rights of Litha and, therefore, Paladin has included Litha within its consolidated financial statements as of July 2, 2012, the effective date of acquisition.

Prior to the Combined Transactions, Paladin held a 44.99% interest in Pharmaplan (Note 12 of the annual audited consolidated financial statements) and considered it an equity investment recorded at a value of \$18,480 under Investment in an associate on the consolidated balance sheet. In conjunction with Paladin's acquisition of the remaining 55.01% interest in Pharmaplan, Paladin, in accordance with IFRS, revalued its original investment in Pharmaplan as of July 2, 2012 at \$30,774 and recorded a gain of \$12,294.

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The consideration given for the Litha acquisition described above is comprised of the following:

	\$
Cash	47,643
Common shares of Paladin	4,000
44.99% interest in Pharmaplan	30,774
Total consideration given	82,417

The preliminary fair value allocation of the Litha purchase price as at the date of acquisition was:

	\$
Cash and cash equivalents	5,285
Trade and other receivables	23,661
Inventories	20,340
Income tax receivable	3,289
Current assets	52,575
Investment in an associate	607
Investment in a joint venture	27,950
Loans receivable from a joint venture	9,928
Deferred income tax assets	2,204
Property, plant and equipment	9,578
Intangible assets	104,600
Other non-current assets	410
Total assets	207,852
Bank overdraft	(6,010)
Payables, accruals and provisions	(18,073)
Finance lease liability	(790)
Income tax payable	(2,180)
Current portion of long-term liabilities	(3,771)
Current liabilities	(30,824)
Finance lease liability	(7,108)
Deferred tax liability	(27,441)
Loans from joint venture	(1,159)
Long-term liabilities	(29,891)
Total liabilities	(96,423)
Net assets	111,429
Non-controlling interests	(67,164)

Net assets net of non-controlling interests	44,265
Goodwill on acquisition	38,152
Net consideration paid and given in kind to Litha	82,417

Paladin elected to measure the non-controlling interest in Litha using the proportionate share of its interest in Litha's identifiable net assets as per applicable IFRS guidelines and consists of \$61,799 representing 55.46% of the acquired net assets of \$111,429 and \$5,365 representing the fair value of Litha share options at acquisition date.

The fair value of the trade and other receivables amounts to \$23,661. The gross amount of trade and other receivables is \$24,127. None of the trade receivables have been impaired and it is expected that the full contractual amounts can be collected.

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The cash and cash equivalents, bank overdraft, trade and other receivables, inventories, loans receivable from a joint venture, finance lease liability and long-term liabilities balances are considered final assessments of their respective fair values for purposes of the purchase price equation. Paladin is in the process of finalizing the remaining balances of the purchase price allocation which will be completed during 2013.

The goodwill of \$38,152 represents the excess of net consideration paid and given in kind over the net assets and non-controlling interest acquired and comprises the value of intangible assets that do not qualify for separate recognition; for example the assembled workforce, increased market presence, expected synergies and other benefits arising from the acquisition. The goodwill is provisionally allocated to the Litha reporting segment. Paladin is in the process of finalizing the allocation of the goodwill to stand-alone CGUs within Litha. None of the goodwill recognized is expected to be deductible for income tax purposes.

During the period from July 2, 2012 to December 31, 2012 the Litha division recorded revenues of \$56,327 (ZAR480,260) and a net loss of \$2,710 (ZAR24,682) after net fair value adjustments on acquisition. The available financial information in view of several acquisitions and the deconsolidation of a major subsidiary during the year ended December 31, 2012 does not allow for meaningful and accurate disclosure of pro-forma the Litha division revenues and net income (loss) had Paladin concluded this acquisition at the beginning of the year.

Labopharm acquisition

On October 7, 2011, Paladin acquired all of the issued and outstanding common shares of Labopharm (TSX: DDS) at a price of \$0.2857 per share in cash, for a total cash consideration of \$20,448, and the settlement of a loan receivable of \$9,712 for a total purchase price of \$30,160. Labopharm was an international specialty pharmaceutical corporation focused on improving and out-licensing existing drugs by incorporating its proprietary and advanced controlled-release technologies.

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The acquisition was accounted for using the acquisition method of accounting and the results of Labopharm's operations are included in Paladin's consolidated financial statements from October 7, 2011, the effective date of acquisition. The purchase price was allocated as follows:

	\$
Cash and cash equivalents	19,339
Trade and other receivables	3,467
Inventories	2,058
Investments tax credits receivable	1,965
Other current assets	328
Current assets	27,157
Investment tax credits recoverable	9,789
Deferred tax assets	15,959
Property, plant and equipment and finance lease asset	3,996
Intangible assets	19,997
Total assets	76,898
Payables, accruals and provisions	(5,749)
Deferred revenue	(1,453)
Loans payable	(13,227)
Finance lease liability	(984)
Current liabilities	(21,413)
Deferred revenue	(2,338)
Finance lease liability	(5,917)
Total liabilities	(29,668)
Net assets acquired	47,230
Consideration paid	(20,448)
Settlement of loan receivable	(9,712)
Purchase gain on business combination	17,070

The excess of the net assets acquired over the purchase price represents a purchase gain and immediately following the acquisition, in accordance with appropriate accounting standards, Paladin initiated a restructuring plan with respect to the Labopharm operating activities. The following unusual expenses and provisions were taken at this time in conjunction with the restructuring plan and have been included in Restructuring, shutdown and other costs on the consolidated statement of income.

	\$
Purchase gain on business combination	17,070

Restructuring costs	(4,135)
Shutdown and other costs	(4,660)
Total costs	(8,795)
Net gain on business combination	8,275

The majority of the shutdown and other costs relate to the write down of a finance lease building of \$3,946, which Paladin had acquired as part of the Labopharm acquisition, further discussed in Note 16 of the annual audited consolidated financial statements. In addition, the shutdown and other costs include \$350 contractual and transition related costs.

During the period from October 7, 2011 to December 31, 2011 Labopharm recorded revenues of \$2,630 and a net loss of \$8,186 primarily due to the one-time impact of the restructuring, shutdown and other costs.

Table of Contents**Prostrakan Facility**

On January 11, 2011, Paladin invested \$77,232 (£50,000) in Prostrakan through the acquisition by way of assignment of Prostrakan's existing secured debt facility with the addition of certain conversion rights. The secured facility was amended and provided by Paladin in CAD at a rate of interest of 10.5%. The amended Prostrakan facility was repayable in full at the end of three years and Paladin had the option to convert the outstanding principal debt into new Prostrakan ordinary shares at any point after the initial nine months of the term of the amended agreement. In the event of a change in control of Prostrakan during this same initial time period, along with Paladin consenting to early redemption, Paladin was entitled to receive a payment equivalent to the balance of interest for the first year of the loan together with a break fee of \$3,089 (£2,000). The strike price for the conversion rights was set at £1.10 per share, a 24% premium to the closing price of Prostrakan's common shares on December 14, 2010.

According to financial instruments accounting standards, the Prostrakan facility was initially recognized at its respective fair value through the bifurcation of the conversion option and early redemption option which were classified and subsequently re-measured as derivative assets. The fair value of the conversion option was obtained by using the Black-Scholes option pricing model, adjusted for credit risk and a 25% likelihood of conversion, using the following assumptions, as at January 11, 2011: volatility factor: 59.43%, risk free interest rate: 2.01% and time to expiry: 3 years. The fair value of the early redemption option, as at January 11, 2011, was obtained using a probability factor of 75% and a discount factor of 20.8%. The allocated loan portion of the Prostrakan facility was classified as Loans and receivables and recorded at fair value upon initial measurement and subsequently recorded at amortized cost using the effective interest rate method at a rate of 20.8% per year.

On February 21, 2011, in connection with the proposed acquisition of Prostrakan by KHK, Paladin consented to the repayment of its Prostrakan facility subject to closing of the acquisition. On March 31, 2011, pursuant to the approval of the acquisition of Prostrakan by KHK, the conversion option was deemed to have a fair value of \$nil and the early redemption option was re-measured using a probability factor of 100%.

On May 17, 2011, Paladin received gross proceeds of \$86,432 representing the aggregate of: the principal of the Prostrakan facility of \$77,232; the interest accrued at May 17, 2011 of \$778; a break free of \$3,089; and the outstanding balance of interest payable for the first year of \$5,333, resulting in a gain on early redemption of \$8,422. Paladin has recorded interest accretion of \$1,004 for the year ended December 31, 2011. Both the gain on redemption and the interest accretion are included in Other finance income on the consolidated statement of income. Moreover, Paladin retained the rights to the products it had previously been licensed in connection with the agreement.

Afexa Offer

On August 10, 2011, Paladin issued a take-over bid circular making an offer to purchase, which is referred to in this proxy statement/prospectus as the Offer, on the terms and subject to the conditions of the Offer, any and all of the issued and outstanding common shares, which is referred to in this proxy statement/prospectus as the Afexa common shares, of Afexa Life Sciences Inc., which is referred to in this proxy statement/prospectus as Afexa, together with any associated rights, which are referred to in this proxy statement/prospectus as the SRP Rights, issued under the Shareholder Rights Plan of Afexa, which included Afexa common shares that might have become issued and outstanding after the date of the Offer but before the expiry time of the Offer upon the exercise of options issued under Afexa's Stock Option Plan together with their associated SRP Rights. Under the terms of the Offer, Afexa Shareholders had an alternative to either receive \$0.55 in cash, which is referred to in this proxy statement/prospectus as the Cash Alternative or 0.013 Paladin common shares, which is referred to in this proxy statement/prospectus as the Share Alternative.

On August 30, 2011, Valeant Pharmaceuticals International Inc. (NYSE/TSX: VRX), which is referred to in this proxy statement/prospectus as Valeant, through a subsidiary, made a competing offer to acquire the issued and outstanding common shares of Afexa for \$0.71 per share. Following this offer, on September 26, 2011, Paladin increased its Offer, which is referred to in this proxy statement/prospectus as Enhanced Offer to

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acquire any and all of the issued and outstanding common shares of Afexa to \$0.81 per share. On September 30, 2011 Valeant further announced it had increased its bid to \$0.85 per share. On October 3, 2011, Paladin announced that it would not take up any shares under its Enhanced Offer to acquire any and all of the issued and outstanding common shares of Afexa due to the non-fulfillment of a condition to Paladin's Offer. In addition, on October 17, 2011, Paladin tendered its shares in Afexa to Valeant for a gain on disposition of \$5,081 included in Other finance income on the consolidated statement of income.

RELATED PARTY TRANSACTIONS**Joddes**

Joddes Limited, a private Canadian corporation, together with its affiliates control in aggregate approximately 34% of the outstanding shares of Paladin as at December 31, 2012, and one director of Paladin, Paladin's President and CEO, is related to this group.

Paladin engages a wholly-owned subsidiary of Joddes Limited to provide logistics services including: customer service, warehousing, shipping, invoicing, collection services and certain manufacturing and selling services on behalf of Paladin. The logistics services agreement is for a period of 5 years ending in 2018 with options to renew extending the term to 2020 and beyond. This variable rate logistic services agreement invoices costs per product line depending on product-specific characteristics and contains no fixed minimum components. Either party may terminate this agreement with a twelve month notice period. Paladin also engages this affiliate to perform certain research and development and selling services on a contractual pay-for-use basis. In addition, Paladin leases its office facilities from another wholly-owned subsidiary of Joddes Limited. This lease is for a period of 10 years, ending in 2013 and includes minimum annual payments for a total remaining committed amount of \$289 as at December 31, 2012 and is included in the purchase and service based commitments in Note 31 of the annual audited consolidated financial statements.

Paladin has also entered into contractual royalty agreements with a wholly-owned subsidiary of Joddes Limited for certain legacy and over-the-counter products. The terms of these arrangements vary whereby Paladin may earn a royalty fee based on certain established terms relating to the performance of the respective products such as through a percentage of net sales or as a percentage of a defined product contribution.

The table below reflects all transactions and services with Joddes Limited carried in the normal course of operations, which include those referred to in the agreements described above, as well as revenues from a wholly-owned subsidiary of Joddes Limited:

	Years Ended December 31,	
	2012	2011
	\$	\$
Revenues	617	2,651
Purchases	11,069	11,114
Selling, general and administrative	7,881	8,552
Research and development	671	730

As at December 31, 2012, Paladin has a balance payable to a wholly-owned subsidiary of Joddes Limited, included in Payables, accruals and provisions on the consolidated balance sheet, of \$1,582 (December 31, 2011: \$1,087).

Pharmaplan

At July 1, 2012, Paladin owned a 44.99% interest in the common shares of Pharmaplan and considered this investment a related party. On July 2, 2012, Paladin acquired the 55.01% interest in Pharmaplan which it did not own for a cash consideration of \$38,150 and the issuance of 88,948 common shares at \$44.97 per share. In conjunction with the acquisition of the remaining 55.01% interest in Pharmaplan, Paladin, in accordance with IFRS, revalued its investment in Pharmaplan at \$30,774 and recorded a gain of \$12,294 under Gain on revaluation of equity investment in the consolidated statement of income.

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During the year ended December 31, 2012, Pharmaplan declared and paid dividends of ZAR60,000, Paladin's share was ZAR26,994 or \$3,319. During the year ended December 31, 2011, Pharmaplan declared and paid dividends of ZAR45,000, Paladin's share was ZAR20,246 or \$2,620.

On March 1, 2011, Paladin had entered into an agreement with Pharmaplan to accelerate the purchase of Pharmaplan shares leading to an acquisition of a total of 10% ownership interest in Pharmaplan. Paladin paid \$5,975 which included the settlement of a previous investment in a non-interest bearing loan in Pharmaplan of \$2,879.

Litha related entities

During the six months ended December 31, 2012, the Litha division invoiced Biovac, a related joint venture, logistics fees of \$2,006 (ZAR17,115) which are included in the consolidated statement of income under revenues and the corresponding costs under share of net loss from a joint venture. In addition, during the same period, the Litha division has paid rental fees of \$344 (ZAR2,937) to an associate. In addition, the Litha division paid underwriting fees of \$586 (ZAR5,000) to one of its significant shareholders.

All transactions with related parties, except for the Pharmaplan strategic partnership transaction described above, are carried out in the normal course of operations. The accounts payable to related parties are on normal commercial terms and conditions and are non-interest bearing.

The following table presents the principal subsidiaries and joint venture of Paladin as at December 31, 2012.

Name	Country of registration	%	Nature of business
Principal subsidiaries			
Labopharm Europe Ltd.	Ireland	100	Develop, acquire, in-license, market and distribute innovative pharmaceutical products internationally
Paladin Labs (Barbados) Inc.	Barbados	100	Develop, acquire, in-license, market and distribute innovative pharmaceutical products internationally
Paladin Labs (USA) Inc.	USA	100	Develop, acquire, in-license, market and distribute innovative pharmaceutical products in the United States
Litha Healthcare Group Ltd.	South Africa	44.54	Search, acquire, commercialize specialty pharmaceutical and medical products in South Africa and sub-Saharan African region
Pharmaplan (Pty) Ltd.	South Africa	44.54	Search, acquire, commercialize specialty pharmaceutical products in South Africa and sub-Saharan African region
Litha Medical (Pty) Ltd.	South Africa	44.54	Search, acquire, commercialize specialty medical devices and complementary products in South Africa and sub-Saharan African region
Joint venture			
	South Africa	52.5(i)	

The Biologicals and Vaccines Institute of
Southern Africa (Pty) Limited

Planned manufacturing of vaccines and the
distribution of vaccines in South Africa and
SADC region

- (i) Paladin has an ownership interest of 44.54% in Litha which has an ownership interest of 85% in the Biovac Consortium which has an ownership interest of 52.5% in Biovac

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	Q4 F2012	Q3 F2012	Q2 F2012	Q1 F2012	Q4 F2011	Q3 F2011	Q2 F2011	Q1 F2011
Revenues	67,608	66,899	37,136	38,557	37,083	36,660	35,971	31,752
Adjusted EBITDA	24,022	22,723	17,225	18,073	13,952	18,115	18,290	17,355
Net income before income taxes	15,378	30,519	14,991	15,367	16,468	13,373	22,475	11,949
Net income	11,420	24,735	10,878	11,322	15,772	9,496	16,783	8,100
Net income attributable to shareholders of Paladin	12,834	24,872	10,878	11,322	15,772	9,496	16,783	8,100
Earnings per share	\$ 0.63	\$ 1.21	\$ 0.54	\$ 0.56	\$ 0.78	\$ 0.47	\$ 0.83	\$ 0.42
Diluted earnings per share	\$ 0.61	\$ 1.19	\$ 0.52	\$ 0.54	\$ 0.76	\$ 0.46	\$ 0.80	\$ 0.40

Paladin is presenting selected financial information derived from Paladin Canada's unaudited financial statements and Litha's IFRS compliant unaudited financial statements in ZAR converted in Canadian dollars for information purposes.

	Paladin Canada Q4 2012 \$	The Litha Division Q4 2012 \$	Total Q4 2012 \$	Paladin Canada Q3 2012 \$	The Litha Division Q3 2012 \$	Total Q3 2012 \$
Revenues	40,509	27,099	67,608	37,671	29,228	66,899
Cost of sales	12,023	16,365	28,388	10,920	16,333	27,253
Gross Income	28,486	10,734	39,220	26,751	12,895	39,646
Adjusted EBITDA	21,833	2,189	24,022	19,390	3,333	22,723
Net income (loss) before income taxes	18,742	(3,364)	15,378	30,379	140	30,519
Net income (loss)	13,973	(2,553)	11,420	24,892	(157)	24,735
Net income (loss) attributable to shareholders of Paladin	13,973	(1,139)	12,834	24,892	(20)	24,872

FOURTH QUARTER ANALYSIS**Revenues**

For the three-month period ended December 31, 2012, Paladin recorded revenues of \$67,608 compared to \$37,083 in the fourth quarter of 2011, a 82% year over year increase. The consolidation of Litha's financial results accounted for \$27,099 of incremental revenues for the three month period ended December 31, 2012.

Paladin Canada Revenues

Paladin Canada recorded revenues of \$40,509 during the quarter ended December 31, 2012 compared to \$37,083 in the fourth quarter of 2011, a 9% year over year increase. The increase in revenues for the quarter ended December 31, 2012 is mostly attributable to the sales growth of certain significant promoted products, including Trelstar[®], Testim[®], Metadol[®], Abstral[®] and Digifab[®] which combined increased by 13% compared to the quarter ended December 31, 2011.

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Product revenues highlights for Paladin's most significant promoted products using IMS Canada sales data⁽ⁱⁱ⁾ for the quarter ended December 31, 2012 compared to the quarter ended December 31, 2011 are as follows:

Promoted Products	Sales Data per IMS Canada	
	in 2012(ii) \$	Change vs. 2011 %
Tridural [®]	3,003	0%
Trelstar [®]	2,106	15%
Testim [®]	1,426	22%
Metadol [®]	2,953	5%
Abstral [®] (i)	329	262%
Plan B [®]	2,238	(11%)
Digifab [®] (i)	976	1,221%
Glucagen [®]	210	(8%)
Urocit [®] -K	67	75%
Total	13,308	13%

(i) Products launched during 2011

(ii) Paladin has chosen not to disclose product by product revenue information for competitive reasons, however, the table above does include detailed IMS Canada sales data, essentially end-user pharmacy purchase volume data, to allow the reader to better understand revenue changes from period to period on certain significant products. It is important that readers of this sales data note that IMS Canada sales data may not necessarily correspond to Paladin's recording of revenue in accordance with IFRS.

The Litha Division Revenues

Revenues for the three-month period ended December 31, 2012 were \$27,099. Revenues by division are as follows: \$15,435 from Litha Pharma; \$8,966 from Litha Medical; and \$2,698 from Litha Biotech excluding the joint venture in Biovac which is accounted for separately under "Share of net loss from a joint venture" in the annual audited consolidated statements of income.

Gross Income

For the three-month period ended December 31, 2012, Paladin recorded gross income of \$39,220 compared with \$25,540 for the same period ended December 31, 2011. The gross income, as a percentage of revenues, decreased 11 percentage points to 58% for the three-month period ended December 31, 2012 from 69% for the same period last year. The decrease in the gross income as a percentage of revenue is attributable to the consolidation of the Litha division results which have a lower gross income margin than Paladin Canada.

Paladin Canada gross income

Total gross income increased \$2,946 or 12% to \$28,486 for the three-month period ended December 31, 2012 from \$25,540 for the same quarter last year. Gross income, as a percentage of revenues, increased by 1% percentage point to 70% for the quarter ended December 31, 2012 from 69% for the same period last year. The increase in gross income as a percentage of revenues is mainly the result of favourable foreign exchange variances on certain product costs and the effect of the sales mix of products.

The Litha division gross income

Total gross income of the Litha division was \$10,734 for the three-month period ended December 31, 2012. Gross income, as a percentage of revenues, was 40% for the quarter ended December 31, 2012. The total gross income is made up of \$6,832 from Litha s Pharma, \$3,388 from Litha Medical and \$514 from Litha Biotech,

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excluding the joint venture in Biovac which is accounted for separately under Share of net loss from a joint venture in the annual audited consolidated statements of income. Gross income as a percentage of revenues by division is as follows: Litha Pharma 44%; Litha Medical 38%; and, Litha Biotech 19%.

Selling, General and Administrative Expense

Selling, general and administrative expense increased \$6,459 or 71% to \$15,508 for the quarter ended December 31, 2012 from \$9,049 for the same quarter ended last year. The increase in selling, general and administrative expense is attributable to the consolidation of the Litha division's results for the quarter ended December 31, 2012. Selling general and administrative expense, as percentage of revenues, decreased to 23% for the quarter ended December 31, 2012 from 24% for the same period last year.

Paladin Canada Selling, General and Administrative Expense

Selling, general and administrative expense decreased \$2,215 or 24% to \$6,834 for the three-month period ended December 31, 2012 from \$9,049 for the same period last year. Selling, general and administrative expense, as a percentage of revenues, decreased to 17% for the quarter ended December 31, 2012 compared to 24% for the same quarter last year. The decrease in selling, marketing and administrative expenses for the quarter ended December 31, 2012 compared to the same period last year is mainly the result decreased business development costs including professional, legal and securities fees related to corporate development activities, as well as a decrease in transitory overhead costs related to the Labopharm acquisition. The promotional activities driving selling and marketing costs primarily relate to Paladin Canada's continued promotional activities for Tridural[®], Trelstar[®], Testim[®], Metadol[®] Plan B[®], and the launch costs related to Abstral[®] and Oralair[®].

The Litha Division Selling, General and Administrative Expense

Total selling, general and administrative expense of the Litha division was \$8,674 for the three months ended December 31, 2012. Selling, general and administrative expense, as a percentage of revenues, was 32% for the quarter ended December 31, 2012.

Research and Development Expense

Research and development expense decreased \$1,815 or 50% to \$1,813 for the quarter ended December 31, 2012 from \$3,628 for the same quarter ended last year. The decrease in research and development expenses is mainly due to reduction of Labopharm related expenses as well as partnering of certain research and development projects and research-based product license payments during the quarter ended December 31, 2011 not incurred in the current quarter. The decrease in research and development expense is partially offset by \$148 incurred by Litha for the quarter ended December 31, 2012.

Interest Income

Interest income increased \$1,034 to \$2,123 for the quarter ended December 31, 2012 from \$1,089 for the same quarter ended last year. The increase for the quarter ended December 31, 2012 is primarily the result of increase in interest income from strategic partners and Paladin holding higher than average daily cash and marketable securities balances and earning a higher effective rate of return over the quarter ended December 31, 2012 compared to the same quarter last year.

Amortization of Intangible Assets

Amortization expense decreased \$603 to \$5,565 for the quarter ended December 31, 2012 from \$6,168 for the same quarter ended last year. The decrease in the amortization expense is the result of certain intangible assets having reached full amortization during the three-month period ended December 31, 2012, partly offset by amortization related to the acquisition of intangible assets, mostly through the acquisition of Litha.

Table of Contents**Income Tax**

Income tax expense increased \$3,262 to \$3,958 for the quarter ended December 31, 2012 from \$696 for the same quarter ended last year. For the quarter ended December 31, 2012, the effective tax rate was 26% compared to 4% for the quarter ended December 31, 2011. The increase in effective rate in the current quarter is principally due to the non-taxable gains net of impairment of financial assets included in net income in the same quarter ended last year. The non-taxable gains related the unusual gain recorded on the acquisition of Labopharm. Please refer to the Significant transactions and business combinations section above for further details.

Net income

As a result of the above, net income of Paladin was \$11,420 in the fourth quarter of 2012 compared to \$15,772 in the fourth quarter of 2011.

Net income attributable to shareholders of Paladin

As a result of the above, net income attributable to shareholders of Paladin was \$12,834 or \$0.61 per fully diluted share in the fourth quarter of 2012 compared to \$15,772 or \$0.76 per fully diluted share in the fourth quarter of 2011.

Cash flows

In relation to the results described above, the cash impact for the quarter ended December 31, 2012 was as follows: cash flows from operating activities were \$22,997, cash flows from investing activities were \$5,620, cash flows used in financing activities were \$469 and the positive impact of the foreign exchange rate change on cash and cash equivalents was \$12, for a total net cash-inflow of \$28,160 for the quarter ended December 31, 2012.

SEGMENT INFORMATION

Paladin, prior to the Litha acquisition effective July 2, 2012, had one reportable segment, namely the research and development, in-licensing, acquisition, marketing and distribution of pharmaceutical products in Canada and internationally. In accordance with IFRS, the Litha acquisition represents a significant financially distinct component of Paladin's operations whose operating results are regularly reviewed by Paladin's Chief Executive Officer in making decisions about resources to be allocated to the segment and in assessing its performance. For internal management reporting purposes, Paladin is now structured and presents its financial information in two separate operating segments as follows:

1. **Paladin Canada:** focused on the in-licensing, acquisition, marketing, distribution and development of pharmaceutical products in Canada and internationally (excluding the South African and SADC market which is part of the Litha division segment below). The Paladin Canada group carries out business mainly in Canada with certain operating revenue streams in Europe, Barbados, United States, Australia and New Zealand. Substantially all of the Paladin group tangible assets are located in Canada. In addition, the operating segment earns interest income from the investment of its excess cash.
2. **The Litha Division:** focused on in-licensing, acquisition, marketing, distribution, assembly and research and development of medical devices and consumables as well as in-licensing, distribution and establishing

manufacturing capacity in the biotechnology area of vaccines South Africa and the SADC region.

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No other operating segments have been aggregated to form the above reportable operating segments. Management monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessments. Segment performance is evaluated based on revenue growth, Adjusted EBITDA, earnings before under-noted items and net income (loss) and is measured consistently with revenue growth, earnings before undernoted items and net income (loss) in the annual audited consolidated financial statements.

Year Ended December 31, 2012	Paladin Canada	The Litha Division	Consolidated
	\$	\$	\$
Revenues from external customers	153,873	56,327	210,200
Segment net income (loss)	61,065	(2,710)	58,355
Cash flows from operating activities	68,048	1,555	69,603
Cash flows from investing activities	(22,705)	4,373	(18,332)
Cash flows from financing activities	(4,666)	(413)	(5,079)

	Paladin Canada	The Litha Division	Consolidated
	\$	\$	\$
Segment assets			
December 31, 2012	437,280	167,237	604,517
December 31, 2011	397,913		397,913
Segment liabilities			
December 31, 2012	61,003	92,999	154,002
December 31, 2011	75,187		75,187
Investment in associates			
December 31, 2012		626	626
December 31, 2011	20,850		20,850
Investment in a joint venture			
December 31, 2012		30,476	30,476
December 31, 2011			

There are no significant inter-segment operating transactions and adjustments.

Revenues by geographic region are detailed as follows:

	Years Ended December 31,	
	2012	2011
	\$	\$
Canada	142,940	133,376
Rest of the world excluding Canada and Africa	10,933	8,090
Canada and rest of world excluding Africa	153,873	141,466
Africa	56,327	
	210,200	141,466

Long-term assets by geographic region are comprised of intangible assets, goodwill, investment in a joint venture, property, plant and equipment and investment in associates, detailed as follows:

	2012	2011
	\$	\$
Canada	14,243	21,014
Rest of the world excluding Canada and Africa	4,271	6,713
Canada and rest of the world excluding Africa	18,514	27,727
Africa	171,369	20,850
	189,883	48,577

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OFF BALANCE SHEET ARRANGEMENTS

Paladin's off balance sheet arrangements consist of contractual obligations and agreements for development, sales, marketing and distribution rights to innovative drug products. The effect of terminating these arrangements under normal operating circumstances consists of an effective transition of the remaining responsibilities and obligations to the licensor under agreed upon time frames and conditions. Please refer to this section below or Note 32 of Paladin's annual audited consolidated financial statements for additional details. Other than these contractual obligations and commitments, Paladin does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on Paladin's financial condition, changes in revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources that are material to investors.

Paladin does not issue guarantees contemplated by the applicable IFRS standards.

FINANCIAL INSTRUMENTS

Paladin's Investment Policy regulates the investment activities relating to cash resources. An Investment Committee composed of representatives from management and the Board of Directors monitors compliance with said policy. Paladin invests in strategic investments in the form of equity or strictly in liquid, high-grade investment securities with varying terms to maturity, selected with regard to the expected timing of investments and expenditures for continuing operations and prevailing interest rates (refer to section Foreign exchange risk for risks related to forward contract instruments).

MANAGEMENT OF CAPITAL

Paladin's objectives when managing capital are to safeguard Paladin's ability to continue as a going concern in order to provide returns for shareholders and to maintain a flexible capital structure which optimizes the cost of capital at acceptable risk.

Paladin's capital structure is composed of equity attributable to the shareholders of Paladin. The basis for Paladin's capital structure is dependent on Paladin's expected growth and changes in the business environment. Paladin manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, Paladin may attempt to issue new common shares, issue debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents, marketable securities, loans receivable from a joint venture, financial assets, bank overdraft and long-term liabilities. The details of Paladin's normal course issuer bids are disclosed in Note 23 of the annual audited consolidated financial statements.

Paladin expects that its current capital resources will be sufficient to carry on its operations for the foreseeable future and is not subject to any capital requirements imposed by a regulator or third parties other than certain covenants under the term of certain of its long-term liabilities and bank overdraft agreements. Paladin is in compliance with these covenants and monitors them on an ongoing basis.

CONCENTRATION OF CREDIT RISK AND MAJOR CUSTOMERS

Paladin considers its maximum credit risk to be \$42,520 (December 31, 2011: \$26,231) which is the total of the following financial assets: trade and other receivables, loans and other receivables and derivatives. Paladin's cash, cash equivalents, marketable securities, short-term and long-term investments are held through various financial institutions. Marketable securities are mainly investments in liquid, high-grade investment securities. They are subject to minimal risk of changes in value and generally have an original maturity from three months to eighteen months

from the date of purchase.

Paladin is exposed to credit risk from its customers and continually monitors its customers' credit. It establishes the provision for doubtful accounts based upon the credit risk applicable to each customer. In line

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with other pharmaceutical companies, Paladin sells its products through a small number of wholesalers and retail pharmacy chains in addition to hospitals, pharmacies, physicians and other groups. For the year ended December 31, 2012, two customers of Paladin, a major wholesale distributor and a major retail chain, represented 24% and 11% of revenues, respectively (December 31, 2011: 30% and 15%). As at December 31, 2012, two customers of the Paladin, a major wholesale distributor and a major retail chain, represented in aggregate 17% of trade and other receivables (December 31, 2011: 14% and 21%). These above concentrations on Paladin's customers are considered normal for Paladin and its industry.

The marketable securities balance, further discussed in Note 7 of the annual audited consolidated financial statements, is invested within four large Canadian and one large US financial institutions (December 31, 2011: four large Canadian and one large US financial institutions), comprised of three investments in discount notes (December 31, 2011: nine), forty-six guaranteed investment certificate investments (December 31, 2011: twenty-nine), eight investments in commercial paper (December 31, 2011: eight), one investment in corporate bonds (December 31, 2011: one) and one investment in a bond guaranteed by a Provincial government (December 31, 2011: three).

An additional source of credit risk for Paladin arises from its strategic investments in third-parties with whom it has strategic commercial relationships. In connection with license arrangements with third parties, as at December 31, 2012, Paladin has a net investment of \$3,760 through secured debentures of which one is convertible into common shares of the investment companies. In addition, Paladin has a net investment of \$11,661 representing loans to a joint venture. Paladin continuously monitors the risks associated with these amounts.

LIQUIDITY RISK

All financial liabilities with the exception of the long-term portion of the long-term liabilities are current. Paladin generates sufficient cash from operating activities to fund its operations and fulfill its obligations as they become due. Paladin has sufficient funds available through its cash, cash equivalents and marketable securities, should its cash requirements exceed cash generated from operations to cover all financial liability obligations. As at December 31, 2012, there were no restrictions on the flow of these funds nor have any of these funds been committed in any way, except as set out in Note 32 of the annual audited consolidated financial statements and the restricted cash balance (Note 6 of the annual audited consolidated financial statements) relating to the acquisition of Litha.

The following table is a maturity analysis for Paladin's financial liabilities with maturities that are greater than one year at December 31, 2012 for each of the next five years and thereafter based on contractual undiscounted payments.

	2013	2014	2015	2016	2017	Thereafter	Total
	\$	\$	\$	\$	\$	\$	\$
Long-term liabilities	4,706	6,302	5,089	4,086	2,197	8,780	31,160
Interest payable on long-term liabilities	1,544	1,629	745	336	77	5,048	9,379
Total	6,250	7,931	5,834	4,422	2,274	13,828	40,539

FOREIGN EXCHANGE RISK

Paladin, with the exception of the Litha Division discussed separately below, principally operates within Canada in Canadian dollars, however, a portion of Paladin's revenues, expenses, and current assets and liabilities, are

predominantly denominated in ZAR, USD and EURO. This results in financial risk due to fluctuations in the value of the ZAR, USD and EURO relative to CAD. Paladin has significant monetary assets and liabilities denominated in ZAR, USD and EURO that are required to be revalued in CAD at each period end.

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The following forward exchange contracts to ZAR remain outstanding as at December 31, 2012, with maturity dates between January 1, 2013 to August 26, 2013:

Instrument currency	Notional Amount of Contracts Outstanding	Forward Exchange Rate
USD	20,829	7.97 to 9.35
EURO	7,955	10.89 to 11.89
GBP	3,351	13.95 to 14.90

The above forward exchange contracts have an estimated fair value of \$1,200 as at December 31, 2012 and are presented under Payables, accruals and provisions on the consolidated balance sheet. With the exception of the forward contracts described above relating to Litha, Paladin does not actively use derivative financial instruments to reduce its foreign exchange exposure and often relies on natural hedges to mitigate foreign currency risk. Fluctuations in foreign exchange rates could cause unanticipated fluctuations in Paladin's operating results, financial position or cash flows. The significant balances in foreign currencies are as follows:

	2012			2011		
	USD	EURO	ZAR	USD	EURO	ZAR
	\$	\$	\$	\$	\$	\$
Cash and cash equivalents	1,820	6,690	136,662	1,907	2,699	26,884
Trade and other receivables	272	1,182	169,256	784	2,091	
Payables, accruals and provisions	(7,705)	(1,584)	(100,409)	(3,460)	(1,635)	

These three currencies are the major currencies in which Paladin's financial instruments are denominated. Paladin has considered movements in these currencies over the last three years and has concluded that a 10% movement in rates is a reasonable benchmark. Based on the aforementioned net exposure as at December 31, 2012 and assuming that all other variables remain constant, a 10% movement in the CAD/USD, CAD/EURO and CAD/ZAR exchange rate would have an effect of \$2,022 (December 31, 2011: \$677) on net income and \$656 (2011: \$nil) on other comprehensive income.

Paladin's investment in Litha is in ZAR and Litha's functional currency is the ZAR while Paladin's functional and reporting currency is the CAD. Litha's net assets as of December 31, 2012 amount to ZAR1,232,727 and assuming that all other variables remain constant, a 10% movement in the CAD/ZAR exchange rate would have an effect of \$14,448 on other comprehensive income of which \$6,435 is attributable to Paladin's shareholders and \$8,013 to non-controlling interests.

INTEREST RATE RISK

Paladin is subject to interest rate risk on its cash, cash equivalents, marketable securities, bank overdraft and long term liabilities. Details regarding maturity dates and effective interest rates are described in Notes 6, 7 and 22 of the annual audited consolidated financial statements. Paladin does not believe that the results of operations or cash flows would be materially affected to any significant degree by a sudden change in market interest rates relative to interest rates on the investments, owing to the relatively short-term nature of the marketable securities and currently low market yields.

Paladin has considered movements in the interest rates over the last three years and has concluded that a 2% movement in interest rates is a reasonable benchmark. Paladin's net exposure as at December 31, 2012 is \$28,416, representing the balance of the bank overdraft and the long-term liabilities with variable interest rates. Assuming that all other variables remain constant, a 2% movement in the interest rates would have an effect of \$568 (December 31, 2011: \$nil) on net income.

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EQUITY PRICE RISK

Equity price risk arises from changes in market prices of the available-for-sale equity securities. The carrying values of investments subject to equity price risk are, in almost all instances, based on quoted market prices as of the balance sheet dates with an estimated fair value of \$628 at December 31, 2012 (December 31, 2011: \$2,385). Paladin monitors its equity investments for impairment on a periodic basis. Market prices are subject to fluctuation and, consequently, the amount realized in the subsequent sale of an investment may significantly differ from the reported market value. Fluctuation in the market price of a security may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions. Furthermore, amounts realized in the sale of a particular security may be affected by the relative quantity of the security being sold.

Paladin manages the equity price risk through the use of strict investment policies approved by the Board of Directors. Reports on the equity portfolio are submitted to Paladin's Investment Committee on a regular basis. Paladin's Board of Directors reviews and approves all equity investment decisions.

A hypothetical 10% adverse change in the stock prices of Paladin's available-for-sale equity securities would result in an approximate \$63 other comprehensive income (loss) (December 31, 2011: \$239). Paladin does not include in the analysis above investments which are subject to significant influence. The adverse change above does not reflect what could be considered the best or worst case scenarios. Indeed, results could be worse due both to the nature of equity markets and the concentrations existing in Paladin's equity investment portfolio, in particular where there is less liquidity available as in the case of the small capitalization companies included in the available-for-sale equity securities.

COLLATERAL

Paladin, through its Litha subsidiary, has long-term liabilities with two parties to which Paladin has provided security in the form of guarantees, cession of trade debtors, inventories and loans from a joint venture, cession and pledge of all the shares in Biovac Institute and a notarial bond over property, plant and equipment in South Africa. In aggregate, as at December 31, 2012, Paladin has provided collateral in the aggregate amount of \$81,542.

PAYMENT OF DIVIDENDS

Paladin has not paid dividends on its common shares and does not anticipate declaring any dividends in the near future. Paladin's current policy is to retain earnings to finance the acquisition and development of new products and to reinvest in Paladin. Any future determination to pay dividends is at the discretion of Paladin's Board of Directors and will depend on Paladin's financial condition, results of operations, capital requirements and other such factors as the Board of Directors of Paladin deems relevant.

PRODUCT PRICING REGULATION ON CERTAIN PATENTED DRUG PRODUCTS

Certain patented drug products within Paladin's portfolio of products are subject to product pricing regulation by the Patented Medicine Prices Review Board, which is referred to in this proxy statement/prospectus as PMPRB. The PMPRB's objective is to ensure that prices of patented products in Canada are not excessive. For new patented products, the price in Canada is limited to either the cost of existing drugs sold in Canada or the median of prices for the same drug sold in other specified industrial countries. For existing patented products prices cannot increase by more than the Consumer Price Index. The PMPRB monitors compliance through a review of the average transaction price of each patented drug product as reported by Paladin over a recurring six-month reporting period.

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DISCLOSURE CONTROLS AND PROCEDURES

Paladin's Chief Executive Officer, interim Chief Executive Officer as of August 18, 2011 and its Chief Financial Officer are responsible for establishing and maintaining Paladin's disclosure controls and procedures. They are assisted in this responsibility by the other officers of Paladin. This group requires that it be fully apprised of any material information affecting Paladin so that it may evaluate and discuss this information and determine the appropriateness and timing of public release.

For the year ended December 31, 2012, management's evaluation of disclosure controls and procedures excluded the Litha division for which a controlling interest was acquired on July 2, 2012. The interim Chief Executive Officer and the Chief Financial Officer, after evaluating the effectiveness of Paladin's disclosure controls and procedures as at December 31, 2012, have concluded that Paladin's disclosure controls and procedures are adequate and effective to ensure that material information relating to Paladin would have been known to them excluding the Litha division for which a controlling interest was acquired on July 2, 2012.

Canadian regulations allow issuers to limit the evaluation of disclosure controls and procedures of a business that an issuer acquired not more than 365 days before the last day of the period covered by Paladin's filings.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Internal control over financial reporting, which is referred to in this proxy statement/prospectus as ICFRs, are designed to provide reasonable assurance regarding the reliability of Paladin's financial reporting and compliance with IFRS in its financial statements. Paladin's interim Chief Executive Officer and Chief Financial Officer, together with other members of management have designed and evaluated the ICFRs to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. This design evaluation included documentation activities, management inquiries and other reviews as deemed appropriate by management in consideration of the size and the nature of Paladin's business. For the year ended December 31, 2012, management's evaluation of control over ICFRs excluded the Litha division for which a controlling interest was acquired on July 2, 2012. As at December 31, 2012, management assessed the effectiveness of Paladin's ICFRs and based on that assessment, concluded that Paladin's ICFRs was effective and that there were no material weaknesses in our ICFRs excluding the Litha division for which a controlling interest was acquired on July 2, 2012.

Canadian regulations allow issuers to limit the evaluation of ICFRs of a business that an issuer acquired not more than 365 days before the last day of the period covered by Paladin's filings.

RISK FACTORS

For a more detailed discussion of the risk factors that could materially affect the results of operations and the financial condition of Paladin, please refer to Paladin's Annual Information Form, filed on SEDAR at www.sedar.com.

Table of Contents**CONTRACTUAL OBLIGATIONS AND COMMITMENTS**

In the normal course of business, Paladin secures development, sales, marketing and distribution rights to innovative drug products requiring royalties or product payments considered normal operating commitments and as such not included herein. Paladin has entered into various agreements, which include contractual obligations extending beyond the current year. These obligations due to their significance and/or being considered outside of Paladin's normal course of business are separately disclosed. Paladin is committed to making minimum purchases of inventory, and minimum expenditures for regulatory, selling and marketing services in the amount of \$75,069, including ZAR36,266, US\$37,231, 18,718 and £3,443 to retain exclusive distribution agreements for certain products. The annual commitments, including total commitments of the Litha division of \$59,473, are as follows:

Contractual Obligations	Total	Less than 1 Year	1-3 years	4-5 years	After 5 years
Purchase and service based commitments	\$ 75,069	\$ 21,604	\$ 43,767	\$ 9,698	

In addition, under certain agreements, Paladin Canada may have to pay additional consideration should Paladin achieve certain sales volumes or if certain milestones are met, such as regulatory approval in Canada. Paladin may have to pay up to \$5,844 including US\$4,461, 250 and £125 over a maximum period of 15 years if it achieves certain product, regulatory or sales milestones on specific products in the future. Paladin has the following commitments related to product license, trademark and distribution agreements:

Commitments	Total	Less than 1 Year	1-3 years	4-5 years	After 5 years
Milestone based commitments	\$ 3,729	\$ 2,434	\$ 1,048	\$ 150	\$ 97
Revenues based commitments	\$ 2,115	\$	\$ 623	\$ 1,492	

OPERATING LEASE COMMITMENTS

Paladin has various non-cancellable operating lease agreements for office space, a manufacturing facility and certain Paladin vehicles as follows:

	2012
	\$
Rental payments due within one year	1,021
Rental payments due between one and five years	411
Rental payments due after five years	
	1,432

Lease and rental expense for the year ended December 31, 2012 were \$722 (2011: \$554), which is included in selling, general and administrative expenses in the consolidated statements of income.

Other contractual commitments

Paladin is also committed to invest \$4,000 and \$500 under a secured debenture and a secured convertible debenture at the request of third parties with whom it has a strategic commercial relationship. The commitments expire in May and September 2013, respectively.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (DECEMBER 31, 2011)

All numbers are in thousands of Canadian dollars except for share and per share amounts

This management's discussion and analysis provides an overview of Paladin's operations, performance and financial condition for the year 2011, and compares the 2011 results to those of 2010 prepared in accordance with IFRS. It is intended to complement and supplement financial information included in the interim and annual consolidated financial statements, related notes, other financial information found elsewhere in the annual report and in the annual information form or other documents filed on SEDAR at www.sedar.com. As a result, it should be read in conjunction with such financial information. This management's discussion and analysis is current as at March 23, 2012 and as at this date 20,310,948 shares and 1,426,894 options were issued and outstanding.

OVERVIEW & CORPORATE HIGHLIGHTS

Paladin is a specialty pharmaceutical company focused on developing, acquiring, in-licensing, marketing, and distributing innovative pharmaceutical products.

In 2011, Paladin continued to make significant progress in acquiring the rights to innovative products, advancing the regulatory status and market access of its product pipeline, expanding sales of key promoted products and its geographic footprint, as follows:

Product development:

Obtained approval from Health Canada and subsequently launched DigiFa[®], a specialty product indicated for the treatment of patients with life-threatening or potentially life-threatening digoxin toxicity or overdose.

Acquired the Tempri[®] line of products in Canada including both syrup and drop formulations from Bristol Myers Squibb.

Launched Seasoniqu[®], a next generation extended-cycle oral contraceptive for the prevention of pregnancy.

Out-licensed the exclusive right to develop and commercialize fomepizole to Takeda Pharmaceutical Company Limited (TSE: 4502), which is referred to in this proxy statement/prospectus as Takeda, for the treatment of ethylene glycol and methanol poisonings in Japan (marketed and distributed by Paladin under the trademark Antizol[®] in Canada and the United States).

Acquired the exclusive Canadian rights to market and sell a controlled release hydrocodone product for the treatment of moderate to severe pain from an affiliate of Elan Corporation, plc.

Filed a new drug submission for Oralair[™] with Health Canada. Oralair is a sublingual grass pollen immunotherapy tablet for the treatment of grass pollen rhinitis with or without conjunctivitis for patients uncontrolled with current symptomatic medications.

Entered into an exclusive collaboration with Somaxon Pharmaceuticals, Inc. (NASDAQ:SOMX) to commercialize Silenor[®] (doxepin) for the treatment of insomnia characterized by difficulty with sleep maintenance in Canada, South America and Africa.

Obtained approval from Health Canada and launched Abstr[®], a novel, rapidly-disintegrating, sublingual (under the tongue) formulation of fentanyl, a well-established opioid used for the management of breakthrough pain for cancer patients already receiving, and tolerant to opioid analgesics.

Entered into a distribution agreement with Common Sense Limited, a privately-owned Israeli company and obtained the exclusive rights to market and sell two diagnostic products: AL-SENSE OTC and VS-SENSE OTC in Canada, Latin America and Sub-Saharan Africa.

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Entered into a licensing and distribution agreement with Immuron Limited (ASX:IMC), an Australian-based biopharmaceutical company, and obtained the exclusive rights to market and sell Travelan® in Canada, Latin America and Sub-Saharan Africa.

Corporate development:

Amended its existing agreements with Isotechnika Pharma Inc., which is referred to in this proxy statement/prospectus as IsoPharma, to transfer to IsoPharma certain ownership and rights and sold 12,500,000 common shares of IsoPharma to ILJIN Life Science Co., Ltd, which is referred to in this proxy statement/prospectus as ILJIN.

Accelerated the purchase of Pharmaplan shares leading to the acquisition of a total of 10% interest of Pharmaplan in 2011. This increases Paladin's ownership from 34.99% to 44.99% effective March 1, 2011.

Acquired by way of assignment Prostrakan Group, which is referred to in this proxy statement/prospectus as Prostrakan, existing secured debt facility of \$77,232 (£50,000) and subsequently received repayment this secured debt facility of \$86,432 (including principal, interest and break fee) for a net gain of \$8,422 in connection with the acquisition of ProStrakan by KHK.

Acquired an additional 5,374,500 common shares of Afexa giving Paladin beneficial ownership of approximately 14.95% of Afexa's total issued and outstanding common shares and announced a take-over bid for any and all of Afexa's outstanding shares. The offer was subsequently increased to \$0.81 per share, following a competing offer made by Valeant. Finally, Paladin announced that it would not take up any shares of Afexa owing to the non-fulfillment of a basic condition of its offer and tendered its shares in Afexa to Valeant.

Acquired all of the issued and outstanding shares of Labopharm at a price of \$0.2857 per share in cash for a total cash payment of \$20,448, representing a 57.4% premium over the volume-weighted average price of Labopharm's shares of \$0.1815 for the 30 trading days prior to the August 17, 2011.

Financing:

Closed a bought deal agreement offering of 1,150,000 common shares, including 150,000 common shares issued pursuant to the exercise by the underwriters of their over-allotment option, issued at a price of \$35.00 per common share for total gross proceeds of approximately \$40,250.

Received approval from the Toronto Stock Exchange on May 26, 2011 to carry out a normal course issuer bid to purchase up to 935,367 of the Paladin's common shares.

Subsequent to the year ended December 31, 2011:

Given the estimated costs to further advance the regulatory submission for voclosporin for the treatment of psoriasis in the Canadian marketplace, the Paladin decided to withdraw its new drug submission at Health Canada. Paladin, through its agreement with IsoPharma continues to advance the clinical development program for Voclera™ (voclosporin) as an immunosuppressant in transplant patients.

Entered into a strategic partnership whereby Paladin will accelerate its buy-out of the remaining 55.01% of Pharmaplan, for a cash consideration of approximately \$38,150 and the issuance of 88,948 of its common shares at \$44.97 per share, and merge the Pharmaplan business with the pharma division of Litha. The merger is expected to occur on July 2, 2012.

Filed a new drug submission that has been accepted for review by Health Canada for Silenor® (doxepin) for the treatment and symptomatic relief of insomnia.

Received regulatory approval from Health Canada for Oralair™.

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2011 FINANCIAL HIGHLIGHTS

Revenues reached \$141,466, an increase of 11% over the prior year

Net income was \$50,151, an increase of 68% over the prior year

Adjusted EBITDA was \$67,558, a 20% increase over the prior year

Cash flows from operations reached \$68,113, at the same level as the prior year
Paladin's revenues reached \$141,466 for the year ended December 31, 2011 compared to \$127,989 for last year. For the year ended December 31, 2011, Paladin's net income was \$50,151 or \$2.43 per fully diluted share compared to \$29,856 or \$1.54 per fully diluted share last year.

As at December 31, 2011, Paladin's total assets were \$397,913 and shareholders' equity was \$322,726 compared to \$280,623 and \$228,845, respectively as at December 31, 2010. Paladin's cash, cash equivalents and marketable securities amounted to \$239,009 as at December 31, 2011 compared to \$139,389 as at December 31, 2010.

Paladin's revenues are principally derived from sales of pharmaceutical products to large pharmaceutical wholesalers, large chain pharmacies and licensors.

Paladin's expenses have been comprised primarily of cost of goods sold (including royalty payments to those companies from whom Paladin licenses its products), selling, marketing and administrative expenses and research and development expenses. In addition, a substantial portion of Paladin's expenses are related to the amortization of the pharmaceutical product licenses and rights Paladin acquires.

Paladin's annual and quarterly operating results are primarily affected by the level of acceptance of Paladin's products by physicians and their patients, and the timing and number of product launches. The level of patient and physician acceptance of Paladin's products, the acceptance of provincial government reimbursement on such products, market access, as well as the availability of similar therapies, impact Paladin's revenues by driving the level and timing of prescriptions for its products. Each new product launch requires significant promotional investment during the first three to five years from launch.

CRITICAL ACCOUNTING ESTIMATES

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the amounts of assets, liabilities, revenue and expenses reported in the consolidated financial statements. Actual amounts and results could differ from those estimates. The following are considered to be the key accounting estimates and judgements made.

Revenue recognition

Revenue is recognized when title and risk of loss is passed to the customer and reliable estimates can be made of relevant deductions. Gross revenue is reduced by discounts, credits, allowances and product returns. Accruals are

made at the time of sale for the estimated discounts, credits, allowances and product returns, based on available market information and historical experience. Because the amounts are estimated they may not fully reflect the final outcome, and the amounts are subject to change. The level of accrual is reviewed and adjusted regularly in the light of contractual and legal obligations, historical trends, past experience and projected market conditions. Market conditions are evaluated using wholesaler and other third-party analyses, market research data and internally generated information. Future events could cause the assumptions on which the accruals are based to change, which could affect the future results of Paladin.

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In certain situations, such as initial product launches for which Paladin has limited comparable information or where the market or client acceptance has not been clearly established, Paladin may determine that it has not met the requirements for recognition of revenue, such as the ability to reasonably determine provisions for product returns, as a result Paladin will defer the recognition of revenue for these product sales until such criteria are met.

Inventory valuation

The reserve for inventory is equal to all or a portion of the inventory which has reached its expiration or is close to expiration and not expected to be sold, based on the specific facts and circumstances. In order to determine whether the inventory is properly stated at the lower of cost or net realizable value, management reviews the amount of inventory on hand, the remaining shelf life and estimates the time required to sell such inventory taking into account current and expected market conditions and competition.

Assets arising from business combinations and investments in associates

In 2011, Paladin invested \$36,135 considerations on business acquisitions and investments in associates (refer to Notes 5 and 12 of the annual audited consolidated financial statements). Based on existing accounting standards Paladin allocated the cost of the acquisition to the underlying net assets acquired based on their respective estimated fair values. As part of this allocation process, Paladin must identify and attribute values and estimated lives to the intangible assets acquired. These determinations involve significant estimates and assumptions regarding cash flow projections, economic risk and weighted cost of capital. These estimates and assumptions determine the amount allocated to identifiable intangible assets and goodwill, as well as the amortization period for identifiable intangible assets with finite lives. If future events or results differ adversely from these estimates and assumptions, Paladin could record increased amortization or impairment charges in the future.

Pharmaceutical product licenses and rights

The factors that drive the actual economic useful life of the pharmaceutical product licenses and rights are inherently uncertain, and include patent protection, physician loyalty and prescribing patterns, competition by products prescribed for similar indications, introductions of competing products, the impact of promotional efforts, adverse patient reactions to products or similar products and many other issues. The terms generally range from 2 to 10 years. Capitalized milestones and other license payments are based on future cash flows that are derived from business forecasts and are inherently judgemental.

Estimated useful lives are reviewed annually and impairment tests are undertaken if events occur which call into question the carrying values of the assets. Impairment tests are based on risk-adjusted future cash flows discounted using appropriate interest rates. These future cash flows are based on business forecasts and are therefore inherently judgemental. Future events could cause the assumptions used in these impairment reviews to change with a consequential adverse effect on the future results of Paladin.

Income taxes

Paladin has deferred tax assets from various sources and uses judgement when estimating income taxes and deferred tax assets and liabilities. This process involves estimating actual current tax exposure, as well as assessing temporary differences that result from the difference in treatment for accounting and tax purposes and the availability of loss carry-forwards. The temporary differences and tax-loss carry-forwards result in deferred tax assets and liabilities which are included in Paladin's consolidated balance sheet. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable

income together with future tax planning strategies. Management is required to assess whether it is probable that the deferred tax assets will be realized and, based on all available evidence, determine if an adjustment is required on all or a portion of the recognized deferred tax assets. Factors considered in the assessment of the likelihood and value of the realizable deferred tax assets include Paladin's forecast of the amount

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and timing of future net income before taxes on an annual basis, available tax planning strategies that could be implemented to realize the deferred tax assets, and the remaining period of loss carry-forwards.

Paladin's income tax reporting is subject to audit by taxation authorities. The final outcome of any audits by taxation authorities may differ from Paladin's estimates, assumptions and tax planning strategies used in determining the tax provisions and accruals.

Stock-based compensation expense

Paladin has stock-based compensation plans and applies the fair value method of accounting for such plans. The calculation of share-based compensation is dependent on estimates to determine the fair value. The fair value of the option is calculated using the Black-Scholes option-pricing model, which requires making assumptions including, the volatility of the market price of Paladin's common shares and the expected life of the option. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome. The expected life of the share options is based on historical data and current expectation and is not necessarily indicative of exercise patterns that may occur.

ADOPTION OF IFRS

In February 2008 the Canadian Accounting Standards Board confirmed that the use of IFRS would be required for Canadian publicly accountable enterprises for interim and annual financial statements effective for fiscal years beginning on or after January 1, 2011. Paladin implemented these standards on January 1, 2011 and Paladin's transition date was January 1, 2010. These annual audited consolidated financial statements have been prepared as described in Note 1 of the annual audited consolidated financial statements.

In preparing the annual audited consolidated financial statements in accordance with IFRS 1, Paladin has applied the mandatory exceptions and certain of the optional exemptions from full retrospective application of IFRS. Paladin has also applied the transitional provision in IFRIC 4, "Determining whether an arrangement contains a lease, which is referred to in this proxy statement/prospectus as IFRIC," and has assessed all arrangements as at the date of transition.

The annual audited consolidated financial statements for the year ended December 31, 2011, contain a detailed description of Paladin's conversion to IFRS in Note 33, including the required reconciliations of shareholders equity, comprehensive income and a line-by-line reconciliation of Paladin's annual audited consolidated financial statements previously prepared under Canadian GAAP to those under IFRS for the year ended December 31, 2010 and the opening balance sheet as of January 1, 2010.

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RECENT ACCOUNTING PRONOUNCEMENTS

Certain new standards, interpretations and amendments to existing standards issued by the IASB or IFRIC that are not yet effective up to the date of issuance of Paladin's consolidated financial statements are listed below. Paladin is assessing the impact of these pronouncements on its consolidated results and financial position. Paladin intends to adopt those standards when they become effective.

IAS 1 Presentation of Financial Statements

IFRS 9 Financial Instruments

IFRS 10 Consolidated Financial Statements

IFRS 12 Disclosure of Interests in Other Entities

IAS 28 Investments in Associates and Joint Ventures

IFRS 13 Fair Value Measurement

CORPORATE ANNOUNCEMENT: JONATHAN ROSS GOODMAN

On August 18, 2011, Paladin announced that its President and CEO, Mr. Jonathan Ross Goodman, was involved in an accident and was hospitalized with serious injuries. As Mr. Goodman was unable to perform his duties as President and CEO, the Paladin board of directors asked Mr. Mark Beaudet, Co-Founder, Director and Vice President Marketing and Sales of Paladin, to assume such duties on an interim basis. Mr. Goodman is pursuing a recovery and rehabilitation program. As a result, Mr. Goodman will remain absent from Paladin for an indeterminate period of time. Paladin will provide further updates on Mr. Goodman's condition only when a change in circumstance warrants same.

RESULTS OF OPERATIONS

Year ended December 31, 2011 compared to year ended December 31, 2010.

Revenues

Revenues increased \$13,477 or 11% to \$141,466 for the year ended December 31, 2011 from \$127,989 for the year ended December 31, 2010.

The increase in revenues for 2011 is mostly attributable to the sales growth of certain significant promoted products, including Tridural[®], Trelstar[®], Testim[®], Metadol[®], and Abstral[®], which combined increased by 14% compared to 2010. In addition, incremental revenues from products acquired and/or launched, and corporate acquisitions since 2010 contributed \$6,140 in 2011 including \$2,630 resulting from the acquisition of Labopharm. Furthermore, in accordance with Paladin's revenue recognition policy, Paladin has deferred revenue of \$5,098, \$3,552 of which is related to the Labopharm acquisition as at December 31, 2011 (2010 \$1,939).

In July 2010 and in March 2011, generic versions of Pennsaid[®] and Plan B[®], respectively, were approved in Canada. It is not yet known if or when the generic version of Pennsaid[®] will be sold in the Canadian market. The generic version of Plan B[®] was launched in September 2011. Should these generic versions of Pennsaid[®] and Plan B[®] successfully commercially launch the sales of Pennsaid[®] and Plan B[®] would decline significantly.

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Product revenues highlights for Paladin's most significant promoted products using IMS Canada sales data for 2011 compared to 2010 are as follows:

Promoted Products	Sales Data per	
	IMS Canada in 2011(2)	Change vs. 2010
	\$	%
Tridural®	11,711	6%
Trelstar®	6,945	32%
Testim®	4,191	21%
Metadol®	10,827	18%
Plan B®	10,276	5%
Abstral®(1)	135	n/a
Total	44,085	14%

(1) Abstral® was launched on June 13, 2011

(2) Paladin has chosen not to disclose detailed product by product revenue information for competitive reasons, however, the table above does include detailed IMS Canada sales data, essentially end-user pharmacy purchase volume data, to allow the reader to better understand revenue changes from period to period on certain significant products. It is important that readers of this sales data note that IMS Canada sales data may not necessarily correspond to Paladin's recording of revenue in accordance with IFRS.

Gross Income

Total gross income increased \$8,310 or 9% to \$102,172 for the year ended December 31, 2011 from \$93,862 for the same comparative period last year. Gross income, as a percentage of revenues, decreased 1% to 72% for the year ended December 31, 2011 from 73% in 2010. The decrease in gross profit as a percentage of revenues is mainly the result of a change in the sales mix of products.

Selling, General and Administrative Expense

Selling, general and administrative expense increased \$1,594 or 5% to \$32,119 for the year ended December 31, 2011 from \$30,525 for the same comparative period last year. Selling and marketing expense, as percentage of revenues, decreased to 23% for 2011 compared to 24% for 2010. The increase in selling, general and administrative expenses for the year ended December 31, 2011 is mainly the result of increased business development projects including professional, legal and securities fees related to the Afexa and Labopharm transactions, overhead costs related to Labopharm and newly launched product sales and marketing costs partially offset by certain sales and marketing streamlining efforts. Paladin expects to complete the restructuring of Labopharm during the second quarter of 2012. Selling, marketing and administrative expenses have decreased as a percentage of revenues primarily as a result of growth in non promoted revenues and certain sales and marketing streamlining efforts partially offset by the increased incremental administrative expenses related to the integration of Labopharm. The promotional activities driving selling and marketing costs primarily relate to Paladin's continued promotional activities for Tridural®, Trelstar®, Testim®, Metadol® Plan B®, and the launch costs related to Abstral®.

Research and Development Expense

Research and development expense increased \$655 or 7% to \$9,773 for the year ended December 31, 2011 from \$9,118 for the same comparative period last year. Research and development expense, as percentage of revenues, remained steady at 7% for 2011 and 2010, respectively. The increase in the research and development expenses during the year primarily relates to payments for certain development projects with licensors, license payments for products not yet approved and the ongoing research and development efforts related to the Labopharm business of \$863 partially offset by the termination of research and development commitments related to IsoPharma effective June 30, 2010.

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Interest income increased \$5,056 or 228% to \$7,278 for the year ended December 31, 2011 from \$2,222 for the year ended December 31, 2010. This increase is primarily the result of the incremental interest earned on Paladin's strategic investments in partner companies, primarily the ProStrakan convertible debenture, from which Paladin generated \$2,777 from January 12 to May 17, 2011, and investments in loans with Labopharm and SpePharm Holding B.V., which is referred to in this proxy statement/prospectus as SpePharm, during and subsequent to the year ended December 31, 2010 generating \$2,270 for the year ended December 31, 2011. In addition, Paladin held higher average daily cash and marketable securities balances and earned a higher effective rate of return compared to the prior year. Paladin earned an effective rate of return of 1.58% and held an average cash and marketable securities balance of \$181,146 for 2011, compared to 1.14% and \$113,551, respectively, for 2010.

Amortization of Pharmaceutical Product Licenses and Rights

Amortization expense decreased by \$816 or 4% to \$22,028 for the year ended December 31, 2011 from \$22,844 for the same comparative period last year. The decrease in amortization expense is the result of certain pharmaceutical product licenses and rights having reached full amortization during the year, partially offset by amortization related to Paladin's recently acquired pharmaceutical product licenses and rights including \$1,666 related to the acquisition of Labopharm.

Other Finance Income

Other finance income increased \$2,191 or 34% to \$8,687 for the year ended December 31, 2011 from \$6,496 in the prior year. During the year ended December 31, 2011, Paladin redeemed its Prostrakan facility for proceeds of \$86,432, made up of: the principal of the Prostrakan facility of \$77,232; the interest accrued at May 17, 2011 of \$778; a break free of \$3,089; and the balance of interest payable for the first year of \$5,333, resulting in an early redemption gain of \$8,422. In connection with the same Prostrakan facility, in accordance to applicable accounting standards, Paladin re-measured the fair value of a conversion option on the Prostrakan facility, deemed to be \$nil and recorded an unrealized loss of \$4,572, partially offset by a gain of \$3,568 on the remeasurement of an early redemption option. In addition, Paladin recorded \$1,220 of accreted interest on Paladin's convertible debentures, principally the Prostrakan facility. Furthermore, Paladin disposed of certain shares held in portfolio companies for \$16,465, representing a net gain of \$5,105. Finally, as part of Paladin's on-going assessment of investment carrying values, management determined its investments in Somaxon and Isotechnika to be impaired and recorded a write-down of \$5,056. Please refer to Significant Transactions section below for additional details on the Prostrakan facility.

During the year ended December 31, 2010, Paladin disposed of shares held in a portfolio company for \$391, representing a gain of \$2. In addition, Paladin disposed of certain marketable securities for \$58,037, representing a loss on disposal of \$11, resulting in a net loss on investments of \$9 for 2010. Furthermore, Paladin recorded \$158 in interest accretion on Paladin's convertible debentures. Moreover, effective October 27, 2010, Paladin lost its significant influence over IsoPharma at which time the investment was measured at fair value and for which Paladin recorded an unrealized gain of \$6,207. In addition, following the sale of the AIT® technology platform in 2010, Paladin received common shares in a portfolio company having a fair value of \$140, resulting in a gain of \$140.

Foreign Exchange Loss

During the year ended December 31, 2011, Paladin recorded a foreign exchange loss of \$80 on Paladin's foreign operating results, mainly as a result of the weakening of the CAD relative to the USD and as a result of the strengthening of the CAD relative to the EURO and ZAR, and its impact on Paladin's net monetary position in these

currencies.

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During the year ended December 31, 2010, Paladin recorded a foreign exchange loss of \$59 on Paladin's foreign operating results, mainly as a result of the strengthening of the CAD relative to the EURO and USD, partially offset by the weakening of the CAD relative to the ZAR, favorably impacting Paladin's ZAR denominated deposit.

Other Income

Other income was \$97 for the year ended December 31, 2011, compared to \$540 for the same period last year. During the year ended December 31, 2011, Paladin received a contractual partner payment of \$97 and recorded a \$97 gain in other income.

During the year ended December 31, 2010, Paladin agreed to amend its agreement with IsoPharma in order to support a transaction between IsoPharma and ILJIN in exchange in part for the forgiveness of the remaining contingent balance of sale payable in the current amount of \$348, representing a gain of \$348. In addition, Paladin disposed of certain pharmaceutical product licenses and rights for proceeds of \$192, representing a gain of \$192.

Share of Net Income of an Associate

On March 16, 2010, Paladin entered into a strategic investment to acquire an initial 34.99% ownership interest in Pharmaplan, a privately-owned specialty pharmaceutical company based in Johannesburg, South Africa. On March 1, 2011, Paladin acquired an additional 10% ownership interest in Pharmaplan, increasing Paladin's ownership from 34.99% to 44.99%. The equity interest acquired in Pharmaplan represents an investment subject to significant influence which is accounted for using the equity method from the date of the transaction, March 16, 2010. The investment was initially recorded at cost and adjustments are made to include Paladin's share of Pharmaplan's net income. Paladin's share of net income is adjusted to reflect the amortization of the fair value adjustments related to Paladin's share of Pharmaplan's net identifiable assets acquired and the tax impact on the distributable earnings. Paladin's share of Pharmaplan's net income for the year ended December 31, 2011 increased \$956 or 120% to \$1,756 compared to \$800 for the 290 day period between the acquisition date, March 16, 2010 and December 31, 2010.

Income Before Income Tax and Under-noted Items

Income before income tax and undernoted items increased \$14,616 to \$55,990 for the year ended December 31, 2011 compared to net income before income before income tax and undernoted items of \$41,374 for the same comparative period last year.

Income Tax Expense

Income tax expense increased by \$2,596 or 23% to \$14,114 for the year ended December 31, 2011 from \$11,518 for the year ended December 31, 2010. For 2011, the effective tax rate was 22% compared to 28% for 2010. The decrease in effective rates in the current year is principally due to the non-taxable gains net of impairment of financial assets included in net income in comparison to the previous year. The non-taxable gains related the purchase gain recorded on the acquisition of Labopharm and the repayment of the Prostrakan facility. Please refer to the Significant Transactions section below.

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Paladin has the following tax pools detailed below which may be applied against taxable income:

	Available		Recognized		Expires in
	2011	2010	2011	2010	
	\$	\$	\$	\$	
Non-capital tax losses					
Federal	28,746	61,433	23,245	26,344	2025-2031
Provincial	22,343	37,576	19,271	2,487	2025-2031
Scientific Research and Experimental Development expenditures					
Federal	130,203	74,175	118,125	62,248	N/A
Provincial	99,025	74,388	86,993	62,508	N/A
Investment tax credits					
Federal	31,084	20,025	24,674	14,736	2016-2031

The amount of tax benefit claimed in the current and prior years is subject to audit by the taxation authorities and could be reduced by a material amount in the future.

During the quarter ended March 31, 2010, in connection with Paladin's previously disclosed tax contingency, Paladin received notices of re-assessment from the Canada Revenue Agency, which is referred to in this proxy statement/prospectus as CRA, and the Ontario Minister of Finance, which is referred to in this proxy statement/prospectus as OMF, reversing their original position on the use of certain non-capital losses acquired as part of the Dimethaid Health Care Ltd. (subsequently renamed Squire Pharmaceuticals Inc, which is referred to in this proxy statement/prospectus as Squire) acquisition from Nuvo.

As previously disclosed, on various dates during fiscal 2008 and 2009 Paladin had received notices of reassessment from the CRA relating to the taxation years ending August 16, 2005, July 31, 2006, July 31, 2007, and December 31, 2008 and from the OMF for the taxation year ended August 16, 2005, containing adjustments relating to the use of certain non-capital losses. The notices of assessment and re-assessment, if they had stood as a result of the CRA's position, amounted to a total tax liability exposure to the federal and relevant provincial governments of approximately \$11,625 including interest and penalties. Paladin filed a Notice of Objection through the CRA appeals process on October 23, 2008. Furthermore, Paladin, under the terms of the Share Purchase Agreement for Squire with Nuvo holds indemnities with respect to the status of the Squire tax accounts and certain tax asset values as well as all costs relating to reassessment including advisory fees, interest and penalties, as applicable. In addition, Nuvo had issued additional security over the indemnity obligations by entitling Paladin to the benefit of security over certain assets and product revenue streams of Nuvo and certain of its subsidiaries.

In connection with the appeals process, during the years ended December 31, 2009 and 2008, Paladin had posted a deposit of \$3,752 to the CRA and \$500 to the OMF, representing up to one half of the tax and interest assessed. In addition, during 2009, Paladin issued from its revolving unsecured credit facility, a bank guarantee of \$720 to the OMF. As a result of Paladin's success in the appeal process, an amount of \$3,936 was received from the CRA on January 20, 2010 and an amount of \$524 was received from OMF during the second quarter of 2010, representing a refund for the full amount of the deposits above, along with accrued interest of \$208. In addition, the bank guarantee previously issued to the OMF expired on February 1, 2010 without being drawn-down by the OMF.

Purchase Gain on Business Combination

On October 7, 2011, Paladin acquired all of the issued and outstanding common shares of Labopharm at a price of \$0.2857 per share in cash, for a total cash consideration of \$20,448, and the settlement of a loan receivable of \$9,712 (refer to Note 5 of the annual audited consolidated financial statements) for a total purchase price of \$30,160. The excess of the net assets acquired of \$47,230 over the purchase price represents a purchase gain of \$17,070.

Table of Contents**Restructuring, Shutdown and Other Costs**

On October 7, 2011, Paladin acquired all of the issued and outstanding common shares of Labopharm, in connection with this acquisition, Paladin incurred restructuring costs of \$8,795 which, when netted against the purchase gain of \$17,070 results in a net gain on acquisition of \$8,275.

Net Income

Due to the factors set forth above, net income was \$50,151 or \$2.43 per share on a fully-diluted basis for the year ended December 31, 2011 compared to \$29,856 or \$1.54 per share on a fully-diluted basis for the year ended December 31, 2010.

LIQUIDITY AND CAPITAL RESOURCES

Paladin's Investment Policy regulates the investment activities relating to cash resources. An Investment Committee composed of representatives from management and the Board of Directors monitors compliance with said policy. Paladin invests in strategic investments in the form of equity or strictly in liquid, high-grade investment securities with varying terms to maturity, selected with regard to the expected timing of investments and expenditures for continuing operations and prevailing interest rates.

Paladin believes that its existing cash, cash equivalents and marketable securities, as well as cash generated from operations are sufficient to finance its current operations, working capital requirements and future product acquisitions. At present, Paladin is actively pursuing other acquisitions that may require the use of substantial capital resources. With the exception of the combined transactions disclosed in the subsequent events paragraph, there are no present agreements or commitments with respect to any such acquisitions.

Paladin has a \$5,000 extendable revolving unsecured credit facility in place with one of Paladin's bankers. As at December 31, 2011, \$837 is being utilized for Paladin's use of forward contracts to manage certain foreign exchange exposure. The credit facility may also be used for general corporate purposes.

The table below sets forth a summary of cash flow activity and should be read in conjunction with Paladin's consolidated statements of cash flows within the annual audited consolidated financial statements for the year ended December 31, 2011.

	2011	2010
	\$	\$
Cash inflow from operating activities	68,113	68,240
Cash outflow from investing activities	(120,118)	(5,396)
Cash inflow from financing activities	27,930	2,259
Foreign exchange loss on cash and cash equivalents	(105)	(35)
(Decrease) increase in cash position	(24,180)	65,068
Cash and cash equivalents, beginning of year	96,295	31,227
Cash and cash equivalents, end of year	72,115	96,295
Marketable securities, end of year	166,894	43,094

Cash, cash equivalents and marketable securities, end of year	239,009	139,389
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Paladin's cash, cash equivalents and marketable securities increased \$99,620 to \$239,009 as at December 31, 2011 from \$139,389 for the same comparative period last year. This increase is primarily the result of Paladin's cash flow generated from operating activities of \$68,113, common shares issued for net cash proceeds of \$41,918, the net proceeds generated by the disposal of certain long-term financial assets of \$12,246, and dividends from an equity investment of \$2,871 partially offset by a partial repayment of debt of \$13,241, the purchase of pharmaceutical product licenses and rights of \$7,617, an investment in an associate of \$2,936 and the

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acquisition of a subsidiary, net of cash acquired of \$1,109. Working capital, which is defined as current assets less current liabilities, increased \$79,219 to \$207,892 as at December 31, 2011 from \$128,673 for the same comparative period last year. This increase in working capital is primarily due to Paladin's increase in cash, cash equivalents and marketable securities explained above.

No dividend was declared or paid by Paladin on its common shares during the current financial year. In addition, Paladin does not expect to pay dividends in the near future.

Cash flows from operating activities remained relatively steady at \$68,113 for 2011 from \$68,240 for the same comparative period last year. Cash flows from operating activities represent the cash flows from net earnings, excluding revenues and expenses not affecting cash, principally amortization, deferred tax, share-based compensation expense, foreign exchange (gains) losses, share of net income of an associate, gains (losses) on investments including finance income and derivative instruments, accreted interest, purchase gain on business acquisition and restructuring, shutdown and other costs.

Cash flows used in investing activities were \$120,118 compared to \$5,396 for the years ended December 31, 2011 and 2010, respectively. During the year ended December 31, 2011, Paladin invested \$123,245 in marketable securities net of cash flows generated from maturing marketable securities, acquired pharmaceutical product licenses and rights for \$7,617, invested \$2,936 in an associate, acquired a subsidiary, net of cash included as part of the acquisition, for \$1,109 partially offset by the disposal of financial assets for \$12,246, net of purchases, and dividends received from an associate of \$2,871.

During 2010, Paladin invested \$35,864 towards the acquisition of investments primarily in Pharmaplan, further described under the equity investment in Pharmaplan paragraph below, a loan to Labopharm and an investment in a convertible debenture in SpePharm, \$1,650 towards a partial repayment of a balance of sale payable and \$93 for the acquisition of property, plant and equipment. Paladin's investment acquisitions were offset by proceeds from the disposal and maturing of marketable securities net of cash flows used for the acquisition of marketable securities of \$31,028, the proceeds from the disposal of investments of \$391 and dividends received from Pharmaplan of \$792.

Cash flows generated from financing activities were \$27,930 compared to \$2,259 for the years ended December 31, 2011 and 2010, respectively. During the year ended December 31, 2011, Paladin issued 1,150,000 common shares through a bought deal share offering at a price of \$35.00 per common share for net proceeds of \$38,607. In addition, Paladin received \$3,311 from stock option exercises and the issuance of common shares under the stock purchase plan for cash. Moreover, during the year Paladin made a payment of \$13,241 related to debt previously carried by Labopharm and used \$580 to repurchase 16,704 of its own common shares under the terms of its normal course issuer bid.

During 2010 an amount of \$2,259 was generated from share option exercises and the issuance of common shares under the stock purchase plan for cash.

EQUITY INVESTMENT IN PHARMAPLAN

On March 16, 2010, Paladin entered into a strategic investment to acquire an initial 34.99% ownership interest in Pharmaplan, a privately-owned specialty pharmaceutical company based in Johannesburg, South Africa. Paladin paid \$18,861 including a non-interest bearing loan of \$2,879 (ZAR 21,000). In addition, Paladin committed to additional future consideration by increasing its ownership position by 5% per year over the next 3 years to 49.99%, with such additional consideration based upon Pharmaplan's future financial results. In addition, Paladin has the option to increase its ownership interest in Pharmaplan to 100% in 2013, at a purchase price determined using Pharmaplan's

future financial results, payable in ZAR.

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On March 1, 2011, Paladin entered into an agreement with Pharmaplan to accelerate the purchase of Pharmaplan shares leading to the acquisition of a total 10% ownership interest in Pharmaplan. This increased Paladin's ownership from 34.99% to 44.99% effective March 1, 2011. Paladin paid \$5,975 including the settlement of the non-interest bearing loan mentioned above.

The equity interest acquired in Pharmaplan represents an investment subject to significant influence which is accounted for using the equity method from the date of the acquisition, March 16, 2010. The investments were initially recorded at cost and adjustments are made to include Paladin's share of Pharmaplan's net income. Paladin's share of net income is adjusted to reflect the amortization of the fair value adjustments related to Paladin's share of the net identifiable assets of Pharmaplan acquired and the tax impact on the distributable earnings.

The total cost was allocated to Paladin's share of net identifiable assets acquired on the basis of their fair values using the purchase method of accounting. The allocation of the cost of the investment in Pharmaplan for the March 16, 2010 and March 1, 2011 purchases is identified herein below:

	March 16, 2010 34.99% purchase \$	March 1, 2011 10% purchase \$	Total 44.99% purchase \$
Net book value of identifiable assets acquired	2,486	1,089	3,575
Definite life intangibles	10,665	3,723	14,388
Indefinite life intangibles	278	80	358
Future income tax liabilities	(3,064)	(1,065)	(4,129)
Goodwill	5,617	2,148	7,765
	15,982	5,975	21,957

	Year Ended December 31, 2011 \$	290 Days Ended December 31, 2010 \$
Carrying values, beginning of period	15,739	
Additions in the period	5,975	15,982
Share of net income for the period before adjustments	4,018	1,908
Adjustments to net income:		
Amortization of fair value adjustments	(1,764)	(1,108)
Taxation	(498)	
Share of net income for the period	1,756	800
Share of dividends received in the period	(2,620)	(1,043)

Carrying values, end of period	20,850	15,739
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Paladin is presenting selected financial information derived from Pharmaplan's audited financial statements in ZAR using South African GAAP converted into IFRS in CAD for information purposes.

	Year Ended December 31, 2011	290 Days Ended December 31, 2010
Pharmaplan's statement of income data	\$	\$
Revenues	46,346	35,507
Cost of sales	22,524	14,737
Gross income	23,822	20,770
Operating expenses	10,259	12,759
Earnings before under-noted items	13,563	8,011
Interest, amortization and income taxes	4,361	2,550
Net income for the period	9,202	5,461

	December 31, 2011	December 31, 2010
Pharmaplan's balance sheet data	\$	\$
Total assets	17,754	18,943
Total liabilities	5,990	8,281

SIGNIFICANT TRANSACTIONS**2011 Prostrakan Facility**

On January 11, 2011, Paladin invested \$77,232 (£50,000) in ProStrakan through the acquisition by way of assignment of Prostrakan's existing secured debt facility with the addition of certain conversion rights. The secured facility was amended and provided by Paladin in CAD at a rate of interest of 10.5%. The amended Prostrakan facility was repayable in full at the end of three years and Paladin had the option to convert the outstanding principal debt into new Prostrakan ordinary shares at any point after the initial nine months of the term of the amended agreement. In the event of a change in control of ProStrakan during this same initial time period, along with Paladin consenting to early redemption, Paladin was entitled to receive a payment equivalent to the balance of interest for the first year of the loan together with a break fee of \$3,089 (£2,000). The strike price for the conversion rights was set at £1.10 per share, a 24% premium to the closing price of Prostrakan's common shares on December 14, 2010.

According to financial instruments accounting standards, the Prostrakan facility was initially recognized at its respective fair value through the bifurcation of the conversion option and early redemption option being classified and subsequently re-measured as derivative assets. The fair value of the conversion option was obtained by using the Black-Scholes option pricing model, adjusted for credit risk and a 25% likelihood of conversion, using the following assumptions, as at January 11, 2011: volatility factor: 59.43%, risk free interest rate: 2.01% and time to expiry: 3 years. The fair value of the early redemption option, as at January 11, 2011, was obtained using a probability factor of 75% and a discount factor of 20.8%. The allocated loan portion of the Prostrakan facility was classified as Loans and

receivables and recorded at fair value upon initial measurement and subsequently recorded at amortized cost using the effective interest rate method at a rate of 20.8% per year.

On February 21, 2011, in connection with the proposed acquisition of Prostrakan by KHK, Paladin consented to the repayment of its Facility subject to closing of the acquisition. On March 31, 2011, the general meeting of Prostrakan's shareholders approved the acquisition of Prostrakan by KHK. As a result the conversion option was deemed to have a fair value of \$nil and the early redemption option was re-measured using a probability factor of 100%.

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On May 17, 2011, Paladin received gross proceeds of \$86,432 representing the aggregate of: the principal of the ProStrakan Facility of \$77,232; the interest accrued at May 17, 2011 of \$778; a break free of \$3,089; and the outstanding balance of interest payable for the first year of \$5,333, resulting in a gain on early redemption of \$8,422. Paladin has recorded interest accretion of \$1,004 for the year ended December 31, 2011. Both the gain on redemption and the interest accretion are included in Other finance income on the consolidated statement of income. Moreover, Paladin has retained the rights to the products it had previously been licensed in connection with the agreement.

2011 Afexa Offer

On August 10, 2011, Paladin issued a take-over bid circular making the Offer, on the terms and subject to the conditions of the Offer, any and all of the issued and outstanding common shares Afexa Common Shares, together with SRP Rights issued under the Shareholder Rights Plan of Afexa, which included Afexa Common Shares that might have become issued and outstanding after the date of the Offer but before the expiry time of the Offer upon the exercise of options issued under Afexa's Stock Option Plan together with their associated SRP Rights.

Under the terms of the Offer, Afexa Shareholders had an alternative to either the Cash Alternative or 0.013 Paladin common shares the Share Alternative.

On August 30, 2011, Valeant, through a subsidiary, made a competing offer to acquire the issued and outstanding common shares of Afexa for \$0.71 per share. Following this offer, on September 26, 2011, Paladin increased its Offer to the Enhanced Offer to acquire any and all of the issued and outstanding common shares of Afexa to \$0.81 per share. On September 30, 2011 Valeant further announced it had increased its bid to \$0.85 per share. On October 3, 2011, Paladin announced that it would not take up any shares under its Enhanced Offer to acquire any and all of the issued and outstanding common shares of Afexa due to the non-fulfillment of a condition to Paladin's Offer and, on October 17, 2011, tendered its shares in Afexa to Valeant for a gain on disposition of \$5,081 included in Other finance income on the consolidated statement of income.

2011 Acquisition of Labopharm

On October 7, 2011, Paladin acquired all of the issued and outstanding common shares of Labopharm at a price of \$0.2857 per share in cash, for a total cash consideration of \$20,448, and the settlement of a loan receivable of \$9,712 (refer to Note 13 of the annual audited consolidated financial statements) for a total purchase price of \$30,160. Labopharm is an international specialty pharmaceutical corporation focused on improving and out-licensing existing drugs by incorporating its proprietary and advanced controlled-release technologies.

The acquisition of Labopharm further strengthens Paladin's pain franchise through the addition of an established revenue stream in international markets.

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The acquisition was accounted for using the acquisition method of accounting and the results of Labopharm's operations are included in Paladin's consolidated financial statements from October 7, 2011, the effective date of acquisition. The purchase price was preliminarily allocated as follows:

	\$
Cash and cash equivalents	19,339
Trade and other receivables	3,467
Inventories	2,058
R&D tax credits receivable	1,965
Other current assets	328
Current assets	27,157
Investment tax credits recoverable	9,789
Deferred tax assets	15,959
Property, plant and equipment and finance lease asset	3,996
Pharmaceutical product licenses and rights	19,997
Total assets	76,898
Payables, accruals and provisions	(5,749)
Deferred revenue	(1,453)
Loans payable	(13,227)
Finance lease liability	(984)
Current liabilities	(21,413)
Deferred revenue	(2,338)
Finance lease liability	(5,917)
Total liabilities	(29,668)
Net assets acquired	47,230
Consideration paid	(20,448)
Settlement of loan receivable	(9,712)
Purchase gain on business combination	17,070

The cash and cash equivalents, trade and other receivables and inventories balances are considered final assessments of their respective fair values for purposes of the purchase price equation. Paladin is in the process of finalizing the remaining balances of the purchase price allocation which will be completed during 2012.

The excess of the net assets acquired over the purchase price represents a purchase gain and immediately following the acquisition, in accordance with appropriate accounting standards, Paladin initiated a restructuring plan with respect to the Labopharm operating activities. The following unusual expenses and provisions were taken at this time in conjunction with the restructuring plan and have been included in Restructuring, shutdown and other costs on the consolidated statement of income.

	\$
Purchase gain on business combination	17,070
Restructuring costs	(4,135)
Shutdown and other costs	(4,660)
Total costs	(8,795)
Net gain on business combination	8,275

The majority of the shutdown and other costs relate to the write down of a finance lease building of \$3,946, Paladin has acquired as part of the Labopharm acquisition, further discussed in Note 14 of the annual audited consolidated financial statements. In addition, the shutdown and other costs include \$350 acquisition related costs.

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During the period from October 7, 2011 to December 31, 2011 Labopharm recorded revenues of \$2,630 and a net loss of \$8,186 primarily due to the one-time impact of the restructuring, shutdown and other costs.

RELATED PARTY TRANSACTIONS

Joddes Limited, a private Canadian corporation, together with its affiliates own in aggregate approximately 34% of the outstanding shares of Paladin as at December 31, 2011, and one director of Paladin, Paladin's President and CEO, is related to this group.

Paladin engages a wholly-owned subsidiary of Joddes Limited to provide logistics services including: customer service, warehousing, shipping, invoicing, collection services and certain manufacturing and selling services on behalf of Paladin. Paladin also engages this affiliate to perform certain research and development and selling services on a contractual pay-for-use basis. In addition, Paladin leases its office facilities from another wholly-owned subsidiary of Joddes Limited. This lease is for a period of 10 years, ending in 2013 and includes minimum annual payments for a total remaining committed amount of \$605 as at December 31, 2011 and is included in the purchase and service based commitments in Note 29 of Paladin's annual audited consolidated financial statements.

Paladin has also entered into contractual royalty agreements with a wholly-owned subsidiary of Joddes Limited for certain legacy and over-the-counter products. The terms of these arrangements vary whereby Paladin may earn a royalty fee based on certain established terms relating to the performance of the respective products such as through a percentage of net sales, certain guaranteed minimum annual payments, or as a percentage of a defined product contribution.

During the year ended December 31, 2010, Paladin accounted for IsoPharma as an investment subject to significant influence and considered IsoPharma a related party. Effective October 27, 2010 Paladin was no longer considered to have significant influence and thus, no longer considers IsoPharma a related party.

Effective November 1, 2006, Paladin acquired the Canadian distribution rights to Metadol[®] from a wholly-owned subsidiary of Joddes Limited for cash consideration of \$15,000. Under the terms of the agreement, Paladin had the option to purchase the Canadian license for Metadol[®] on the fourth anniversary of the agreement for \$1 and receive a reimbursement of up to \$3,750 subject to certain acquisition related conditions. Paladin exercised its right and acquired the Canadian license for Metadol[®] on November 1, 2010. Furthermore, Paladin has not received or earned any reimbursement with respect to the acquisition related conditions which have expired as at December 31, 2010. The acquisition of the Canadian distribution rights and license to Metadol[®] was not in the normal course of operations and was recorded at an agreed upon exchange amount in accordance with the requirements of applicable accounting standard.

The table below reflects all transactions and services with Joddes Limited carried in the normal course of operations, which include those referred to in the agreements described above, as well as revenues from a wholly-owned subsidiary of Joddes Limited:

	Years Ended December 31,	
	2011	2010
	\$	\$
Revenues	2,651	4,419

Purchases	11,114	12,463
Selling, general and administrative	8,552	7,575
Research and development	730	2,817

As at December 31, 2011, Paladin has a balance payable to a wholly-owned subsidiary of Joddes Limited, included in Payables, accruals and provisions on the consolidated balance sheet, of \$1,087 (December 31, 2010: \$835; January 1, 2010: \$1,122).

Table of Contents**Pharmaplan**

Paladin owns a 44.99% interest in the common shares of Pharmaplan and considers this investment a related party. During the year ended December 31, 2011, Pharmaplan declared and paid dividends of ZAR45,000, Paladin's share amounting to ZAR20,246 or \$2,620. During the year ended December 31, 2010, Pharmaplan declared dividends of ZAR20,000, Paladin's share amounting to ZAR7,000 or \$1,043, of which \$792 was received during the year ended December 31, 2010 and \$251 was received during the three months ended March 31, 2011. On March 1, 2011, Paladin entered into an agreement with Pharmaplan to accelerate the purchase of Pharmaplan shares leading to an acquisition of a total of 10% ownership interest in Pharmaplan, as further discussed in Note 12 of Paladin's annual audited consolidated financial statements. Paladin paid \$5,975 which included the settlement of a previous investment in a non-interest bearing loan in Pharmaplan of \$2,879. Paladin is committed to pay additional future consideration by increasing its ownership position to 49.99% by March 2013, with such additional consideration based upon Pharmaplan's future financial results, payable in ZAR. Furthermore, Paladin has an option giving it the right, but not the obligation, to purchase the remaining 50.01% ownership interest during 2013, also based upon Pharmaplan's future financial results, payable in ZAR.

All transactions with related parties are carried out in the normal course of operations. The accounts payable to related parties are on normal commercial terms and conditions and are non-interest bearing.

The key management personnel compensation is disclosed in Note 22 of Paladin's annual audited consolidated financial statements.

The following table presents the principal subsidiaries and associates of Paladin as at December 31, 2011. The equity share capital of these undertakings is wholly-owned by Paladin except where its percentage interest is shown otherwise and where Paladin has significant influence.

Name of subsidiary/associate	Country of registration	%	Nature of business
Labopharm Inc.	Canada	100	Develop, acquire, in-license, market and distribute innovative pharmaceutical products internationally
Labopharm Europe Ltd.	Ireland	100	Develop, acquire, in-license, market and distribute innovative pharmaceutical products internationally
Labopharm Barbados Ltd.	Barbados	100	Develop, acquire, in-license, market and distribute innovative pharmaceutical products internationally
Paladin Labs (Barbados) Inc.	Barbados	100	Develop, acquire, in-license, market and distribute innovative pharmaceutical products internationally
Paladin Labs (USA) Inc.	USA	100	Develop, acquire, in-license, market and distribute innovative pharmaceutical products in the United States
Pharmaplan (Pty) Ltd.	South Africa	44.99	Search, acquire, commercialize specialty pharmaceutical products in South Africa and sub-Saharan African region

Table of Contents**QUARTERLY INFORMATION (UNAUDITED)**

(In thousands of Canadian dollars except per share information)

	Q4 F2011	Q3 F2011	Q2 F2011	Q1 F2011	Q4 F2010	Q3 F2010	Q2 F2010	Q1 F2010
Revenues	37,083	36,660	35,971	31,752	32,434	31,782	32,936	30,837
Adjusted EBITDA	13,916	18,099	18,273	17,270	15,451	15,849	13,621	11,520
Earnings before income taxes	16,468	13,373	22,475	11,949	16,797	11,355	8,095	5,112
Net income	15,772	9,496	16,783	8,100	13,893	7,959	4,862	3,142
Earnings per share	\$ 0.78	\$ 0.47	\$ 0.83	\$ 0.42	\$ 0.74	\$ 0.43	\$ 0.26	\$ 0.17
Diluted earnings per share	\$ 0.76	\$ 0.46	\$ 0.80	\$ 0.40	\$ 0.72	\$ 0.41	\$ 0.25	\$ 0.16

Paladin's annual and quarterly operating results are primarily affected by the level of acceptance of Paladin's products by physicians and their patients, and the timing and number of product launches. The level of patient and physician acceptance of Paladin's products, the acceptance of provincial government reimbursement on such products, market access, as well as the availability of similar therapies, impact Paladin's revenues by driving the level and timing of prescriptions for its products. Each new product launch requires significant promotional investment during the first three to five years from launch.

FOURTH QUARTER ANALYSIS

For the three-month period ended December 31, 2011, Paladin recorded revenues of \$37,083 compared to \$32,434 in the fourth quarter of 2010, a 14% year over year increase. The increase in revenues for the quarter ended December 31, 2011 is mostly attributable to incremental revenues resulting from the acquisition of Labopharm of \$2,630 in addition to the sales growth of certain significant promoted products, including Tridural®, Metadol®, Testim® and Trelstar® and Abstral® which combined increased by 10% compared to the quarter ended December 31, 2010.

Product revenues highlights for Paladin's most significant promoted products using IMS Canada sales data for the quarter ended December 31, 2011 compared to the quarter ended December 31, 2010 are as follows:

Promoted Products	Three-month Period Ended December 31,	
	Sales Data per IMS Canada in 2011(2) \$	Change vs. 2010 %
Tridural®	3,016	(3%)
Trelstar®	1,825	27%
Testim®	1,165	14%
Metadol®	2,851	19%
Plan B®	2,505	0%
Abstral®(1)	91	n/a

Total	11,453	10%
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- (1) Abstral® was launched on June 13, 2011
- (2) Paladin has chosen not to disclose detailed product by product revenue information for competitive reasons, however, the table above does include detailed IMS Canada sales data, essentially end-user pharmacy purchase volume data, to allow the reader to better understand revenue changes from period to period on certain significant products. It is important that readers of this sales data note that IMS Canada sales data may not necessarily correspond to Paladin's recording of revenue in accordance with IFRS.

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For the three-month period ended December 31, 2011, Paladin recorded gross income of \$25,540 compared with \$24,053 for the three-month period ended December 31, 2010. The gross income, as a percentage of revenues, decreased 5% to 69% for the three-month period ended December 31, 2011 from 74% for the same period last year. The decrease in gross profit as a percentage of revenues is mainly the result of a change in the sales mix of products and the unfavourable foreign exchange variances on certain product costs.

Selling, general and administrative expense increased \$1,775 or 24% to \$9,069 for the quarter ended December 31, 2011 from \$7,294 for the same quarter ended last year. Selling general and administrative expense, as percentage of revenues, increased to 24% from 22% for the quarter ended December 31, 2011 and 2010, respectively, mainly the result of increased business development costs including professional, legal and securities fees related to corporate development activities, as well as overhead costs related to Labopharm. The increased transitory overhead costs related to the integration of Labopharm are expected to return to pre-acquisition levels in the second quarter of 2012, once Paladin's restructuring plan is complete. Selling, general and administrative expenses are also influenced during the quarter by newly launched product sales and marketing costs partially offset by certain sales and marketing streamlining efforts. The promotional activities driving selling and marketing costs primarily relate to Paladin's continued promotional activities for Tridural®, Plan B®, Metadol®, Trelstar®, and Testim®.

Research and development expense increased \$1,404 or 63% to \$3,628 for the quarter ended December 31, 2011 from \$2,224 for the same quarter ended last year. The increase for the quarter ended December 31, 2011 primarily relates to incremental research efforts related to the Labopharm business which amounted to \$863, license payments related to products not yet approved and development expenses related to certain development projects with licensors.

Interest income increased \$155 to \$1,071 for the quarter ended December 31, 2011 from \$916 for the same quarter ended last year. The increase for the quarter ended December 31, 2011 is primarily the result of Paladin holding higher than average daily cash and marketable securities balances and earning a higher effective rate of return over the quarter ended December 31, 2011 compared to the same quarter last year.

Amortization expense increased \$811 to \$6,168 for the quarter ended December 31, 2011 from \$5,357 for the same quarter ended last year. The increase in amortization expense is primarily the result of amortization taken on newly acquired pharmaceutical product licenses and rights and assets acquired as a result of the Labopharm acquisition of \$1,666, partially offset by certain pharmaceutical product licenses and rights having reached full amortization during the quarter.

Income tax expense decreased \$2,234 to \$696 for the quarter ended December 31, 2011 from \$2,930 for the same quarter ended last year. For the quarter ended December 31, 2011, the effective tax rate was 4% compared to 17% for the quarter ended December 31, 2010. The decrease in effective rates in the current quarter is principally due to the non-taxable gains net of impairment of financial assets included in net income in comparison to the same quarter ended last year. The non-taxable gains related the unusual gain recorded on the acquisition of Labopharm. Please refer to the Significant Transactions section above.

Income before income taxes and under-noted items was \$16,468 in the fourth quarter of 2011 compared to \$16,822 in the fourth quarter of 2010.

Net income was \$15,772 or \$0.76 per fully diluted share in the fourth quarter of 2011 compared to \$13,892 or \$0.72 per fully diluted share in the fourth quarter of 2010.

In relation to the results described above, the cash impact for the quarter ended December 31, 2011 was as follows: cash flows from operating activities were \$12,141, cash flows used in investing activities were \$10,570, cash flows

used in financing activities were \$12,787 and the negative impact of the foreign exchange rate change on cash and cash equivalents was \$nil, for a total net cash-outflow of \$11,216 for the quarter ended December 31, 2011.

Table of Contents**SEGMENTED INFORMATION**

Paladin operates in a single business segment focused on the in-licensing, acquiring, marketing, distributing and developing pharmaceutical products in Canada and internationally. In addition, Paladin earns interest income from the investment of its excess cash. Paladin carries out business in Canada, Barbados, United States of America, Europe, Australia and New Zealand, and substantially all of Paladin's tangible assets are located in Canada.

Revenues by geographic region are detailed as follows:

	2011	2010
	\$	\$
Canada	133,376	123,191
International	8,090	4,798
	141,466	127,989

Revenues have been allocated to geographic regions based on the country of residence of the related customer.

Long-term assets by geographic region are comprised of pharmaceutical product licenses and rights, property, plant and equipment and an investment in an associate, detailed as follows:

	December 31,	December 31,	January 1,
	2011	2010	2010
	\$	\$	\$
Canada	21,014	16,414	33,246
International	27,563	20,140	9,988
	48,577	36,554	43,234

PROPOSED TRANSACTIONS

With the exception of the combined transactions disclosed in the subsequent events paragraph below, Paladin does not currently anticipate any material asset or business acquisition or disposal transaction.

OFF BALANCE SHEET ARRANGEMENTS

Paladin's off balance sheet arrangements consist of contractual obligations and agreements for development, sales, marketing and distribution rights to innovative drug products for the Canadian market. The effect of terminating these arrangements under normal operating circumstances consists of an effective transition of the remaining responsibilities and obligations to the licensor under agreed upon time frames and conditions. Please refer to this section below or Note 28 of Paladin's annual audited consolidated financial statements for additional details. Other than these contractual obligations and commitments, Paladin does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on Paladin's financial condition, changes in revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources that are material to investors.

Paladin does not issue guarantees contemplated by the applicable IFRS standards.

FINANCIAL INSTRUMENTS

Paladin's Investment Policy regulates the investment activities relating to cash resources. An Investment Committee composed of representatives from management and the Board of Directors monitors compliance with said policy. Paladin invests in strategic investments in the form of equity or strictly in liquid, high-grade investment securities with varying terms to maturity, selected with regard to the expected timing of investments and expenditures for continuing operations and prevailing interest rates.

Table of Contents**CONCENTRATION OF CREDIT RISK AND MAJOR CUSTOMERS**

Paladin considers its maximum credit risk from financial instruments to be \$26,231 (December 31, 2010: \$37,335) which is the total of the following financial assets: trade and other receivables, loans and other receivables and derivatives at fair value through income and loss. Paladin's cash, cash equivalents, marketable securities, short-term and long-term investments are held through various institutions. Marketable securities are mainly investments in liquid, high-grade investment securities. They are subject to minimal risk of changes in value and generally have an original maturity from three months to eighteen months from the date of purchase. Marketable securities are invested with four large Canadian financial institutions and one large U.S. financial institution.

Paladin is exposed to credit risk from its customers and continually monitors its customers' credit. It establishes the provision for doubtful accounts based upon the credit risk applicable to each customer. For the year ended December 31, 2011, two customers, a major wholesale distributor and a major retail chain represented 30% and 15% of Paladin's sales, respectively (2010 - two customers, a major wholesale distributor and a major retail chain represented 32% and 16% of Paladin's sales, respectively). As at December 31, 2011, two customers, a major wholesale distributor and a major retail chain represented 12% and 17% of trade accounts receivable, respectively (2010 - two customers, a major wholesale distributor and a major retail chain represented 6% and 13% of trade accounts receivable, respectively). These above concentrations on Paladin's customers are considered normal for Paladin and its industry. For a more detailed analysis and disclosure of credit risk please refer to Note 28 of the annual audited consolidated financial statements.

Another source of credit risk for Paladin arises from its strategic investments in third-parties with whom it has strategic commercial relationships. In connection with license arrangements with SpePharm and Immuron, Paladin invested \$5,751 (4,000) and \$1,000, respectively, through secured convertible debentures. Paladin continuously monitors the risks associated with these amounts.

LIQUIDITY RISK

All financial liabilities with the exception of the long-term portion of the Balances of sale payable and the long-term portion of the finance lease liability are current. Paladin generates sufficient cash from operating activities to fund its operations and fulfill its obligations as they become due. Paladin has sufficient funds available through its cash, cash equivalents and marketable securities, should its cash requirements exceed cash generated from operations to cover all financial liability and finance lease obligations. As at December 31, 2011, there were no restrictions on the flow of these funds nor have any of these funds been committed in any way, except as set out in the Contractual Obligations and Commitments section below and the income tax section above.

All financial liabilities are short term in nature except for the long-term portion of the finance lease liability and of the balance of sale payable, which is payable to the extent of future product sales.

FOREIGN EXCHANGE RISK

Paladin principally operates within Canada, however, a portion of Paladin's revenues, expenses, and current assets and liabilities, are predominantly denominated in USD, EURO and ZAR. This results in financial risk due to fluctuations in the value of the USD, EURO, ZAR and CHF relative to the CAD. Paladin has significant monetary assets and liabilities denominated in USD, EURO and CHF that are required to be revalued in CAD at each period end. On March 31, 2010, Paladin entered into a 4,000 notional amount forward foreign exchange contract expiring on October 15, 2012 to cover the foreign exchange exposure related to a certain investment denominated in EURO. With the exception of the forward contract described above, Paladin does not currently use derivative financial instruments

to reduce its foreign exchange exposure and often relies on natural hedges to mitigate foreign currency risk. Based on the net exposure described in Note 28 of the annual audited consolidated financial statements as at December 31, 2011, and assuming that all other variables remain constant, a ten-point increase or decrease in the CAD/USD, CAD/EURO and CAD/ZAR exchange rate would have an aggregate effect of \$677 (2010 \$694) on net income. For a more detailed analysis and disclosure of the foreign exchange risk please refer to Note 28 of Paladin's annual audited consolidated financial statements.

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INTEREST RATE RISK

Paladin is exposed to interest rate fluctuations on its cash, cash equivalents and marketable securities. Details regarding maturity dates and effective interest rates are described in Notes 6 and 7 of Paladin's annual audited consolidated financial statements. Paladin does not believe that the results of operations or cash flows would be materially affected to any significant degree by a sudden change in market interest rates relative to interest rates on the investments, owing to the relative short-term nature of the marketable securities and currently low market yields.

EQUITY PRICE RISK

Equity price risk arises from changes in market prices of the available-for-sale equity securities. The carrying values of investments subject to equity price risk are, in almost all instances, based on quoted market prices as of the balance sheet dates with an estimated fair value of \$2,385 at December 31, 2011 (December 31, 2010: \$7,394; January 1, 2010: \$62). Paladin monitors its equity investments for impairment on a periodic basis. Market prices are subject to fluctuation and, consequently, the amount realized in the subsequent sale of an investment may significantly differ from the reported market value. Fluctuation in the market price of a security may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions. Furthermore, amounts realized in the sale of a particular security may be affected by the relative quantity of the security being sold.

Paladin manages the equity price risk through the use of strict investment policies approved by the Board of Directors. Reports on the equity portfolio are submitted to Paladin's senior management on a regular basis. Paladin's Board of Directors reviews and approves all equity investment decisions.

A hypothetical 10% adverse change in the stock prices of Paladin's available-for-sale equity securities would result in an approximate \$239 other comprehensive income (loss) (December 31, 2010: \$739; January 1, 2010: \$6). Paladin does not include in the analysis above investments which are subject to significant influence. The adverse change above does not reflect what could be considered the best or worst case scenarios. Indeed, results could be worse due both to the nature of equity markets and the concentrations existing in Paladin's equity investment portfolio, in particular where there is less liquidity available as in the case of the small capitalization companies included in the available-for-sale equity securities.

PAYMENT OF DIVIDENDS

Paladin has not paid dividends on its common shares and does not anticipate declaring any dividends in the near future. Paladin's current policy is to retain earnings to finance the acquisition and development of new products and to reinvest in Paladin. Any future determination to pay dividends is at the discretion of Paladin's Board of Directors and will depend on Paladin's financial condition, results of operations, capital requirements and other such factors as the Board of Directors of Paladin deems relevant.

PRODUCT PRICING REGULATION ON CERTAIN PATENTED DRUG PRODUCTS

Certain patented drug products within Paladin's portfolio of products are subject to product pricing regulation by the PMPRB. The PMPRB's objective is to ensure that prices of patented products in Canada are not excessive. For new patented products, the price in Canada is limited to either the cost of existing drugs sold in Canada or the median of prices for the same drug sold in other specified industrial countries. For existing patented products prices cannot increase by more than the Consumer Price Index. The PMPRB monitors compliance through a review of the average transaction price of each patented drug product as reported by Paladin over a recurring six-month reporting period.

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DISCLOSURE CONTROLS AND PROCEDURES

Paladin's Chief Executive Officer, interim Chief Executive Officer as of August 18, 2011 and its Chief Financial Officer are responsible for establishing and maintaining Paladin's disclosure controls and procedures. They are assisted in this responsibility by the other Officers of Paladin. This group requires that it be fully apprised of any material information affecting Paladin so that it may evaluate and discuss this information and determine the appropriateness and timing of public release.

The interim Chief Executive Officer and the Chief Financial Officer, after evaluating the effectiveness of Paladin's disclosure controls and procedures as at December 31, 2011, have concluded that Paladin's disclosure controls and procedures are adequate and effective to ensure that material information relating to Paladin and its subsidiaries would have been known to them.

INTERNAL CONTROL OVER FINANCIAL REPORTING

ICFRs are designed to provide reasonable assurance regarding the reliability of Paladin's financial reporting and compliance with IFRS in its financial statements. Paladin's interim Chief Executive Officer and Chief Financial Officer, together with other members of management have designed and evaluated the ICFRs to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. This design evaluation included documentation activities, management inquiries and other reviews as deemed appropriate by management in consideration of the size and the nature of Paladin's business. As at December 31, 2011, management assessed the effectiveness of Paladin's ICFRs and, based on that assessment, concluded that Paladin's ICFRs was effective and that there were no material weaknesses in our ICFRs.

The conversion to IFRS from Canadian GAAP impacts the way Paladin presents its financial results. In conjunction with its conversion to IFRS, Paladin completed an assessment of its information systems and based on this review no significant changes to the information systems were required as part of the IFRS conversion process. In addition, the effect of the adoption of IFRS on Paladin's business activities and internal controls, including disclosure controls and procedures, were reviewed and no significant changes to Paladin's business activities and internal control environment were required.

RISK FACTORS

For a more detailed discussion of the risk factors that could materially affect the results of operations and the financial condition of Paladin, please refer to Paladin's Annual Information Form.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

In the normal course of business, Paladin secures development, sales, marketing and distribution rights to innovative drug products requiring royalties or product payments considered normal operating commitments and as such are not included herein. Paladin has entered into various agreements, which include contractual obligations extending beyond the current year. These obligations due to their significance and/or being considered outside of Paladin's normal course of business are separately disclosed. Paladin is committed to making minimum purchases of inventory, and minimum expenditures for regulatory, selling and marketing services of \$10,428, including 2,788 to retain exclusive distribution agreements for certain products. Paladin, as further discussed in Note 29 of the audited annual consolidated financial statements, is also committed to purchase an additional 5% of Pharmaplan's common shares in 2013, currently estimated to amount to \$3,714 (ZAR29,500) and subject to change based upon Pharmaplan's future operating results. These commitments end in 2015 and annual commitments are as follows:

Contractual Obligations	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Purchase and service based commitments	\$ 10,428	\$ 3,435	\$ 6,993	\$	\$

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In addition, under certain agreements, Paladin may have to pay additional consideration should Paladin achieve certain sales volumes or if certain milestones are met, such as regulatory approval in Canada. Paladin may have to pay up to \$5,333 including US\$4,211 and £500 over a maximum period of 15 years if it achieves certain product, regulatory or sales milestones on specific products in the future. Paladin has the following commitments related to product license, trademark and distribution agreements:

Commitments	Total	Less than			
		1 year	1-3 years	4-5 years	After 5 years
Milestone based commitments	\$ 6,492	\$ 1,252	\$ 1,278	\$ 100	\$ 3,862
Revenues based commitments	\$ 5,464	\$	\$ 1,526	\$ 125	\$ 3,814
Other contractual commitments					

Paladin is committed to invest \$500 in form of a secured convertible debenture at the request of a third party with whom it has a strategic commercial relationship. The commitment expires on June 23, 2012. Paladin is also committed to invest at least \$48,000 in cash and issue 88,948 of its common shares at \$44.97 per share as part of the combined transaction further discussed in the subsequent events paragraph.

SUBSEQUENT EVENTS

Subsequent to the year ended December 31, 2011, Paladin entered into a strategic partnership whereby it will accelerate the purchase of the remaining 55.01% interest in Pharmaplan. Paladin currently does not own and merge the Pharmaplan business with the pharma division of Litha, a publicly listed diversified healthcare company on the Johannesburg Stock Exchange, with headquarters in Johannesburg, South Africa. Under the terms of the combined transactions and subject to certain regulatory and shareholder approvals, Paladin will acquire the 55.01% interest in Pharmaplan for a cash consideration of approximately \$38,150 and the issuance of 88,948 of its common shares at \$44.97 per share. Litha will then acquire 100% of the share capital of Pharmaplan from Paladin in exchange for cash and the issuance of 169,090,909 shares in Litha at \$0.3553 (ZAR2.75) per share. Paladin has also agreed to acquire an additional 72,989,078 shares of Litha from an existing Litha shareholder, the Blackstar Group, at \$0.3553 (ZAR2.75) per share. The combined transactions, on an aggregate basis, are anticipated to deploy approximately \$48,000 in cash and have Paladin issue 88,948 of its common shares at \$44.97 per share and should result in Paladin owning an approximate 45% interest in Litha, making it Litha's single largest shareholder upon closing. The combined transactions described above in conjunction with certain shareholder agreements are expected to result in Paladin having control over Litha's operations and it is anticipated to consolidate Litha within Paladin's consolidated financial statements effective July 2, 2012, the expected closing date. Paladin is currently assessing the effects of this transaction on its consolidated financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (SEPTEMBER 30, 2013)

All numbers are in thousands of Canadian dollars except for share and per share amounts. All other currencies are in thousands.

This management's discussion and analysis provides our overview of Paladin's operations, performance and financial condition for the quarter and nine months ended September 30, 2013 and compares these unaudited quarterly results to those of the quarter and nine months ended September 30, 2012. On July 2, 2012, Paladin acquired a controlling interest in Litha and consolidated Litha effective the same date. On January 1, 2013, Paladin acquired a majority interest in Ativa Pharma S.A., subsequently renamed Laboratorios Paladin SA, which is referred to in this proxy

statement/prospectus as Paladin Mexico, and consolidated Paladin Mexico effective the same date. This MD&A is intended to complement and supplement financial information included in the interim and annual consolidated financial statements, related notes, other financial information found elsewhere in our annual report and in our annual information form or other documents filed on SEDAR at www.sedar.com. As a result, it should be read in conjunction with such financial information. This MD&A is current as at November 8, 2013 and as at this date 20,709,838 shares and 1,326,528 options were issued and outstanding.

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FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements for Paladin and its subsidiaries. These forward looking statements, by their nature, necessarily involve risks and uncertainties that could cause actual results to differ materially from those contemplated by the forward-looking statements. Paladin considers the assumptions on which these forward-looking statements are based to be reasonable at the time they were prepared, but cautions the reader that these assumptions regarding future events, many of which are beyond the control of Paladin and its subsidiaries, may ultimately prove to be incorrect. Factors and risks, which could cause actual results to differ materially from current expectations, are discussed in Paladin's Annual Report as well as in Paladin's Annual Information Form for the year ended December 31, 2012. Paladin disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events, except as required by law. For additional information on risks and uncertainties relating to these forward-looking statements, investors should consult Paladin's ongoing quarterly filings, Annual Report and Annual Information Form and other filings found on SEDAR at www.sedar.com.

OVERVIEW & CORPORATE HIGHLIGHTS

Third quarter highlights:

Revenues reached \$70,993, an increase of 6% over the same period last year.

Net income was \$13,639, a decrease of 45% over the same period last year.

Cash flows from operations reached \$21,672, a 12% increase over the same period last year.

Adjusted EBITDA was \$25,404, an increase of 12% over the same period last year.

Consolidated Litha revenues of \$28,952, Adjusted EBITDA of \$2,906 and net income of \$23.

Acquired Allon Therapeutics Inc., a Vancouver-based clinical-stage biotechnology company focused on developing and commercializing innovative central nervous therapies.

Launched Emtrix[®], a unique over-the-counter specifically indicated treatment of nail fungal infections.

Issued a combined \$12,782 balance of secured loans to two pharmaceutical companies:

\$8,282 (US\$8,000) to Bioniche Life Sciences Inc., which is referred to in this proxy statement/prospectus as Bioniche, to refinance and increased Paladin's portion of Bioniche's debt to US\$30,000. Simultaneously provided \$500 of new equity and in-licensed Bioniche's Phase III bladder

cancer product UrocidinTM.

\$4,000 to Nuvo further amending the loan agreement with Nuvo to include a third \$4,000 loan tranche and the issuance of up to 100,000 warrants to acquire Nuvo common shares.

Acquired an additional 16.99% interest in the shares of Litha thereby increasing Paladin's ownership interest to 61.53%.

Subsequent to the quarter ended September 30, 2013:

On November 5, 2013 Paladin announced that it had reached a definitive agreement to be acquired by Endo, a leading U.S.-based specialty pharmaceutical company, in a stock and cash transaction valued at approximately \$1.7 billion.

Effective July 2, 2012, Paladin acquired a controlling interest in Litha (refer to section Business Combinations for further details). Subsequent to the acquisition of Litha, Paladin is structured into the following two operating segments:

Paladin Canada: a specialty pharmaceutical company focused on researching, developing, acquiring, in-licensing, marketing, and distributing innovative pharmaceutical products.

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Litha: a diversified healthcare company focused on acquiring, in-licensing, marketing, and distributing pharmaceuticals and medical devices as well as supplying vaccines to South Africa and countries comprising the SADC region in conjunction with establishing manufacturing capacity in the biotechnology area of vaccines.

The business activities of Paladin Canada and the Litha division are described as follows:

Paladin's revenues are principally derived from sales of its pharmaceutical products to pharmaceutical wholesalers, chain pharmacies and licensees in Canada and the rest of the world (excluding Africa).

The Litha division's revenues are principally derived from sales from pharmaceutical (Litha Pharma), medical (Litha Medical) and biotech (Litha Biotech) divisions in South Africa and the SADC. Litha Pharma revenues are principally derived from sales of pharmaceutical products to pharmaceutical wholesalers, chain pharmacies, government agencies, and hospitals. Litha Medical revenues are principally derived from the sale of medical devices and complementary products to public and private hospitals as well as pharmacies. Litha Biotech revenues are principally derived from sale of vaccines to the government of South Africa and to the private sector.

In addition, Litha Biotech holds an investment in a joint venture in the Biovac. Biovac was established in 2003 between the Government of South Africa and the Biovac Consortium, of which the Litha division owns 85%. Biovac Consortium owns 52.5% of Biovac and the government of South Africa owns the remaining 47.5%. Biovac was formed to establish domestic production facilities to ensure the security and sustainability of vaccine supply to the South African and the greater southern African region. Biovac has established facilities for warehousing, cold chain distribution, research and development and quality control laboratories for vaccines. Following regulatory inspection and certification, commercial manufacturing is anticipated to begin in 2015.

Paladin's expenses are comprised primarily of cost of goods sold (including royalty payments to those companies from which Paladin licenses its products), selling, marketing, general and administrative expenses and interest expense. In addition, a substantial portion of Paladin's expenses are related to the amortization of the intangible assets Paladin acquires.

Paladin's annual and quarterly operating results with respect to Paladin Canada and Litha Pharma are primarily affected by the level of acceptance of Paladin's products by physicians, pharmacies, hospitals and their patients, and the timing and number of product launches. The level of patient and physician acceptance of the products, the acceptance of government reimbursement on such products, market access, as well as the availability of similar therapies, impact Paladin's revenues by driving the level and timing of prescriptions for its products. Each new product launch requires significant promotional investment during the first three to five years from launch. The Litha division's revenues from the Litha Medical and Litha Biotech divisions are mainly affected by the demand of the products by hospitals and pharmacies, request for tenders by government as well as export opportunities within the SADC region.

CRITICAL ACCOUNTING ESTIMATES

Paladin's condensed interim unaudited consolidated financial statements (interim financial statements) are in compliance with International Accounting Standard 34, *Interim Financial Reporting*, which is referred to in this proxy statement/prospectus as IAS 34. Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with IFRS, as issued by the IASB, have been omitted or condensed. Paladin's significant accounting estimates and judgments include revenue recognition, inventory valuation, the valuation of net assets arising from business combinations and investments in associates, the useful lives and fair value of intangible assets and income taxes. For a more detailed discussion of Paladin's critical accounting estimates, please refer to the management discussion & analysis included in Paladin's 2012 Annual Report. There have been no

material changes to accounting estimates since December 31, 2012.

Table of Contents**QUARTERLY INFORMATION (UNAUDITED)***(In thousands of CAD except per share information)*

	Q3 F2013	Q2 F2013	Q1 F2013	Q4 F2012	Q3 F2012	Q2 F2012	Q1 F2012	Q4 F2011
Revenues	70,993	67,216	68,961	67,608	66,899	37,136	38,557	37,083
Adjusted EBITDA	25,404	24,867	22,611	24,022	22,723	17,225	18,073	13,952
Net income before income taxes	17,509	19,263	15,171	15,378	30,519	14,991	15,367	16,468
Net Income	13,639	14,407	10,550	11,420	24,735	10,878	11,322	15,772
Net Income attributable to shareholders	13,643	13,621	10,779	12,834	24,872	10,878	11,322	15,772
Earnings per share	\$ 0.66	\$ 0.66	\$ 0.53	\$ 0.63	\$ 1.21	\$ 0.54	\$ 0.56	\$ 0.78
Diluted earnings per share	\$ 0.64	\$ 0.64	\$ 0.51	\$ 0.61	\$ 1.19	\$ 0.52	\$ 0.54	\$ 0.76

RESULTS OF OPERATIONS

Three months ended September 30, 2013 compared to three months ended September 30, 2012, and nine months ended September 30, 2013 compared to nine months ended September 30, 2012.

Paladin is presenting selected financial information derived from Paladin Canada's unaudited financial statements and the Litha division's IFRS compliant unaudited financial statements in ZAR converted in CAD for information purposes.

Consolidated results from operations:

	Three Months Ended September 30, 2013			Three Months Ended September 30, 2012		
	Paladin Canada \$	The Litha Division \$	Total \$	Paladin Canada \$	The Litha Division \$	Total \$
Revenues	42,041	28,952	70,993	37,671	29,228	66,899
Cost of sales	11,233	18,473	29,706	10,920	16,333	27,253
Gross Income	30,808	10,479	41,287	26,751	12,895	39,646
Adjusted EBITDA	22,498	2,906	25,404	19,390	3,333	22,723
Net income before income taxes	17,318	191	17,509	30,379	140	30,519
Net income (loss)	13,616	23	13,639	24,892	(157)	24,735
Net income (loss) attributable to shareholders of Paladin	13,661	(18)	13,643	24,892	46	24,938

	Nine Months Ended September 30, 2013			Nine Months Ended September 30, 2012		
	Paladin	The	Total	Paladin	The	Total
	Canada	Litha Division		Canada	Litha Division	
	\$	\$	\$	\$	\$	\$
Revenues	121,101	86,068	207,169	113,364	29,228	142,592
Cost of sales	33,429	50,812	84,241	32,089	16,333	48,422
Gross Income	87,672	35,256	122,928	81,275	12,895	94,170
Adjusted EBITDA	62,217	10,665	72,882	54,688	3,333	58,021
Net income before income taxes	49,916	2,027	51,943	60,737	140	60,877
Net income (loss)	37,320	1,276	38,596	47,092	(157)	46,935
Net income attributable to shareholders of Paladin	37,445	598	38,043	47,092	46	47,138

Table of Contents**The Litha division s results of operations:**

	Three Months Ended September 30, 2013		Three Months Ended September 30, 2012	
	ZAR	CAD	ZAR	CAD
Revenues	266,151	28,952	242,758	29,228
Cost of sales	170,891	18,473	135,659	16,333
Gross Income	95,260	10,479	107,099	12,895
Adjusted EBITDA	26,119	2,906	27,683	3,333
Income before income taxes	1,127	191	1,162	140
Net (loss) income	(453)	23	(1,305)	(157)
Net (loss) income attributable to shareholders of Paladin	(469)	(18)	382	46

	Nine Months Ended September 30, 2013		Nine Months Ended September 30, 2012	
	ZAR	CAD	ZAR	CAD
Revenues	798,006	86,068	242,758	29,228
Cost of sales	471,720	50,812	135,659	16,333
Gross Income	326,286	35,256	107,099	12,895
Adjusted EBITDA	98,627	10,665	27,683	3,333
Income before income taxes	18,732	2,027	1,162	140
Net income (loss)	11,867	1,276	(1,305)	(157)
Net income attributable to shareholders of Paladin	5,525	598	382	46

Revenues

Revenues increased \$4,094 or 6% to \$70,993 for the quarter ended September 30, 2013 from \$66,899 for the comparative quarter last year. For the nine months ended September 30, 2013, revenues increased \$64,577 or 45% to \$207,169 from \$142,592 for the same nine-month period last year. On an incremental basis, the consolidation of Litha s financial results decreased consolidated revenues by \$276 for the quarter ended September 30, 2013 and increased consolidated revenues by \$56,840 for nine months ended September 30, 2013.

Paladin Canada s Revenues

Revenues increased \$4,370 or 12% to \$42,041 for the quarter ended September 30, 2013 from \$37,671 for the same comparative quarter last year. For the nine months ended September 30, 2013, revenues increased \$7,737 or 7% to \$121,101 from \$113,364 for the same nine-month period last year.

The increase in revenues for the quarter and the nine months ended September 30, 2013 is attributable to the sales growth of certain promoted products, including Trelstar[®], Testim[®], Metadol[®], Abstral[®], Digifab[®] and Pollinex[®]-R which combined increased by 11% and 18% for the quarter and nine months ended September 30, 2013 compared to the same comparative periods in 2012. In addition, incremental revenues from products acquired and/or launched, and

corporate acquisitions since 2012 contributed \$3,466 and \$4,027, to the quarter and nine months ended September 30, 2013, respectively, including \$3,192 from Binotal[®]. Paladin Canada's revenue growth in the quarter and nine months ended September 30, 2013 was offset by \$468 and \$2,687 from products that were discontinued or experienced supply issues since the same comparative periods in 2012. Furthermore, in accordance with Paladin's revenue recognition policy, Paladin has deferred revenues of \$3,584 as at September 30, 2013 (September 30, 2012 \$3,653) of which \$2,129 (September 30, 2012 \$2,008) is current and is expected to be recognized into revenue over the next twelve months.

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Product revenues highlights for Paladin Canada's most significant promoted products using IMS Canada data for the quarter and the nine months ended September 30, 2013 compared to the quarter and nine months ended September 30, 2012 are as follows:

Promoted Products	Three Months Ended September 30, 2013(1)		Nine Months Ended September 30, 2013(1)	
	Sales Data per IMS Canada	% change vs. 2012	Sales Data per IMS Canada	% change vs. 2012
Rx	\$		\$	
Tridural®	3,066	5%	8,948	3%
Trelstar®	2,736	37%	7,841	35%
Testim®	1,450	9%	4,194	10%
Metadol®	3,076	11%	9,150	10%
Abstral®	255	(26%)	827	19%
Digifab®	698	(15%)	2,909	37%
Pollinex®-R	258	n/a	2,029	n/a
Other Rx	378	16%	1,248	52%
Total Rx	11,917	12%	37,146	23%
OTC				
Plan B®	2,577	9%	7,641	11%
Other OTC	2,714	8%	8,009	6%
Total OTC	5,291	8%	15,650	8%
Total	17,208	11%	52,796	18%

(1) Paladin has chosen not to disclose detailed product by product revenues information for competitive reasons, however, the table above does include detailed IMS Canada's Canadian Drug and Hospital Audit data, essentially projected Canadian hospital and pharmacy purchase volume data, to allow the reader to better understand revenue changes from period to period on certain significant products. It is important that readers of this data note that IMS Canada data may not necessarily correspond to Paladin's recording of revenue in accordance with IFRS. Generic versions of Pennsaid® and Plan B®, respectively, have been approved in Canada and while it is not yet known if or when the generic version of Pennsaid® will be sold in the Canadian market, the generic version of Plan B® was launched in September 2011. Should a generic version of Pennsaid® successfully commercially launch, the sales of Pennsaid® would decline significantly. According to IMS Canada sales data Plan B® sales increased during the quarter and the nine months ended September 30, 2013 increased by 9% and 11% compared to the same comparative periods in 2012 due to a shortage of the generic product.

The Litha Division's Revenues

	Three Months Ended September 30,			Nine Months Ended
	2013	2012	% change vs.	September 30,
	\$	\$	2012	2013
				\$
Litha Pharma	14,194	16,245	(13%)	44,917
Litha Medical	11,682	9,342	25%	27,994
Litha Biotech	3,076	3,641	(16%)	13,157
Total Litha Division revenues	28,952	29,228	(1%)	86,068

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Table of Contents**Litha Pharma Division**

The decrease is mainly attributable to unfavourable translational foreign exchange of \$2,214 as a result of the strengthening of the CAD relative to the ZAR.

Litha Medical Division

The increase is attributable to incremental revenues from sales of instruments and tender-based forensic kits, partly offset by unfavourable translational foreign exchange of \$1,273 as a result of the strengthening of the CAD relative to the ZAR.

Litha Biotech Division

The decrease is mainly attributable to unfavourable translational foreign exchange of \$496 as a result of the strengthening of the CAD relative to the ZAR. The decrease is also attributable to weaker rabies vaccines sales in the quarter ended September 30, 2013 compared to the comparative quarter in 2012. The Litha Biotech revenues exclude the joint venture in Biovac which is accounted for separately under Share of net (income) loss from a joint venture in the interim consolidated income statements.

Gross Income

Gross income increased \$1,641 or 4% to \$41,287 for the quarter ended September 30, 2013 from \$39,646 for the same comparative quarter last year. For the nine months ended September 30, 2013, gross income increased \$28,758 or 31% to \$122,928 from \$94,170 for the same period last year. Gross income, as a percentage of revenues, decreased by 1% to 58% for the quarter ended September 30, 2013 from 59% from the same comparative period last year. Gross income, as a percentage of revenues, decreased by 7% to 59% for the nine months ended September 30, 2013 from 66% from the same comparative period last year. The decrease in gross income as a percentage of revenues for the quarter ended September 30, 2013 relative to the comparative period last year is mainly attributable to decreased margins in the Litha division mainly as a result of unfavourable transactional foreign exchange variances on cost of sales. The decrease in gross income as a percentage of revenues for the nine months ended September 30, 2013, relative to the comparative period last year, was attributable to the consolidation of the Litha division's results which have a lower gross income margin than Paladin.

Paladin Canada's contribution to gross income

Gross income increased \$4,057 or 15% to \$30,808 for the quarter ended September 30, 2013 from \$26,751 for the same comparative quarter last year. For the nine months ended September 30, 2013, gross income increased \$6,397 or 8% to \$87,672 from \$81,275 for the same period last year. Gross income, as a percentage of revenues, increased by 2% to 73% for the quarter ended September 30, 2013 from 71% for the same comparative quarter last year. For the nine months ended September 30, 2013, gross income, as a percentage of revenues, remained steady at 72% compared to the same period last year. The increase in gross income as a percentage of revenues for the quarter ended September 30, 2013 relative to the comparative quarter last year was mainly the result of product mix, including higher margins earned on Binotal® sales.

Table of Contents**The Litha division's contribution to gross income**

	Three Months Ended September 30,			Nine Months Ended
	% change vs.			September 30,
	2013	2012	2012	2013
	\$	\$		\$
Litha Pharma	5,211	8,158	(36%)	20,796
Litha Medical	4,221	3,707	14%	11,052
Litha Biotech	1,047	1,030	2%	3,408
Total Litha division gross margin	10,479	12,895	(19%)	35,256

Gross income as a percentage of revenues decreased 8% to 36% from 44% from the same comparative quarter last year. Gross income as a percentage of revenues for the nine months ended September 30, 2013 was 41%.

Litha Pharma Division

The decrease is attributable to unfavourable translational foreign exchange of \$1,112 as a result of the strengthening of the CAD relative to the ZAR. The decrease is also attributable to unfavourable transactional foreign exchange impact on cost of sales and decreased margins as a result of increased marketing allowances to promote certain products. For the quarter ended September 30, 2013, gross income as a percentage of revenues decreased 13% to 37% from 50% for the same comparative quarter last year. Gross income as a percentage of revenues for the nine months ended September 30, 2013 was 46%.

Litha Medical Division

The increase is attributable to incremental gross income from instruments and tender-based forensic kits, partly offset by unfavourable translational foreign exchange of \$505 as a result of the strengthening of the CAD relative to the ZAR. Gross income as a percentage of revenues decreased 4% to 36% from 40% from the same comparative quarter last year. The decrease in gross margin as a percentage of revenue is mainly the result of lower margins on the instruments incremental sales and unfavourable transactional foreign exchange impact on its cost of sales. Gross income as a percentage of revenues for the nine months ended September 30, 2013 was 39%.

Litha Biotech Division

The increase is attributable to incremental gross income of \$157 partly offset by unfavourable translational foreign exchange of \$140 as a result of the strengthening of the CAD relative to the ZAR. Gross income as a percentage of revenues increased 6% to 34% from 28% from the same comparative quarter last year. The increase in gross margin as a percentage of revenue is primarily due to minimal transactional foreign exchange impact on its cost of sales during the quarter ended September 30, 2013 resulting from renewed contractual supply terms limiting foreign exchange exposure compared to significant unfavourable transactional foreign exchange impact on its cost of sales during the same comparative quarter last year. Gross income as a percentage of revenues for the nine months ended September 30, 2013 was 26%. The Litha Biotech gross income excludes the joint venture in Biovac which is accounted for separately under Share of net (income) loss from a joint venture in the interim consolidated income statements.

Selling, General and Administrative Expense

Selling, general and administrative expense decreased \$760 or 5% to \$16,057 for the quarter ended September 30, 2013 from \$16,817 for the same comparative period last year. For the nine months ended September 30, 2013, selling, general and administrative expense increased \$15,312 or 46% to \$48,817 from \$33,505. For the three months ended September 30, 2013, selling, general and administrative expense, as a

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percentage of revenues decreased to 23% compared to 25% for the same period last year. For the nine months ended September 30, 2013, selling, general and administrative expense, as a percentage of revenues slightly increased to 24% from 23% compared to the same period last year.

Paladin Canada Selling, General and Administrative Expense

Selling, general and administrative expense increased \$1,317 or 18% to \$8,532 for the quarter ended September 30, 2013 from \$7,215 for the same comparative period last year. For the nine months ended September 30, 2013, selling, general and administrative expense increased \$474 or 2% to \$24,377 from \$23,903. Selling, general and administrative expense, as a percentage of revenues, increased to 20% for the quarter ended September 30, 2013 compared to 19% for the same quarter last year. For the nine months ended September 30, 2013, selling, general and administrative expense, as a percentage of revenues decreased to 20% compared to 21% for the same period last year.

The increase in selling, general and administrative expenses for the quarter and nine months ended September 30, 2013 compared to the same comparative periods last year is mainly the result of increased overhead relating to Paladin's growth trajectory, corporate and business development transactional expenses as well as promotional launch-related marketing expenses partially offset by decreased selling expenses resulting from economies of scale. The promotional activities driving selling and marketing costs primarily relate to Paladin's continued promotional activities for Tridural[®], Trelstar[®], Testim[®], Metadol[®], Plan B[®], and the product launch costs related to Abstral[®], Oralair[®], AmnioSense[™], VagiSense[™], Pollinex[®]-R and Silenor[®].

The Litha Division Selling, General and Administrative Expense

Selling, general and administrative expense decreased \$2,077 or 22% to \$7,525 for the quarter ended September 30, 2013 from \$9,602 for the same comparative period last year. For the nine months ended September 30, 2013, selling, general and administrative expense was \$24,440. Selling, general and administrative expense, as a percentage of revenues, decreased to 25% for the quarter ended September 30, 2013 compared to 33% for the same quarter last year. Selling, general and administrative expense, as a percentage of revenues was 28% for the nine months ended September 30, 2013. The decrease in the selling, general and administrative expenses for the quarter ended September 30, 2013 compared to the same comparative period last year of \$1,309 is mainly the result of favourable translational foreign exchange as a result of the strengthening of the CAD relative to the ZAR, as well as the timing of certain business development and business integration expenditures.

Research and Development Expense

Research and development expense increased \$994 or 64% to \$2,548 for the quarter ended September 30, 2013 from \$1,554 for the same comparative quarter last year. For the nine months ended September 30, 2013, research and development expense increased \$1,354 or 23% to \$7,335 from \$5,981 for the nine months ended September 30, 2012. Research and development expense, as a percentage of revenues, increased by 2% to 4% for the quarter ended September 30, 2013 from 2% for the same quarter last year. For the nine months ended September 30, 2013, research and development expenses, as a percentage of revenues, remained steady at 4% compared to the same period last year. The increase in research and development expenses for the quarter ended September 30, 2013 compared to the same comparative quarter last year is mainly due to product submission fees and a milestone payment for an unapproved product. For the nine months ended September 30, 2013, the increase in research and development expense is mainly due to the Litha division related incremental research and development costs of \$701, product submission fees and license and milestone payments for unapproved products partially offset by a reduction in Labopharm related research and development expenses compared to the nine month period ended September 30, 2012.

Table of Contents**Interest Income**

Interest income increased \$1,274 or 88% to \$2,722 for the quarter ended September 30, 2013 from \$1,448 for the quarter ended September 30, 2012. For the nine months ended September 30, 2013, interest income increased \$2,769 or 83% to \$6,106 from \$3,337 for the nine months ended September 30, 2012. The increase in interest income for the quarter ended September 30, 2013 compared to the comparative quarter last year is primarily the result of several strategic investments made over the course of the current year yielding higher interest than Paladin's cash and marketable securities balances. The increase in interest income for the nine months ended September 30, 2013 compared to the comparative period last year is primarily the result of several strategic investments made over the course of the current year yielding higher interest than Paladin's cash and marketable securities balances and higher average daily cash and marketable securities balances. Furthermore, the increase is impacted by incremental interest income earned by the Litha division of (\$15) and \$509 for the quarter and nine months ended September 30, 2013, respectively.

Amortization of Intangible Assets

Amortization expense increased \$790 or 17% to \$5,551 for the quarter ended September 30, 2013 from \$4,761 for the same period last year. For the nine months ended September 30, 2013, amortization expense increased \$4,919 or 47% to \$15,487 from \$10,568 for the same period last year. The increase in amortization expense for the quarter ended September 30, 2013 compared to the same quarter last year is the result of amortization related to the acquisition of Binotal® in June 2013, partially offset by favourable translational foreign exchange on the Litha division intangibles as a result of the strengthening of the CAD relative to the ZAR and certain intangible assets having reached full amortization during the period. The increase in the amortization expense for the nine month period ended September 30, 2013 compared to the same period last year is the result of amortization related to the acquisition of intangible assets, mostly through the acquisition of Litha in July 2012 and the acquisition of Binotal® in June 2013, partially offset by favourable translational foreign exchange on the Litha division intangibles as a result of the strengthening of the CAD relative to the ZAR and certain intangible assets having reached full amortization during the period.

Depreciation of Property, Plant and Equipment

Depreciation expense increased \$115 or 56% to \$321 for the quarter ended September 30, 2013 from \$206 for the same period last year. For the nine months ended September 30, 2013, depreciation expense increased \$711 or 277% to \$968 from \$257 for the same period last year. The increase in depreciation expense was mainly attributed to the property, plant and equipment acquired through the Litha transaction.

Other Finance Expense (Income)

Other finance expense was \$468 for the quarter ended September 30, 2013, compared to other finance income of \$45 for the same comparative quarter last year. During the quarter ended September 30, 2013, Paladin recorded an impairment of \$500 on a certain financial asset held by Paladin, disposed of certain shares held in portfolio companies for a net loss of \$21 and recorded other finance income of \$32. Paladin's consolidation of the Litha division's results accounted for \$21 in other finance income for the quarter ended September 30, 2013. During the quarter ended September 30, 2012, Paladin disposed of certain shares held in portfolio companies for proceeds of \$36, representing a net loss of \$68. Furthermore, Paladin recorded a loss of \$4 on the re-measurement of the fair value of a conversion option held on one of its convertible debentures using the Black-Scholes valuation model. Moreover, during the same quarter, Paladin recorded \$94 in interest accretion on its convertible debentures. The consolidation of the Litha division's results accounted for \$23 in other finance income for the three months ended September 30, 2012.

Other finance expense was \$1,251 for the nine months ended September 30, 2013, compared to \$850 for the same comparative period last year. During the nine months ended September 30, 2013, Paladin recorded an

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impairment of \$1,165 on a certain financial asset held by Paladin, interest accretion of \$84 and a loss of \$173 on the re-measurement of the fair value of a conversion option using the Black-Scholes valuation model on a certain convertible debenture held as a financial asset. In addition, Paladin disposed of certain shares held in portfolio companies for proceeds of \$77, representing a net loss of \$94. Moreover, Paladin recorded other finance income of \$32. The consolidation of the Litha division's results accounted for \$66 in other finance income for the nine months ended September 30, 2013. During the nine months ended September 30, 2012, in accordance with IAS 39, Paladin re-measured the fair value of conversion options held on certain of its convertible debentures using the Black-Scholes valuation model in conjunction with the effective interest residual method and recorded an unrealized loss on these derivatives of \$658. Moreover, during the same period, Paladin recorded \$272 in interest accretion on these same convertible debentures. Furthermore, Paladin disposed of certain shares held in portfolio companies for proceeds of \$835, representing a net loss of \$487. The consolidation of the Litha division results accounted for \$23 in other finance income for the nine months ended September 30, 2012.

Other Income

Other income was \$13 for the quarter ended September 30, 2013, compared to \$2,189 for the same comparative quarter last year. During the quarter ended September 30, 2013, Paladin recorded other expenses of \$25 offset with \$38 of other income recorded upon the consolidation of the Litha division's results. During the quarter ended September 30, 2012, Paladin fully discharged its liability on a Labopharm finance lease through an assignment agreement and recorded a gain of \$2,108. Furthermore, Paladin recorded income from an operating lease of \$71 offset by other expenses of \$15. The consolidation of the Litha division results accounted for \$25 in other finance income for the quarter ended September 30, 2013.

Other income was \$562 for the nine months ended September 30, 2013, compared to \$3,106 for the same comparative quarter last year. During the nine months ended September 30, 2013, Paladin recorded a \$340 gain on the disposition of certain intangible assets. In addition, Paladin recorded income from an operating lease of \$111 and other expenses of \$10. The consolidation of the Litha division's results accounted for \$122 in other income for the nine months ended September 30, 2013. During the nine months ended September 30, 2012, Paladin fully discharged its liability on a Labopharm finance lease through an assignment agreement and recorded a gain of \$2,108. In addition, Paladin disposed of certain assets and licensed certain research and development activities and recorded a gain of \$917. Furthermore, Paladin recorded income from an operating lease of \$71 offset by other expenses of \$15. The consolidation of the Litha division's results accounted for \$25 in other finance income for the nine-months ended September 30, 2013.

Foreign Exchange Loss

During the quarter ended September 30, 2013, Paladin recorded a foreign exchange loss of \$980. Paladin recorded a loss of \$1,155 mainly as a result of the strengthening of the CAD relative to the ZAR and the weakening of the CAD relative to EURO and USD impacting Paladin's net monetary position in these currencies during the quarter ended September 30, 2013. The Litha division recorded a gain of \$175 for quarter ended September 30, 2013 mainly due to the weakening of the ZAR relative to the USD and EURO impacting the Litha division's net monetary position as well as the effects of the forward contracts held during and as at the quarter ended September 30, 2013.

During the quarter ended September 30, 2012, Paladin recorded a foreign exchange loss of \$84. Paladin recorded a loss of \$542 mainly as a result of the strengthening of the CAD relative to the EURO and the ZAR impacting Paladin's net monetary position in these currencies during the quarter ended September 30, 2012. The loss was partially offset by a gain of \$458 on foreign exchange forward contracts held by the Litha division.

During the nine months ended September 30, 2013, Paladin recorded a foreign exchange loss of \$578. Paladin Canada recorded a loss of \$2,007 mainly as a result of the strengthening of the CAD relative to the ZAR and the weakening of the CAD relative to EURO and USD impacting Paladin's net monetary position in these

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currencies during the nine months ended September 30, 2013. The Litha division recorded a gain of \$1,429 for the nine months ended September 30, 2013 mainly due to the weakening of the ZAR relative to the USD and EURO impacting the Litha division's net monetary position as well as the effects of the forward contracts held during and as at the nine months ended September 30, 2013.

During the nine months ended September 30, 2012, Paladin recorded a foreign exchange loss of \$122. Paladin recorded a loss of \$580, mainly as a result of the strengthening of the CAD relative to the EURO and the ZAR impacting Paladin's net monetary position in these currencies during the nine months ended September 30, 2012. The loss was partially offset by a gain of \$458 on foreign exchange forward contracts held by the Litha division.

Interest Expense

Interest expense decreased \$36 or 4% to \$905 for the quarter ended September 30, 2013 from \$941 for the quarter ended September 30, 2012. For the nine months ended September 30, 2013, interest expense increased \$1,808 or 189% to \$2,764 from \$956 for the nine months ended September 30, 2012. The interest expense was substantially incurred by The Litha division on a bank overdraft and financial liabilities including a finance lease liability.

Share of Net (Income) Loss from a Joint Venture

The Biovac Institute

Paladin has an ownership interest of 61.53% in the Litha division which has an ownership interest of 85% in Biovac Consortium. Biovac Consortium has an ownership interest of 52.5% in Biovac. The Government of South Africa jointly controls and is a 47.5% shareholder of Biovac. The investment is accounted for as an investment in joint venture effective July 2, 2012 (refer to paragraph Interest in a Joint Venture for further details).

Paladin's share of Biovac's net income for the quarter ended September 30, 2013 is \$337, compared to a net loss of \$771 for the same comparative period last year. For the nine months ended September 30, 2013, Paladin recorded a net loss of \$522 from Biovac, primarily related to losses on foreign exchange forward contract revaluations. Refer to paragraph Interest in a Joint Venture for further details.

Share of Net Loss (Income) from Associates

Pharmaplan

As of July 2, 2012, Paladin acquired the remaining 55.01% interest in Pharmaplan, a privately-owned specialty pharmaceutical company based in Johannesburg, South Africa, Paladin did not own and merged the Pharmaplan business with Litha Pharma. Effective July 2, 2012, Pharmaplan is a wholly owned subsidiary of the Litha division and is accounted for as part of the consolidation of the Litha division within Paladin's consolidated results.

Paladin's share of Pharmaplan's net income for quarter and nine months ended September 30, 2013 was \$nil compared to \$nil and \$949, respectively, for same comparative periods last year due to the merger transaction described above and its effects on the accounting for Pharmaplan results post the merger effective July 2, 2012.

Firefly

The investment in associate relates to a 30% investment in a property holding company, Firefly, held by Litha. Paladin's share of Firefly's net loss for the quarter ended September 30, 2013 is \$20, compared to a net income of \$31

for the same comparative period last year. For the nine months ended September 30, 2013, Paladin recorded a net gain of \$69. Refer to paragraph Investment in Associates for further details.

Gain on Revaluation of Equity Investment

Prior to the Combined Transactions discussed in the section Business combinations, Paladin held a 44.99% interest in Pharmaplan and considered it an equity investment recorded at a value of \$18,480. In conjunction with Paladin's acquisition of the remaining 55.01% interest in Pharmaplan, Paladin, in accordance with IFRS, revalued its original investment in Pharmaplan as of July 2, 2012 at \$30,774 and recorded a gain of \$12,294.

Table of Contents**Provision for Income Taxes**

The provision for income taxes decreased \$1,914 or 33% to \$3,870 for the quarter ended September 30, 2013 from \$5,784 for the quarter ended September 30, 2012. For the nine months ended September 30, 2013, income tax expense decreased \$595 or 4% to \$13,347 from \$13,942 for the nine months ended September 30, 2012. For the three and nine-month periods ended September 30, 2013, the effective tax rate was 22% and 26%, respectively, compared to 32% and 29% for the same comparative periods last year.

Paladin Canada

The provision for income taxes decreased \$1,785 or 33% to \$3,702 for the quarter ended September 30, 2013 from \$5,487 for the same comparative quarter last year. For the quarter ended September 30, 2013, the effective tax rate was 21% compared to 30%, for the quarter ended September 30, 2012. The decrease in tax rate in the quarter ended September 30, 2013 compared to the same period of 2012 is attributed to the recognition of the tax benefit related to previously unrecognized tax attributes during the current quarter.

The provision for income taxes decreased \$1,049 or 8% to \$12,597 for the nine months ended September 30, 2013 from \$13,646 for the same comparative period last year. For the nine months ended September 30, 2013, the effective tax rate was 25% compared to 28%, for the nine months ended September 30, 2012. The decrease in tax rate in the quarter ended September 30, 2013 compared to the same period of 2012 is attributed to the recognition of the tax benefit related to previously unrecognized tax attributes in 2013.

Paladin Canada has the following tax pools detailed below which may be applied against taxable income:

Canada	Available \$	Recognized \$	Expiration
Non-capital losses			
Federal	48,474	2,918	2026-2032
Provincial	48,474	2,918	2026-2032
Scientific Research and Experimental Development expenditures			
Federal	79,677	58,307	N/A
Provincial	31,280	15,049	N/A
Investment tax credits			
Federal	31,111	22,699	2021-2032
	Available \$	Recognized \$	Expiration
Foreign subsidiaries			
Non-capital tax losses			
Barbados	20,745	3,726	2013-2021
Ireland	192,027	14,486	N/A
United States	412	130	2027-2032 (i)

- (i) The US non-capital tax losses are subject to certain restrictions by the application of Section 382 of the Internal Revenue Code of the United States.

The amount of the tax benefit claimed in the current and prior years, is subject to audit by the taxation authorities and could be reduced by a material amount in the future.

The Litha Division

The provision for income taxes decreased \$129 or 43% to \$168 for the quarter ended September 30, 2013 from \$297 for the same comparative quarter last year. For the quarter ended September 30, 2013, the effective

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tax rate was (135%) compared to 34%, for the quarter ended September 30, 2012. The increase in tax rate in the quarter ended September 30, 2013 compared to the same period of 2012 is attributed to the de-recognition of previously recognized tax attributes and a net increase in permanent differences as a proportion of net income before taxes.

The provision for income taxes was \$751 for the nine months ended September 30, 2013. For the nine months ended September 30, 2013, the effective tax rate was 30% compared to the South African statutory rate of 28% due to non-deductible expenses, mainly share based compensation and certain interest expenses.

Net Income

Due to the factors set forth above, net income decreased by \$11,096 or 45% to \$13,639 for the quarter ended September 30, 2013 from \$24,735 for the same comparative quarter last year. For the nine months ended September 30, 2013, net income decreased \$8,339 or 18% to \$38,596 from \$46,935 for the nine months ended September 30, 2012. The consolidation of Litha's results accounted for \$23 in net income and \$1,276 in net income for the quarter and nine month period ended September 30, 2013, respectively, compared to \$157 in net loss for the same comparative periods last year.

Net Income Attributable to Shareholders of Paladin

Due to the factors set forth above, net income attributable to shareholders of Paladin decreased by \$11,295 or 45% to \$13,643 for the quarter ended September 30, 2013 from \$24,938 for the same comparative quarter last year. For the nine months ended September 30, 2013, net income attributable to the shareholders of Paladin decreased \$9,095 or 19% to \$38,043 from \$47,138 for the nine months ended September 30, 2012. The consolidation of Litha's results accounted for \$18 in net loss and \$598 in net income attributable to shareholders for the quarter and nine month period ended September 30, 2013, respectively, compared to \$46 in net loss for the same comparative periods last year.

Net Income (Loss) Attributable to Non-Controlling Interests

The net loss attributable to non-controlling interests for the quarter ended September 30, 2013 consists of: \$9 net loss for the 38.47% economic ownership of Litha not held by Paladin's shareholders; \$50 net income for the 15% non-controlling interest in Biovac Consortium not held by Litha; and, a net loss of \$45 for the 49.99% economic ownership of Paladin Mexico not held by Paladin's shareholders. The net income attributable to non-controlling interests for the nine months ended September 30, 2013 consists of: \$757 for the 38.47% economic ownership of Litha not held by Paladin's shareholders; net loss of \$79 for the 15% non-controlling interest in Biovac Consortium not held by Litha; and \$125 for the 49.99% economic ownership of Paladin Mexico not held by Paladin's shareholders. The net loss attributable to non-controlling interests for the three and nine month periods ended September 30, 2012 consist of: \$87 for the 55.56% economic ownership of Litha not held by Paladin's shareholders; and \$116 for the 15% non-controlling interest in the Biovac Consortium not held by Litha.

Liquidity and Capital Resources

Paladin's Investment Policy regulates the investment activities relating to cash resources. An Investment Committee composed of representatives from management and the Paladin board of directors monitors compliance with said policy. Paladin invests in strategic investments in the form of equity or strictly in liquid, high-grade investment securities with varying terms to maturity, selected with regard to the expected timing of investments and expenditures for continuing operations and prevailing interest rates.

Paladin believes that its existing cash, cash equivalents and marketable securities, as well as cash generated from operations are sufficient to finance its current operations, working capital requirements and future product

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acquisitions. At present, Paladin is actively pursuing other acquisitions that may require the use of substantial capital resources.

Paladin has a \$15,000 extendable revolving unsecured credit facility in place with one of Paladin's bankers. As at November 8, 2013, approximately \$500 is being utilized for certain operational letter of credits.

The table below sets forth a summary of cash flow activity and should be read in conjunction with Paladin's consolidated cash flows statements.

	Three Months Ended		Nine Months Ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
	\$	\$	\$	\$
Cash inflow from operating activities	21,672	19,384	63,078	45,907
Net cash outflow from investing activities	(45,474)	(60,070)	(112,664)	(23,952)
Net cash inflow (outflow) from financing activities	393	(2,302)	898	(3,910)
Foreign exchange rate (loss) gain on cash and cash equivalents	(42)	491	(107)	425
(Decrease) increase in cash and cash equivalents during the period	(23,451)	(42,497)	(48,795)	18,470
Cash and cash equivalents, beginning of period	93,400	133,082	118,744	72,115
Cash and cash equivalents, end of period	69,949	90,585	69,949	90,585
Marketable securities, end of period	165,723	147,095	165,723	147,095
Bank overdraft	(4,945)	(6,486)	(4,945)	(6,486)
Cash, cash equivalents and marketable securities net of bank overdraft, end of period	230,727	231,194	230,727	231,194

	Three Months Ended September 30, 2013			Three Months Ended September 30, 2012		
	Paladin Canada \$	The Litha Division \$	Consolidated \$	Paladin Canada \$	The Litha Division \$	Consolidated \$
Cash inflow (outflow) from operating activities	18,497	3,175	21,672	19,686	(302)	19,384
Net cash outflow from investing activities	(45,357)	(117)	(45,474)	(65,122)	(233)	(65,355)
Cash inflow upon acquisition					5,285	5,285
	(45,357)	(117)	(45,474)	(65,122)	5,052	(60,070)

Total net cash (outflow) inflow from investing activities						
Net cash inflow (outflow) from financing activities	2,028	(1,635)	393	(3,185)	883	(2,302)
Foreign exchange (loss) gain on cash and cash equivalents	(42)		(42)	491		491
(Decrease) increase in cash and cash equivalents during the period	(24,874)	1,423	(23,451)	(48,130)	5,633	(42,497)
Cash and cash equivalents, beginning of period	90,555	2,845	93,400	133,082		133,082
Cash and cash equivalents, end of period	65,681	4,268	69,949	84,952	5,633	90,585
Marketable securities, end of period	165,723		165,723	147,095		147,095
Bank overdraft		(4,945)	(4,945)		(6,486)	(6,486)
Cash, cash equivalents and marketable securities net of bank overdraft, end of period	231,404	(677)	230,727	232,047	(853)	231,194

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	Nine Months Ended September 30, 2013			Nine Months Ended September 30, 2012		
	Paladin Canada \$	The Litha Division \$	Consolidated \$	Paladin Canada \$	The Litha Division \$	Consolidated \$
Cash inflow (outflow) from operating activities	58,390	4,688	63,078	46,209	(302)	45,907
Net cash (outflow) inflow from investing activities	(111,279)	(1,385)	(112,664)	(29,004)	(233)	(29,237)
Cash inflow upon acquisition					5,285	5,285
Total net cash (outflow) inflow from investing activities	(111,279)	(1,385)	(112,664)	(29,004)	5,052	(23,952)
Net cash inflow (outflow) from financing activities	5,448	(4,550)	898	(4,793)	883	(3,910)
Foreign exchange (loss) gain on cash and cash equivalents	(107)		(107)	425		425
(Decrease) increase in cash and cash equivalents during the period	(47,548)	(1,247)	(48,795)	12,837	5,633	18,470
Cash and cash equivalents, beginning of period	113,229	5,515	118,744	72,115		72,115
Cash and cash equivalents, end of period	65,681	4,268	69,949	84,952	5,633	90,585
Marketable securities, end of period	165,723		165,723	147,095		147,095
Bank overdraft		(4,945)	(4,945)		(6,486)	(6,486)
Cash, cash equivalents and marketable securities net of bank overdraft, end of period	231,404	(677)	230,727	232,047	(853)	231,194

Paladin's cash, cash equivalents and marketable securities net of bank overdraft decreased by \$27,231 to \$230,727 at September 30, 2013 from \$257,958 at December 31, 2012. The decrease is primarily a result of cash outflows for purchases of long-term financial assets of \$42,190, acquisition of additional interest in Litha of \$26,199, acquisition of intangible assets of \$24,254 and repayment of long-term liabilities of \$3,228, partially offset by cash flows generated from operating activities of \$63,078 and common shares issued for cash of \$5,481. Working capital (current assets less current liabilities) increased \$4,636 to \$260,123 at September 30, 2013 from \$255,487 at December 31, 2012 primarily due to the investment in the Bioniche short-term loan partially offset by a decrease in the cash, cash equivalents and marketable securities net of bank overdraft explained above.

Cash flows from operating activities increased 12% or \$2,288 to \$21,672 for the quarter ended September 30, 2013 from \$19,384 for the same comparative quarter last year. Cash flows from operating activities for the nine months ended September 30, 2013 increased 37% or \$17,171 to \$63,078 compared to \$45,907 for the nine months ended September 30, 2012.

Cash flows from operating activities represent the cash flows from net earnings, excluding revenues and expenses not affecting cash, principally amortization and depreciation, deferred taxes, share-based compensation expense, foreign exchange (gains) losses, other income, share of net (income) loss from associates, share of net (income) loss from a joint venture and other finance expense in addition to net changes in non-cash balances relating to operations.

Cash flows used in investing activities were \$45,474 and \$60,070 for the quarters ended September 30, 2013 and 2012, respectively. During the quarter ended September 30, 2013, Paladin invested \$26,208 in the acquisition of 16.99% additional interest in Litha, \$12,782 in purchases of financial assets, \$5,707 in purchases of marketable securities net of proceeds upon maturity, \$573 in purchases of intangible assets and \$283 in purchases of property, plant and equipment, partially offset by proceeds from disposal of property, plant and equipment of \$70. During the quarter ended September 30, 2012, Paladin invested \$18,986 in marketable

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securities net of cash flows generated by maturing marketable securities, invested \$42,356 in acquisition of subsidiaries (net of cash acquired upon acquisition), received \$1,682 in dividends from an associate, invested \$404 in acquisition of property, plant and equipment, invested \$82 in acquisition of intangible assets offset by proceeds of \$76 in disposal of financial assets and property plant and equipment.

Cash flows used in investing activities were \$112,664 and \$23,952 for the nine months ended September 30, 2013 and 2012, respectively. During the nine months ended September 30, 2013 Paladin invested \$42,190 towards purchases of financial assets, \$26,208 for the acquisition of an additional 16.99% interest in Litha, \$24,254 towards purchases of intangible assets, \$19,602 towards purchases of marketable securities net of proceeds upon maturity and \$643 towards purchases of property, plant and equipment, partially offset by proceeds from disposal of financial assets and intangible assets of \$224. During the nine-months ended September 30, 2012 Paladin collected \$19,122 from maturing marketable securities net of cash flows used to acquire marketable securities, received \$3,319 in form of dividends from an associate, received \$717 from disposal of intangible assets and \$835 from disposal of financial assets and received \$40 from the disposal of property plant and equipment. Paladin invested \$42,356 towards the acquisition of subsidiaries, \$4,000 towards a secured debenture, \$995 towards the repayment of a balance of sale payable, invested \$527 in property, plant and equipment and invested \$107 in intangible assets.

Cash flows generated from financing activities were \$393 compared to cash flows used in financing activities of \$2,302 for the quarters ended September 30, 2013 and 2012, respectively. During the quarter ended September 30, 2013, Paladin received \$2,060 from share option exercises and the issuance of common shares under the share purchase plan for cash. The cash inflows from financing activities were partially offset by a repayment of long-term liabilities of \$1,039 and \$628 of bank overdraft. During the quarter ended September 30, 2012, Paladin paid \$3,366 to extinguish the Labopharm lease and repaid \$536 of long-term liabilities. In addition, during the same quarter, Paladin received \$181 from share option exercises and the issuance of common shares under the share purchase plan for cash, obtained additional loans and other balances payable of \$700 and increased a bank overdraft by \$719.

Cash flows generated from financing activities were \$898 compared to cash flows used in financing activities of \$3,910 for the nine months ended September 30, 2013 and 2012, respectively. During the nine months ended September 30, 2013, Paladin received \$5,481 from share option exercises and the issuance of common shares under the share option purchase plan for cash. The cash inflows from financing activities were partially offset by a repayment of long-term liabilities of \$3,228 and \$1,355 of bank overdraft. During the nine months ended September 30, 2012, Paladin used \$2,278 to repurchase 58,716 of its own common shares under the terms of its normal course issuer bid, paid \$3,366 to extinguish the Labopharm lease, repaid \$500 related to the Labopharm finance lease obligations and repaid \$556 of loan indebtedness. In addition, during the same period, Paladin received \$1,351 from share option exercises and the issuance of common shares under the share purchase plan for cash, obtained additional loans and other balances financing of \$700 and increased a bank overdraft by \$719.

SEGMENT INFORMATION

Paladin, prior to the Litha acquisition effective July 2, 2012, had one reportable segment, namely the research and, development, in-licensing, acquisition, marketing and distribution of pharmaceutical products in Canada and internationally. In accordance with IFRS, the Litha acquisition represents a significant financially distinct component of Paladin's operations whose operating results are regularly reviewed by Paladin's Chief Executive Officer in making decisions about resources to be allocated to the segment and in assessing its performance. For internal management reporting purposes, Paladin is now structured and presents its financial information in two separate operating segments as follows:

Paladin Canada: focused on the in-licensing, acquisition, marketing, distribution and development of pharmaceutical products in Canada and internationally (excluding the South African and SADC market

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which is part of the Litha division segment below). The Paladin Canada group carries out business mainly in Canada with certain operating revenue streams in Europe, Barbados, United States, Australia and New Zealand. Substantially all of the Paladin group tangible assets are located in Canada. In addition, the operating segment earns interest income from the investment of its excess cash.

The Litha Division: focused on in-licensing, acquisition, marketing, distribution, assembly and research and development of medical devices and consumables as well as in-licensing, distribution and establishing manufacturing capacity in the biotechnology area of vaccines South Africa and the SADC region.

No other operating segments have been aggregated to form the above reportable operating segments. Management monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessments. Segment performance is evaluated based on revenue growth, Adjusted EBITDA, earnings before under-noted items and net income (loss) and is measured consistently with revenue growth, earnings before undernoted items and net income (loss) in the annual audited consolidated financial statements.

	Three Months Ended September 30, 2013			Three Months Ended September 30, 2012		
	Paladin Canada	The Litha Division	Consolidated	Paladin Canada	The Litha Division	Consolidated
	\$	\$	\$	\$	\$	\$
Revenues from external customers	42,041	28,952	70,993	37,671	29,228	66,899
Segment net income (loss)	13,616	23	13,639	24,892	(157)	24,735

	Nine Months Ended September 30, 2013			Nine Months Ended September 30, 2012		
	Paladin Canada	The Litha Division	Consolidated	Paladin Canada	The Litha Division	Consolidated
	\$	\$	\$	\$	\$	\$
Revenues from external customers	121,101	86,068	207,169	113,364	29,228	142,592
Segment net income (loss)	37,320	1,276	38,596	47,092	(157)	46,935

	Paladin	Litha	Consolidated
	\$	\$	\$
Segment assets			
September 30, 2013	457,885	147,813	605,698
December 31, 2012	437,280	167,237	604,517
Segment liabilities			
September 30, 2013	62,777	89,761	152,538
December 31, 2012	61,003	92,999	154,002

There are no significant inter-segment operating transactions and adjustments.

INTEREST IN A JOINT VENTURE

As part of the acquisition of Litha, Paladin acquired a 52.5% interest in Biovac on July 2, 2012 refer to the Business Combinations paragraph below for additional information. Biovac is a jointly controlled entity with the Government of South Africa, involved in the production and commercialization of vaccines in South Africa and SADC. The interest in the joint venture is accounted for using the equity method of accounting. The joint venture is initially recorded at fair value and adjustments are made to include Paladin's share of Biovac's net income. Paladin's share of net (income) loss from the joint venture is adjusted to reflect the amortization of the fair value adjustments related to Paladin's share of the net identifiable assets of Biovac acquired and their tax impact.

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	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2013	2012	2013	2012
	\$	\$	\$	\$
Carrying values, beginning of period	26,860	32,882	30,476	32,882
Share of net income (loss) for the period before adjustments	513	(567)	17	(567)
Adjustments to net income (loss):				
Amortization of fair value adjustments	(244)	(283)	(748)	(283)
Taxation	68	79	209	79
Share of net income (loss) from the joint venture for the period	337	(771)	(522)	(771)
Foreign exchange translation adjustments	(1,022)	(1,319)	(3,779)	(1,319)
Carrying values, end of period	26,175	30,792	26,175	30,792

Paladin is presenting selected financial information derived from Biovac's unaudited financial statements:

Biovac's statement of income data	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2013	2012	2013	2012
	\$	\$	\$	\$
Revenues	36,550	31,265	104,906	31,265
Cost of Sales	32,659	27,868	93,240	27,868
Gross income	3,891	3,397	11,666	3,397
Operating expenses	2,654	4,265	10,630	4,265
Earnings (loss) before under-noted items	1,237	(868)	1,036	(868)
Interest, depreciation, foreign exchange and income taxes	243	213	987	213
Net income (loss) for the period	994	(1,081)	49	(1,081)

Biovac's balance sheet data	September 30, 2013	December 31, 2012
	\$	\$
Current assets	76,430	73,882
Long-term assets	29,970	30,016
Total Assets	106,400	103,898
Current liabilities	79,979	13,409
Long-term liabilities	12,372	81,766

Total Liabilities	92,351	95,175
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Paladin's share of the joint venture's minimum capital investment commitments as at September 30, 2013 is \$3,386, including ZAR18,180, 952 and £118. These commitments end in 2014.

INVESTMENT IN ASSOCIATES

On March 16, 2010, Paladin entered into a strategic investment to acquire an initial 34.99% ownership interest in Pharmaplan, a privately-owned specialty pharmaceutical company based in Johannesburg, South Africa. Paladin paid \$18,861 including a non-interest bearing loan of \$2,879 (ZAR 21,000). In addition, Paladin committed to additional future consideration by increasing its ownership position by 5% per year over the next 3 years to 49.99%, with such additional consideration based upon Pharmaplan's future financial results. In addition, Paladin had the option to increase its ownership interest in Pharmaplan to 100% in 2013, at a purchase price determined using Pharmaplan's future financial results, payable in ZAR. Refer to the Business Combinations paragraph below for additional information.

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On March 1, 2011, Paladin entered into an agreement with Pharmaplan to accelerate the purchase of Pharmaplan shares leading to the acquisition of a total 10% ownership interest in Pharmaplan. This increased Paladin's ownership from 34.99% to 44.99% effective March 1, 2011. Paladin paid \$5,975 including the settlement of the non-interest bearing loan mentioned above.

The equity interest acquired in Pharmaplan represented an investment subject to significant influence which was accounted for using the equity method from the date of the acquisition, March 16, 2010. The investments were initially recorded at cost and adjustments were made to include Paladin's share of Pharmaplan's net income. Paladin's share of net income was adjusted to reflect the amortization of the fair value adjustments related to Paladin's share of the net identifiable assets of Pharmaplan acquired and the tax impact on the distributable earnings.

On July 2, 2012, in conjunction with the Litha acquisition further discussed in the "Business Combinations" paragraph below, Paladin acquired the 55.01% interest it did not own in Pharmaplan and in accordance with IFRS revalued and eliminated its original investment in Pharmaplan as of July 2, 2012 at \$30,774 and recorded a gain of \$12,294.

Paladin, as part of the Litha acquisition further discussed in the "Business Combinations" paragraph below, acquired a 30% equity interest and has significant influence in Firefly, a private real estate property management company responsible for managing the property on which the Litha division's headquarters are located.

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2013	2012	2013	2012
	\$	\$	\$	\$
Carrying values, beginning of period	696	18,480	626	20,850
Additions in the period (i)	18	607	54	607
Eliminations in the period (ii)		(18,480)		(18,480)
Share of net (loss) income for the period before adjustments	(20)	31	69	1,899
Adjustments to net (loss) income:				
Amortization of fair value adjustments				(886)
Taxation				(33)
Share of net (loss) income for the period	(20)	31	69	980
Foreign exchange translation adjustments	(31)	(25)	(86)	(25)
Share of dividends for the period				(3,319)
Carrying values, end of period	663	613	663	613

- (i) As part of the Litha acquisition, further discussed in the Significant transactions and business acquisitions paragraph below, Paladin acquired a 30% interest in Firefly.
- (ii) In conjunction with Paladin's acquisition of the 55.01% interest in Pharmaplan it did not already own on July 2, 2012, Paladin in accordance with IFRS eliminated the carrying value of the Pharmaplan investment and began

consolidating Pharmaplan through Litha refer to the Significant transactions and business acquisitions paragraph below for additional details.

BUSINESS COMBINATIONS

Paladin Mexico acquisition

On January 1, 2013, Paladin acquired 50.01% of all the issued and outstanding common shares of Paladin Mexico. Paladin Mexico is a private start-up specialty pharmaceutical company headquartered in Mexico City, Mexico.

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The acquisition was accounted for using the acquisition method of accounting and the results of Paladin Mexico's operations are included in Paladin's consolidated financial statements from January 1, 2013, the effective date of acquisition.

The consideration given for the Paladin Mexico acquisition described above is comprised of the following:

	\$
Cash	498
Distribution rights	290
Contingent payments (i)	362
Total consideration given	1,150

- (i) The payments are contingent upon the attainment of future revenue targets with the maximum undiscounted cash outlay of \$750. The attainment of these future revenue targets is considered likely over a period of eight years. The preliminary fair value allocation of the Paladin Mexico purchase price as at the date of acquisition was:

	\$
Cash and cash equivalents	507
Trade and other receivables	27
Other current assets	13
Current assets	547
Property, plant and equipment	5
Intangible assets	1,473
Total assets	2,025
Payables, accruals and provisions	(28)
Current liabilities	(28)
Deferred tax liability	(427)
Total liabilities	(455)
Net assets	1,570
Non-controlling interests	(785)
Net assets net of non-controlling interests	785
Goodwill on acquisition	365
Total consideration given to Paladin Mexico	1,150

Paladin elected to measure the non-controlling interest in Paladin Mexico of \$785 using the proportionate share of its interest in Paladin Mexico's identifiable net assets of 49.99% as per applicable IFRS guidelines.

The cash and cash equivalents, trade and other receivables, other current assets and property, plant and equipment are considered final assessments of their respective fair values for purposes of the purchase price equation. Paladin is in the process of finalizing the remaining balances of the purchase price allocation which will be completed during 2013.

The goodwill of \$365 represents the excess of net consideration paid / payable and given in kind over the net assets and non-controlling interest acquired and comprises the value of intangible assets that do not qualify for separate recognition; for example increased market presence, expected synergies and other benefits arising from the acquisition. None of the goodwill recognized is expected to be deductible for income tax purposes.

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During the period from January 1, 2013 to September 30, 2013 Paladin Mexico recorded revenues of \$24 and a net loss of \$160.

Acquisition of additional interest in Litha

On August 27, 2013, Paladin acquired an additional 13.17% interest in the voting shares of Litha, increasing its ownership to 57.71%. On September 26, 2013 and September 30, 2013, Paladin acquired an additional 2.19% and 1.64% interest in the voting shares of Litha, respectively, increasing its ownership to 61.53%. Cash consideration of \$26,208 (South African Rand ZAR 254,982) was paid to the non-controlling shareholders. The carrying value of the net assets at the acquisition dates was \$91,772 of which \$15,592, representing the carrying value of the additional interest acquired, has been recognized as an equity transaction reducing the respective non-controlling interests balances on these dates. The difference between the consideration given and the carrying value of the interest acquired of \$10,616 has been recognized as an equity transaction in retained earnings in accordance with IFRS.

Pharmaplan / Litha acquisition

On February 21, 2012, Paladin entered into a strategic partnership whereby it agreed to accelerate the purchase of the remaining 55.01% interest in Pharmaplan it did not own at that date and to merge the Pharmaplan business with the pharma division of Litha, a publicly listed diversified healthcare company on the Johannesburg Stock Exchange, with headquarters in Johannesburg, South Africa (the Combined Transactions). On July 2, 2012, Paladin acquired the 55.01% interest in Pharmaplan for cash consideration of \$38,150 and the issuance of 88,948 common shares at \$44.97 per share. Litha subsequently acquired 100% of the share capital of Pharmaplan from Paladin in exchange for cash of \$15,450 (ZAR125,000) and the issuance of 169,090,909 Litha common shares at \$0.3399 (ZAR2.75) per share. Paladin further acquired an additional 73,083,214 shares of Litha from third parties at \$0.3399 (ZAR2.75) per share for a total net consideration of \$24,943 (ZAR200,802). Upon the closing of these transactions Paladin owned 242,174,122 common shares of Litha, representing a 44.54% interest in Litha making it Litha's single largest shareholder. The Combined Transactions described above in conjunction with certain shareholder agreements for 13.42% of Litha's outstanding common shares gave Paladin control over more than half of the voting rights of Litha and, therefore, Paladin has included Litha within its consolidated financial statements as of July 2, 2012, the effective date of acquisition.

Prior to the Combined Transactions, Paladin held a 44.99% interest in Pharmaplan and considered it an equity investment recorded at a value of \$18,480 under Investment in an associate on the interim unaudited consolidated balance sheet. In conjunction with Paladin's acquisition of the remaining 55.01% interest in Pharmaplan, Paladin, in accordance with IFRS, revalued its original investment in Pharmaplan as of July 2, 2012 at \$30,774 and recorded a gain of \$12,294.

The consideration given for the Litha acquisition described above is comprised of the following:

	\$
Cash	47,643
Common shares of Paladin	4,000
44.99% interest in Pharmaplan	30,774
Total consideration given	82,417

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The fair value allocation of the Litha purchase price as at the date of acquisition was:

	\$
Cash and cash equivalents	5,285
Trade and other receivables	23,661
Inventories	20,340
Income tax receivable	3,289
Current assets	52,575
Investment in an associate	607
Investment in a joint venture	27,950
Loans receivable from a joint venture	9,928
Deferred income tax assets	2,204
Property, plant and equipment	9,578
Intangible assets	104,600
Other non-current assets	410
Total assets	207,852
Bank overdraft	(6,010)
Payables, accruals and provisions	(18,073)
Finance lease liability	(790)
Income tax payable	(2,180)
Current portion of long-term liabilities	(3,771)
Current liabilities	(30,824)
Finance lease liability	(7,108)
Deferred tax liability	(27,441)
Loans from joint venture	(1,159)
Long-term liabilities	(29,891)
Total liabilities	(96,423)
Net assets	111,429
Non-controlling interests	(67,164)
Net assets net of non-controlling interests	44,265
Goodwill on acquisition	38,152
Net consideration paid and given in kind to Litha	82,417

Paladin elected to measure the non-controlling interest in Litha using the proportionate share of its interest in Litha's identifiable net assets as per applicable IFRS guidelines and consisted of \$61,799 representing 55.46% of the acquired net assets of \$111,429 and \$5,365 representing the fair value of Litha share options at acquisition date.

The fair value of the trade and other receivables amounted to \$23,661. The gross amount of trade and other receivables was \$24,127. None of the trade receivables have been impaired and were collected.

The goodwill of \$38,152 represents the excess of net consideration paid and given in kind over the net assets and non-controlling interest acquired and comprises the value of intangible assets that do not qualify for separate recognition; for example the assembled workforce, increased market presence, expected synergies and other benefits arising from the acquisition. The goodwill is provisionally allocated to the Litha division reporting segment. Paladin is in the process of finalizing the allocation of the goodwill to stand-alone CGUs within the Litha division. None of the goodwill recognized is expected to be deductible for income tax purposes.

The available financial information in view of several acquisitions and the deconsolidation of a major subsidiary during the year ended December 31, 2012 does not allow for meaningful and accurate disclosure of pro-forma Litha division revenues and net income (loss) had Paladin concluded this acquisition at the beginning of the year.

Table of Contents**RELATED PARTY TRANSACTIONS****Joddes**

Joddes Limited, a private Canadian corporation, together with its affiliates control in aggregate approximately 34% of the outstanding shares of Paladin as at March 31, 2013, and one director of Paladin, Paladin's President, CEO and Chairman, is related to this group.

Paladin engages a wholly-owned subsidiary of Joddes Limited to provide logistics services including: customer service, warehousing, shipping, invoicing, collection services and certain manufacturing and selling services on behalf of Paladin. The logistics services agreement is for a period of 5 years ending in 2018 with options to renew extending the term to 2020 and beyond. This variable rate logistic services agreement invoices costs per product line depending on product-specific characteristics and contains no fixed minimum components. Either party may terminate this agreement with a twelve month notice period. Paladin also engages this affiliate to perform certain research and development and selling services on a contractual pay-for-use basis. In addition, Paladin leases its office facilities from another wholly-owned subsidiary of Joddes Limited. This lease is for a period of 10 years, ending in 2013 and includes minimum annual payments for a total remaining committed amount of \$53 as at September 30, 2013 and is included in the Contractual obligations and commitments paragraph below.

Paladin has also entered into contractual royalty agreements with a wholly-owned subsidiary of Joddes for certain legacy and over-the-counter products. The terms of these arrangements vary whereby Paladin may earn a royalty fee based on certain established terms relating to the performance of the respective products such as through a percentage of net sales or as a percentage of a defined product contribution.

The table below reflects all transactions and services with Joddes carried in the normal course of operations, which include those referred to in the agreements described above, as well as revenues from a wholly-owned subsidiary of Joddes Limited:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2013	2012	2013	2012
	\$	\$	\$	\$
Revenues	140	79	438	378
Purchases	143	3,687	1,489	8,573
Selling, general and administrative	1,106	1,812	3,677	6,020
Research and development	300	134	641	415

As at September 30, 2013, Paladin has a balance payable to a wholly-owned subsidiary of Joddes, included in Payables, accruals and provisions on the interim unaudited consolidated balance sheets of \$2,230 (December 31, 2012: \$1,582).

Pharmaplan

At July 1, 2012, Paladin owned a 44.99% interest in the common shares of Pharmaplan and considered this investment a related party. On July 2, 2012, Paladin acquired the 55.01% interest in Pharmaplan which it did not own for a cash consideration of \$38,150 and the issuance of 88,948 common shares at \$44.97 per share. On March 1, 2011, Paladin had entered into an agreement with Pharmaplan to accelerate the purchase of Pharmaplan shares leading to an

acquisition of a total of 10% ownership interest in Pharmaplan. Paladin paid \$5,975 which included the settlement of a previous investment in a non-interest bearing loan in Pharmaplan of \$2,879. During the year ended December 31, 2012, Pharmaplan declared and paid dividends of ZAR60,000, Paladin's share was ZAR26,994 or \$3,319.

Table of Contents**Litha Related Entities**

During the quarter and the nine months ended September 30, 2013, the Litha division invoiced Biovac, a related joint venture, logistics fees of \$1,294 (ZAR11,820) and \$3,752 (ZAR34,279), respectively, compared to \$1,062 (ZAR8,955) for the same comparative periods last year. In addition, during the same periods, interest earned on the loan from Biovac was \$222 (ZAR2,135) and \$676 (ZAR6,275), respectively, compared to \$243 (ZAR2,014) for the same comparative periods last year. Both the logistic fees and the interest earned are included in the consolidated statement of income under revenues and the corresponding costs under share of net loss from a joint venture. Moreover, during the same periods, Litha has paid rental fees of \$178 (ZAR1,634) and \$540 (ZAR4,929), respectively, compared to \$169 (ZAR1,424) for the same comparative periods last year to an associate included in the income statement under selling, general and administrative expenses and the corresponding revenues under share of net loss from an associate.

As at September 30, 2013, Paladin has loans receivable from a joint venture of \$10,831 (December 31, 2012: \$11,661).

All transactions with related parties, except for the Pharmaplan / Litha strategic partnership transaction described above and further discussed under the paragraph Business Combinations, are carried out in the normal course of operations. The accounts payable to related parties are on normal commercial terms and conditions and are non-interest bearing. The loan from Biovac is on normal commercial terms and conditions.

The following table presents the principal subsidiaries and joint venture of Paladin as at September 30, 2013:

Name	Country of registration	%	Nature of business
Principal subsidiaries			
Paladin Labs Europe Ltd.	Ireland	100	Develop, acquire, in-license, market and distribute innovative pharmaceutical products internationally
Paladin Labs (Barbados) Inc.	Barbados	100	Develop, acquire, in-license, market and distribute innovative pharmaceutical products internationally
Paladin Labs (USA) Inc.	USA	100	Develop, acquire, in-license, market and distribute innovative pharmaceutical products in the United States
Litha Healthcare Group Ltd.	South Africa	61.53	Search, acquire, commercialize specialty pharmaceutical and medical products in South Africa and sub-Saharan African region
Pharmaplan (Pty) Ltd.	South Africa	61.53	Search, acquire, commercialize specialty pharmaceutical products in South Africa and sub-Saharan African region
Litha Medical (Pty) Ltd.	South Africa	61.53	Search, acquire, commercialize specialty medical devices and complementary products in South Africa and sub-Saharan African region

Joint venture

The Biologicals and Vaccines Institute of South Africa Southern Africa (Pty) Limited	South Africa	52.5(i)	Planned manufacturing of vaccines and the distribution of vaccines in South Africa and SADC region
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- (i) Paladin has an ownership interest of 61.53% in Litha which has an ownership interest of 85% in the Biovac Consortium which has an ownership interest of 52.5% in Biovac

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OFF BALANCE SHEET ARRANGEMENTS

Paladin's off balance sheet arrangements consist of contractual obligations and agreements for development, sales, marketing and distribution rights to innovative drug products. The effect of terminating these arrangements under normal operating circumstances consists of an effective transition of the remaining responsibilities and obligations to the licensor under agreed upon time frames and conditions. Please refer to the Contractual Obligations and Commitments section below for additional details. Other than these contractual obligations and commitments, Paladin does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on Paladin's financial condition, changes in revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources that are material to investors.

Paladin does not issue guarantees contemplated by the applicable IFRS standards.

FINANCIAL INSTRUMENTS

Paladin's Investment Policy regulates the investment activities relating to cash resources. An Investment Committee composed of representatives from management and the Paladin board of directors monitors compliance with said policy. Paladin invests in strategic investments in the form of equity or strictly in liquid, high-grade investment securities with varying terms to maturity, selected with regard to the expected timing of investments and expenditures for continuing operations and prevailing interest rates.

Risk management activities

As a result of its international activities, Paladin, substantially through its South African subsidiary, is exposed to foreign currency risk. Paladin's investment in Litha is in ZAR while the Paladin's functional and reporting currency is the CAD and as a consequence any movement in the CAD/ZAR exchange rate has a direct impact on the other comprehensive income attributable to Paladin's shareholders. In addition, Paladin is exposed to foreign currency risk primarily related to Litha's inventory purchases. In order to reduce this risk, Litha regularly determines its net exposure to the primary currencies (EURO, USD and British Pounds) based on the Litha's anticipated purchases over the next 18 months. Litha then enters into foreign currency forward contracts to hedge those exposures. For operational reasons, Paladin decided not to designate those foreign currency forward contracts in hedge accounting relationships. Consequently, all changes in the fair values of such foreign currency forward contracts are recognized in income statement. With the exception of the forward contracts described above relating to Litha, Paladin does not actively use derivative financial instruments to reduce its foreign exchange exposure and often relies on natural hedges to mitigate foreign currency risk.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

In the normal course of business, Paladin secures development, sales, marketing and distribution rights to innovative drug products requiring royalties or product payments considered normal operating commitments and as such not included herein. Paladin has entered into various agreements, which include contractual obligations extending beyond the current year. These obligations due to their significance and/or being considered outside of Paladin's normal course of business are separately disclosed. Paladin is committed to making minimum purchases of inventory, property, plant and equipment and minimum expenditures for regulatory, selling and marketing services of \$15,504, including US\$1,750, 5,561, ZAR18,180 and £118, to retain exclusive distribution agreements for certain products. These commitments end in 2019.

Contractual Obligations

(in thousands of CAD)	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Purchase and service based commitments	\$ 15,504	\$ 4,329	\$ 9,502	\$ 1,673	\$

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In addition, under certain agreements, Paladin may have to pay additional consideration should Paladin achieve certain sales volumes or if certain milestones are met, such as regulatory approval in Canada. Paladin may have to pay up to \$5,381 including US\$4,111, 63 and £125 over a maximum period of 15 years if it achieves certain product, regulatory or sales milestones on specific products in the future. Paladin has the following commitments related to product license, trademark and distribution agreements:

Commitments

(in thousands of CAD)	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Milestone based commitments	\$ 3,321	\$ 653	\$ 2,418	\$ 150	\$ 100
Revenues based commitments	\$ 2,060	\$	\$ 515	\$ 1,545	\$

Paladin is also committed to invest \$7,230 in secured debentures at the request of third parties with whom it has strategic commercial relationships. The commitments expire in 2014 (\$3,230) and 2016 (\$4,000).

INTERNAL CONTROL OVER FINANCIAL REPORTING

No changes were made to the Paladin's internal controls over financial reporting during the quarter ended September 30, 2013 that have materially affected, or are reasonably likely to materially affect, Paladin's internal control over financial reporting.

RISK FACTORS

For a more detailed discussion of the risk factors that could materially affect the results of operations and the financial condition of Paladin, please refer to Paladin's Annual Information Form filed on SEDAR at www.sedar.com.

SUBSEQUENT EVENTS

On November 5, 2013, Paladin reached a definitive agreement to be acquired by Endo, a leading U.S.-based specialty pharmaceutical company, in a stock and cash transaction valued at approximately \$1,700,000. Pursuant to the acquisition, both Endo and Paladin will become indirect wholly owned subsidiaries of a newly-formed Irish holding company, New Endo, as a result of the reorganization. Under the terms of the agreement, which have been unanimously approved by the boards of both companies, Paladin's shareholders will receive 1.6331 shares of New Endo stock and \$1.16 in cash, subject to adjustment, for each of Paladin's share they own upon closing, pursuant to a plan of arrangement under Canadian law. In addition, Paladin's shareholders will receive one common share of Knight Therapeutics, a newly-formed public company in Canada. Knight Therapeutics will own Impavido, an approved product of Paladin, indicated for the treatment of leishmaniasis with international sales of approximately \$2,500, certain rights associated with that product and \$1,000 in cash. The transaction values each Paladin share at \$77.00, based on the 5 day volume weighted average price of Endo shares and the 5 day average currency exchange rate calculated at close of market on Friday, November 1. The transaction is expected to close in the first half of 2014, subject to certain conditions and approvals, including regulatory approvals in the U.S., Canada and South Africa, the approval of both companies' shareholders at special meetings, the approval of the Superior Court of Québec, the registration and listing of New Endo shares and other customary closing conditions. Shareholders representing approximately 34% of Paladin's outstanding shares have agreed to vote in favour of the transaction. These shareholders have the right to terminate this voting agreement if Endo's volume weighted average share price declines more than 24% during an agreed reference period. Under certain circumstances, should the proposed merger terminate, Paladin may be obligated to pay Endo a termination fee of \$60,000. Under certain other similar

circumstances, should the proposed merger terminate, Endo may be obligated to pay Paladin a termination fee of \$60,000.

Table of Contents**UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION**

The following unaudited pro forma condensed combined financial information is presented to illustrate the estimated effects of the pending acquisition of Paladin by Endo and the related pending refinancing transaction. The following unaudited pro forma condensed combined balance sheet as of September 30, 2013 and unaudited pro forma condensed combined statement of operations for the nine months ended September 30, 2013 are based upon and derived from and should be read in conjunction with the historical unaudited financial statements of Endo (which are available in Endo's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013 and are incorporated by reference into this proxy statement/prospectus) and historical unaudited financial statements of Paladin (which are available in Paladin's Condensed Interim Financial Statements for the quarter ended September 30, 2013 and are included in this proxy statement/prospectus). The following unaudited pro forma condensed combined statement of operations for the year ended December 31, 2012 is based upon, derived from and should be read in conjunction with the historical audited financial statements of Endo (which are available in Endo's Annual Report on Form 10-K for the year ended December 31, 2012 and are incorporated by reference in this proxy statement/prospectus) and historical audited financial statements of Paladin (which are available in Paladin's Annual Report filed on SEDAR at www.sedar.com for the year ended December 31, 2012 and are included in this proxy statement/prospectus). The acquisition of Paladin will be accounted for as a business combination using the acquisition method of accounting under the provisions of Accounting Standards Codification 805, Business Combinations which is referred to in this proxy statement/prospectus as ASC 805. The unaudited pro forma condensed combined financial information set forth below give effect to the following:

the consummation of the pending acquisition of Paladin;

the incurrence of US\$2,225.0 million in debt by New Endo and the repayment of Endo's existing credit facilities; and

certain IFRS to U.S. GAAP adjustments necessary to reflect legacy Paladin under the same accounting principles as Endo as further described in Note 2.

The pro forma adjustments are preliminary and are based upon available information and certain assumptions described in the accompanying notes to the unaudited pro forma condensed combined financial information that management believes are reasonable under the circumstances. Actual results may differ materially from the assumptions within the accompanying unaudited pro forma condensed combined financial information. Under ASC 805, assets acquired and liabilities assumed are recorded at fair value. The fair value of Paladin's identifiable tangible and intangible assets acquired and liabilities assumed are based on a preliminary estimate of fair value as of September 30, 2013. Any excess of the purchase price over the fair value of identified assets acquired and liabilities assumed will be recognized as goodwill. The establishment of the fair value of consideration for acquisitions requires the extensive use of significant estimates and management's judgment. Significant judgment is required in determining the estimated fair values of in-process research and development, which is referred to in this proxy statement/prospectus as IPR&D, identifiable intangible assets, certain tangible assets and certain liabilities assumed. Such a valuation requires estimates and assumptions including, but not limited to, determining the timing and estimated costs to complete each in-process project, projecting the timing of regulatory approvals, estimating future cash flows and direct costs in addition to developing the appropriate discount rates and current market profit margins. Since the Paladin acquisition has not been consummated, Endo's access to information to make such estimates is limited and therefore, certain market based assumptions were used when data was not available. However,

management believes the fair values recognized for the assets to be acquired and liabilities to be assumed are based on reasonable estimates and assumptions based on information currently available. Preliminary fair value estimates may change as additional information becomes available and such changes could be material.

The unaudited pro forma condensed combined statements of operations for the fiscal year ended December 31, 2012 and the nine months ended September 30, 2013 assume the completion of the transaction occurred on January 1, 2012. The unaudited pro forma condensed combined balance sheet as of September 30,

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2013 assumes the transaction occurred on September 30, 2013. The unaudited pro forma condensed combined financial information has been prepared by management in accordance with the regulations of the SEC and is not necessarily indicative of the condensed combined financial position or results of operations that would have been realized had the acquisition occurred as of the dates indicated, nor is it meant to be indicative of any anticipated condensed combined financial position or future results of operations that New Endo will experience after the acquisition. In addition, the accompanying unaudited pro forma condensed combined statements of operations do not include any expected cost savings or restructuring actions which may be achievable subsequent to the acquisition or the impact of any non-recurring activity and one-time transaction related costs or certain pro forma adjustments which are considered significant. Certain financial information of Paladin as presented in their respective consolidated financial statements has been reclassified to conform to the historical presentation in Endo's consolidated financial statements for purposes of preparation of the unaudited pro forma condensed combined financial information. The unaudited pro forma condensed combined financial information gives effect to the reorganization of Endo and Paladin into New Endo, which includes Endo's acquisition of Paladin. The aforementioned reorganization is considered to be a transaction between entities under common control. Therefore, there are no pro forma adjustments necessary to reflect this reorganization.

Table of Contents**Endo International Limited****Unaudited Pro Forma Condensed Combined Balance Sheet****As of September 30, 2013****(In thousands of USD)**

	Endo Historical	Paladin Adjusted Historical (Note 2)	Paladin Acquisition Adjustments	Endo Debt Refinancing	Pro Forma
Assets					
Current assets:					
Cash and cash equivalents	\$ 594,085	\$ 67,976	\$ (122,416)(5a)	\$ 753,021 (5a)	\$ 1,292,666
Accounts receivable, net	672,001	44,342			716,343
Inventories, net	416,512	46,259	23,741 (5b)		486,512
Prepaid expenses and other current assets	97,094	193,756			290,850
Income taxes receivable	17,193	263		3,763 (5c)	21,219
Deferred income taxes	245,458	13,564			259,022
Total current assets	\$ 2,042,343	\$ 366,160	\$ (98,675)	\$ 756,784	\$ 3,066,612
Marketable securities	2,433				2,433
Property and equipment, net	373,990	7,864			381,854
Goodwill	1,980,887	64,220	1,691,435 (5d)		3,736,542
Other intangibles, net	1,966,645	108,597	466,403 (5e)		2,541,645
Other assets	88,958	76,102		32,897 (5i)	197,957
Total assets	\$ 6,455,256	\$ 622,943	\$ 2,059,163	\$ 789,681	\$ 9,927,043
Liabilities and stockholders equity					
Current liabilities:					
Accounts payable	\$ 267,851	\$ 61,198	\$	\$	\$ 329,049
Accrued expenses	994,771	33,271			1,028,042
Current portion of long-term debt	411,694	5,042		(23,875)(5f)	392,861
Acquisition-related contingent consideration	1,231				1,231
Total current liabilities	\$ 1,675,547	\$ 99,511	\$	\$ (23,875)	\$ 1,751,183
Deferred income taxes	461,899	20,992	132,339 (5g)	(5,466)(5h)	609,764
	2,856				2,856

Acquisition-related contingent consideration

Long-term debt, less current portion, net	2,644,628	21,500		835,513 (5i)	3,501,641
Other liabilities	332,962	7,768			340,730
Commitments and contingencies					
Stockholders' equity:					
Preferred Stock					
Common Stock	1,439	174,626	(174,579)(5j)		1,486
Additional paid-in capital	1,143,546	6,583	1,607,824 (5j)		2,757,953
Retained earnings	902,144	238,732	(312,802)(5j)	(16,491)(5j)	811,583
Accumulated other comprehensive loss	(5,939)	(15,462)	15,462 (5j)		(5,939)
Treasury stock	(764,312)		764,312 (5j)		
Total Endo International Limited stockholders' equity					
	\$ 1,276,878	\$ 404,479	\$ 1,900,217 (5j)	\$ (16,491)	\$ 3,565,083
Noncontrolling interests	60,486	68,693	26,607 (5k)		155,786
Total stockholders' equity	\$ 1,337,364	\$ 473,172	\$ 1,926,824	\$ (16,491)	\$ 3,720,869
Total liabilities and stockholders' equity	\$ 6,455,256	\$ 622,943	\$ 2,059,163	\$ 789,681	\$ 9,927,043

Certain Paladin amounts have been reclassified to conform to Endo's presentation. The accompanying notes are an integral part of the unaudited pro forma condensed combined financial statements.

Table of Contents**Endo International Limited****Unaudited Pro Forma Condensed Combined Statement of Operations****For the Nine Months Ended September 30, 2013****(In thousands of USD, except per share data)**

	Endo Historical	Paladin Adjusted Historical (Note 2)	Paladin Acquisition Adjustments	Endo Debt Refinancing	Pro Forma
Revenues:					
Net pharmaceutical product sales	\$ 1,639,890	\$ 202,446	\$	\$	\$ 1,842,336
Devices revenues	359,867				359,867
Service and other revenues	190,225				190,225
Total revenues	\$ 2,189,982	\$ 202,446	\$	\$	\$ 2,392,428
Costs & expenses:					
Cost of revenues	883,063	97,454	17,445(51)		997,962
Selling, general and administrative	689,436	48,650			738,086
Research and development	113,740	7,168			120,908
Patent litigation settlement, net					
Litigation-related and other contingencies	159,098				159,098
Asset impairment charges	46,994				46,994
Acquisition-related and integration items, net	6,165				6,165
Operating income (loss)	\$ 291,486	\$ 49,174	\$ (17,445)	\$	\$ 323,215
Interest expense (income), net	129,939	(3,266)		32,234 (5m)	158,907
Net loss on extinguishment of debt	11,312				11,312
Other (income) expense, net	(51,873)	1,681			(50,192)
Income (loss) before income tax	\$ 202,108	\$ 50,759	\$ (17,445)	\$ (32,234)	\$ 203,188
Income tax	72,779	13,082	(4,710)(5n)	(11,566)(5n)	69,585
Consolidated net income (loss)	\$ 129,329	\$ 37,677	\$ (12,735)	\$ (20,668)	\$ 133,603
	38,758	540			39,298

Less: Net income attributable
to noncontrolling interests

Net income (loss) attributable to Endo International Limited	\$ 90,571	\$ 37,137	\$ (12,735)	\$ (20,668)	\$ 94,305
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Net income per share
attributable to Endo
International Limited

Basic	\$ 0.80				\$ 0.64
Diluted	\$ 0.77				\$ 0.62

Weighted average shares
attributable to Endo
International Limited

Basic	112,691	(50)	146,512
Diluted	116,890	(50)	152,293

Certain Paladin amounts have been reclassified to conform to Endo's presentation. The accompanying notes are an integral part of the unaudited pro forma condensed combined financial statements.

Table of Contents**Endo International Limited****Unaudited Pro Forma Condensed Combined Statement of Operations****For the Year Ended December 31, 2012****(In thousands of USD, except per share data)**

	Endo Historical	Paladin Adjusted Historical (Note 2)	Paladin Acquisition Adjustments	Endo Debt Refinancing	Total Pro Forma
Revenues:					
Net pharmaceutical product sales	\$ 2,297,685	\$ 210,242	\$	\$	\$ 2,507,927
Devices revenues	504,487				504,487
Service and other revenues	225,191				225,191
Total revenues	\$ 3,027,363	\$ 210,242	\$	\$	\$ 3,237,605
Costs & expenses:					
Cost of revenues	1,261,093	92,961	27,303 (51)		1,381,357
Selling, general and administrative	898,847	49,726			948,573
Research and development	226,120	7,796			233,916
Patent litigation settlement, net	85,123				85,123
Litigation-related and other contingencies	316,425				316,425
Asset impairment charges	768,467				768,467
Acquisition-related and integration items, net	23,015				23,015
Operating (loss) income	\$ (551,727)	\$ 59,759	\$ (27,303)	\$	\$ (519,271)
Interest expense, (income) net	182,834	(3,280)		34,684 (5m)	214,238
Net loss on extinguishment of debt	7,215				7,215
Other (income) expense, net	(193)	(13,231)			(13,424)
Income (loss) before income tax	\$ (741,583)	\$ 76,270	\$ (27,303)	\$ (34,684)	\$ (727,300)
Income tax	(53,562)	17,646	(7,372)(5n)	(12,179)(5n)	(55,467)
Consolidated net (loss) income	\$ (688,021)	\$ 58,624	\$ (19,931)	\$ (22,505)	\$ (671,833)

Less: Net income (loss) attributable to noncontrolling interests	52,316	(1,551)			50,765
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Net (loss) income attributable to Endo International Limited	\$ (740,337)	\$ 60,175	\$ (19,931)	\$ (22,505)	\$ (722,598)
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Net (loss) per share attributable to Endo International Limited					
Basic	\$ (6.40)				\$ (4.83)
Diluted	\$ (6.40)				\$ (4.83)

Weighted average shares attributable to Endo International Limited					
Basic	115,719		(50)		149,540
Diluted	115,719		(50)		149,540

Certain Paladin amounts have been reclassified to conform to Endo's presentation. The accompanying notes are an integral part of the unaudited pro forma condensed combined financial statements.

Table of Contents**Endo International Limited****Notes to Unaudited Pro Forma Condensed Combined Financial Statements****(in thousands of USD, except share and per share amounts)****Note 1. Description of transaction**

On November 5, 2013, Endo entered into the arrangement agreement, among Endo, Sportwell Limited (subsequently renamed Endo International Limited), a private limited company incorporated in Ireland which is to be re-registered to a public limited company (New Endo), Sportwell II Limited (subsequently renamed Endo Limited), a direct subsidiary of New Endo incorporated in Ireland, ULU Acquisition Corp. (subsequently renamed Endo U.S. Inc.), RDS Merger Sub, LLC, a private limited liability company organized in Delaware and an indirect subsidiary of New Endo (Merger Sub), 8312214 Canada Inc., a corporation incorporated under the laws of Canada and an indirect subsidiary of New Endo (CanCo 1), and Paladin Labs Inc., a corporation incorporated under the laws of Canada (Paladin). Under the terms of the arrangement agreement, (a) New Endo will cause CanCo 1 to acquire Paladin pursuant to a plan of arrangement under Canadian law (the arrangement) and (b) Merger Sub will merge with and into Endo, with Endo as the surviving corporation in the merger (the merger and, together with the arrangement, the transactions). As a result of the transactions, both Endo and Paladin will become indirect wholly owned subsidiaries of New Endo.

As consideration for the arrangement, Paladin shareholders will receive C\$1.16 in cash and 1.6331 newly issued New Endo ordinary shares and one common share of Knight Therapeutics in exchange for each Paladin common share held by such shareholders. Knight Therapeutics is a newly formed Canadian corporation that will hold Impavido[®], Paladin's product for the treatment of leishmaniasis. The cash consideration to be received by Paladin shareholders will be increased if Endo's volume weighted average share price during an agreed reference period declines more than 7% relative to a reference price of US\$44.4642 per share. The maximum amount by which the aggregate cash consideration to be received by Paladin shareholders would be increased by this price protection mechanism is approximately US\$233 million.

As consideration for the merger, each Endo common share then issued and outstanding will be cancelled and automatically converted into the right to receive one ordinary share of New Endo. As a result, based on the number of outstanding common shares of Endo and Paladin and Paladin options as of November 5, 2013, the date the arrangement agreement was signed, upon consummation of the merger and arrangement, the former shareholders of Endo are expected to own approximately 77.4% of the capitalization of New Endo on a fully-diluted basis, and the former shareholders and holders of Paladin options are expected to own approximately 22.6% of the capitalization of New Endo on a fully-diluted basis. It is uncertain whether the transactions, as structured, will be taxable to U.S. shareholders of Endo. The ultimate tax treatment of the transactions to U.S. shareholders of Endo depends on the application of new and complex provisions of U.S. federal income tax law as well as certain facts that are subject to change and that could be affected by actions taken by Endo and other events beyond Endo's control. More specifically, U.S. holders of Endo common stock will be required to recognize gain on the Endo share exchange if the U.S. shareholders gain amount exceeds the New Endo income amount. The U.S. shareholders gain amount has been and will continue to be affected by changes in Endo's stock price, trading activity in Endo's common stock, and the tax basis of U.S. holders of Endo common stock on the closing date. As a result, the U.S. shareholders gain amount cannot be known until after the closing of the merger. In this regard, Endo notes that there has been a substantial increase in Endo's stock price during the period from the signing of the arrangement agreement to the date of this proxy statement/prospectus. The New Endo income amount will depend, in part, on the earnings and profits of Endo U.S. Inc. for the taxable year that includes the closing date (which Endo expects will be 2014). Such earnings and profits, if any, will depend on overall business conditions and the overall tax position of Endo U.S. Inc. for such

taxable year and will take into account, among other things, taxable operating income and loss as well as taxable non-operating income and loss (including dispositions outside the ordinary course of business and extra-ordinary items), subject to certain adjustments, and cannot be determined until the end of the year in which the merger is completed.

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New Endo has applied to list the New Endo ordinary shares to be issued or made issuable pursuant to the arrangement and the merger on NASDAQ and TSX. Listing will be subject to New Endo fulfilling all the listing requirements of NASDAQ and TSX.

The acquisition is subject to customary conditions, including clearance by the FTC under the provisions of the HSR Act, as well as by regulatory authorities outside of the U.S. Pending these clearances, Endo anticipates closing the transaction in the first quarter of 2014.

In connection with the Paladin acquisition, Endo plans to refinance its existing secured senior credit facilities, which are referred to in this proxy statement/prospectus as the existing term loan credit facility at closing through a new secured senior credit facility, which will allow for total borrowings of up to US\$1,525.0 million, which is referred to in this proxy statement/prospectus as the new term loan credit facility, and US\$700.0 million of 5.75% Senior Notes due 2022 that were issued on December 19, 2013, which are referred to in this proxy statement/prospectus as the new senior notes. As of September 30, 2013, term loans under Endo's existing secured senior credit facilities amounted to US\$1,413.4 million.

The new senior notes were issued by Endo Finance Co., a wholly-owned subsidiary of Endo (referred to in this proxy statement/prospectus as Endo Finance). Upon issuance of the new senior notes, 100% of the gross proceeds were deposited with an escrow agent to be held until (i) consummation of the transactions or (ii) the earlier of the July 1, 2014 or the date that Endo has determined to terminate or abandon the transactions. If the transactions are consummated, (i) Endo Finance will merge with and into an indirect wholly-owned subsidiary of New Endo (New Endo Finance), with New Endo Finance surviving and assuming all of Endo Finance's obligations under the new senior notes; (ii) an indirect wholly-owned subsidiary of New Endo will become a co-obligor of the new senior notes; (iii) the escrowed funds will be released from escrow simultaneously with the consummation of the transactions; and (iv) the net proceeds of the offering of new senior notes will be used, together with borrowings under the term loan facilities, to refinance certain existing indebtedness of Endo, to pay related fees and expenses and for general corporate purposes, which may include strategic acquisitions. If the transactions are not consummated, upon the earlier of July 1, 2014 or the date that Endo has determined to terminate or abandon the transactions, (i) Endo Finance will merge with and into Endo, with Endo surviving and assuming all of Endo Finance's obligations under the new senior notes; (ii) the escrowed funds will be released; and (iii) the net proceeds of the offering of new senior notes will be used for general corporate purposes, which may include strategic acquisitions.

The interest rates under the new term loan credit facility are expected to be LIBOR plus the applicable margin. For the purposes of these unaudited pro forma condensed combined financial statements, it was assumed that new term loans will be borrowed under the new term loan credit facility at a LIBOR rate of 0.25%, plus a weighted average interest rate of 2.52% for the nine months ended September 30, 2013 and 2.53% for the year ended December 31, 2012. For the purposes of these unaudited pro forma condensed combined financial statements, we used the stated interest rate on the new senior notes of 5.75%. The interest rates used for purposes of preparing the accompanying unaudited pro forma condensed combined financial statements may be considerably different than the actual interest rates incurred based on market conditions at the time of refinancing.

Note 2. Basis of presentation

The unaudited pro forma condensed combined financial information was prepared using the acquisition method of accounting and was based on the historical financial information of Endo and Paladin. This unaudited pro forma condensed combined financial information does not give effect to immaterial probable transactions, such as the separation of Knight Therapeutics by Paladin, the acquisition of Boca Pharmacal LLC by Endo and the potential divestiture of the HealthTronics business by Endo.

The acquisition method of accounting, based on ASC 805, uses the fair value concepts defined in ASC 820, Fair Value Measurement, which is referred to in this proxy statement/prospectus as ASC 820. The historical consolidated financial information has been adjusted in the accompanying unaudited pro forma condensed combined

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financial information to give effect to pro forma events that are (i) directly attributable to the acquisition, (ii) factually supportable, and (iii) with respect to the unaudited pro forma condensed combined statements of operations, expected to have a continuing impact on the consolidated results.

ASC 820 defines fair value, establishes the framework for measuring fair value for any asset acquired or liability assumed under U.S. GAAP, expands disclosures about fair value measurements and specifies a hierarchy of valuation techniques based on the nature of the inputs used to develop the fair value measures. Fair value is defined in ASC 820 as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This is an exit price concept for the valuation of an asset or liability. Market participants are assumed to be buyers or sellers in the most advantageous market for the asset or liability. Fair value measurement for an asset assumes the highest and best use by these market participants, and as a result, assets may be required to be recorded which are not intended to be used or sold and/or to value assets at a fair value measurement that do not reflect management's intended use for those assets. Fair value measurements can be highly subjective and it is possible the application of reasonable judgment could develop different assumptions resulting in a range of alternative estimates using the same facts and circumstances.

ASC 805 requires, among other things, that most assets acquired and liabilities assumed in a business combination be recognized at fair value as of the acquisition date and that the fair value of acquired IPR&D be recorded on the balance sheet. As of the date of this proxy statement/prospectus, Endo has not completed the detailed valuation work necessary to arrive at the required estimates of the fair value of the Paladin assets to be acquired and the liabilities to be assumed and the related allocation of purchase price. A final determination of the fair value of Paladin's assets and liabilities will be based on the actual net tangible and intangible assets and liabilities of Paladin that exist as of the date of completion of the merger and the arrangement and, therefore, cannot be made prior to that date. Additionally, a significant portion of the merger consideration to be paid by Endo to complete the merger and the arrangement will be determined based on the trading price of Endo common stock at the time of the completion of the merger and the arrangement. Accordingly, the accompanying unaudited pro forma purchase price allocation is preliminary and is subject to further adjustments as additional information becomes available and as additional analyses are performed.

The historical financial statements of Paladin (which are available in Paladin's Condensed Interim Financial Statements for the quarter ended September 30, 2013) and the historical audited financial statements of Paladin (which are available in Paladin's Annual Report filed on SEDAR at www.sedar.com for the year ended December 31, 2012) were prepared in accordance with IFRS using the Canadian dollar which is Paladin's functional and presentation currency. Endo's functional and presentation currency is U.S. dollars. Certain IFRS to U.S. GAAP adjustments have been made to the historical financial statements of Paladin. Although we believe these adjustments represent the known material adjustments necessary to present Paladin's financial statements in conformity with U.S. GAAP, the accompanying unaudited pro forma IFRS to U.S. GAAP adjustments are preliminary and are subject to further adjustments as additional information becomes available and as additional analyses are performed. In addition, we may not have identified all adjustments necessary to conform Paladin's accounting policies to Endo's accounting policies.

Following the acquisition, Endo will conduct a review of Paladin's accounting policies in an effort to determine if differences in accounting policies require adjustment or reclassification of Paladin's results of operations or reclassification of assets or liabilities to conform to Endo's accounting policies and classifications. As a result of that review, Endo may identify differences between the accounting policies of the two companies that, when conformed, are not expected to have a material impact on these unaudited pro forma condensed combined financial statements. During the preparation of these unaudited pro forma condensed combined financial statements, Endo was not aware of any material differences between accounting policies of the two companies, except for certain reclassifications necessary to conform to Endo's financial presentation, and accordingly, this unaudited pro forma condensed combined

financial information does not assume any material differences in accounting policies between the two companies.

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The historical unaudited financial statements of Paladin were prepared in accordance with IFRS, using the Canadian dollar as the reporting currency. For purposes of the unaudited financial information, the Canadian dollar denominated IFRS financial statements have been converted to the U.S. dollar, using the exchange rate of \$0.9718 as of September 30, 2013, and the average exchange rate of \$0.9772 and \$1.0002 during the nine months ended September 30, 2013 and the year ended December 31, 2012, respectively.

Financial information presented in the *Paladin Adjusted Historical IFRS* column in the unaudited adjusted historical balance sheet and statement of operations has been reclassified to conform to the historical presentation in Endo's consolidated financial statements as follows:

Reclassification included in the unaudited adjusted historical balance sheet (in thousands of USD):

	As of September 30, 2013		
	Before Reclassification	Reclassification	After Reclassification
Marketable securities	\$ 161,050	\$ (161,050)	\$
Financial assets - current	\$ 30,866	\$ (30,866)	\$
Prepaid expenses and other current assets	\$ 1,541	\$ 191,916	\$ 193,457
Investment in associates	\$ 644	\$ (644)	\$
Interest in a joint venture	\$ 25,437	\$ (25,437)	\$
Loans receivable from a joint venture	\$ 10,526	\$ (10,526)	\$
Financial assets - long term	\$ 12,532	\$ (12,532)	\$
Investment tax credits recoverable	\$ 22,058	\$ (22,058)	\$
Deferred income tax assets	\$ 17,581	\$ (17,581)	\$
Other assets	\$	\$ 88,778	\$ 88,778
Bank overdraft	\$ 4,806	\$ (4,806)	\$
Current portion of finance lease liability	\$ 707	\$ (707)	\$
Deferred revenue	\$ 2,069	\$ (2,069)	\$
Income tax payable	\$ 24,596	\$ (24,596)	\$
Other balances payable	\$ 1,093	\$ (1,093)	\$
Accrued expenses	\$	\$ 33,271	\$ 33,271
Finance lease liability	\$ 5,782	\$ (5,782)	\$
Deferred revenue	\$ 1,414	\$ (1,414)	\$
Other balances payable	\$ 572	\$ (572)	\$
Other liabilities	\$	\$ 7,768	\$ 7,768

Reclassification included in the unaudited adjusted historical statement of operations (in thousands of USD):

	For the Nine Months Ended September 30, 2013		
	Before Reclassification	Reclassification	After Reclassification
Amortization of intangible assets	\$ 15,134	\$ (15,134)	\$
Cost of revenues	\$ 82,320	\$ 15,134	\$ 97,454

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Depreciation of property, plant and equipment	\$ 946	\$ (946)	\$
Selling, general and administrative	\$ 47,704	\$ 946	\$ 48,650
Other finance expense (income)	\$ 1,222	\$ (1,222)	\$
Foreign exchange loss	\$ 565	\$ (565)	\$
Share of net (income) loss from a joint venture	\$ 510	\$ (510)	\$
Share of net loss (income) from associates	\$ (67)	\$ 67	\$
Other (income) expense, net	\$ (549)	\$ 2,230	\$ 1,681
Interest income	\$ (5,967)	\$ 5,967	\$
Interest expense, net	\$ 2,701	\$ (5,967)	\$ (3,266)

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	For the Year Ended December 31, 2012		
	Before		After
	Reclassification	Reclassification	Reclassification
Amortization of intangible assets	\$ 16,135	\$ (16,135)	\$
Cost of revenues	\$ 76,826	\$ 16,135	\$ 92,961
Depreciation of property, plant and equipment	\$ 703	\$ (703)	\$
Selling, general and administrative	\$ 49,023	\$ 703	\$ 49,726
Other finance expense (income)	\$ 1,164	\$ (1,164)	\$
Foreign exchange loss	\$ 1,211	\$ (1,211)	\$
Share of net (income) loss from a joint venture	\$ 725	\$ (725)	\$
Share of net loss (income) from associates	\$ (999)	\$ 999	\$
Gain on revaluation of equity investment	\$ (12,296)	\$ 12,296	\$
Other (income) expense, net	\$ (3,036)	\$ (10,195)	\$ (13,231)
Interest income	\$ (5,461)	\$ 5,461	\$
Interest expense, net	\$ 2,181	\$ (5,461)	\$ (3,280)

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Below is unaudited financial information showing adjustments to conform Paladin's historical IFRS statements to U.S. GAAP.

Paladin Labs Inc.**Unaudited Adjusted Historical Balance Sheet****As of September 30, 2013****(In thousands of USD)**

	Paladin Adjusted Historical IFRS	U.S. GAAP Adjustments	Paladin Adjusted Historical U.S. GAAP
Assets			
Current assets:			
Cash and cash equivalents	\$ 67,976	\$	\$ 67,976
Accounts receivable, net	44,342		44,342
Inventories, net	46,259		46,259
Prepaid expenses and other current assets	193,457	299 (a)	193,756
Income taxes receivable	263		263
Deferred income taxes		13,564 (b)	13,564
Total current assets	\$ 352,297	\$ 13,863	\$ 366,160
Property and equipment, net	7,864		7,864
Goodwill	31,080	33,140 (c)	64,220
Other intangibles, net	108,597		108,597
Other assets	88,778	(12,676)(b)	76,102
Total assets	\$ 588,616	\$ 34,327	\$ 622,943
Liabilities and stockholders' equity			
Current liabilities:			
Accounts payable	\$ 61,198	\$	\$ 61,198
Accrued expenses	33,271		33,271
Current portion of long-term debt	5,042		5,042
Total current liabilities	\$ 99,511	\$	\$ 99,511
Deferred income taxes	19,456	1,536 (b)	20,992
Long-term debt, less current portion, net	21,500		21,500
Other liabilities	7,768		7,768
Commitments and contingencies			
Stockholders' equity:			

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Common Stock	174,626		174,626
Additional paid-in capital	6,583		6,583
Retained earnings	229,236	9,496 (d)	238,732
Accumulated other comprehensive loss	(12,381)	(3,081)(c)	(15,462)
Total shareholder stockholders equity	\$ 398,064	\$ 6,415	\$ 404,479
Noncontrolling interests	42,317	26,376 (c)	68,693
Total stockholders equity	\$ 440,381	\$ 32,791	\$ 473,172
Total liabilities and stockholders equity	\$ 588,616	\$ 34,327	\$ 622,943

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	Paladin Adjusted Historical IFRS	U.S. GAAP Adjustments	Paladin Adjusted Historical U.S. GAAP
Revenues:			
Net pharmaceutical product sales	\$ 202,446	\$	\$ 202,446
Total revenues	\$ 202,446	\$	\$ 202,446
Costs & expenses:			
Cost of revenues	97,454		97,454
Selling, general and administrative	48,650		48,650
Research and development	7,168		7,168
Operating income	\$ 49,174	\$	\$ 49,174
Interest income, net	(3,266)		(3,266)
Other expense, net	1,681		1,681
Income before income tax	\$ 50,759	\$	\$ 50,759
Income tax	13,043	39(e)	13,082
Consolidated net income (loss)	\$ 37,716	\$ (39)	\$ 37,677
Less: Net income attributable to noncontrolling interests	540		540
Net income (loss) attributable to Paladin Labs Inc.	\$ 37,176	\$ (39)	\$ 37,137

Table of Contents**Paladin Labs Inc.****Unaudited Adjusted Historical Statement of Operations****For the Year Ended December 31, 2012****(In thousands of USD)**

	Paladin Adjusted Historical IFRS	U.S. GAAP Adjustments	Paladin Adjusted Historical U.S. GAAP
Revenues:			
Net pharmaceutical product sales	\$ 210,242	\$	\$ 210,242
Total revenues	\$ 210,242	\$	\$ 210,242
Costs & expenses:			
Cost of revenues	92,961		92,961
Selling, general and administrative	49,726		49,726
Research and development	7,796		7,796
Operating income	\$ 59,759	\$	\$ 59,759
Interest income, net	(3,280)		(3,280)
Other income, net	(13,231)		(13,231)
Income before income tax	\$ 76,270	\$	\$ 76,270
Income tax	17,904	(258)(e)	17,646
Consolidated net income	\$ 58,366	\$ 258	\$ 58,624
Less: Net income attributable to noncontrolling interests	(1,551)		(1,551)
Net income attributable to Paladin Labs Inc.	\$ 59,917	\$ 258	\$ 60,175

Adjustments included in the column GAAP Adjustments are for the following:

- Represents certain differences regarding the tax effects of intercompany transfer of assets under IFRS to conform to U.S. GAAP. Under IFRS taxes paid on intercompany transfers of assets are recognized as tax expense is incurred. Additionally, IFRS requires the recognition of deferred taxes on temporary differences between the tax basis of assets transferred. Under U.S. GAAP taxes paid on intercompany transfers are deferred as a prepaid asset until the underlying asset is consumed or is sold to an unrelated party at which point it is recognized as tax expense.

- b. Represents certain tax classification differences under IFRS to conform to U.S. GAAP. Under IFRS deferred income tax assets and liabilities are presented as non-current whereas under U.S. GAAP a split between current and non-current is required.
- c. To conform certain noncontrolling interest transactions to U.S. GAAP. Under IFRS, for business combination transactions, noncontrolling interests can be measured at fair value, including goodwill, or alternatively at their share of the fair value of the acquiree's net identifiable assets whereas under U.S. GAAP noncontrolling interests are measured at fair value including goodwill.
- d. Reflects the cumulative income statement effect of the IFRS to U.S. GAAP adjustments.
- e. Reflects the period income tax effect of the IFRS to U.S. GAAP adjustments noted above.

U.S. Federal Withholding Tax Consequences of the Merger to New Endo

If the merger qualifies as a reorganization under Section 368(a) of the Code and Section 367(a) of the Code does not apply, then New Endo should be treated as receiving a distribution from Endo U.S. Inc. prior to the merger. Such deemed distribution should be treated as a taxable dividend to the extent of Endo U.S. Inc.'s current and accumulated earnings and profits for the year of the deemed distribution and should be subject to U.S. withholding tax in accordance with the Ireland-U.S. Treaty. This amount will not be known at the time of closing of the transaction. As such, it is not possible to know the exact amount of the withholding tax for

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purposes of the unaudited pro forma condensed combined financial information. However, we currently do not expect that such withholding tax would be material to our condensed combined statements of operations or cash flows. Notwithstanding the foregoing, if it is determined that Section 367(a) of the Code does apply (because, for example, the New Endo income amount does not exceed the U.S. shareholders built-in gain amount), the deemed distribution and U.S. withholding tax rules would not apply. In such a case, the gain realized by Endo's U.S. shareholders would be subject to U.S. federal income tax and the excise tax of Section 4985 would apply with respect to certain officers and directors of Endo.

Note 3. Preliminary estimated acquisition consideration for Paladin

Upon completion of the arrangement, each issued and outstanding Paladin common share will be converted into the right to receive \$1.16 in cash, subject to adjustment, 1.6331 newly issued New Endo ordinary shares and one common share of Knight Therapeutics, and Paladin equity awards will be settled on a cash-less exercise basis for New Endo ordinary shares and common shares of Knight Therapeutics in an amount reflecting the arrangement consideration.

For the purposes of calculating the preliminary estimated acquisition consideration in the pro forma financial statements, the effective date of the merger is assumed to be November 29, 2013, on which date the share price was US\$67.19 per share. The US\$67.19 share price is used for pro forma purposes only. The consideration transferred will ultimately be based on the share price of Endo stock on the merger effective date, and could be materially different than the share price utilized in the pro forma financial statements. On January 22, 2014, the record date, the closing price of Endo common stock was US\$67.49 per share. The change in the common stock price from November 29, 2013 is not material, and therefore no update has been made to the estimated acquisition consideration used in these pro forma financial statements.

Based on Paladin's common shares and equity awards outstanding per the arrangement agreement and assuming that all equity awards remain outstanding as of the closing date of the merger, the preliminary estimated acquisition consideration, excluding the value of one Knight Therapeutics common share per Paladin common share, is as follows (in thousands of USD, except for per share amounts):

Preliminary Estimated Acquisition Consideration

Number of Paladin common shares to be paid through the delivery of New Endo common stock per arrangement agreement	20,710
Exchange ratio	1.6331
Number of shares of New Endo common stock as exchanged	33,821
Endo common stock price on November 29, 2013	\$ 67.19
Estimated fair value of 33.8 million common shares of New Endo issued to Paladin common shareholders	\$ 2,272,449
Number of Paladin common shares to be paid in cash per arrangement agreement	20,710
Per share cash consideration for Paladin common shares (1)	\$ 1.13
Estimated cash distribution to Paladin common shareholders	23,346
Fair value of the vested portion of Paladin stock options outstanding 1.3 million at November 29, 2013 (2)	106,317

Total preliminary estimated acquisition consideration \$ 2,402,112

- (1) Represents the cash consideration per the arrangement agreement of \$1.16 per Paladin common share translated into USD utilizing a September 30, 2013 exchange rate of \$0.9718.
- (2) Under ASC 805, the fair value of vested stock option awards attributed to pre-combination services is accounted for as purchase price consideration. There were a total of 1.3 million vested Paladin stock options outstanding as of November 29, 2013 with an estimated fair value of US\$106.3 million, which is accounted for as purchase price consideration under ASC 805.

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The sensitivity table below shows a range of estimated purchase consideration amounts based on hypothetical Endo closing share prices on the merger effective date. The total purchase consideration figures below are calculated according to the terms of the arrangement agreement (in USD) (see Note 1).

Closing stock price per share of Endo common stock on merger date	\$ 61.00	\$ 64.00	\$ 67.19	\$ 70.00	\$ 73.00
Total purchase consideration	\$ 2.19 billion	\$ 2.29 billion	\$ 2.40 billion	\$ 2.50 billion	\$ 2.60 billion

Note 4. Preliminary estimated purchase price allocation

Since the Paladin acquisition has not been consummated, Endo's access to information to make such estimates of a purchase price allocation is limited and therefore, certain market based assumptions were used when data was not available. However, management believes the fair values recognized for the assets to be acquired and liabilities to be assumed are based on reasonable estimates and assumptions based on information currently available. The pro forma adjustments to allocate the acquisition consideration will remain preliminary until Endo's management determines the final acquisition consideration and the fair values of assets acquired, net of liabilities assumed. The final determination of the purchase price allocation is anticipated to be completed as soon as practicable after the closing of the transactions. The final amounts allocated to assets acquired and liabilities assumed could differ materially from the amounts presented in the unaudited pro forma combined financial statements.

The preliminary allocation of the estimated purchase price to the fair value of Paladin's assets and liabilities assumed as if the acquisition date was September 30, 2013 is presented as follows (in millions of USD):

Preliminary estimated acquisition consideration (see Note 3)		\$ 2,402.1
Recognized amounts of identifiable assets acquired and liabilities assumed		
Book value of Paladin's net assets	4a	404.4
Less net transaction costs expected to be incurred by Paladin	4a	(25.0)
Less historical Paladin goodwill and other intangible assets	4b	(172.8)
Net assets to be acquired		\$ 206.6
Fair value adjustments of net assets acquired		
Inventory	4c	23.7
Identifiable intangible assets		
Product Rights and other intangibles	4d	485.0
IPR&D	4d	90.0
Non-controlling interests	4e	(26.6)
Deferred tax liabilities	4f	(132.3)
Goodwill	4g	\$ 1,755.7

Adjustments included in the table above are for the following:

- a. Reflects the acquisition of the historical book value of net assets of Paladin as of September 30, 2013 and US\$25.0 million of estimated transaction costs expected to be incurred by Paladin which will reduce net assets to be acquired.
- b. After giving effect to IFRS to U.S. GAAP adjustments, Paladin's historical balance sheet includes US\$172.8 million of goodwill and other intangible assets, which are not recorded under the acquisition method of accounting.
- c. Represents the estimated adjustment to step-up inventory to fair value. This estimated step-up in inventory is preliminary and is subject to change based upon management's final determination of the fair values of finished goods and work-in-process inventories. New Endo will reflect the fair value of Paladin's inventory as the acquired inventory is sold, which for purposes of these unaudited pro forma condensed combined

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financial statements is assumed to occur within the first year after acquisition. As there is no continuing impact of the inventory step-up on New Endo's results, the amortization expense on the increased inventory value is not included in the unaudited pro forma condensed combined statements of operations.

- d. Of the total estimated consideration, approximately US\$485.0 million relates to definite-lived intangible assets which are expected to be amortized over a weighted average useful life of eleven years. Amortization related to the value of the definite-lived intangible assets is reflected as a pro forma adjustment to the unaudited pro forma condensed combined statements of operations. IPR&D of US\$90.0 million will be capitalized and accounted for as indefinite-lived intangible assets and will be subject to impairment testing until completion or abandonment of the projects. Upon successful completion of the projects and launch of the products, Endo will make a separate determination of useful life of the IPR&D intangibles and amortization will be recorded as an expense. As IPR&D intangibles are not currently marketed, no amortization of these items is reflected in the unaudited pro forma condensed combined statements of operations.

The fair value estimate for definite-lived intangible assets and IPR&D assets is preliminary and is determined based on the assumptions that market participants would use in pricing an asset, based on the most advantageous market for the asset (i.e., its highest and best use). This preliminary fair value estimate could include assets that are not intended to be used, may be sold or are intended to be used in a manner other than their best use. For purposes of the accompanying unaudited pro forma condensed combined financial information, it is assumed that all assets will be used in a manner that represents their highest and best use. The final fair value determination for definite-lived intangible assets and IPR&D assets, may differ from this preliminary determination.

The fair value of definite-lived intangible assets is determined primarily using the income approach, which is a valuation technique that provides an estimate of the fair value of an asset based on market participant expectations of the cash flows an asset would generate over its remaining useful life. Some of the more significant assumptions inherent in the development of the definite-lived intangible assets valuations, from the perspective of a market participant, include the estimated net cash flows for each year for each project or product (including net revenues, cost of sales, research and development costs, selling and marketing costs and working capital/asset contributory asset charges), the appropriate discount rate to select in order to measure the risk inherent in each future cash flow stream, the assessment of each asset's life cycle, competitive trends impacting the asset and each cash flow stream as well as other factors. The major risks and uncertainties associated with the timely and successful completion of the IPR&D projects include legal risk and regulatory risk. No assurances can be given that the underlying assumptions used to prepare the discounted cash flow analysis will not change or the timely completion of each project to commercial success will occur. For these and other reasons, actual results may vary significantly from estimated results.

- e. Represents the fair value adjustment for non-controlling interest. The minority interest for Litha Healthcare Group Limited, estimated at US\$71.2 million, is based on a current share price of Litha translated into USD, or approximately US\$0.27 multiplied by the number of outstanding shares of Litha currently not owned by Paladin, which is approximately 266.5 million shares. The estimated fair value of non-controlling interest of Laboratorios Paladin de Mexico S.A., which is referred to in this proxy statement/prospectus as Paladin Mexico, was estimated to be approximately US\$24.1 million. To estimate the fair value of Paladin Mexico's non-controlling interest, Endo utilized an income approach, which is a valuation technique that provides an estimate of the fair value of an asset based on market participant expectations of the cash flows an asset would generate over its remaining useful life. The implied fair value of Paladin Mexico was then multiplied by the current non-controlling interest percentage to arrive at the estimated fair value of Paladin Mexico's non-controlling interest. The final fair value determination for non-controlling interests may differ from this preliminary determination.

- f. Reflects a deferred income tax liability primarily resulting from fair value adjustments for the identifiable intangible assets and inventory. This estimate of deferred tax liabilities was determined based on the excess book basis over the tax basis of the fair value step-ups attributable to identifiable intangible assets and inventory acquired at an estimated 27% blended statutory tax rate. This estimate of deferred income tax

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liabilities is preliminary and is subject to change based upon management's final determination of the fair values of tangible and identifiable intangible assets acquired and liabilities assumed by jurisdiction.

- g. Goodwill, currently estimated at US\$1,755.7 million, represents the excess of the preliminary estimated acquisition consideration expected to be transferred over the preliminary values assigned to the identifiable tangible and intangible assets acquired and liabilities assumed. In accordance with ASC 350, Intangibles Goodwill and Other, goodwill is not amortized, but instead will be tested for impairment at least annually and whenever events or circumstances have occurred that may indicate a possible impairment.

Note 5. Pro forma adjustments

- a. The adjustment to cash and cash equivalents reflects the following (in thousands of USD):

Debt proceeds (1)	\$ 2,225,000
Repayment of Endo's existing debt (1)	(1,413,362)
Debt issuance costs (2)	(58,617)
Endo's debt refinancing costs	\$ 753,021
Cash transaction costs (3)	\$ (99,070)
Total estimated purchase price to be paid in cash (4)	(23,346)
Paladin acquisition adjustments	\$ (122,416)

- (1) The issuance of US\$2,225.0 million in additional debt, which will be used for the repayment of US\$1,413.4 million under the Endo existing term loan credit facility and other general corporate purposes;
- (2) the estimated debt issuance costs of US\$58.6 million related to the issuance of additional debt;
- (3) the incurrence of US\$74.1 million and US\$25.0 million of estimated direct transaction costs of Endo and Paladin, respectively, associated with the Paladin Acquisition; and
- (4) the estimated payment of US\$23.3 million in cash consideration to sellers for Paladin common shares (see Note 3.).
- b. Represents the estimated fair value adjustment to step-up inventory to fair value. This estimated step-up in inventory is preliminary and is subject to change based upon management's final determination of the fair values of finished goods and work-in-process inventories. New Endo will reflect the fair value of Paladin's inventory as the acquired inventory is sold, which for purposes of these unaudited pro forma condensed combined financial statements is assumed to occur within the first year after acquisition. As there is no continuing impact of the inventory step-up on New Endo's results, the amortization expense on the increased inventory value is not included in the unaudited pro forma condensed combined statement of operations.

- c. Represents the adjustment to income taxes receivable resulting from the Endo debt refinancing.
- d. Represents the adjustment to reflect US\$1,755.7 million of goodwill, which is the excess of the preliminary estimated acquisition consideration expected to be transferred over the preliminary values assigned to the identifiable tangible and intangible assets acquired and liabilities assumed.
- e. The adjustments reflect the incremental amount necessary to record the fair value of the Paladin intangible assets acquired of US\$575.0 million. Approximately US\$485.0 million relates to definite-lived intangible assets which are expected to be amortized over a weighted average useful life of eleven years. Amortization related to the value of the definite-lived intangible assets is reflected as a pro forma adjustment to the unaudited pro forma condensed combined statements of operations. IPR&D of US\$90.0 million will be capitalized and accounted for as indefinite-lived intangible assets and will be subject to impairment testing until completion or abandonment of the projects. Upon successful completion of the projects and launch of the products, Endo will make a separate determination of useful life of the IPR&D intangibles and

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amortization will be recorded as an expense. As IPR&D intangibles are not currently marketed, no amortization of these items is reflected in the unaudited pro forma condensed combined statements of operations.

- f. Represents the current portion of new indebtedness from the new term loan credit facility, offset by the portion of the existing term loan credit facility.
- g. Reflects a deferred income tax liability primarily resulting from fair value adjustments for the identifiable intangible assets and inventory. This estimate of deferred tax liabilities was determined based on the excess book basis over the tax basis of the fair value step-ups attributable to identifiable intangible assets and inventory acquired at an estimated 27% blended statutory tax rate. This estimate of deferred income tax liabilities is preliminary and is subject to change based upon management's final determination of the fair values of tangible and identifiable intangible assets acquired and liabilities assumed by jurisdiction.
- h. Represents the elimination of deferred taxes associated with the existing term loan credit facility.
- i. The adjustment to long-term debt, less current portion, net consists of the following components (in thousands of USD):

Endo's borrowing related to the Paladin acquisition and related financing:	
Term Loan A	\$ 1,100,000
Term Loan B	425,000
Senior Notes	700,000
Endo debt repayment, net of US\$69 million current portion	(1,343,987)
Net change	\$ 881,013
Less current portion of long-term debt	(45,500)
Total net change	\$ 835,513

In connection with the retirement of the existing term loan credit facility, Endo eliminated approximately US\$25.7 million of unamortized debt issuance costs that had been capitalized and recorded in other assets. The elimination of the unamortized debt issuance costs was accounted for as an extinguishment of the existing term loan credit facility. Additionally, Endo estimates it will incur approximately US\$58.6 million in fees in connection with borrowings under the new term loan credit facility and the new senior notes. Accordingly, such fees are capitalized and included in other assets in the unaudited pro forma condensed combined balance sheet resulting in additional pro forma expense of US\$5.7 million and US\$14.0 million for the nine months ended September 30, 2013 and the year ended December 31, 2012. Deferred debt issuance costs will be amortized using an effective-interest method over the life of the related debt instrument, which ranges from 1 to 8 years. For purposes of the unaudited pro forma condensed combined statements of operations, amortization of deferred debt issuance costs is reflected using a straight line methodology, which is assumed to approximate the effective-interest method.

j. The adjustments to equity consist of the following components (in thousands of USD):

Additional paid-in capital and common stock related to the issuance of common shares of New Endo to Paladin shareholders as merger consideration	\$ 2,378,766
The elimination of Paladin's historical shareholder's equity	(404,479)
Estimated direct transaction costs of Endo	(74,070)
Paladin acquisition adjustments	\$ 1,900,217
The elimination of unamortized debt issuance costs on the existing term loan credit facility	\$ (25,720)
Adjustments to income taxes receivable and deferred taxes as a result of the expected retirement of the existing term loan credit facility	9,229
Endo debt refinancing costs	\$ (16,491)

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In addition, Endo Treasury stock in the amounts of US\$764,021 and US\$291 were reclassified into Additional paid-in capital and Common stock, respectively.

- k. Represents the fair value adjustment for non-controlling interest. The minority interest for Litha Healthcare Group Limited, estimated at US\$71.2 million, is based on a current share price of Litha translated into USD, or approximately US\$0.27 multiplied by the number of outstanding shares of Litha currently not owned by Paladin, which is approximately 266.5 million shares. The estimated fair value of non-controlling interest of Paladin Mexico was estimated to be approximately US\$24.1 million. To estimate the fair value of Paladin Mexico's non-controlling interest we utilized an income approach, which is a valuation technique that provides an estimate of the fair value of an asset based on market participant expectations of the cash flows an asset would generate over its remaining useful life. The implied fair value of Paladin Mexico was then multiplied by the current non-controlling interest percentage to arrive at the estimated fair value of Paladin Mexico's non-controlling interest. The final fair value determination for non-controlling interests may differ from this preliminary determination.
- l. Reflects a net increase in amortization expense on the definite-lived intangible assets of Paladin, which were revalued upon acquisition. These assets have a weighted average useful life of 11 years.
- m. The net adjustments for the nine months ended September 30, 2013 and the year ended December 31, 2012 consist of the following components, assuming new financing consisting of (i) US\$1,100.0 million aggregate principal amount of Term Loan A, (ii) US\$425.0 million aggregate principal amount of Term Loan B and (iii) US\$700.0 million of Senior Notes (in thousands of USD):

	Nine Months Ended September 30, 2013	Year Ended December 31, 2012
Estimated interest expense (including the amortization of debt issuance costs) on new indebtedness	\$ 63,556	\$ 92,455
Interest expense (including commitment fees associated with the revolving credit facility and the amortization of debt issuance costs) associated with the Existing Term Loan Credit Facility	(31,322)	(57,771)
Total interest expense adjustment	\$ 32,234	\$ 34,684

On an as adjusted basis, after giving effect to the application of the proceeds from the new term loan credit facility and new senior notes and the consummation of the Transactions, as of September 30, 2013, Endo's aggregate principal debt outstanding would have consisted of US\$1,552.0 million of floating rate debt and US\$2,385.7 million of fixed-rate debt. Based on the pro forma amount of floating-rate debt outstanding at September 30, 2013, a ¼% rise in interest rates would result in approximately US\$3.9 million incremental interest expense.

- n. Estimated income tax rates of approximately 36% and 27% for Endo and Paladin, respectively, have been used for the pro forma adjustments for the nine months ended September 30, 2013 and 35% and 27% for Endo and Paladin, respectively, for the year ended December 31, 2012. The estimated income tax rates are based on the applicable enacted statutory tax rates for the periods referenced above and appropriately reflect certain basis differences of Endo and Paladin that will not result in taxable or deductible amounts in future years when the related financial reporting asset or liability will be recovered or settled. These rates are estimates and do not take into account future income tax strategies that may be applied to the combined entity.

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- o. Represents the adjustment to weighted average shares outstanding to account for the conversion of each Paladin outstanding share to 1.6331 newly issued New Endo shares and the diluted effect of the Paladin stock options, assuming exercise and conversion to 1.6331 newly issued New Endo shares (shares in thousands):

	Nine Months Ended September 30, 2013	Year Ended December 31, 2012
Basic		
Endo weighted average shares outstanding to be replaced by shares of New Endo used for basic EPS	112,691	115,719
New Endo shares to be issued in replacement of Paladin s common shares	33,821	33,821
Pro forma weighted average shares outstanding of New Endo used for pro forma basic EPS	146,512	149,540
Diluted		
Endo weighted average shares outstanding to be replaced by shares of New Endo used for diluted EPS	116,890	115,719
New Endo shares to be issued in replacement of Paladin s common shares	33,821	33,821
Estimated New Endo shares to be issued for the outstanding Paladin stock options	1,582	
Pro forma weighted average shares outstanding of New Endo used for pro forma diluted EPS	152,293	149,540

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The following discussion contains forward-looking statements. Actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ materially from those projected in the forward-looking statements include, but are not limited to, those discussed in Risk Factors and elsewhere in this proxy statement/prospectus. A description of the business of Endo can be found in the Endo Annual Report on Form 10-K for the year ended December 31, 2012, filed with the SEC on April 17, 2013, which is incorporated by reference into this proxy statement/prospectus. See *Where You Can Find More Information* beginning on page 305 and *Cautionary Note Regarding Forward-Looking Statements* beginning on page 43.

Overview

Endo is a U.S.-based, specialty healthcare company focused on branded and generic pharmaceuticals, devices and services. Endo provides products to its customers which ultimately improve the lives of patients. Endo aims to maximize shareholder value by adapting to the continually evolving healthcare market and customer needs. Through Endo's four operating segments: AMS, Endo Pharmaceuticals, HealthTronics and Qualitest, Endo is dedicated to improving care through an innovative suite of branded products, generics, devices, technology and services. On January 9, 2014, Endo announced that it had entered into the HealthTronics sale agreement to sell all of the issued and outstanding shares of common stock of HealthTronics, Inc. Endo regularly evaluates and, where appropriate, executes on opportunities to expand through acquisitions of products and companies in areas that will serve patients and customers and that Endo believes will offer above average growth characteristics. In particular, Endo looks to continue to enhance its product lines by acquiring or licensing rights to additional products and regularly evaluating selective acquisition and license opportunities. Such acquisitions or licenses may be effected through the purchase of assets, joint ventures and licenses or by acquiring other companies.

On November 5, 2013, Endo announced the acquisition of Paladin, a specialty pharmaceutical company focused on acquiring or in-licensing innovative pharmaceutical products for the Canadian and certain emerging markets. Key products serve growing drug markets including attention deficit hyperactivity disorder, pain, urology and allergy. In addition to its Canadian operations, Paladin owns a controlling stake in Laboratorios Paladin, S.A. de C.V. in Mexico and a 61.5% ownership stake in publicly traded Litha Healthcare Group Limited in South Africa.

In June 2011, Endo acquired American Medical Systems Holdings, Inc., which is referred to in this proxy statement/prospectus as AMS, a leading provider of medical devices and therapies for treating male and female pelvic health conditions. The acquisition of AMS strengthened Endo's leading core urology franchise and expanded our presence in the medical devices market. In November 2010, Endo acquired Generics International (US Parent), Inc., which is referred to in this proxy statement/prospectus as Qualitest Pharmaceuticals, a leading U.S. based privately-held generics company and the sixth largest U.S. generics company, as measured by prescriptions filled in the year ended December 31, 2012. Qualitest Pharmaceuticals is focused on cost-competitive, high-quality manufactured products with cost advantages or with high barriers to entry. In September 2010, Endo acquired its partner on Opana® ER, Penwest Pharmaceuticals Co., a drug delivery company focused on applying its drug delivery technologies and drug formulation expertise to the formulation of its collaborators' product candidates under licensing collaborations. In July 2010, Endo acquired HealthTronics, Inc., a provider of urological services, products and support systems to urologists, hospitals, surgery centers and clinics and manufacturer of certain related medical devices, primarily for the urology community. In February 2009, Endo completed its acquisition of Indevus Pharmaceuticals, Inc., which is now called Endo Pharmaceuticals Solutions Inc. and which is referred to in this proxy statement/prospectus as Endo Pharmaceuticals, a specialty pharmaceutical company engaged in the acquisition, development and commercialization of products to treat conditions in urology, endocrinology and oncology. Endo Pharmaceuticals and Qualitest segments offer a variety of branded and generic pharmaceutical products in multiple

therapeutic areas.

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Endo Pharmaceuticals has a portfolio of branded pharmaceuticals that includes established brand names such as Lidoderm[®], Opana[®] ER, Voltaren[®] Gel, Percocet[®], Frova[®], Supprelin[®] LA, Vantas[®], Valstar[®] and Fortesta[®] Gel. Endo Pharmaceuticals comprised approximately 55% of Endo's total revenues in 2012. Qualitest, Endo's generics business unit, accounted for 21% of Endo's total revenues in 2012, currently consists of products primarily focused in controlled substances, liquids, semi-solids and oral dose solids. Qualitest generally concentrates on selective generics that have barriers to market entry, such as complex formulation, regulatory or legal challenges or difficulty in raw material sourcing. The AMS segment accounted for 17% of Endo's total 2012 revenues and the HealthTronics segment accounted for 7% of Endo's total 2012 revenues. Endo generated total revenues of US\$3.03 billion for the year ended December 31, 2012.

Recent Developments

During the fourth quarter of 2013, the board of directors of Endo approved a sale of Endo's HealthTronics business unit, consistent with its previously announced plans. On January 9, 2014, Endo announced it had entered into the HealthTronics sale agreement to sell all of the issued and outstanding shares of common stock of HealthTronics, Inc. to HT Intermediate Company, LLC. The HealthTronics business includes the following Endo business lines: lithotripsy services, prostate treatment services, medical products manufacturing, sales and maintenance and IT solutions. Under the terms of the HealthTronics sale agreement, HT Intermediate Company, LLC will make an upfront cash payment of US\$85 million to Endo, subject to certain cash and working capital adjustments as described in the HealthTronics sale agreement, and Endo will deliver all of the issued and outstanding shares of common stock of HealthTronics to HT Intermediate Company, LLC. The HealthTronics sale agreement further stipulates that, upon the closing of the sale, the HealthTronics business shall have no less than US\$10 million of cash, as defined in the HealthTronics sale agreement. Subsequent to the closing of the sale, HT Intermediate Company, LLC could also be required to make additional payments to Endo of up to US\$45 million based on the future operating results of the HealthTronics business. Subject to certain limitations, should HT Intermediate Company, LLC sell or agree to sell all or a material portion of the HealthTronics IT solutions business to a third party within the first 18 months after the closing of Endo's sale of the HealthTronics business, HT Intermediate Company, LLC could also be responsible to make additional payments to Endo of up to US\$10 million. The transaction is expected to close in the first quarter of 2014, pending customary regulatory approvals and satisfaction of certain other customary closing conditions.

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THE BUSINESS OF PALADIN

The following discussion contains forward-looking statements. Actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ materially from those projected in the forward-looking statements include, but are not limited to, those discussed in *Risk Factors* beginning on page 29 and elsewhere in this prospectus/proxy statement. See also *Cautionary Note Regarding Forward-Looking Statements* beginning on page 43.

Paladin is a pharmaceutical company which acquires, in-licenses, out-licenses, develops, markets and sells pharmaceutical products as well as devices and vaccines in Canada, South America, South Africa and other countries. Paladin's principal strategy is to identify and focus on innovative pharmaceutical products in specialty therapeutic fields. Attractive therapeutic fields are those where a relatively small number of specialized physicians account for the majority of prescriptions written and in which Paladin can establish a portfolio of innovative products that meets the needs of those specialists. Paladin acquires or in-licenses the sales and marketing rights to pharmaceutical products which (i) either have existing sales in the countries Paladin seeks to commercialize the product or have been approved in other countries but have not yet been approved for sale, or (ii) which are in late-stage clinical trials. Paladin expects to continue to expand its product portfolio within existing therapeutic fields in Canada and internationally and intends to continue to leverage its expertise in specialty sales and marketing, product acquisition and in-licensing to gain a competitive advantage in delivering pharmaceutical products to the marketplace, thereby decreasing scientific risks, long development timelines and high development costs. Paladin markets its products to specialty physicians in Canada using its own specialty sales force as well as through indirect marketing. Paladin focuses on sales and marketing and outsources functions which are not core or value-added such as manufacturing and distribution.

Paladin's primary business activities include the following:

developing, acquiring or in-licensing the sales and marketing rights to innovative pharmaceutical products and technology;

launching and marketing innovative pharmaceutical products to prescribing physicians through a direct sales force, journal advertisements, continuing medical education materials and sponsorship;

developing, manufacturing, selling and marketing prescription, over-the-counter, natural health and diagnostic products;

selling and marketing of generics, branded generics, medical devices and biotechnology vaccines in certain emerging markets;

making regulatory submissions to the Therapeutics Products Directorate (Canada), the Natural Health Products Directorate (Canada), the Biologics and Genetic Therapies Directorate (Canada), the FDA, the Medicines Control Council (South Africa) and the European Medicines Agency (Europe) seeking approval to market clinically-tested therapeutics;

designing and conducting Phase II or Phase III clinical trials internally or through third parties, as necessary, to obtain sufficient efficacy data to earn regulatory approval of new therapeutic agents;

partnering, co-promoting and/or out-licensing pharmaceutical products in Canada and certain international markets;

pursuing strategic investment opportunities in Canada and internationally designed to maximize the value of Paladin's strong balance sheet and cash resources;

designing and conducting Phase IV clinical trial protocols to obtain additional clinical data to strengthen marketing claims of already approved therapeutic agents; and

submitting applications to regulatory authorities, provinces and private payers to approve pricing and reimbursement for products.

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MANAGEMENT AND OTHER INFORMATION OF NEW ENDO

Directors of New Endo

Roger H. Kimmel

Roger H. Kimmel is currently Chairman of the Board of Endo and is Chairman of Endo's Nominating & Governance Committee and a member of Endo's Audit Committee and Transactions Committee. Mr. Kimmel became Chairman of the Board of Endo upon the retirement of founder Carol A. Ammon on May 30, 2007. Mr. Kimmel had been a Director of Algos Pharmaceutical Corporation since July 1996 and became a Director of Endo following its merger with Algos in July 2000. Mr. Kimmel has been Vice Chairman of Rothschild Inc., an investment banking firm, since January 2001. Previously, Mr. Kimmel was a partner of the law firm Latham & Watkins for more than five years. Mr. Kimmel is also a director of PG&E Corporation. Mr. Kimmel has been Chairman of the Board of Trustees of the University of Virginia Law School Foundation (not-for-profit) since January 2009. He has been a public speaker on corporate governance issues and private equity transactions.

Rajiv De Silva

Rajiv De Silva is President, Chief Executive Officer and a Director of Endo. Prior to joining Endo in March 2013, Mr. De Silva served as the President of Valeant Pharmaceuticals International, Inc. from October 2010 to January 2013 and served as its Chief Operating Officer, Specialty Pharmaceuticals from January 2009 until January 2013. He was responsible for all specialty pharmaceutical operations, including sales and marketing, research and development, manufacturing and business development. He has broad international experience, having managed businesses in the United States, Europe, Canada, Latin America, Asia, South Africa and Australia/New Zealand. Prior to joining Valeant, Mr. De Silva held various leadership positions with Novartis. He served as President of Novartis Vaccines USA and Head, Vaccines of the Americas at Novartis. During this time, he played a key leadership role at Novartis Vaccines & Diagnostics Division. Mr. De Silva also served as President of Novartis Pharmaceuticals Canada. He originally joined Novartis as Global Head of Strategic Planning for Novartis Pharma AG in Basel, Switzerland. Prior to his time at Novartis, Mr. De Silva was a Principal at McKinsey & Company and served as a member of the leadership group of its Pharmaceuticals and Medical Products Practice. Mr. De Silva has been a Director of AMAG Pharmaceuticals, Inc. since February 2012. He holds a Bachelor of Science in Engineering, Honors from Princeton University, a Master of Science from Stanford University and a Master of Business Administration with Distinction from the Wharton School at the University of Pennsylvania.

John J. Delucca

John J. Delucca has been a member of the Board of Directors since 2006 and is the Chairman of Endo's Audit Committee and is a member of Endo's Compensation Committee. Mr. Delucca was Executive Vice President and Chief Financial Officer of the REL Consultancy Group, a business consulting firm, until his retirement in 2004. Prior to that, he served as Chief Financial Officer and Executive Vice President, Finance & Administration, of Coty, Inc., a fragrance and beauty products company, from 1999 to 2002. From 1993 to 1999, he was Senior Vice President and Treasurer of RJR Nabisco, Inc. During his career, he also served in executive positions for Hasco Associates, Inc., The Lexington Group, the Trump Group, International Controls Corp., and Textron, Inc. Mr. Delucca is currently a Non-Executive Director and chairs the Audit Committees of The Elliot Company, an industrial manufacturer. He previously served as a Non-Executive Director and member of the Audit Committee and Governance and Nominating Committee of Tier Technologies, Inc., a publicly traded payment solutions company. Mr. Delucca had also served as a Non-Executive Director and chair of the Audit Committee and a member of the Compensation Committee of Germany-based Elster Group.

Arthur J. Higgins

Arthur J. Higgins was appointed to the Board of Directors in December 2013 and is a member of Endo's Compensation Committee and Transactions Committee. He is currently a Senior Advisor to Blackstone

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Healthcare Partners, the dedicated healthcare team of The Blackstone Group, where he focuses on product-based healthcare acquisitions. Mr. Higgins was Chairman of the Board of Management of Bayer HealthCare AG, and Chairman of the Bayer HealthCare Executive Committee. Prior to joining Bayer HealthCare in 2004, Mr. Higgins served as Chairman, President and CEO of Enzon Pharmaceuticals, Inc. from 2001 to 2004. Prior to joining Enzon Pharmaceuticals, Mr. Higgins spent 14 years with Abbott Laboratories, including serving as President of the Pharmaceutical Products Division from 1998 to 2001. Mr. Higgins currently serves on the Boards of Ecolab, Inc. Resverlogix Corp. and Zimmer Holdings, Inc. He is a past member of the Board of Directors of the Pharmaceutical Research and Manufacturers of America (PhRMA), of the Council of the International Federation of Pharmaceutical Manufacturers and Associations (IFPMA) and President of the European Federation of Pharmaceutical Industries and Associations (EFPIA).

Nancy J. Hutson, Ph.D.

Nancy J. Hutson, Ph.D. has been a member of the Board of Directors since 2009 and is Chairman of Endo's Research & Development Committee and a member of Endo's Compensation Committee, Nominating & Governance Committee and Transactions Committee. Dr. Hutson retired from Pfizer, Inc. in 2006 after spending 25 years in various research and leadership positions, most recently serving as Senior Vice President, Pfizer Global Research and Development and Director of Pfizer's pharmaceutical R&D site, known as Groton/New London Laboratories, the largest R&D site of any pharmaceutical company. At Pfizer, she led 4,500 colleagues (primarily scientists) and managed a budget in excess of \$1 billion. She currently is a director of Cubist Pharmaceuticals, Inc. and BioCryst Pharmaceuticals, Inc., and serves on the board of Planned Parenthood of Connecticut. Dr. Hutson owns and operates Standing Stones Farm in Ledyard, CT, which is dedicated to supporting the equestrian sport of dressage.

Michael Hyatt

Michael Hyatt is currently a Director of Endo and is Chairman of Endo's Transactions Committee and a member of Endo's Nominating & Governance Committee. Mr. Hyatt had been a director of Algos Pharmaceutical Corporation since November 1996 and became a director of Endo following its merger with Algos in July 2000. Mr. Hyatt is currently a senior advisor to Irving Place Capital, a leading institutional private equity firm focused on making equity investments in middle-market companies. Until 2008, Mr. Hyatt was a Senior Managing Director of Bear Stearns & Co., Inc. In June 2012, Mr. Hyatt was appointed a director of RGI-Informatics LLC, a business offering the Healthcare Analytics Solution[®] software as a service to the users and providers of healthcare information.

William P. Montague

William P. Montague has been a member of the Board of Directors since 2009 and is a member of Endo's Audit Committee, Nominating & Governance Committee and Transactions Committee. Mr. Montague was Chief Executive Officer and Director of Mark IV Industries, Inc., a leading global diversified manufacturer of highly engineered systems and components for transportation infrastructure, vehicles and equipment, from November 2004 until his retirement on July 31, 2008 and as Director from March 1996. He joined Mark IV Industries in April 1972 as Treasurer/Controller, serving as Vice President of Finance from May 1974 to February 1986, then Executive Vice President and Chief Financial Officer from February 1986 to March 1996 and then as President from March 1996 to November 2004. Mr. Montague is also a director of Gibraltar Industries, Inc., a publicly traded manufacturer and distributor of products for the building and industrial markets and a director of International Imaging Materials, Inc., a privately held company that manufactures and sells a variety of thermal transfer ribbons and certain inks. In February 2013, Mr. Montague became a director of Allied Motion Technologies Inc., a publicly traded company focused exclusively on serving the motion control market.

David B. Nash, M.D., M.B.A.

David B. Nash., M.D., M.B.A. was appointed to the Board of Endo in March 2011 and is a member of Endo's Compensation Committee and Research & Development Committee. He is the founding dean of the

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Jefferson School of Population Health, located on the campus of Thomas Jefferson University in Philadelphia, Pennsylvania, having taken that position in 2008. Previously, Dr. Nash was the Chairman of the Department of Health Policy of the Jefferson Medical College from 2003 to 2008. Dr. Nash is internationally recognized for his work in outcomes management, medical staff development and quality-of-care improvement; his publications have appeared in more than 100 articles in major journals. Dr. Nash serves on the Board of Directors of Humana Inc., one of the nation's largest publicly traded health and supplemental benefits companies. Dr. Nash also has served as a member of the Board of Trustees of Catholic Healthcare Partners in Cincinnati, Ohio. The Board of New Endo believes that Dr. Nash brings a set of attributes that enhance New Endo's ability to help people achieve lifelong well-being. Dr. Nash is a widely recognized innovator in an emerging medical discipline that unites population health, health policy, and individual health.

Jill D. Smith

Jill D. Smith was appointed to the Board of Endo in September 2012 and is a member of Endo's Audit Committee and Nominating & Governance Committee. Ms. Smith has been an international business leader for more than 25 years, including 16 years as a Chief Executive Officer of private and public companies in the technology and information services markets and was most recently Chairman, Chief Executive Officer and President of DigitalGlobe Inc., a leading provider of satellite imagery products and services to governments and companies worldwide. Ms. Smith currently serves on the Board of SoundBite Communications, Inc., a leading provider of cloud-based customer communications and J.M. Huber, a leader in engineered materials and has served on the corporate boards of Germany-based Elster Group, Smith & Hawken and DigitalGlobe (prior to her appointment as Chairman and Chief Executive Officer). In addition, Ms. Smith is a member of the Board of Crittenton Women's Union, among other past professional and trade association board positions.

William F. Spengler

William F. Spengler has been a member of the Board of Endo since 2008 and is a member of Endo's Audit Committee, Compensation Committee and Research & Development Committee. From November 2010 until February 2012, Mr. Spengler was President of ChromaDex Corporation, a publicly traded company. From July 2008 until November 2010, Mr. Spengler served as Executive Vice President and Chief Financial Officer of Smith & Wesson Holding Corporation, a global leader in safety, security, protection and sport. Until March 2008, he was Executive Senior Vice President and Chief Financial Officer at MGI Pharmaceuticals Inc., an oncology- and acute care- focused biopharmaceutical company, where he had worked since 2005. Prior to joining MGI Pharma, Mr. Spengler was Executive Vice President and Chief Financial Officer at Guilford Pharmaceuticals Inc., a bioscience company, from July 2004 to October 2005. From 2002 to 2004, Mr. Spengler served as President, Chief Operating Officer and Director of Osteoimplant Technology, Inc., an orthopedic products company. Mr. Spengler was previously a Vice President of Finance at Black & Decker, and prior to that spent 14 years in various finance, planning and business development positions at Bristol Myers Squibb.

Director Independence

As required under the NASDAQ listing standards, which are referred to in this proxy statement/prospectus as NASDAQ listing standards, a majority of the members of a listed company's board of directors must qualify as independent, as affirmatively determined by the board of directors. The Endo board of directors consults with internal counsel so that the board's determinations are consistent with relevant securities and other laws and regulations regarding the definition of independent, including those set forth in pertinent NASDAQ listing standards, as in effect from time to time. Consistent with these considerations, after review of all relevant transactions or relationships between each director of Endo who is expected to become a director of New Endo, or any of his or her family

members, and Endo, its senior management and its independent registered public accounting firm, the Endo board of directors has affirmatively determined that each director of Endo who is expected to become a director of New Endo is an independent director within the meaning of the applicable NASDAQ listing standards.

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The New Endo executive officers after the transactions are expected to be the same as the executive officers of Endo prior to the effective time of the transactions.

SEPARATION OF KNIGHT THERAPEUTICS

Pursuant to the arrangement agreement, prior to the effective time of the arrangement, Paladin and Knight Therapeutics will enter into the business separation agreement, providing for the transfer of the assets to be owned by, and the liabilities to be assumed by, Knight Therapeutics (or one of its affiliates) from Paladin and Barbco. The assets to be owned by Knight Therapeutics (or one of its affiliates) consist of: (i) all intellectual property rights of Paladin related to Impavido, (ii) the voucher or, if not yet issued at the time of the consummation of the transactions contemplated by the business separation agreement, any rights to the voucher, (iii) the common shares of Paladin Therapeutics, Inc., which is referred to in this proxy statement/prospectus as Delco, (iv) the rights of Barbco as licensor under the license agreement in place as of November 5, 2013 between Barbco and Delco and pursuant to which Barbco granted a license to Delco to make, market and sell Impavido in the United States and (v) \$1,000,000 in cash. The business separation agreement will also provide that Knight Therapeutics, or one of its affiliates, as licensor, will enter into a distribution and license agreement with Barbco granting Barbco exclusive commercialization rights for Impavido for the world, other than the United States, for a ten year term. Barbco will become an indirect subsidiary of New Endo as of the effective time of the arrangement. Under the distribution and license agreement, Barbco shall pay to Knight Therapeutics, or one of its affiliates, as the case may be, a fee of 22.5% of gross sales resulting from the worldwide commercialization of Impavido, other than the United States. In addition, under the distribution and license agreement, Barbco will be responsible for all regulatory services, product manufacturing, quality services, supply chain management and commercialization activities related to Impavido for all markets except the U.S. For more information on Knight Therapeutics and on the business separation agreement, see *Annex H* of this proxy statement/prospectus.

COMPARATIVE PER SHARE DATA

The following tables set forth certain historical, pro forma and pro forma equivalent per share financial information for shares of Endo common stock and Paladin common shares. The unaudited pro forma and pro forma equivalent per share financial information gives effect to the acquisition of Paladin by Endo as if the transactions had occurred on January 1, 2012.

Presented below are Endo's and Paladin's historical per share data for the nine months ended September 30, 2013 and the year ended December 31, 2012 and unaudited condensed combined pro forma per share data for the nine months ended September 30, 2013 and the year ended December 31, 2012. The historical book value per share is computed by dividing total stockholders' equity (deficit) by the number of shares of common stock outstanding at the end of the period. New Endo was incorporated in Ireland on October 31, 2013 for the purpose of facilitating the transactions and does not maintain any material balances nor has it had any material activity since formation. The pro forma earnings per share of the combined company is computed by dividing the pro forma net income by the pro forma weighted average number of shares outstanding. The pro forma book value per share of the combined company is computed by dividing total pro forma stockholders' equity by the pro forma number of shares of common stock outstanding at the end of the period. The Paladin pro forma equivalent data per common share financial information is calculated by multiplying the pro forma data per common share amounts by the exchange ratio (1.6331 of a New Endo ordinary share for each Paladin common share). The exchange ratio does not include \$1.16 per share cash portion of the arrangement consideration or the one common share of Knight Therapeutics per Paladin common share to be paid to Paladin shareholders in the arrangement. The pro forma information described below includes certain adjustments and

assumptions regarding the combined company after giving effect to the transactions.

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The following information should be read in conjunction (i) with the audited financial statements of Endo, which are incorporated by reference in this proxy statement/prospectus, (ii) Paladin's Annual Report for the year ended December 31, 2012 previously filed with SEDAR, and (iii) the financial information contained in the *Unaudited Pro Forma Condensed Combined Financial Information*, *Selected Historical Financial Data of Paladin*, and *Selected Historical Financial Data of Endo* sections of this proxy statement/prospectus, beginning on page 234, 145 and 147, respectively. The unaudited pro forma information below is presented for informational purposes only and is not necessarily indicative of the operating results or financial position that would have occurred if the transactions had been completed as of the periods presented, nor is it necessarily indicative of the future operating results or financial position of the combined company. In addition, the unaudited pro forma information does not purport to indicate balance sheet data or results of operations data as of any future date or for any future period.

Endo Historical Data Per Common Share	As of and for the Nine Months Ended September 30, 2013	As of and for the Fiscal Year Ended December 31, 2012
Net income (loss)	US\$90,571	US\$(740,337)
Net income per common share		
Basic	US\$0.80	US\$(6.40)
Diluted	US\$0.77	US\$(6.40)
Book value per common share	US\$11.65	US\$10.23
Paladin Historical Data Per Common Share	As of and for the Nine Months Ended September 30, 2013	As of and for the Fiscal Year Ended December 31, 2012
Net income	\$38,043	\$59,906
Net income per common share		
Basic	\$1.85	\$2.94
Diluted	\$1.80	\$2.86
Cash dividends declared per common share	N/A	N/A
Book value per common share	\$21.89	\$22.08
Combined Unaudited Pro Forma Data Per Common Share	As of and for the Nine Months Ended September 30, 2013	As of and for the Fiscal Year Ended December 31, 2012
Net income (loss)	US\$109,848	US\$(726,173)
Net income per common share		
Basic	US\$0.75	US\$4.86
Diluted	US\$0.72	US\$4.82
Cash dividends declared per common share	N/A	N/A
Book value per common share	US\$24.91	N/A

Paladin Unaudited Pro Forma Equivalent Data Per Common Share	As of and for the Nine Months Ended September 30, 2013	As of and for the Fiscal Year Ended December 31, 2012
Net income	\$ 38,043	\$ 59,906
Net income per common share		
Basic	\$3.02	\$4.64
Diluted	\$2.94	\$4.67
Book value per common share	\$35.75	\$36.06

Table of Contents**COMPARATIVE PER SHARE MARKET PRICE DATA AND DIVIDEND INFORMATION**

Shares of Endo common stock are listed and traded on NASDAQ under the symbol ENDP. Paladin common shares are listed and traded on TSX under symbol PLB. The following table sets forth, for the calendar quarters indicated, the high and low sales prices per share of shares of Endo common stock, as reported on NASDAQ, and of Paladin common shares, as reported on TSX. In addition, the table also sets forth the cash dividends per share declared by Endo with respect to its common stock and Paladin with respect to its common shares. On January 22, 2014, the record date for the Endo special meeting, there were 115,487,596 shares of Endo common stock outstanding. On January 21, 2014, the record date for the Paladin special meeting, there were 20,765,385 Paladin common shares outstanding. Neither Endo nor Paladin has declared or paid any cash dividends on its common shares.

	Endo		Paladin	
	High	Low	High	Low
<i>For the quarterly period ended:</i>				
2011				
First Quarter	US\$38.51	US\$32.14	\$35.95	\$30.80
Second Quarter	US\$44.53	US\$36.65	\$45.08	\$35.00
Third Quarter	US\$42.09	US\$26.76	\$45.60	\$32.41
Fourth Quarter	US\$36.41	US\$26.02	\$44.28	\$33.01
2012				
First Quarter	US\$39.29	US\$32.82	\$45.88	\$39.16
Second Quarter	US\$38.96	US\$28.83	\$49.07	\$36.76
Third Quarter	US\$33.86	US\$28.89	\$51.89	\$40.60
Fourth Quarter	US\$33.03	US\$25.49	\$45.56	\$39.01
2013				
First Quarter	US\$33.32	US\$25.01	\$50.00	\$41.82
Second Quarter	US\$39.82	US\$30.39	\$54.00	\$46.84
Third Quarter	US\$46.09	US\$36.17	\$62.96	\$53.53
Fourth Quarter	US\$67.62	US\$43.12	\$118.99	\$62.00

DESCRIPTION OF NEW ENDO ORDINARY SHARES

The following description of New Endo's share capital is a summary. This summary does not purport to be complete and is qualified in its entirety by reference to the Companies Acts and the complete text of New Endo's memorandum and articles of association substantially in the form attached as *Annex E* to this proxy statement/prospectus, which is referred to in this proxy statement/prospectus as the New Endo's memorandum and articles of association. You should read those laws and documents carefully.

There are differences between the Endo charter documents and New Endo's memorandum and articles of association as they will be in effect after the closing, especially as they relate to changes (i) that are required by Irish law or (ii) that are necessary in order to preserve the current rights of shareholders and powers of the board of directors of New Endo following the completion of the merger. Certain provisions of the Endo charter documents will not be replicated in New Endo's memorandum and articles of association because Irish law would not permit such replication, and certain provisions will be included in New Endo's memorandum and articles of association although they were not in the Endo charter documents because Irish law requires such provisions to be included in the memorandum and articles of association of an Irish public limited company. See *Comparison of the Rights of Holders of Endo's Common Stock and New Endo's Ordinary Shares* beginning on page 277. Except where otherwise indicated, the description

below reflects New Endo's memorandum and articles of association. The statements in this section are qualified in their entirety by reference to, and are subject to, the detailed provisions of the memorandum and articles of association of New Endo as they will be in effect from and after the effective time.

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Capital Structure

Authorized Share Capital

Immediately prior to the consummation of the merger, the authorized share capital of New Endo will be 40,000 and US\$100,000 divided into 4,000,000 euro deferred shares of 0.01 each and 1,000,000,000 ordinary shares of US\$0.0001 each.

New Endo may issue shares subject to the maximum authorized share capital contained in its memorandum and articles of association. The authorized share capital may be increased or reduced by a resolution approved by a simple majority of the votes cast at a general meeting of New Endo's shareholders (referred to under Irish law as an ordinary resolution). The shares comprising the authorized share capital of New Endo may be divided into shares of such nominal value as the resolution shall prescribe. As a matter of Irish company law, the directors of a company may issue new ordinary or preferred shares without shareholder approval once authorized to do so by the memorandum and articles of association or by an ordinary resolution adopted by the shareholders at a general meeting. The authorization may be granted for a maximum period of five years, at which point it must be renewed by the shareholders by an ordinary resolution. The articles of association of New Endo authorize the board of directors of New Endo to issue new ordinary or preferred shares without shareholder approval for a period of five years from the date of adoption of such articles of association, which is expected to be effective before the completion of the transactions.

The rights and restrictions to which the New Endo ordinary shares will be subject will be prescribed in New Endo's articles of association. New Endo's articles of association permit its board of directors, without shareholder approval, to determine certain terms of the preferred shares issued by New Endo, including the number of shares, designations, dividend rights, liquidation and other rights and redemption, repurchase or exchange rights.

The New Endo board of directors will be authorized, without obtaining any vote or consent of the holders of any class or series of shares, unless expressly provided by the terms of that class or series of shares, to provide from time to time for the issuance of other classes or series of shares and to establish the characteristics of each class or series, including the number of shares, designations, relative voting rights, dividend rights, liquidation and other rights, redemption, repurchase or exchange rights and any other preferences and relative, participating, optional or other rights and limitations not inconsistent with applicable law.

Irish law does not recognize fractional shares held of record. Accordingly, New Endo's articles of association do not provide for the issuance of fractional shares of New Endo, and the official Irish register of New Endo will not reflect any fractional shares.

Whenever an alteration or reorganization of the share capital of New Endo would result in any New Endo shareholder becoming entitled to fractions of a share, the New Endo board of directors may, on behalf of those shareholders that would become entitled to fractions of a share, arrange for the sale of the shares representing fractions and the distribution of the net proceeds of sale in due proportion among the shareholders who would have been entitled to the fractions. For the purpose of any such sale the board may authorize any person to transfer the shares representing fractions to the purchaser, who shall not be bound to see to the application of the purchase money, nor shall the purchaser's title to the shares be affected by any irregularity or invalidity in the proceedings relating to the sale.

Issued Share Capital

In connection with the completion of the transactions, New Endo is expected to (i) issue approximately 35.4 million New Endo ordinary shares with a nominal value of US\$0.0001 each to the former shareholders of Paladin based on

the number of Paladin common shares outstanding as of the record date and (ii) deliver to Endo shareholders a number of New Endo ordinary shares with a nominal value of US\$0.0001 each equal to the number of shares of Endo common stock outstanding as of the closing date. All shares issued upon consummation of the transaction will be issued as fully paid-up and non-assessable.

Table of Contents**Preemption Rights and Share Options**

Under Irish law, certain statutory pre-emption rights apply automatically in favor of shareholders where shares are to be issued for cash. However, New Endo has opted out of these pre-emption rights in its articles of association as permitted under Irish company law. Because Irish law requires this opt-out to be renewed every five years by a resolution approved by not less than 75% of the votes of the shareholders of New Endo cast at a general meeting (referred to under Irish law as a special resolution), this opt-out must be so renewed in accordance with Irish statutory requirements. If the opt-out is not renewed, shares issued for cash must be offered to existing shareholders of New Endo on a pro rata basis to their existing shareholding before the shares can be issued to any new shareholders. The statutory pre-emption rights do not apply where shares are issued for non-cash consideration (such as in a share-for-share acquisition) and do not apply to the issue of non-equity shares (that is, shares that have the right to participate only up to a specified amount in any income or capital distribution) or where shares are issued pursuant to an employee option or similar equity plan.

The memorandum and articles of association of New Endo provide that, subject to any shareholder approval requirement under any laws, regulations or the rules of any stock exchange to which New Endo is subject, the board is authorized, from time to time, in its discretion, to grant such persons, for such periods and upon such terms as the board deems advisable, options to purchase such number of shares of any class or classes or of any series of any class as the board may deem advisable, and to cause warrants or other appropriate instruments evidencing such options to be issued. The Companies Acts provide that directors may issue share warrants or options without shareholder approval once authorized to do so by the articles of association or an ordinary resolution of shareholders. New Endo will be subject to the rules of NASDAQ, TSX and the Code that require shareholder approval of certain equity plan and share issuances. New Endo's board of directors may issue shares upon exercise of warrants or options without shareholder approval or authorization (up to the relevant authorized share capital limit). In connection with the completion of the transaction, New Endo will assume Endo's existing obligations to deliver shares under its equity incentive plans, pursuant to the terms thereof.

Dividends

Under Irish law, dividends and distributions may only be made from distributable reserves. Distributable reserves generally means accumulated realized profits less accumulated realized losses and includes reserves created by way of capital reduction. In addition, no distribution or dividend may be made unless the net assets of New Endo are equal to, or in excess of, the aggregate of New Endo's called up share capital plus undistributable reserves and the distribution does not reduce New Endo's net assets below such aggregate. Undistributable reserves include the share premium account, the capital redemption reserve fund and the amount by which New Endo's accumulated unrealized profits, so far as not previously utilized by any capitalization, exceed New Endo's accumulated unrealized losses, so far as not previously written off in a reduction or reorganization of capital. The determination as to whether or not New Endo has sufficient distributable reserves to fund a dividend must be made by reference to the relevant accounts of New Endo. The relevant accounts will be either the last set of unconsolidated annual audited financial statements or other financial statements properly prepared in accordance with the Companies Acts (not in accordance with U.S. GAAP), which give a true and fair view of New Endo's unconsolidated financial position and accord with accepted accounting practice. The relevant accounts must be filed in the Companies Registration Office. New Endo and Paladin will be taking steps to create distributable reserves, on which Endo and Paladin shareholders will vote at special meetings. See *Creation of Distributable Reserves of New Endo*, beginning on page 144.

New Endo's memorandum and articles of association authorize the directors to declare dividends without shareholder approval to the extent they appear justified by profits. The New Endo board of directors may also recommend a dividend to be approved and declared by the shareholders at a general meeting and may direct that the payment be

made by distribution of assets, shares or cash. No dividend issued may exceed the amount recommended by the directors.

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Dividends may be declared and paid in the form of cash or non-cash assets and may be paid in dollars or any other currency. The New Endo board of directors may deduct from any dividend payable to any shareholder any amounts payable by such shareholder to New Endo in relation to the shares of New Endo. See *Creation of Distributable Reserves of New Endo* beginning on page 144.

For information about the Irish tax issues relating to dividend payments, please see the section entitled *Certain Tax Consequences of the Merger and the Arrangement Irish Tax Considerations Withholding Tax on Dividends* beginning on page 114.

Share Repurchases, Redemptions and Conversions

Overview

New Endo's memorandum and articles of association provide that any ordinary share that New Endo has agreed to acquire shall be deemed to be a redeemable share, unless the board of New Endo resolves otherwise. Accordingly, for Irish company law purposes, the repurchase of ordinary shares by New Endo will technically be effected as a redemption of those shares as described below under *Repurchases and Redemptions by New Endo*, beginning on page 266. If the New Endo memorandum and articles of association did not contain such provision, all repurchases by New Endo would be subject to many of the same rules that apply to purchases of New Endo ordinary shares by subsidiaries described below under *Purchases by Subsidiaries of New Endo*, including the shareholder approval requirements described below, and the requirement that any purchases on market be effected on a recognized stock exchange, which, for purposes of the Companies Acts, includes NASDAQ but does not include TSX.

Except where otherwise noted, references elsewhere in this proxy statement/prospectus to repurchasing or buying back ordinary shares of New Endo refer to the redemption of ordinary shares by New Endo or the purchase of ordinary shares of New Endo by a subsidiary of New Endo, in each case in accordance with the New Endo memorandum and articles of association and Irish law as described below.

Repurchases and Redemptions by New Endo

Under Irish law, a company may issue redeemable shares and redeem them out of distributable reserves or the proceeds of a new issue of shares for that purpose. As described in *Creation of Distributable Reserves of New Endo*, New Endo will not have any or sufficient distributable reserves immediately following the effective time; however, it will take steps to create such distributable reserves. See *Dividends* beginning on page 265 and *Risk Factors* beginning on page 29. New Endo may only issue redeemable shares if the nominal value of the issued share capital that is not redeemable is not less than 10% of the nominal value of the total issued share capital of New Endo. All redeemable shares must also be fully-paid and the terms of redemption of the shares must provide for payment on redemption. Redeemable shares may, upon redemption, be cancelled or held in treasury. Based on the provision of the New Endo memorandum and articles of association described above, shareholder approval will not be required to redeem New Endo ordinary shares.

New Endo may also be given an additional general authority to purchase its own shares on market, which would take effect on the same terms and be subject to the same conditions as applicable to purchases by New Endo subsidiaries as described below.

The New Endo board of directors may also issue preferred shares, which may be redeemed at the option of either New Endo or the shareholder, depending on the terms of such preferred shares. See *Capital Structure Authorized Share Capital*, beginning on page 264.

Repurchased and redeemed shares may be cancelled or held as treasury shares. The nominal value of treasury shares held by New Endo at any time must not exceed 10% of the nominal value of the issued share capital of New Endo. New Endo may not exercise any voting rights in respect of any shares held as treasury shares. Treasury shares may be cancelled by New Endo or re-issued subject to certain conditions.

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Purchases by Subsidiaries of New Endo

Under Irish law, an Irish or non-Irish subsidiary may purchase shares of New Endo either on market or off market. For a subsidiary of New Endo to make purchases on market of New Endo ordinary shares, the New Endo shareholders must provide general authorization for such purchase by way of ordinary resolution. However, as long as this general authority has been granted, no specific shareholder authority for a particular on-market purchase by a subsidiary of New Endo ordinary shares is required. For a purchase by a subsidiary of New Endo off-market, the proposed purchase contract must be authorized by special resolution of the shareholders before the contract is entered into. The person whose shares are to be bought back cannot vote in favor of the special resolution and, for at least 21 days prior to the special resolution being passed, the purchase contract must be on display or must be available for inspection by New Endo shareholders at the registered office of New Endo.

In order for a subsidiary of New Endo to make an on-market purchase of New Endo's shares, such shares must be purchased on a recognized stock exchange. NASDAQ is specified as a recognized stock exchange for this purpose by Irish company law. TSX is not specified as a recognized stock exchange for the purpose of Irish company law.

The number of shares held by the subsidiaries of New Endo at any time will count as treasury shares and will be included in any calculation of the permitted treasury share threshold of 10% of the nominal value of the issued share capital of New Endo. While a subsidiary holds shares of New Endo, it cannot exercise any voting rights in respect of those shares. The acquisition of New Endo ordinary shares by a subsidiary must be funded out of distributable reserves of the subsidiary.

Lien on Shares, Calls on Shares and Forfeiture of Shares

The New Endo memorandum and articles of association provide that New Endo will have a first and paramount lien on every share that is not a fully paid up share for all amounts payable at a fixed time or called in respect of that share. Subject to the terms of their allotment, directors may call for any unpaid amounts in respect of any shares to be paid, and if payment is not made, the shares may be forfeited. These provisions are standard inclusions in the memorandum and articles of association of an Irish public company limited by shares such as New Endo and will only be applicable to shares of New Endo that have not been fully paid up.

Consolidation and Division; Subdivision

Under its articles of association, New Endo may, by ordinary resolution, consolidate and divide all or any of its share capital into shares of larger nominal value than its existing shares or subdivide its shares into smaller amounts than is fixed by its memorandum of association.

Reduction of Share Capital

New Endo may, by ordinary resolution, reduce its authorized share capital in any way. New Endo also may, by special resolution (approval by not less than 75% of the votes cast at a general meeting of New Endo's shareholders) and subject to confirmation by the Irish High Court, reduce or cancel its issued share capital in any way permitted by the Companies Acts.

Annual Meetings of Shareholders

New Endo will be required to hold an annual general meeting at intervals of no more than 15 months from the previous annual general meeting, provided that an annual general meeting is held in each calendar year following the

first annual general meeting. Each general meeting shall be held at such time and place as designated by the New Endo board of directors and as specified in the notice of meeting. Subject to section 140 of the Irish Companies Act 1963, all general meetings may be held outside of Ireland.

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The only matters that must, as a matter of Irish law, be transacted at an annual general meeting are the presentation of the annual accounts, balance sheet and reports of the directors and auditors, the appointment of new auditors and the fixing of the auditor's remuneration (or delegation of same).

If no resolution is made in respect of the reappointment of an existing auditor at an annual general meeting, the existing auditor will be deemed to have continued in office.

The provisions of the memorandum and articles of association of New Endo relating to general meetings shall apply to every such general meeting of the holders of any class of shares except that the necessary quorum shall be one person holding or representing by proxy at least one-half of the issued shares of such class.

The memorandum and articles of association of New Endo provide that a resolution may only be put to vote at a general meeting of New Endo or of the holders of any class of shares if (i) it is specified in the notice of the meeting; (ii) it is proposed by or at the direction of the board of directors; (iii) it is proposed at the direction of a court of competent jurisdiction; (iv) it is proposed on the requisition in writing of the holder of the share as is prescribed by, and is made in accordance with, section 132 of the Irish Companies Act 1963; (v) the chairman of the meeting in his or her absolute discretion decides that the resolution may properly be regarded as within the scope of the meeting; or (vi) it is proposed in accordance with the procedures and requirements set out in the articles with respect to nominations of directors.

Extraordinary General Meetings of Shareholders

Extraordinary general meetings are generally held for the purpose of approving shareholder resolutions as may be required from time to time. At any extraordinary general meeting, only such business shall be conducted as is set forth in the notice thereof.

In the case of an extraordinary general meeting convened by the New Endo shareholders, the purpose of the meeting must be set out in the requisition notice. Upon receipt of any such valid requisition notice, the New Endo board of directors has 21 days to convene a meeting of New Endo shareholders to vote on the matters set out in the requisition notice. This meeting must be held within two months of the receipt of the requisition notice. If the New Endo board of directors does not convene the meeting within such 21-day period, the requisitioning shareholders, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, which meeting must be held within three months of New Endo's receipt of the requisition notice.

If the New Endo board of directors becomes aware that the net assets of New Endo are not greater than half of the amount of New Endo's called-up share capital, it must convene an extraordinary general meeting of New Endo's shareholders not later than 28 days from the date that the directors learn of this fact to consider how to address the situation.

Quorum for General Meetings

The New Endo memorandum and articles of association provide that no business shall be transacted at any general meeting unless a quorum is present. One or more New Endo shareholders present in person or by proxy holding not less than a majority of the issued and outstanding shares of New Endo entitled to vote at the meeting in question constitute a quorum.

Voting

Each New Endo shareholder is entitled to one vote for each ordinary share that he or she holds as of the record date for the meeting.

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Irish law requires approval of certain matters by special resolution of the shareholders at a general meeting. A special resolution requires the approval of not less than 75% of the votes of New Endo's shareholders cast at a general meeting at which a quorum is present. Ordinary resolutions, by contrast, require a simple majority of the votes of New Endo cast at a general meeting at which a quorum is present.

Irish law also distinguishes between ordinary business and special business at a general meeting. Most matters are deemed special, with the exception of declaring a dividend, the consideration of the accounts, balance sheets and the reports of the directors and auditors, the election of directors, the reappointment of the retiring auditors and the fixing of the remuneration of the auditors, all of which are deemed to be ordinary business.

Irish law requires special resolutions of the New Endo shareholders at a general meeting to approve certain matters. Examples of matters requiring special resolutions include:

amending the objects or memorandum of association of New Endo;

amending the articles of association of New Endo;

approving a change of name of New Endo;

authorizing the entering into of a guarantee or provision of security in connection with a loan, quasi-loan or credit transaction to a director or connected person;

opting out of pre-emption rights on the issuance of new shares;

re-registration of New Endo from a public limited company to a private company;

variation of class rights attaching to classes of shares (where the articles of association do not provide otherwise);

purchase of New Endo ordinary shares off market;

reduction of issued share capital;

resolving that New Endo be wound up by the Irish courts;

resolving in favor of a shareholders voluntary winding-up;

re-designation of shares into different share classes; and

setting the re-issue price of treasury shares.

Variation of Rights Attaching to a Class or Series of Shares

Neither Irish law nor any constitutional document of New Endo places limitations on the right of non-resident or foreign owners to vote or hold New Endo ordinary shares.

Under the New Endo articles of association and the Companies Acts, any variation of class rights attaching to the issued shares of New Endo must be approved by a special resolution of the shareholders of the affected class or with the consent in writing of the holders of three-quarters of all the votes of that class of shares.

The provisions of the articles of association of New Endo relating to general meetings apply to general meetings of the holders of any class of shares except that the necessary quorum is determined in reference to the shares of the holders of the class. Accordingly, for general meetings of holders of a particular class of shares, a quorum consists of one or more persons holding or representing by proxy at least one-half of the issued shares of the class.

Inspection of Books and Records

Under Irish law, shareholders have the right to: (i) receive a copy of the memorandum and articles of association of New Endo and any act of the Irish government which alters the memorandum of New Endo; (ii) inspect and obtain copies of the minutes of general meetings and resolutions of New Endo; (iii) inspect and receive a copy of the register of shareholders, register of directors and secretaries, register of directors' interests and other statutory registers maintained by New Endo; (iv) receive copies of balance sheets and directors' and

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auditors' reports which have previously been sent to shareholders prior to an annual general meeting; and (v) receive balance sheets of any subsidiary of New Endo which have previously been sent to shareholders prior to an annual general meeting for the preceding ten years. The auditors of New Endo will also have the right to inspect all books, records and vouchers of New Endo. The auditors' report must be circulated to the shareholders with New Endo's financial statements prepared in accordance with Irish law 21 days before the annual general meeting and must be read to the shareholders at New Endo's annual general meeting.

Acquisitions

An Irish public limited company may be acquired in a number of ways, including:

a court-approved scheme of arrangement under the Companies Acts. A scheme of arrangement requires a court order from the Irish High Court and the approval of a majority in number representing 75% in value of the shareholders present and voting in person or by proxy at a meeting called to approve the scheme;

through a tender or takeover offer by a third party for all of the shares of New Endo. Where the holders of 80% or more of New Endo's ordinary shares have accepted an offer for their shares in New Endo, the remaining shareholders may also be statutorily required to transfer their shares. If the bidder does not exercise its squeeze out right, then the non-accepting shareholders also have a statutory right to require the bidder to acquire their shares on the same terms. If shares of New Endo were to be listed on the Irish Stock Exchange or another regulated stock exchange in the European Union, this threshold would be increased to 90%; and

it is also possible for New Endo to be acquired by way of a transaction with a European Union-incorporated company under the European Union Cross-Border Mergers Directive 2005/56/EC. Such a transaction must be approved by a special resolution and by the Irish courts. If New Endo is being merged with another European Union company under the European Union Cross-Border Mergers Directive 2005/56/EC and the consideration payable to New Endo shareholders is not all in the form of cash, New Endo shareholders may be entitled to require their shares to be acquired at fair value.

Appraisal Rights

Generally, under Irish law, shareholders of an Irish company do not have dissenters' or appraisal rights. Under the European Communities (Cross-Border Mergers) Regulations 2008 governing the merger of an Irish company limited by shares such as New Endo and a company incorporated in the European Economic Area (the European Economic Area includes all member states of the European Union and Norway, Switzerland, Turkey, Iceland and Liechtenstein), a shareholder (i) who voted against the special resolution approving the transaction or (ii) of a company in which 90% of the shares are held by the other party to the transaction has the right to request that the company acquire its shares for cash at a price determined in accordance with the share exchange ratio set out in the merger agreement.

Disclosure of Interests in Shares

Under the Companies Acts, New Endo shareholders must notify New Endo if, as a result of a transaction, the shareholder will become interested in 5% or more of the shares of New Endo; or if as a result of a transaction a shareholder who was interested in more than 5% of the shares of New Endo ceases to be so interested. Where a

shareholder is interested in more than 5% of the shares of New Endo, the shareholder must notify New Endo of any alteration of his or her interest that brings his or her total holding through the nearest whole percentage number, whether an increase or a reduction. The relevant percentage figure is calculated by reference to the aggregate nominal value of the shares in which the shareholder is interested as a proportion of the entire nominal value of the issued share capital of New Endo (or any such class of share capital in issue). Where the percentage level of the shareholder's interest does not amount to a whole percentage this figure may be rounded down to the next whole number. New Endo must be notified within five business days of the transactions or alteration of the shareholder's interests that gave rise to the notification requirement.

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If a shareholder fails to comply with these notification requirements, the shareholder's rights in respect of any New Endo ordinary shares it holds will not be enforceable, either directly or indirectly. However, such person may apply to the court to have the rights attaching to such shares reinstated.

In addition to these disclosure requirements, New Endo, under the Companies Acts, may, by notice in writing, require a person whom New Endo knows or has reasonable cause to believe to be, or at any time during the three years immediately preceding the date on which such notice is issued to have been, interested in shares comprised in New Endo's relevant share capital to: (i) indicate whether or not it is the case; and (ii) where such person holds or has during that time held an interest in the shares of New Endo, to provide additional information, including the person's own past or present interests in shares of New Endo. If the recipient of the notice fails to respond within the reasonable time period specified in the notice, New Endo may apply to court for an order directing that the affected shares be subject to certain restrictions, as prescribed by the Companies Acts, as follows:

any transfer of those shares, or, in the case of unissued shares any transfer of the right to be issued with shares and any issue of shares, shall be void;

no voting rights shall be exercisable in respect of those shares;

no further shares shall be issued in right of those shares or in pursuance of any offer made to the holder of those shares; and

no payment shall be made of any sums due from New Endo on those shares, whether in respect of capital or otherwise.

The court may also order that shares subject to any of these restrictions be sold with the restrictions terminating upon the completion of the sale.

In the event New Endo is in an offer period pursuant to the Irish Takeover Rules 2007, as amended, which are referred to in this proxy statement/prospectus as the Irish Takeover Rules or the Takeover Rules, accelerated disclosure provisions apply for persons holding an interest in New Endo securities of 1% or more.

Anti-Takeover Provisions

Irish Takeover Rules and Substantial Acquisition Rules

A transaction in which a third party seeks to acquire 30% or more of the voting rights of New Endo will be governed by the Irish Takeover Panel Act 1997, which is referred to in this proxy statement/prospectus as the Takeover Panel Act, and the Irish Takeover Rules made thereunder and will be regulated by the Irish Takeover Panel, which is referred to in this proxy statement/prospectus as the Panel. The General Principles of the Irish Takeover Rules and certain important aspects of the Irish Takeover Rules are described below.

General Principles

The Takeover Rules are built on the following General Principles which will apply to any transaction regulated by the Panel:

in the event of an offer, all holders of security of the target company should be afforded equivalent treatment and, if a person acquires control of a company, the other holders of securities must be protected;

the holders of the securities in the target company must have sufficient time and information to enable them to reach a properly informed decision on the offer; where it advises the holders of securities, the board of the target company must give its views on the effects of implementation of the offer on employment, conditions of employment and the locations of the target company's places of business;

the board of the target company must act in the interests of the company as a whole and must not deny the holders of securities the opportunity to decide on the merits of the offer;

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false markets must not be created in the securities of the target company, the bidder or of any other company concerned by the offer in such a way that the rise or fall of the prices of the securities becomes artificial and the normal functioning of the markets is distorted;

a bidder must announce an offer only after ensuring that he or she can fulfill in full, any cash consideration, if such is offered, and after taking all reasonable measures to secure the implementation of any other type of consideration;

a target company must not be hindered in the conduct of its affairs for longer than is reasonable by an offer for its securities; and

a substantial acquisition of securities (whether such acquisition is to be effected by one transactions or a series of transaction) shall take place only at an acceptable speed and shall be subject to adequate and timely disclosure.

Mandatory Bid

Under certain circumstances, a person who acquires shares or other voting rights in New Endo may be required under the Takeover Rules to make a mandatory cash offer for the remaining outstanding shares in New Endo at a price not less than the highest price paid for the shares by the acquirer (or any parties acting in concert with the acquirer) during the previous 12 months. This mandatory bid requirement is triggered if an acquisition of shares would increase the aggregate holding of an acquirer (including the holdings of any parties acting in concert with the acquirer) to shares representing 30% or more of the voting rights in New Endo, unless the Panel otherwise consents. An acquisition of shares by a person holding (together with its concert parties) shares representing between 30% and 50% of the voting rights in New Endo would also trigger the mandatory bid requirement if, after giving effect to the acquisition, the percentage of the voting rights held by that person (together with its concert parties) would increase by 0.05% within a 12-month period. Any person (excluding any parties acting in concert with the holder) holding shares representing more than 50% of the voting rights of a company is not subject to these mandatory offer requirements in purchasing additional securities.

Voluntary Bid; Requirements to Make a Cash Offer and Minimum Price Requirements

If a person makes a voluntary offer to acquire outstanding New Endo ordinary shares, the offer price must be no less than the highest price paid for New Endo ordinary shares by the bidder or its concert parties during the three-month period prior to the commencement of the offer period. The Panel has the power to extend the look back period to 12 months if the Panel, taking into account the General Principles, believes it is appropriate to do so.

If the bidder or any of its concert parties has acquired New Endo ordinary shares (i) during the period of 12 months prior to the commencement of the offer period which represent more than 10% of the total New Endo ordinary shares or (ii) at any time after the commencement of the offer period, the offer must be in cash (or accompanied by a full cash alternative) and the price per New Endo ordinary share must not be less than the highest price paid by the bidder or its concert parties during, in the case of (i), the 12-month period prior to the commencement of the offer period and, in the case of (ii), the offer period. The Panel may apply this rule to a bidder who, together with its concert parties, has acquired less than 10% of the total New Endo ordinary shares in the 12-month period prior to the commencement of the offer period if the Panel, taking into account the General Principles, considers it just and proper to do so. An offer period will generally commence from the date of the first announcement of the offer or proposed offer.

Substantial Acquisition Rules

The Irish Takeover Rules also contain rules governing substantial acquisitions of shares which restrict the speed at which a person may increase his or her holding of shares and rights over shares to an aggregate of between 15% and 30% of the voting rights of New Endo. Except in certain circumstances, an acquisition or series of acquisitions of shares or rights over shares representing 10% or more of the voting rights of New Endo

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is prohibited, if such acquisition(s), when aggregated with shares or rights already held, would result in the acquirer holding 15% or more but less than 30% of the voting rights of New Endo and such acquisitions are made within a period of seven days. These rules also require accelerated disclosure of acquisitions of shares or rights over shares relating to such holdings.

Frustrating Action

Under the Takeover Rules, the New Endo board of directors is not permitted to take any action which might frustrate an offer for the shares of New Endo once the board of directors has received an approach which may lead to an offer or has reason to believe an offer is imminent, subject to certain exceptions.

Potentially frustrating actions such as (i) the issue of shares, options or convertible securities, (ii) material acquisitions or disposals, (iii) entering into contracts other than in the ordinary course of business or (iv) any action, other than seeking alternative offers, which may result in frustration of an offer, are prohibited during the course of an offer or at any time during which the board has reason to believe an offer is imminent. Exceptions to this prohibition are available where:

the action is approved by New Endo's shareholders at a general meeting; or

the Panel has given its consent, where:

it is satisfied the action would not constitute frustrating action;

New Endo shareholders that hold 50% of the voting rights state in writing that they approve the proposed action and would vote in favor of it at a general meeting;

the action is taken in accordance with a contract entered into prior to the announcement of the offer; or

the decision to take such action was made before the announcement of the offer and either has been at least partially implemented or is in the ordinary course of business.

Certain other provisions of Irish law or the New Endo memorandum and articles of association may be considered to have anti-takeover effects, including those described in the following sections of this proxy statement/prospectus:

Description of New Endo Ordinary Shares Capital Structure Authorized Share Capital (regarding issuance of preferred shares), Description of New Endo Ordinary Shares Preemption Rights, Share Warrants and Options, Description of New Endo Ordinary Shares Disclosure of Interests in Shares, Comparison of the Rights of Holders of Shares of Endo Common Stock and New Endo Ordinary Shares Removal of Directors; Vacancies, Comparison of the Rights of Holders of Shares of Endo Common Stock and New Endo Ordinary Shares Amendments of Governing Documents, Comparison of the Rights of Holders of Shares of Endo Common Stock and New Endo Ordinary Shares Calling Special Meetings of Shareholders and Comparison of the Rights of Holders of Shares of Endo Common Stock and New Endo Ordinary Shares Notice Provisions.

Corporate Governance

Governance, Compensation and Nominating Committees

Under National Instrument 58-101 (Canada) Disclosure of Corporate Governance Practices, New Endo is required to disclose information relating to its corporate governance practices.

New Endo is a new issuer, but its board of directors will be comprised of the same individuals as the current board of directors of Endo and the mandates of the committees of its board of directors are expected to be substantially the same as the current mandates of the committees of the board of directors of Endo. Therefore, New Endo anticipates that its corporate governance practices will be substantially the same as the current corporate governance practices of Endo and the following disclosure assumes that this will be the case.

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The corporate governance standards under Canadian best practices guidelines and related disclosure requirements are very similar to the U.S. standards, including the rules of the NASDAQ stock market, described above. See *The Merger and the Arrangement Applicable Canadian Securities Laws Ongoing Canadian Reporting Obligations of New Endo* beginning on page 101 for a description of New Endo's cross-border compliance with U.S. and Canadian securities laws, including corporate governance requirements, following the plan of arrangement.

Below are summaries of the purpose of each proposed committee of New Endo's board of directors.

Audit Committee

The purpose of the New Endo audit committee, which is referred to in this proxy statement/prospectus as the audit committee, shall be to provide assistance to New Endo's board of directors in fulfilling its (1) legal and fiduciary obligations with respect to matters involving the accounting, auditing, financial reporting, internal control and legal compliance functions of New Endo and its subsidiaries and (2) oversight responsibility relating to: (i) the integrity of New Endo's financial statements; (ii) the effectiveness of New Endo's internal control over financial reporting; (iii) the effectiveness of New Endo's disclosure controls and procedures; (iv) New Endo's efforts at compliance with legal and regulatory requirements; (v) the independent registered public accounting firm's qualifications and independence; and (vi) the performance of New Endo's internal audit function and independent registered public accounting firm. Each member of the audit committee is financially literate and at least one has been determined to be a financial expert.

Compensation Committee

The purpose of the New Endo compensation committee, which is referred to in this proxy statement/prospectus as the compensation committee, shall be to review, approve or, if appropriate, make recommendations to the New Endo board of directors regarding:

the annual incentive compensation aggregate award and approval of awards of incentive compensation to New Endo executive officers;

the granting of compensation increases to New Endo executive officers;

the aggregate value of long-term incentives (stock options, restricted stock, etc.) to employees and individual awards of such to New Endo executive officers;

material changes to New Endo benefit plans;

the granting of or changes, extensions or renewals to any employment contracts;

material changes in employment policies; and

the appointment of new executive officers of New Endo.

Nominating and Governance Committee

The purpose of the New Endo nominating and governance committee, which is referred to in this proxy statement/prospectus as the nominating and governance committee, is to identify and to recommend to the New Endo board of directors individuals qualified to serve as directors of New Endo and to advise the New Endo board of directors with respect to the board of directors composition, governance practices and procedures

Research and Development Committee

The purpose of the New Endo research and development committee, which is referred to in this proxy statement/prospectus as the research and development committee, shall be, among other things, to provide advice and counsel to New Endo's management and the transactions committee in connection with decisions regarding the allocation, deployment, utilization of, and investment in New Endo's scientific assets.

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Transactions Committee

The purpose of the New Endo transactions committee, which is referred to in this proxy statement/prospectus as the transactions committee, shall be to provide advice and guidance to New Endo's management in connection with the exploration of strategic acquisition and licensing opportunities as well as any overture for merger with New Endo, or sale of New Endo or other like event.

Legal Name; Formation; Fiscal Year; Registered Office

The current legal and commercial name of New Endo is Endo International Limited. New Endo was incorporated in Ireland on October 31, 2013 as a private limited company, under the name Sportwell Limited (registration number 534814). New Endo will be re-registering to a public limited company. New Endo's fiscal year ends on December 31 and New Endo's registered office is at 25/28 North Wall Quay, International Financial Services Centre, Dublin 1, Ireland. See *The Companies* beginning on page 119.

Duration; Dissolution; Rights upon Liquidation

New Endo's duration will be unlimited. New Endo may be dissolved and wound up at any time by way of a shareholders' voluntary winding up or a creditors' winding up. In the case of a shareholders' voluntary winding-up, a special resolution of shareholders is required. New Endo may also be dissolved by way of court order on the application of a creditor, or by the Companies Registration Office as an enforcement measure where New Endo has failed to file certain returns.

The rights of the shareholders to a return of New Endo's assets on dissolution or winding up, following the settlement of all claims of creditors are prescribed in New Endo's articles of association and may be further prescribed in the terms of any preferred shares issued by the directors of New Endo from time to time.

Uncertificated Shares

Unless otherwise provided for by the New Endo board of directors or the rights attaching to or by the terms of issue of any particular shares in the capital of New Endo, or to the extent required by any stock exchange, depository, or any operator of any clearance or settlement system, no person whose name is entered as a member in New Endo's register of members will be entitled to receive a share certificate for any or all shares of each class held by him or her (nor on transferring a part of holding to a certificate for the balance).

Stock Exchange Listing

It is a mutual condition to the completion of the arrangement that the New Endo ordinary shares be approved for listing on NASDAQ and conditionally approved for listing on TSX. New Endo has applied to list the New Endo ordinary shares to be issued or made issuable pursuant to the arrangement and the merger on NASDAQ and TSX. Listing will be subject to New Endo fulfilling all the listing requirements of NASDAQ and TSX. New Endo's ordinary shares are not currently intended to be listed on the Irish Stock Exchange or any other exchange.

No Sinking Fund

The New Endo ordinary shares have no sinking fund provisions.

No Liability for Further Calls or Assessments

The New Endo ordinary shares to be issued pursuant to the transactions will be duly and validly issued and fully-paid.

Transfer and Registration of Shares

The transfer agent for New Endo (provided it maintains an office in Ireland) will maintain the share register, registration in which will be determinative of membership in New Endo. A shareholder of New Endo who holds

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shares beneficially will not be the holder of record of such shares. Instead, the depository or other nominee will be the holder of record of those shares. Accordingly, a transfer of shares from a person who holds such shares beneficially to a person who also holds such shares beneficially through a depository or other nominee will not be registered in New Endo's official share register, as the depository or other nominee will remain the record holder of any such shares.

A written instrument of transfer is required under Irish law in order to register on New Endo's official share register any transfer of shares (i) from a person who holds such shares directly to any other person, (ii) from a person who holds such shares beneficially to a person who holds such shares directly or (iii) from a person who holds such shares beneficially to another person who holds such shares beneficially where the transfer involves a change in the depository or other nominee that is the record owner of the transferred shares.

An instrument of transfer is also required for a shareholder who directly holds shares to transfer those shares into his or her own broker account (or vice versa). Such instruments of transfer may give rise to Irish stamp duty, which must be paid prior to registration of the transfer on New Endo's official Irish share register. However, a shareholder who directly holds shares may transfer those shares into his or her own broker account (or vice versa) without giving rise to Irish stamp duty, provided there is no change in the ultimate beneficial ownership of the shares as a result of the transfer and the transfer is not made in contemplation of a sale of the shares.

Any transfer of New Endo ordinary shares that is subject to Irish stamp duty will not be registered in the name of the buyer unless an instrument of transfer is duly stamped and provided to the transfer agent. New Endo's articles of association allow New Endo, in its absolute discretion, to create an instrument of transfer and pay (or procure the payment of) any stamp duty, which is the legal obligation of a buyer. In the event of any such payment, New Endo is (on behalf of itself or its affiliates) entitled to (i) seek reimbursement from the buyer or seller (at its discretion), (ii) set-off the amount of the stamp duty against future dividends payable to the buyer or seller (at its discretion) and (iii) claim a lien against the New Endo ordinary shares on which it has paid stamp duty. Parties to a share transfer may assume that any stamp duty arising in respect of a transaction in New Endo ordinary shares has been paid unless one or both of such parties is otherwise notified by New Endo.

New Endo's memorandum and articles of association, as they will be in effect as of the effective time of the acquisition, delegate to New Endo's secretary (or duly appointed nominee) the authority to execute an instrument of transfer on behalf of a transferring party.

In order to help ensure that the official share register is regularly updated to reflect trading of New Endo ordinary shares occurring through normal electronic systems, New Endo intends to regularly produce any required instruments of transfer in connection with any transactions for which it pays stamp duty (subject to the reimbursement and set-off rights described above). In the event that New Endo notifies one or both of the parties to a share transfer that it believes stamp duty is required to be paid in connection with the transfer and that it will not pay the stamp duty, the parties may either themselves arrange for the execution of the required instrument of transfer (and may request a form of instrument of transfer from New Endo for this purpose) or request that New Endo execute an instrument of transfer on behalf of the transferring party in a form determined by New Endo. In either event, if the parties to the share transfer have the instrument of transfer duly stamped (to the extent required) and then provide it to New Endo's transfer agent, the buyer will be registered as the legal owner of the relevant shares on New Endo's official Irish share register (subject to the matters described below). The directors may suspend registration of transfers from time to time, not exceeding 30 days in aggregate each year.

Table of Contents**COMPARISON OF THE RIGHTS OF HOLDERS OF ENDO COMMON STOCK AND NEW ENDO ORDINARY SHARES**

The rights of Endo shareholders and the relative powers of the Endo board of directors are governed by the laws of the State of Delaware, including the DGCL, and the Endo charter documents. As a result of the merger, each outstanding share of Endo common stock will be canceled and automatically converted into the right to receive one New Endo ordinary share. Because New Endo will be, at the effective time, a public limited company incorporated in Ireland, the rights of the shareholders of New Endo will be governed by applicable Irish law, including the Companies Acts, and by the New Endo memorandum and articles of association.

Many of the principal attributes of Endo common stock and New Endo ordinary shares will be similar. However, there are differences between the rights of shareholders of Endo under Delaware law and the rights of shareholders of New Endo following the merger under Irish law. In addition, there are differences between the Endo charter documents and New Endo's memorandum and articles of association as they will be in effect from and after the effective time, including (i) as required by Irish law (i.e., as a result of differences in Irish law and Delaware law, New Endo's memorandum and articles of association include provisions not included in the Endo charter documents and exclude provisions that are in the Endo charter documents), or (ii) as necessary in order to preserve the current rights of shareholders and powers of the board of directors of Endo as compared to those of New Endo following the effective time.

The following is a summary comparison of the material differences between the rights of Endo shareholders under the DGCL and the Endo charter documents and the rights Endo shareholders will have as shareholders of New Endo under the Companies Acts and New Endo's memorandum and articles of association effective following the merger. The discussion in this section does not include a description of rights or obligations under the U.S. federal securities laws or NASDAQ listing requirements, many of which are similar to, or have an effect on, matters described herein under Delaware or Irish law. Such rights or obligations generally apply equally to Endo common stock and New Endo ordinary shares.

The statements in this section are qualified in their entirety by reference to, and are subject to, the detailed provisions of the DGCL, the Companies Acts, the Endo charter documents and the memorandum and articles of association of New Endo as they will be in effect from and after the effective time. Effective as of the effective time, the New Endo memorandum and articles of association will be substantially in the form set forth in *Annex E* to this proxy statement/prospectus. The Endo charter documents are exhibits to its Annual Report on Form 10-K for the fiscal year ended December 31, 2012, which is incorporated by reference herein. See *Where You Can Find More Information* beginning on page 305.

	Endo	New Endo
Authorized Capital Stock	The authorized capital stock of Endo consists of 390,000,000 shares, of which 350,000,000 shares have been designated common stock, each having a par value of \$0.01 per share, and 40,000,000 shares of which have been designated preferred stock, each having a par value of \$0.01 per share.	Immediately prior to the consummation of the transactions, the authorized share capital of New Endo will be 40,000 and US\$100,000 divided into 4,000,000 euro deferred shares of 0.01 each and 1,000,000,000 ordinary shares of US\$0.0001 each.

Under Delaware law, the board of directors without shareholder approval may approve the issuance of authorized but unissued shares of common stock that are not otherwise committed for issuance.

Under Irish law, the directors of a company may issue new ordinary or preferred shares without shareholder approval once authorized to do so by the memorandum and articles of association or by an ordinary

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	<p>Under the Endo certificate of incorporation, the board of directors without shareholder approval may designate one or more series of preferred stock and establish from time to time the number of shares to be included in each such series, and fix the designation, full or limited, or no voting powers, preferences and rights of the shares of each such series and the qualifications, limitations or restrictions thereof.</p>	<p>resolution adopted by the shareholders at a general meeting. The authorization may be granted for a maximum period of five years, at which point it must be renewed by the shareholders by an ordinary resolution (approval by a simple majority of the votes cast at a general meeting of New Endo's shareholders). New Endo's memorandum and articles of association authorizes the New Endo board of directors to issue new ordinary or preferred shares without shareholder approval for a period of five years from the date of adoption of the articles of association.</p>
Reduction of Capital	<p>Under Delaware law, Endo, by an affirmative vote of a majority of the board of directors, may reduce its capital by reducing or eliminating the capital associated with shares of capital stock that have been retired, by applying some or all of the capital represented by shares purchased, redeemed, converted or exchanged or by transferring to surplus capital the capital associated with certain shares of its stock. No reduction of capital may be made unless the assets of the corporation remaining after the reduction are sufficient to pay any debts for which payment has not otherwise been provided.</p>	<p>New Endo may, by ordinary resolution, reduce its authorized share capital in any way. New Endo also may, by special resolution (approval by not less than 75% of the votes cast at a general meeting of New Endo's shareholders) and subject to confirmation by the Irish High Court, reduce or cancel its issued share capital in any way permitted by the Companies Acts.</p>
Pre-emption Rights	<p>Endo's shareholders do not have pre-emptive rights to acquire newly issued shares.</p>	<p>Under Irish law, certain statutory pre-emption rights apply automatically in favor of shareholders where shares are to be issued for cash. However, New Endo has opted out of these pre-emption rights in its memorandum and articles of association as permitted under Irish law. Because Irish law requires this opt-out to be renewed every five years by special resolution, this opt-out must be so renewed in accordance with Irish statutory requirements if it is to remain effective. If the opt-out is not renewed, shares issued for cash must be offered to existing shareholders of New Endo on a pro rata basis to their existing</p>

shareholding before the shares may be issued to any new shareholders.

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		<p>Statutory pre-emption rights do not apply (i) where shares are issued for non-cash consideration (such as in a stock-for-stock acquisition), (ii) to the issue of non-equity shares (that is, shares that have the right to participate only up to a specified amount in any income or capital distribution) or (iii) where shares are issued pursuant to an employee stock option or similar equity plan.</p>
<p>Consideration for Shares</p>	<p>Under Delaware law, capital stock issued by Endo may be paid in such form and manner as the board of directors determines, such payment to consist of cash, any tangible or intangible property or any benefit to the corporation.</p>	<p>Under Irish law, New Endo is prohibited from allotting shares without consideration. New Endo cannot allot a share except as paid up at least as to one-quarter of the nominal value of the share and the whole of any premium paid on it.</p>
		<p>This restriction does not apply to shares allotted in pursuance of an employees share scheme where at least the nominal value of the shares issued underlying any restricted share award, restricted share unit, performance share awards, bonus shares or any other share-based grants must be paid pursuant to the Companies Acts.</p>
<p>Dividends, Distributions, Repurchases and Redemptions</p>	<p><i>Dividends and Distributions by Endo</i></p>	<p><i>Dividends and Distributions by New Endo</i></p>
	<p>Before payment of any dividend, Endo's board of directors may set aside funds it deems proper as a reserve to meet contingencies, or for equalizing dividends, or for repairing or maintaining any Endo property, or for any proper purpose.</p>	<p>Under Irish law, dividends and distributions may only be made from distributable reserves. Distributable reserves generally means accumulated realized profits less accumulated realized losses and includes reserves created by way of capital reduction. In addition, no distribution or dividend may be made unless the net assets of New Endo are equal to, or in excess of, the aggregate of New Endo's called up share capital plus undistributable reserves and the distribution does not reduce New Endo's</p>
	<p>Under Delaware law, the board of directors may declare and pay dividends to the holders of the Endo capital stock out of surplus or, if there is no surplus,</p>	

out of net profits for the year in which the dividend is declared or the immediately preceding fiscal year. The amount of surplus is determined by reference to the current market value of assets less liabilities rather than book value. Dividends may be paid in cash, in shares of Endo capital stock or in other property.

net assets below such aggregate. Undistributable reserves include the share premium account, the capital redemption reserve fund and the amount by which New Endo's accumulated unrealized profits, so far

Table of Contents*Share Repurchases and Redemptions by Endo*

Under applicable Delaware law, Endo may redeem or repurchase its own shares, except that generally it may not redeem or repurchase those shares if the capital of the corporation is impaired at the time or would become impaired as a result of the redemption or repurchase. If Endo were to designate and issue shares of a series of preferred stock that is redeemable in accordance with its terms, such terms would govern the redemption of such shares. Shares that have been repurchased but have not been retired may be resold by a corporation.

Purchases by Subsidiaries of Endo

Under Delaware law, shares of Endo capital stock may be acquired by subsidiaries of Endo without shareholder approval. Shares of such capital stock owned by a majority-owned subsidiary are neither entitled to vote nor counted as outstanding for quorum purposes.

as not previously utilized by any capitalization, exceed New Endo's accumulated unrealized losses, so far as not previously written off in a reduction or reorganization of capital. The determination as to whether or not New Endo has sufficient distributable reserves to fund a dividend must be made by reference to the relevant accounts of New Endo. The relevant accounts will be either the last set of unconsolidated annual audited financial statements or other financial statements properly prepared in accordance with the Companies Acts (not in accordance with U.S. GAAP), which give a true and fair view of New Endo's unconsolidated financial position and accord with accepted accounting practice. The relevant accounts must be filed in the Companies Registration Office. New Endo and Paladin will be taking steps to create distributable reserves, on which Endo and Paladin shareholders will vote at special meetings.

New Endo's memorandum and articles of association authorize the directors to declare dividends without shareholder approval to the extent they appear justified by profits. The New Endo board of directors may also recommend a dividend to be approved and declared by the shareholders at a general meeting and may direct that the payment be made by distribution of assets, shares or cash. No dividend issued may exceed the amount recommended by the directors.

Dividends may be declared and paid in the form of cash or non-cash assets and may be paid in dollars or any other currency.

The New Endo board of directors may deduct from any dividend payable to any shareholder any amounts payable by such shareholder to New Endo in relation to the shares of New Endo.

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*Share Repurchases and Redemptions by
New Endo*

New Endo's memorandum and articles of association provide that any ordinary share that New Endo has agreed to acquire shall be deemed to be a redeemable share. Accordingly, for purposes of Irish law, the repurchase of ordinary shares by New Endo may technically be effected as a redemption.

Under Irish law, New Endo may issue redeemable shares and redeem them out of distributable reserves or the proceeds of a new issue of shares for that purpose. New Endo may only issue redeemable shares if the nominal value of the issued share capital that is not redeemable is not less than 10% of the nominal value of the total issued share capital of New Endo. All redeemable shares must also be fully-paid and the terms of redemption of the shares must provide for payment on redemption.

New Endo may also be given authority to purchase its own shares on market by its shareholders at a general meeting, which would take effect on the same terms and be subject to the same conditions as applicable to purchases by New Endo's subsidiaries. New Endo may also issue preferred shares, which may be redeemed at the option of either New Endo or the shareholder, depending on the terms of such preferred shares.

Repurchased and redeemed shares may be cancelled or held as treasury shares.

The nominal value of treasury shares held by New Endo at any time must not exceed 10% of the nominal value of the issued share capital of New Endo.

New Endo may not exercise any voting rights in respect of any shares held as treasury shares. Treasury shares may be cancelled by New Endo or re-issued subject to certain conditions.

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Purchases by Subsidiaries of New Endo

Under Irish law, New Endo's subsidiaries may purchase shares of New Endo either on market on a recognized stock exchange such as NASDAQ, or off market. NASDAQ, on which the shares of New Endo are expected to be listed following the closing, is specified as a recognized stock exchange for this purpose by Irish company law. TSX is not specified as a recognized stock exchange for the purpose of Irish company law.

For a subsidiary of New Endo to make on market purchases of New Endo ordinary shares, the shareholders of New Endo must provide general authorization for such purchase by way of ordinary resolution. However, as long as this general authority has been granted, no specific shareholder authority for a particular on market purchase by a subsidiary of New Endo ordinary shares is required. For a purchase by a subsidiary of shares of New Endo off market, the proposed purchase contract must be authorized by special resolution of New Endo shareholders before the contract is entered into. The person whose New Endo ordinary shares are to be bought back cannot vote in favor of the special resolution and, for at least 21 days prior to the special resolution being passed, the purchase contract must be on display or must be available for inspection by New Endo shareholders at the registered office of New Endo.

The number of shares held by the subsidiaries of New Endo at any time

will count as treasury shares and will be included in any calculation of the permitted treasury share threshold of 10% of the nominal value of the issued share capital of New Endo. While a subsidiary holds shares of New Endo, such subsidiary cannot

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exercise any voting rights in respect of those shares. The acquisition of New Endo ordinary shares by a subsidiary must be funded out of distributable reserves of the subsidiary.

Under New Endo's memorandum and articles of association, upon recommendation of the New Endo board of directors, the shareholders by ordinary resolution may authorize the board of directors to capitalize any amount for the time being standing to the credit of any of New Endo's reserves (including any capital redemption reserve fund or share premium account) or to the credit of profit and loss account for issuance and distribution to shareholders as fully paid up bonus shares on the same basis of entitlement as would apply in respect of a dividend distribution.

Bonus Shares

Endo may make distributions to its shareholders in the form of a stock dividend, which has a consequence similar to the issuance of bonus shares. See *Dividends, Distributions, Repurchases and Redemptions* beginning on page 279.

Under New Endo's memorandum and articles of association, upon recommendation of the New Endo board of directors, the shareholders by ordinary resolution may authorize the board of directors to capitalize any amount for the time being standing to the credit of any of New Endo's reserves (including any capital redemption reserve fund or share premium account) or to the credit of profit and loss account for issuance and distribution to shareholders as fully paid up bonus shares on the same basis of entitlement as would apply in respect of a dividend distribution.

Lien on Shares and Calls on Shares

Endo has no lien on its outstanding shares under Delaware law and has no outstanding partially paid shares on which it could call for payment.

The New Endo memorandum and articles of association provide that New Endo will have a first and paramount lien on every share that is not a fully paid up share for all amounts payable at a fixed time or called in respect of that share.

Subject to the terms of their allotment,
directors may call for any unpaid
amounts in respect of any shares to be

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Forfeiture of Shares	Not applicable	<p>paid, and if payment is not made, the shares may be forfeited. These articles are standard provisions in the memorandum and articles of association of an Irish public limited company such as New Endo and will only be applicable to shares of New Endo that have not been fully paid up.</p> <p>Subject to the terms of their allotment, directors may call for any unpaid amounts in respect of any shares to be paid, and if payment is not made, the shares may be forfeited. The article is a standard provision in the memorandum and articles of association of an Irish public limited company such as New Endo and will only be applicable to shares of New Endo that have not been fully paid up.</p>
Election of Directors	<p>The Endo charter and bylaws provide that the number of directors constituting the Endo board of directors is not to be less than seven nor more than eleven, the exact number to be fixed by resolution of the Endo board of directors or by a resolution adopted by the majority of the shareholders of the common stock. The number of directors is currently fixed at ten.</p> <p>Endo's board of directors is not divided into classes.</p> <p>Under Endo's bylaws, directors are elected by a majority of the votes cast at a meeting for the election of directors where a quorum is present. However, if as of the date fourteen days in advance of the date Endo files its proxy statement the number of nominees exceeds the number of directors to be elected, the directors will be elected by the vote of a</p>	<p>The Companies Acts provide for a minimum of two directors on the board of an Irish company. New Endo's memorandum and articles of association provide that unless otherwise determined by New Endo by ordinary resolution, the number of directors on the board shall be not less than five nor more than twelve. The exact number of directors shall be fixed from time to time by resolution of the board of directors.</p> <p>At the effective time, assuming each current director of Endo becomes a director of New Endo, the New Endo board will consist of ten members.</p> <p>At each annual general meeting of New Endo, all the directors shall retire from office and be re-eligible for re-election. Upon the resignation or termination of office of any director, if a new director shall be appointed to the board, he will</p>

plurality of the shares represented and entitled to vote.

be designated to fill the vacancy arising.

Each director shall hold office until the next annual meeting and until his or her successor is duly elected and

qualified, or until his or her earlier resignation or removal.

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		<p>The directors of New Endo may appoint a person who is willing to act to be a director, either to fill a vacancy or as an additional director, provided that the appointment does not cause the number of directors to exceed the number fixed by or in accordance with New Endo's articles as the maximum number of directors. A director who is so appointed will hold office only until the next following annual general meeting. If not reappointed at such annual general meeting, such director will vacate office at the conclusion thereof.</p>
<p>Removal of Directors; Vacancies</p>	<p>Under Delaware law, any director or the entire board of directors may be removed, with or without cause, by the holders of a majority of the shares then entitled to vote at an election of directors. Endo's bylaws provides that any vacancy or newly created directorship resulting from an increase in the authorized number of directors may be filled by a majority of the directors then in office, even if that number is less than a quorum, or by a sole remaining director. Any director elected in accordance with the preceding sentence shall hold office until the next annual meeting or until their successor is duly elected and qualified, or until their earlier death, resignation or removal.</p>	<p>Under the Companies Acts and notwithstanding anything contained in New Endo's memorandum and articles of association or in any agreement between New Endo and a director, the shareholders may, by an ordinary resolution, remove a director from office before the expiration of his or her term at a meeting held on no less than 28 days notice and at which the director is entitled to be heard. The power of removal is without prejudice to any claim for damages for breach of contract (e.g., employment contract) that the director may have against New Endo in respect of his removal. New Endo's memorandum and articles of association provide that the board of directors may fill any vacancy occurring on the board of directors. If the New Endo board of directors fills a vacancy, the director's term expires at the next annual general meeting. A vacancy on the board of directors created by the removal of a director may be filled by the shareholders at the meeting at which such director is removed.</p>
<p>Quorum of the Board</p>	<p>The quorum necessary for transaction of business by the board of directors consists of a majority of the entire board</p>	<p>The quorum necessary for transaction of business by the board of directors may be fixed by the board of directors and unless</p>

Duties of Directors	of directors. Under Delaware law, a company's directors are charged with fiduciary	so fixed will be a majority of the directors in office. The directors of New Endo have certain statutory and fiduciary duties.
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duties of care and loyalty. The duty of care requires that directors act in an informed and deliberate manner and inform themselves, prior to making a business decision, of all relevant material information reasonably available to them. The duty of care also requires that directors exercise care in overseeing and investigating the conduct of corporate employees. The duty of loyalty may be summarized as the duty to act in good faith, not out of self-interest, and in a manner which the director reasonably believes to be in the best interests of the corporation and its shareholders. A party challenging the propriety of a decision of a board of directors bears the burden of rebutting the applicability of the presumptions afforded to directors by the business judgment rule. If the presumption is not rebutted, the business judgment rule attaches to protect the directors and their decisions. Notwithstanding the foregoing, Delaware courts may subject directors' conduct to enhanced scrutiny in respect of, among other matters, defensive actions taken in response to a threat to corporate control and approval of a transaction resulting in a sale of control of the corporation.

Conflicts of Interest of Directors

Under Delaware law and the Endo bylaws, a contract or transaction in which a director has an interest will not be voidable solely for this reason if (i) the material facts with respect to such interested director's relationship or interest are disclosed or are known to the board of directors, and the board of directors in good faith authorizes the transaction by the affirmative vote of a majority of the disinterested directors, (ii) the material facts with respect to such interested director's relationship or interest are disclosed or are known to the shareholders entitled to vote on such transaction, and the transaction is specifically approved in good faith by

All of the directors have equal and overall responsibility for the management of New Endo (although directors who also serve as employees will have additional responsibilities and duties arising under their employment agreements and it is likely that more will be expected of them in compliance with their duties than non-executive directors). The principal directors' duties include the common law fiduciary duties of good faith and exercising due care and skill. The statutory duties include ensuring the maintenance of proper books of account, having annual accounts prepared, having an annual audit performed, and the duty to maintain certain registers and make certain filings as well as disclosure of personal interests. For public limited companies like New Endo, directors are under a specific duty to appoint a secretary who has the requisite knowledge and experience to discharge the role.

As a matter of Irish law, a director is under a general fiduciary duty to avoid conflicts of interest. Under Irish law, directors who have a personal interest in a contract or proposed contract with New Endo are required to declare the nature of their interest at a meeting of the board of directors of New Endo. New Endo is required to maintain a register of declared interests, which must be available for shareholder inspection.

New Endo's memorandum and articles of association provide that a director must declare any interest he or she may have

vote of the majority of

in a contract with New Endo at a meeting
of the board of directors or otherwise
provide notice

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shares entitled to vote thereon, or (iii) the transaction is fair to the corporation as of the time it is authorized, approved or ratified. The mere fact that an interested director is present and voting on a transaction in which he or she is interested will not itself make the transaction void. Interested directors may be counted in determining the presence of quorum at a meeting of the board of directors or of a committee which authorizes the contract or transaction.

Under Delaware law, an interested director could be held liable for a transaction in which such director derived an improper personal benefit.

to the board of directors. No director shall be prevented by his or her office from contracting with New Endo, provided that he or she has declared the nature of his or her interest in the contracts and the contract or transaction has been approved by a majority of the disinterested directors.

Under the New Endo memorandum and articles of association, a director of New Endo may be a director of, other officer of, or otherwise interested in, any company promoted

by New Endo or in which New Endo is interested, and such director will not be accountable to New Endo for any remuneration received from such employment or other interest provided that he or she has declared the nature of his or her position with, or interest in, such company to the board.

The memorandum and articles of association further provide that (i) no director will be prevented from contracting with New Endo because of his or her position as a director, (ii) any contract entered into between a director and New Endo will not be subject to avoidance, and (iii) no director will be liable to account to New Endo for any profits realized by virtue of any contract between such director and New Endo because the director holds such office or the fiduciary relationship established thereby, provided that director has declared the nature of his or her interest in such contract or transaction to the board and the contract or transaction is approved by a majority of the disinterested directors.

**Indemnification of Officers
and Directors**

Delaware law permits a corporation to indemnify officers and directors for

A director of New Endo will be at liberty to vote in respect of any transaction in which he or she is interested, provided that such director discloses the nature of his or her interest prior to consideration of the transaction and any vote thereon.

Pursuant to New Endo's memorandum and articles of association, its directors

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actions taken in good faith and in a manner they reasonably believed to be in, or not opposed to, the best interests of the corporation, and with respect to any criminal action that they had no reasonable cause to believe was unlawful.

Endo's bylaws provide for indemnification by Endo of its directors and officers to the fullest extent permitted by law.

Endo may be authorized pay expenses incurred by directors or officers in defending a civil or criminal action, suit or proceeding because that person is a director or officer, including pending or threatened actions, suits or proceedings; provided, however, that the indemnification will only be authorized in a civil action, suit or proceeding if the director or officer acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of Endo, or, in a criminal action or proceeding, if the person had no reasonable cause to believe his or her conduct was unlawful. Authorization for indemnification shall be made in specific cases where the standard of conduct (i.e. good faith for civil suits, or no reasonable belief of unlawful conduct for criminal suits) has been met. The determination of whether such standards of conduct has been met will be made by: (i) a majority vote of the directors not party to the action, suit or proceeding (even if less than a quorum), (ii) if there are no such directors or if such directors so direct, by independent legal counsel in a written opinion, or (ii) by the shareholders. If the director or officer has been successful on the merits, however, he

and secretary are indemnified to the extent permitted by the Companies Acts. New Endo may indemnify the directors or secretary only if the indemnified party receives a favorable judgment in respect of the liability, or where an Irish court determines that the director or the secretary acted honestly and reasonably and ought fairly to be excused, or the proceedings are otherwise disposed of without any finding or admission of

any material breach of duty on the part of the director or secretary, or in which he/she is acquitted. This restriction in the Companies Acts does not apply to executives who are not directors or the secretary of New Endo. Any provision for indemnification to a greater extent is void under Irish law, whether contained in a memorandum and articles of association or any contract between the director and the Irish company.

New Endo's memorandum and articles of association also contain indemnification and expense advancement provisions for current or former executives who are not directors or the secretary of New Endo, except no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for fraud or dishonesty in the performance of her or her duty to the company

The directors of New Endo may, on a case-by-case basis, decide at their discretion that it is in the best interests of New Endo to indemnify an individual director from any liability arising from his or her position as a director of New Endo. However, this discretion must be exercised bona fide in the best interests

or she shall be indemnified without need of New Endo as a whole.
for authorization.

In addition, any director or officer may apply to the Delaware Court of Chancery for indemnification to the
In addition, due to more restrictive provisions of Irish law in relation to

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extent otherwise permissible under the bylaws. The basis of such indemnification by a court shall be the determination by the court that indemnification is proper in the circumstances because the person has met the applicable standards of conduct set forth in the bylaws.

Expenses shall be paid by Endo in advance of the final disposition of such action, suit or proceeding upon the receipt of an undertaking by or on behalf of the director or officer to repay such amount if it shall ultimately be determined that he or she is not entitled to be indemnified by Endo as authorized in the bylaws.

Limitation on Director Liability

Under Delaware law, a corporation may include in its certificate of incorporation a provision that limits or eliminates the personal liability of directors to the corporation and its shareholders for monetary damages for a breach of fiduciary duty as a director. However, a corporation may not limit or eliminate the personal liability of a director for: any breach of the director's duty of loyalty to the corporation or its shareholders; acts or omissions in bad faith or which involve intentional misconduct or a knowing violation of law; intentional or negligent payments of unlawful dividends or unlawful stock purchases or redemptions; or any transaction in which the director derives an improper personal benefit. Endo's certificate of incorporation includes such a provision.

Annual Meetings

Under Delaware law, an annual meeting of shareholders is required for the election of directors and for such other proper business as may be conducted

the indemnification of directors and the secretary, in connection with the merger, it is expected that New Endo will indemnify its directors and certain officers, as well as individuals serving as directors or officers of its subsidiaries, pursuant to indemnification agreements existing or to be entered into by Endo as a subsidiary of New Endo. It is expected that the indemnification and expense advancement to be provided to the directors and certain officers of New Endo under the indemnification agreements will, to the extent permitted by Irish law, be the same or substantially similar to that afforded in the current indemnification agreements between Endo and its officers and directors.

Under Irish law, a company may not exempt its directors from liability for negligence or a breach of duty. However, where a breach of duty has been established, directors may be statutorily exempted by an Irish court from personal liability for negligence or breach of duty if, among other things, the court determines that they have acted honestly and reasonably, and that they may fairly be excused as a result.

Under Irish law, shareholders may not agree to exempt a director or officer from any claim or right of action a shareholder may have, whether individually or in the right of a company, on account of any action taken or the failure to take any action in the performance of such director's or officer's duties to the company.

New Endo will be required to hold an annual general meeting at intervals of no more than 15 months from the previous annual general meeting, provided that an

thereat. Under Endo's bylaws, an annual meeting of shareholders shall be held at a place

annual general meeting is held in each calendar year following the first annual general

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and time designated by the board of directors.

Under Delaware law, the Delaware Chancery Court may order a corporation to hold an annual meeting if the corporation has failed to hold an annual meeting for a period of 13 months after its last annual meeting.

meeting. Each general meeting shall be held at such time and place as designated by the New Endo board of directors and as specified in the notice of meeting. Subject to section 140 of the Irish Companies Act 1963, all general meetings may be held outside of Ireland.

The only matters that must, as a matter of Irish law, be transacted at an annual general meeting are the presentation of the annual accounts, balance sheet and reports of the directors and auditors, the appointment of new auditors and the fixing of the auditor's remuneration (or delegation of same). If no resolution is made in respect of the reappointment of an existing auditor at an annual general meeting, the existing auditor will be deemed to have continued in office.

The provisions of the memorandum and articles of association of New Endo relating to general meetings shall apply to every such general meeting of the holders of any class of shares except that the necessary quorum shall be one person holding or representing by proxy at least one-half of the issued shares of such class.

The memorandum and articles of association of New Endo provide that a resolution may only be put to vote at a general meeting of New Endo or of the holders of any class of shares if (i) it is specified in the notice of the meeting; (ii) it is proposed by or at the direction of a court of competent jurisdiction; (iii) it is proposed on the requisition in writing of the holder of the share as is prescribed by, and is made in accordance with,

section 132 of the Irish Companies Act 1963; (iv) the chairman of the meeting in his or her absolute discretion decides that the resolution may properly be regarded as within the scope of the meeting; or (v) it is proposed in accordance with the procedures and requirements set out in the articles with respect to nominations of directors.

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**Special/Extraordinary
General Meetings**

Under Delaware law, special meetings of shareholders may be called by the board of directors and by such other person or persons authorized to do so by the corporation's certificate of incorporation or bylaws. The Endo bylaws provide that a special meeting of shareholders may be called by any officer of Endo at the request in writing of majority of the board of directors or at the request in writing of shareholders owning a majority of the Endo capital stock issued, outstanding and entitled to vote.

Extraordinary general meetings are generally held for the purpose of approving shareholder resolutions as may be required from time to time. At any extraordinary general meeting only such business shall be conducted as is set forth in the notice thereof.

In the case of an extraordinary general meeting convened by the New Endo shareholders, the purpose of the meeting must be set out in the requisition notice. Upon receipt of any such valid requisition notice, the New Endo board of directors has 21 days to

convene a meeting of New Endo shareholders to vote on the matters set out in the requisition notice. This meeting must be held within two months of the receipt of the requisition notice. If the New Endo board of directors does not convene the meeting within such 21-day period, the requisitioning shareholders, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, which meeting must be held within three months of New Endo's receipt of the requisition notice.

If the New Endo board of directors becomes aware that the net assets of New Endo are not greater than half of the amount of New Endo's called-up share capital, it must convene an extraordinary general meeting of New Endo's shareholders not later than 28 days from the date that the directors learn of this fact to consider how to address the situation.

**Record Date; Notice
Provisions**

Under Endo's bylaws, the board of directors may fix, in advance, a record

New Endo's memorandum and articles of association provide that the board of

date, not be more than 60 nor less than 10 days before the date of the meeting, nor more than 60 days prior to any other action. The record date termination shall apply to any adjournment of the meeting, but the

directors may fix in advance a record date (i) to determine the shareholders entitled to notice of or to vote at a meeting of the shareholders that is no more than 60 days and no less than 10 days before the date of the

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board of directors may fix a new record date for the adjourned meeting.

Under Delaware law, written notice of general and special meetings of Endo shareholders must be given not less than 10 nor more than 60 days before the date of the meeting.

meeting, and (ii) for the purpose of determining the shareholders entitled to receive payment of any dividend, or in order to make a determination of shareholders for any other proper purpose that is no more than 60 days prior to the date of payment of the dividend or the date of any other action to which the determination of shareholders is relevant. The record date may not precede the date upon which the resolution fixing the record date is adopted by the directors.

If the register of shareholders is closed in connection with a meeting, it must be closed for at least five days preceding the meeting and the record

date for determination of the shareholders entitled to receive notice of, and to vote at, that meeting will be the date of the closing of the register of shareholders.

Notice of an annual or extraordinary general meeting must be given to all New Endo shareholders and to the auditors of New Endo. The New Endo memorandum and articles of association provide for a minimum notice period of 21 days for an annual general meeting, which is the minimum permitted under Irish law. In addition, under Irish law and the New Endo memorandum and articles of association, the minimum notice periods are 21 days notice in writing for an extraordinary general meeting to approve a special resolution and 14 days notice in writing for any other extraordinary general meeting.

Advance Notice of Director Nominations and Other

Endo's bylaws allow shareholders to nominate persons for election to the

The Companies Acts provide that shareholders holding not less than 10%

Proposals

board of directors at the annual meeting of shareholders and to propose other business to be brought before the annual meeting. However, nominations and other proposals may only be made by a shareholder who has given timely written notice to the secretary of Endo before the annual meeting.

of the total voting rights may call an extraordinary general meeting for the purpose of considering director nominations or other proposals, as described under *Special/Extraordinary General Meetings*.

New Endo's memorandum and articles of association provide that

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For director nominations and other shareholder proposals to be timely under Endo's bylaws, a shareholder's nomination or other proposal must be delivered to the secretary of Endo at Endo's principal executive offices not later than the close of business on the 60th day nor earlier than close of business on the 90th day prior to the first anniversary of the immediately preceding annual meeting; provided, however, that if the annual meeting is called for a date that is not within 30 days before or after such anniversary date, notice by the shareholder in order to be timely must be so received no later than the close of business on the 10th day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure of the annual meeting was made, which occurs first.

shareholder nominations of persons to be elected to the board of directors at an annual general meeting must be made following written notice to the secretary of New Endo executed by a shareholder accompanied by certain background and other information specified in the memorandum and articles of association.

Such written notice and information must be received by the secretary of New Endo not less than 60 days nor more than 90 days before the first anniversary of the date of New Endo's proxy statement for the prior year's annual general meeting.

Director nominations and other proposals must include all of the information specified for inclusion therein by Endo's bylaws.

Quorum at Meetings

Under Endo's by-laws, a quorum consists of the presence, in person or represented by proxy, of the holders of a majority of the issued and outstanding shares of capital stock.

The New Endo memorandum and articles of association provide that no business shall be transacted at any general meeting unless a quorum is present. One or more New Endo shareholders present in person or by proxy holding not less than a majority of the issued and outstanding shares of New Endo entitled to vote at the meeting in question constitute a quorum.

Voting Rights

Each share of Endo capital stock entitles the holders thereof to one vote. Shares of a series of preferred stock designated by the board of directors would have such voting rights as are specified in the resolution designating such series.

Each New Endo shareholder is entitled to one vote for each ordinary share that he or she holds as of the record date for the meeting.

Under Endo's bylaws, except as otherwise required by law, or by the Endo charter, any question brought before any meeting of shareholders shall be decided by the vote of the

Irish law requires approval of certain matters by special resolution of the shareholders at a general meeting. A special resolution requires the approval of not less than 75% of the votes of New Endo's shareholders cast at a general meeting at which a quorum is present.
Ordinary

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holders of a majority of the stock represented and entitled to vote at the meeting.

resolutions, by contrast, require a simple majority of the votes of New Endo cast at a general meeting at which a quorum is present.

Irish law also distinguishes between ordinary business and special business at a general meeting. Most matters are deemed special with the exception of declaring a dividend, the consideration of the accounts, balance sheets and the reports of the directors and auditors, the election of directors, the reappointment of the retiring auditors and the fixing of the remuneration of the auditors, all of which are deemed to be ordinary business.

Action by Written Consent

Under Delaware law, unless otherwise provided in a corporation's certificate of incorporation, any action required to be taken at any annual or special meeting of the shareholders may be taken without a meeting, without prior notice and without a vote, if a consent or consent in writing, setting forth the actions so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted.

The Companies Acts provide that shareholders may approve a resolution without a meeting if (i) all shareholders sign the written resolution and (ii) the company's memorandum and articles of association permit written resolutions of shareholders. New Endo's articles of association permit written resolutions of the shareholders where such resolutions are unanimous.

Under the Endo bylaws, any action required or permitted to be taken at any annual or special meeting of the shareholders may be taken without a meeting, without prior notice and without a vote if a consent in writing, setting forth the action so taken, shall be signed by the holders of the outstanding stock having not less than the minimum number of votes that would be necessary

Derivative or Other Suits

to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted.

Under Delaware law, a shareholder may bring a derivative action on behalf of the corporation to enforce the rights of the corporation. Generally, a person may institute and

In certain limited circumstances, a shareholder may be entitled to bring a derivative action on behalf of New Endo if a wrong committed against New Endo would otherwise go unredressed.

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maintain such a suit only if such person was a shareholder at the time of the transaction that is the subject of the suit or his or her shares thereafter devolved upon him or her by operation of law. Delaware law also requires that the derivative plaintiff make a demand on the directors of the corporation to assert the corporate claim before the suit may be prosecuted by the derivative plaintiff, unless such demand would be futile.

The principal case law in Ireland indicates that to bring a derivative action a person must first establish a prima facie case (i) that the company is entitled to the relief claimed and (ii) that the action falls within one of the five exceptions derived from case law, as follows:

where an ultra vires or illegal act is perpetrated;

An individual also may commence a class action suit on behalf of himself or herself and other similarly situated shareholders where the requirements for maintaining a class action have been met.

where more than a bare majority is required to ratify the wrong complained of;

where the shareholders' personal rights are infringed;

where a fraud has been perpetrated upon a minority by those in control; or

where the justice of the case requires a minority to be permitted to institute proceedings.

Irish law also permits shareholders of New Endo to bring proceedings against New Endo where the affairs of New Endo are being conducted, or the powers of the directors are being exercised, in a manner oppressive to the shareholders or in disregard of their interests. The court can grant any relief it sees fit and the usual remedy is the purchase or transfer

Inspection of Books and Records

Under Delaware law, a shareholder of a Delaware corporation has the right to inspect the corporation's stock ledger, shareholder lists and other books and records for a purpose reasonably related to the person's interest as a shareholder.

of the shares of any shareholder.

Under Irish law, shareholders have the right to: (i) receive a copy of the memorandum and articles of association of New Endo and any act of the Irish government that alters the memorandum of New Endo; (ii) inspect and obtain copies of the minutes of general meetings and resolutions of New Endo; (iii) inspect and receive a copy of the register of shareholders, register of directors and secretaries, register of directors' interests and other statutory registers maintained by New Endo; (iv) receive copies of balance sheets and directors

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Disclosure of Interests in Shares

Neither Delaware law nor the Endo charter documents impose any obligation with respect to disclosure by shareholders of their interests in Endo shares.

and auditors' reports that have previously been sent to shareholders prior to an annual general meeting; and (v) receive balance sheets of any subsidiary of New Endo that have previously been sent to shareholders prior to an annual general meeting for the preceding ten years.

Under the Companies Acts, each New Endo shareholder must notify New Endo if, as a result of a transaction, the shareholder will become interested in 5% or more of the relevant share capital of New Endo (i.e., voting shares), or if as a result of a transaction a shareholder who was interested in more than 5% of the relevant share capital of New Endo ceases to be so interested. Where a shareholder is interested in more than 5% of the relevant share capital of New Endo, the shareholder must notify New Endo of any alteration of his or her interest that brings his or her total holding through the nearest whole percentage number, whether an increase or a reduction.

The relevant percentage figure is calculated by reference to the aggregate nominal value of the shares in which the shareholder is interested as a proportion of the entire nominal value of the issued share capital of New Endo (or any such class of share capital in issue). Where the percentage level of the shareholder's interest does not amount to a whole percentage, this figure may be rounded down to the next whole number. New Endo must be notified within five business days of the transaction or alteration of the shareholder's interests that gave rise to the notification requirement. If a shareholder fails to comply with these notification requirements, the shareholder's rights in respect of any New Endo ordinary shares

it holds will not be enforceable, either directly or indirectly. However, such person may apply to a court to have the rights attaching to such shares reinstated. In addition, New Endo, under the Companies Acts, may, by notice in

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writing, require a person whom New Endo knows or has reasonable cause to believe to be, or at any time during the three years immediately preceding the date on which such notice is issued to have been, interested in shares comprised in New Endo's relevant share capital: (i) to indicate whether or not it is the case; and (ii) where such person holds or has during that time held an interest in the shares of New Endo, to provide additional information, including the person's own past or present interests in shares of New Endo.

Any information given in response to the notice is required to be given in writing within such reasonable time as may be specified in the notice.

If the recipient of the notice fails to respond within the reasonable time period specified in the notice, New Endo may apply to court for an order directing that the affected shares be subject to certain restrictions, including on transfer, voting and right to receive payments. The court may also order that shares subject to any of these restrictions be sold with the restrictions terminating upon the completion of the sale.

Business Combinations

Under Delaware law, with limited exceptions, a merger, consolidation or sale of all or substantially all of the assets of Endo must be approved by the board of directors and a majority of the issued and outstanding shares entitled to vote thereon. Certain implications of Section 203 of the DGCL on business combinations are described under *Anti takeover Measures*.

Shareholder approval in connection with a business combination involving New Endo would be required under the following circumstances:

in connection with a takeover by scheme of arrangement, both a court order from the Irish High Court and the approval of a majority in number representing 75% in value of the

shareholders present and voting in person
or by proxy at a meeting called to
approve such a scheme;

in connection with a general takeover
offer, for all of the shares of New Endo,
the holders

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of 80% or more of New Endo's shares would have to accept the offer for their shares in order for the remaining shareholders to be statutorily required to transfer their shares; and

in connection with an acquisition of New Endo by way of a merger with a European Union company under the European Union Cross-Border Mergers Directive 2005/56/EC by a special resolution of the shareholders.

Irish law does not generally require shareholder approval for a sale, lease or exchange of all or substantially all of a company's property and assets.

A scheme of arrangement is a statutory procedure under the Irish Companies Acts that enables a company to make a compromise or arrangement with its shareholders.

Although schemes of arrangement can be used for a variety of purposes, they are frequently used as a means of implementing a takeover of a public listed company. In the context of a takeover, under a scheme of arrangement the shareholders in the target company agree to the cancellation of the entire issued share capital of the company. Using the resulting capital reserves, new shares are issued to the buyer, in exchange for payment of cash or shares (or both) in the acquiring company.

A scheme of arrangement must be approved by the Irish High Court and a majority of shareholders representing 75% in value of the shareholders present and voting in person or by proxy at a meeting called to approve such a scheme. Once sanctioned in this way, all of the shares in the target company are cancelled, regardless of whether the individual shareholder voted in favor of the scheme.

Table of Contents**Appraisal Rights**

Under Delaware law, holders of shares of any class or series of stock of a constituent corporation in a merger or consolidation have the right, in certain circumstances, to dissent from such merger or consolidation by demanding payment in cash for their shares equal to the fair value of such shares, exclusive of any element of value arising from the accomplishment or expectation of the merger or consolidation, as determined by a court in an action timely brought by the surviving or resulting corporation or the dissenters. Delaware law grants dissenters appraisal rights only in the case of mergers or consolidations and not in the case of a sale or transfer of assets or a purchase of assets for stock, regardless of the number of shares being issued. No appraisal rights are available for shares of any class or series of stock that are listed on a national securities exchange or held of record by more than 2,000 holders, unless the agreement of merger or consolidation requires the holders thereof to accept for such shares anything other than: shares of stock of the surviving corporation; shares of stock of another corporation, which shares of stock are either listed on a national securities exchange or held of record by more than 2,000 holders; cash in lieu of fractional shares of the stock described in the first two points above; or some combination of the above.

Generally, under Irish law, shareholders of an Irish company do not have dissenters or appraisal rights. Under the European Communities (Cross-Border Mergers) Regulations 2008 governing the merger of an Irish public limited company such as New Endo and a company incorporated in the European Economic Area (the European Economic Area includes all member states of the European Union and Norway, Iceland, Switzerland, Turkey and Liechtenstein), a shareholder (i) who voted against the special resolution approving the merger or (ii) of a company in which 90% of the shares are held by the other party to the merger, has the right to request that the company acquire his or her shares for cash at a price determined in accordance with the share exchange ratio set out in the merger agreement.

In addition, appraisal rights are not available for shareholders of a surviving corporation in a merger if the merger did not require the vote of the shareholders of the surviving corporation.

Anti-takeover Measures

Under Delaware law, certain anti-takeover provisions apply to Endo as a publicly-traded company that may have the effect of making it more difficult for

Any transaction in which a third party seeks to acquire 30% or more of the voting rights of New Endo and other acquisitions of New Endo securities will

a third party to acquire Endo. In particular, Section 203 of the

be governed by the Irish Takeover Rules, and will be regulated by Irish

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DGCL generally prohibits a Delaware corporation from engaging in any of a broad range of business combinations with an interested shareholder for a period of three years following the time that such shareholder became an interested shareholder, unless, among other exceptions, prior to such time the board of directors of the corporation approved either the relevant business combination or the transaction that resulted in such shareholder becoming an interested shareholder.

Takeover Rules and certain important aspects of the Irish Takeover Rules are described under *Description of New Endo Ordinary Shares Anti-Takeover Provisions*.

In addition, under the Endo charter and bylaws, certain provisions may make it difficult for a third party to acquire Endo, or for a change in the composition of the board of directors or management to occur, including the authorization of blank check preferred stock, the terms of which may be established and shares of which may be issued without shareholder approval; the absence of cumulative voting rights, which allows the holders of a majority of the shares of common stock to elect all of the directors standing for election; and the establishment of advance notice requirements for nominations for election to the board of directors or for proposing matters that can be acted upon at shareholder meetings.

Rights Agreement

Endo has not adopted a shareholder rights plan.

The New Endo memorandum and articles of association expressly authorize the adoption of a shareholders rights plan. Irish law does not expressly authorize or prohibit companies from issuing share purchase rights or adopting a shareholder rights plan as an anti-takeover measure.

However, there is no directly relevant case law on the validity of such plans under Irish law and their interaction with the Irish Takeover Rules and the General Principles underlying the Irish Takeover Rules.

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Subject to the Irish Takeover Rules described in *Anti-takeover Measures* and *Description of New Endo Ordinary Shares Anti-Takeover Provisions*, the board of directors also has power to issue any authorized and unissued shares of New Endo on such terms and conditions as it may determine and any such action should be taken in the best interests of New Endo. The terms and conditions of any issue of preferred shares could discourage a takeover or other transaction that holders of some or a majority of the ordinary shares believe to be in their best interests or in which holders might receive a premium for their shares over the then market price of the shares.

Variation of Rights Attaching to a Class or Series of Shares

Under Endo's certificate of incorporation, the board of directors may designate a new series of preferred stock, which may have terms different than outstanding shares, without shareholder approval. Such designation would specify the number of shares of any class or series and determine the voting rights, preferences, limitations and special rights, if any, of the shares of any class or series.

Any variation of class rights attaching to the issued shares of New Endo must be approved by a special resolution of the New Endo shareholders of the affected class or with the consent in writing of the holders of three-quarters of all the votes of that class of shares. Any issuance of preferred shares would require the approval of New Endo shareholders in general meeting.

Amendments of Constituent Documents

Under Delaware law, Endo's certificate of incorporation may be amended if the board of directors adopts a resolution setting forth the amendment proposed, declaring its advisability, and either calling a special meeting of the shareholders entitled to vote in respect thereof for the consideration of such amendment or directing that the amendment proposed be considered at the next annual meeting of the shareholders. If a majority of the outstanding stock entitled to vote thereon, and a majority of the outstanding stock of each class entitled

Irish companies may only alter their memorandum and articles of association by the passing of a special resolution of shareholders.

to vote thereon as a class has been voted
in favor of the amendment,

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	<p>a certificate setting forth the amendment and certifying that such amendment has been duly adopted in accordance with this section shall be executed, acknowledged and filed and shall become effective.</p>	
Dissolution	<p>Under Delaware law, unless the board of directors approves a proposal to dissolve, a dissolution must be approved by shareholders holding 100% of the total voting power of the corporation. If a dissolution is initially approved by the board of directors, it may be approved by a simple majority of the corporation's shareholders.</p> <p>Upon dissolution, after satisfaction of the claims of creditors, the assets of Endo would be distributed to shareholders in accordance with their respective interests, including any rights a holder of shares of preferred stock may have to preferred distributions upon dissolution or liquidation of the corporation.</p> <p>Endo's bylaws may be amended by the approval of the entire board of directors, or of the holders of a majority of holders of a majority of the outstanding capital stock entitled to vote on the amendment, provided, however that notice of such amendment must be contained in the notice of such a meeting of the directors of shareholders.</p>	<p>The rights of New Endo shareholders to a return of New Endo's assets on dissolution or winding up, following the settlement of all claims of creditors, may be prescribed in New Endo's memorandum and articles of association or the terms of any preferred shares that may be issued by New Endo from time to time. The holders of New Endo preferred shares may have the right to priority in a dissolution or winding up of New Endo. If the New Endo memorandum and articles of association contain no specific provisions in respect of a dissolution or winding up, then, subject to the priorities of any creditors, the assets will be distributed to New Endo shareholders in proportion to the paid-up nominal value of the shares held. The New Endo memorandum and articles of association provide that the ordinary shareholders of New Endo are entitled to participate pro rata in a winding up, but their right to do so may be subject to the rights of any preferred shareholders to participate under the terms of any series or class of preferred shares.</p> <p>New Endo may be dissolved and wound up at any time by way of a shareholders voluntary winding up or a creditors winding up. In the case of a shareholders voluntary winding up, a special resolution of shareholders is required. New Endo may also be dissolved by way of court order on the application of a creditor, or by the Companies Registration Office as an enforcement</p>

measure where New Endo has failed to
file certain returns.

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**Enforcement of Judgment
Rendered by U.S. Court**

A judgment for the payment of money rendered by a court in the U.S. based on civil liability generally would be enforceable elsewhere in the U.S.

A judgment for the payment of money rendered by a court in the United States based on civil liability would not be automatically enforceable in Ireland. There is no treaty between Ireland and the United States providing for the reciprocal enforcement of foreign judgments. The following requirements must be met before the foreign judgment may be deemed to be enforceable by an Irish Court in Ireland:

the judgment must be for a definite sum;

the judgment must be final and conclusive; and

the judgment must be provided by a court of competent jurisdiction.

An Irish court will also exercise its right to refuse judgment if the foreign judgment was obtained by fraud, if the judgment violated Irish public policy, if the judgment is in breach of natural justice or if it is irreconcilable with an earlier foreign judgment.

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LEGAL MATTERS

A&L Goodbody, Irish counsel for New Endo, will provide an opinion regarding the validity of the New Endo ordinary shares to be issued in the transactions.

EXPERTS

The consolidated financial statements of Paladin Labs Inc. as of December 31, 2012, December 31, 2011 and December 31, 2010, and for each of the years in the three-year period ended December 31, 2012, appearing in this Registration Statement, have been audited by Ernst & Young LLP, independent auditors, as set forth in their reports thereon, appearing elsewhere herein, and are included in reliance upon such reports given upon the authority of said firm as experts in accounting and auditing.

The consolidated financial statements, and the related financial statement schedule, incorporated in this proxy statement/prospectus by reference from Endo's Annual Report on Form 10-K, and the effectiveness of Endo's internal control over financial reporting have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their reports, which are incorporated herein by reference. Such consolidated financial statements and financial statement schedule have been so incorporated in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

ENFORCEABILITY OF CIVIL LIABILITIES

CERTAIN OF THE PERSONS WHO MAY BE DIRECTORS AND EXECUTIVE OFFICERS OF NEW ENDO MAY BE NON-RESIDENTS OF THE UNITED STATES. ALL OR A SUBSTANTIAL PORTION OF THE ASSETS OF SUCH NON-RESIDENT PERSONS AND OF NEW ENDO MAY BE LOCATED OUTSIDE THE UNITED STATES. AS A RESULT, IT MAY NOT BE POSSIBLE TO EFFECT SERVICE OF PROCESS WITHIN THE UNITED STATES UPON SUCH PERSONS OR NEW ENDO, OR TO ENFORCE AGAINST SUCH PERSONS OR NEW ENDO IN U.S. COURTS JUDGMENTS OBTAINED IN SUCH COURTS PREDICATED UPON THE CIVIL LIABILITY PROVISIONS OF THE FEDERAL SECURITIES LAWS OF THE UNITED STATES. NEW ENDO HAS BEEN ADVISED BY COUNSEL THAT THERE IS DOUBT AS TO THE ENFORCEABILITY IN IRELAND, IN ORIGINAL ACTIONS OR IN ACTIONS FOR ENFORCEMENT OF JUDGMENTS OF U.S. COURTS, OF LIABILITIES PREDICATED SOLELY UPON THE SECURITIES LAWS OF THE UNITED STATES.

HOUSEHOLDING OF PROXY STATEMENT/PROSPECTUS

The SEC has adopted rules that permit companies and intermediaries (such as brokers) to satisfy the delivery requirements for proxy materials with respect to two or more shareholders sharing the same address by delivering a single set of proxy materials addressed to those shareholders. This process, which is commonly referred to as householding, potentially means extra convenience for shareholders and cost savings for companies.

A number of brokers with account holders who are Endo shareholders will be householding this proxy statement/prospectus. A single proxy statement/prospectus may be delivered to multiple shareholders sharing an address unless contrary instructions have been received from the affected shareholders. Endo will promptly deliver, upon written or oral request to the address or telephone number below, a separate copy of this proxy statement/prospectus to a shareholder at a shared address to which a single proxy statement/prospectus was delivered. Requests for additional copies should be directed to Endo Health Solutions Inc., Attention: Investor Relations, at 1400 Atwater Drive, Malvern, PA 19355, or by telephone to Endo's Investor Relations department at (484) 216-0000.

Shareholders who currently receive multiple copies of the proxy materials at their address and would like to request householding of their communications should contact their broker.

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WHERE YOU CAN FIND MORE INFORMATION

Endo files annual, quarterly and special reports, proxy statements and other information with the SEC. You may read and copy any document that Endo files at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for more information about the operation of the public reference room. The SEC also maintains an Internet site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC, including Endo. The SEC's Internet site can be found at <http://www.sec.gov>.

This proxy statement/prospectus is part of a registration statement and constitutes a prospectus of New Endo in addition to being a proxy statement of Endo for its special meeting. As allowed by SEC rules, this proxy statement/prospectus does not contain all of the information you can find in the registration statement or the exhibits to the registration statement. You may inspect and copy the registration statement at any of the addresses listed above.

The SEC allows Endo to incorporate by reference the information Endo files with it, which means that Endo and New Endo can disclose important information to you by referring you to another document that Endo has filed separately with the SEC. You should read the information incorporated by reference because it is an important part of this proxy statement/prospectus. The following documents, which have been filed with the SEC by Endo (SEC File No. 001-15989), are hereby incorporated by reference into this proxy statement/prospectus:

Endo's Annual Report on Form 10-K for the fiscal year ended December 31, 2012, filed with the SEC on March 1, 2013;

the information specifically incorporated by reference into Endo's Annual Report on Form 10-K for the year ended December 31, 2012 from Endo's definitive proxy statement on Schedule 14A for Endo's 2012 Annual Meeting of Shareholders, filed with the SEC on April 11, 2013;

Endo's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2013, filed with the SEC on May 7, 2013;

Endo's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2013, filed with the SEC on August 6, 2013;

Endo's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2013, filed with the SEC on November 5, 2013; and

Endo's Current Reports on Form 8-K, filed with the SEC on January 4, 2013, January 7, 2013 (two reports), February 20, 2013, February 25, 2013, February 28, 2013, March 6, 2013, March 8, 2013, March 29, 2013, May 7, 2013, May 23, 2013, June 4, 2013 (two reports), June 5, 2013, June 10, 2013, June 20, 2013, August 6, 2013, August 28, 2013, September 10, 2013, November 5, 2013, November 6, 2013, November 12, 2013, December 3, 2013, December 11, 2013, December 13, 2013, December 16, 2013, December 17, 2013,

December 19, 2013 and January 9, 2014.

Any information in any of the foregoing documents will automatically be deemed to be modified or superseded to the extent that information in this proxy statement/prospectus or in a later filed document that is incorporated or deemed to be incorporated herein by reference modifies or replaces such information.

Any future filings (other than current reports furnished under Item 2.02 or Item 7.01 of Form 8-K and exhibits filed on such form that are related to such items) made with the SEC by Endo pursuant to sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this proxy statement/prospectus and prior to the earlier of the effective time and the termination of the arrangement agreement, shall also be deemed incorporated by reference. Information in such future filings updates and supplements the information provided in this proxy statement/prospectus. Any statements in any such future filings will automatically be deemed to modify and supersede any information in any document previously filed with the SEC by Endo that is incorporated or deemed to be incorporated herein by reference to the extent that statements in the later filed document modify or replace such earlier statements.

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Endo will furnish without charge to you, upon written or oral request, a copy of any or all of the documents incorporated by reference, including exhibits to these documents. You should direct any requests for documents to: Endo Health Solutions Inc., Attn: Investor Relations, 1400 Atwater Drive, Malvern, PA 19355, telephone: (484) 216-0000.

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Report of Independent Auditors

To the Shareholders of Paladin Labs Inc.

We have audited the accompanying consolidated financial statements of Paladin Labs Inc., which comprise the consolidated balance sheets as of December 31, 2012 and 2011, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Paladin Labs Inc. at December 31, 2012 and 2011, and the consolidated results of its operations and its cash flows for the years then ended in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

/s/ Ernst & Young LLP¹

Montréal, Canada

March 1, 2013

¹CPA auditor, CA, public accountancy permit no. A113209

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Table of Contents**Consolidated Balance Sheets**

(In thousands of Canadian dollars)	Notes	December 31, 2012	2011
ASSETS			
Current			
Cash and cash equivalents	6	118,744	72,115
Marketable securities	7	146,258	166,894
Trade and other receivables	8	38,587	20,208
Inventories	9	37,441	13,327
Income tax receivable	10	5,479	718
Other current assets	11	1,661	1,476
Total current assets		348,170	274,738
Investment in associates	12	626	20,850
Interest in a joint venture	13	30,476	
Loans receivable from a joint venture	14	11,661	
Financial assets	15	4,561	9,311
Investment tax credits recoverable	26	24,840	24,674
Deferred income tax assets	10	25,402	40,613
Property, plant and equipment	16	9,754	162
Intangible assets	17	112,851	27,565
Goodwill	18	36,176	
Total assets		604,517	397,913
LIABILITIES AND EQUITY			
Current			
Bank overdraft	6	7,044	
Payables, accruals and provisions	19	50,165	38,849
Current portion of finance lease liability	21	796	984
Deferred revenue		2,734	2,999
Income tax payable	10	24,140	22,205
Other balances payable		2,000	2,306
Current portion of long-term liabilities	22	5,804	
Total current liabilities		92,683	67,343
Finance lease liability	21	6,843	5,745
Deferred revenue		1,734	2,099
Deferred tax liability	10	24,415	
Long-term liabilities	22	28,327	
Total liabilities		154,002	75,187

Equity			
Share capital	23	172,282	166,681
Other paid-in capital		7,039	5,144
Other capital reserves		(4,076)	553
Retained earnings		208,461	150,348
Attributable to shareholders of the Company		383,706	322,726
Non-controlling interests		66,809	
Total equity		450,515	322,726
Total liabilities and equity		604,517	397,913

Commitments (*note 32*)

See accompanying notes

Table of Contents**Consolidated Statements of Income**

(In thousands of Canadian dollars except for share and per share amounts)	Notes	Years Ended December 31,	
		2012	2011
Revenues	20, 24, 30	210,200	141,466
Cost of sales	20	76,810	39,294
Gross income		133,390	102,172
Expenses (income)			
Selling, general and administrative	20	49,013	31,983
Research and development	10, 20, 26	7,794	9,773
Interest income	27	(5,460)	(7,296)
Earnings before under-noted items		82,043	67,712
Amortization of intangible assets	17	16,132	22,028
Depreciation of property, plant and equipment	16	703	136
Other finance expense (income)	27	1,164	(8,687)
Other income	28	(3,035)	(97)
Foreign exchange loss		1,211	80
Interest expense	27	2,181	18
Share of net loss from a joint venture	13	725	
Share of net income from associates	12	(999)	(1,756)
Income before income tax and under-noted items		63,961	55,990
Purchase gain on business combination	5		(17,070)
Gain on revaluation of equity investment	5	(12,294)	
Restructuring, shutdown and other costs	5		8,795
Income before income tax		76,255	64,265
Provision for income taxes	10	17,900	14,114
Net income for the year		58,355	50,151
Attributable to:			
Shareholders of the Company		59,906	50,151
Non-controlling interests		(1,551)	
Attributable to shareholders of the Company			
Basic earnings per share	29	2.94	2.51
Diluted earnings per share	29	2.86	2.43

Weighted average number of shares outstanding

Basic	29	20,347,805	19,970,658
Diluted	29	20,946,178	20,659,276

See accompanying notes

Table of Contents**Consolidated Statements of Comprehensive Income**

(in thousands of Canadian dollars)	Years ended December 31	
	2012	2011
Net income for the year	58,355	50,151
Other comprehensive (loss) income:		
Exchange differences on translation of foreign operations (net of tax of \$nil)	(8,068)	
Change in fair value of available-for-sale financial instruments (net of \$nil taxes (2011 (\$31)))	(975)	748
Reclassification adjustment for losses on available-for-sale financial instruments included in net income in the year (net of \$nil taxes (2011 \$1))	51	(370)
Other comprehensive (loss) income for the year	(8,992)	378
Total comprehensive income for the year	49,363	50,529
Attributable to:		
Shareholders of the Company	55,277	50,529
Non-controlling interests	(5,914)	

See accompanying notes

Table of Contents**Consolidated Statements of Cash Flows**

(In thousands of Canadian dollars)	Notes	Years Ended December 31,	
		2012	2011
Operating activities			
Net income for the year		58,355	50,151
Adjustments reconciling net income to operating cash flows			
Amortization of intangible assets	17	16,132	22,028
Deferred tax	10	15,845	2,577
Share-based compensation expense	23	3,216	1,946
Other finance expense (income)	27	1,164	(8,687)
Unrealized foreign exchange loss (gain)		1,143	(7)
Gain on revaluation of equity investment	5	(12,294)	
Other income	28	(2,838)	
Depreciation of property, plant and equipment	16	726	187
Share of net income from associates	12	(999)	(1,756)
Share of net loss from a joint venture	13	725	
Purchase gain on business combination	5		(17,070)
Restructuring, shutdown and other costs	5		3,946
		81,175	53,315
Net change in non-cash balances relating to operations	33	(11,572)	14,798
Cash inflow from operating activities		69,603	68,113
Investing activities			
Disposals and maturities of marketable securities		187,575	78,373
Dividends from an associate	12	3,319	2,871
Proceeds from disposal of financial assets	15	6,620	102,119
Proceeds from disposal of intangible assets	17	1,466	
Proceeds from disposal of property, plant and equipment	16	220	
Acquisition of subsidiaries, net of cash acquired	5	(42,358)	(1,109)
Purchases of marketable securities		(167,615)	(201,618)
Purchases of financial assets	15	(4,000)	(89,873)
Payment of other balances payable		(995)	(250)
Purchases of property, plant and equipment	16	(1,453)	(78)
Additions to intangible assets	17	(1,111)	(7,617)
Investment in an associate	12		(2,936)
Net cash outflow from investing activities		(18,332)	(120,118)
Financing activities			
Common shares issued for cash, net of issue costs of \$nil (2011: \$1,643)	23	1,478	41,918
Increase in bank overdraft	6	1,353	
Repurchase of shares	23	(2,278)	(580)

Settlement of finance lease liability	21	(3,366)	
Repayment of long-term liabilities	22	(1,766)	(13,241)
Payment of obligation under finance lease	21	(500)	(167)
Net cash (outflow) inflow from financing activities		(5,079)	27,930
Foreign exchange gain (loss) on cash and cash equivalents		437	(105)
Increase (decrease) in cash and cash equivalents during the year		46,629	(24,180)
Cash and cash equivalents, beginning of year		72,115	96,295
Cash, cash equivalents, end of year		118,744	72,115
Supplemental cash flow information			
Interest received		5,024	5,146
Interest paid		1,198	
Income taxes paid		3,317	149

Amounts received (paid) for interest and income taxes were reflected as operating cash flows in the consolidated statements of cash flows.

See accompanying notes

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Consolidated Statements of Changes in Equity

		Equity attributable to shareholders of the Company								
		Share	Other	Other	Foreign		Non-	Total		
(In thousands of Canadian dollars)	Note	capital	paid-in	capital	currency	Retained	controlling	equity		
			capital	(deficit)	reserve	earnings	interests			
Balance as at January 1, 2011		123,136	4,892	175		100,642		228,845	228,845	
Net income for the year						50,151		50,151	50,151	
Other comprehensive income for the year				378				378	378	
Shares issued	23	41,986						41,986	41,986	
Shares repurchased	23	(135)				(445)		(580)	(580)	
Share-based incentive plans	23		1,946					1,946	1,946	
Transfers upon exercise of share options		1,694	(1,694)							
Balance as at December 31, 2011		166,681	5,144	553		150,348		322,726	322,726	
Balance as at January 1, 2012		166,681	5,144	553		150,348		322,726	322,726	
Net income for the year						59,906		59,906	(1,551)	58,355
Other comprehensive loss for the year				(924)			(3,705)	(4,629)	(4,363)	(8,992)
Shares issued	23	5,541						5,541	5,541	
Shares repurchased	23	(485)				(1,793)		(2,278)	(2,278)	
Share-based incentive plans	23		2,440					2,440	776	3,216
Transfers upon exercise of share options		545	(545)							
Non-controlling interest arising on a business combination	5								71,947	71,947
Balance as at December 31, 2012		172,282	7,039	(371)		208,461	(3,705)	383,706	66,809	450,515

See accompanying notes

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Notes to Consolidated Financial Statements

December 31, 2012 and 2011

(In thousands of Canadian dollars except for share and per share amounts)

(All other currencies are in thousands)

1. PRESENTATION OF FINANCIAL STATEMENTS

Description of the Business

Paladin Labs Inc., together with its subsidiaries, hereinafter referred to as the Company, is an international specialty pharmaceutical public listed company continued under the *Canada Business Corporations Act*, focused on researching, developing, acquiring, in-licensing, marketing and distributing innovative pharmaceutical products, medical devices and vaccines.

Basis of Preparation and Statement of Compliance

These consolidated financial statements include the accounts of the Company and all its subsidiaries, including the accounts of Litha Healthcare Group Limited (Litha) as of July 2, 2012, the effective date of acquisition (described in more detail in Note 5). These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) on a historical cost basis, except for items that are required to be accounted for at fair value and in accordance IAS 1, Presentation of Financial Statements. These consolidated financial statements have been prepared in accordance with those IFRS standards and IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these statements. The policies set out below have been consistently applied to all the periods presented.

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. In the process of applying the Company's accounting policies, management has made judgments and estimates of which those determined to have the most significant effect on the amounts recognized in the consolidated financial statements are disclosed in Note 3.

These consolidated financial statements were authorised for issue by the Company's Board of Directors on March 1, 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The consolidated financial statements of the Company include the accounts of Paladin Labs Inc. and all its subsidiaries (see note 20). Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases.

Transactions and balances between subsidiaries are eliminated and no income is recognized on sales between subsidiaries until the products are sold to customers outside the Company. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions with no effect on net income or on other comprehensive income.

Effective July 2, 2012 and as at December 31, 2012, the Company owned a 44.54% interest in Litha and through certain shareholder agreements representing 13.42% of Litha's outstanding common shares the Company has control over more than half of the voting rights of Litha and, therefore, consolidates Litha.

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Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Company elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Goodwill (the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed) is initially measured at cost. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in such circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Foreign Currency Translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements of the Company are presented in Canadian dollars (CAD), which is the parent Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are initially recorded by the Company's entities at their respective functional currency using the exchange rates prevailing at the date of the transaction. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the period-end rates of exchange. Non-monetary assets and liabilities are translated at the historical exchange rates. Exchange gains and losses arising from the translation of foreign currency items, except those related to available-for-sale securities which are reflected in other comprehensive income, are recognized in the consolidated statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on

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change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or net income are also recognized in other comprehensive income or net income, respectively).

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

(c) Company s subsidiaries

On consolidation the assets and liabilities of foreign operations are translated into CAD at the rate of exchange prevailing at the reporting date and their statements of income are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the consolidated statement of income.

Cash and Cash Equivalents

Cash and cash equivalents comprise current balances with banks and similar institutions and highly liquid investments with original maturities of three months or less. They are readily convertible into known amounts of cash and have an insignificant risk of changes in value.

Marketable Securities

Marketable securities consist of debt securities which are principally traded in liquid markets. Marketable securities that are classified as available-for-sale are initially measured at fair value with any resulting subsequent changes in the fair value being charged or credited to other comprehensive income and when ultimately sold to net income. Fair values for marketable securities are obtained using quoted active market prices for such securities.

Trade Receivables

Trade receivables are carried at original invoice amount less any provisions for product returns, credits and doubtful accounts. Provisions for returns are made where the returns or exchange of products are allowed under the Company s policy. Provisions for doubtful accounts are made where there is evidence of a risk of non-payment, taking into account ageing, previous experience and general economic conditions. When a trade receivable is determined to be uncollectable it is written off, firstly against any provision available and then to the consolidated statement of income. Subsequent recoveries of amounts previously provided for are credited to the consolidated statement of income. Long-term receivables are discounted to current values using appropriate rates of interest.

Inventories

Inventory is valued at the lower of cost, determined on a first-in, first-out basis, and net realizable value. The cost of finished goods and work-in-progress includes direct costs and an allocation of overhead. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and applicable selling expenses.

Investments in Associates and Interest in a Joint Venture

The Company accounts for investments in associates and its interest in a joint venture using the equity method. An associate is an entity in which the Company has significant influence. The Company has an interest

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in a joint venture, which is a jointly controlled entity, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The arrangement requires unanimous agreement for financial and operating decisions among the venturers.

Investments in associates and the Company's interest in a joint venture are carried in the consolidated balance sheet at the Company's share of the associates' and joint venture's net assets at date of acquisition and of its post-acquisition retained net income or losses, net of the amortization of fair value adjustments, taxation and dividends received. Goodwill relating to associates or joint venture is included in the carrying amount of the investments and is neither amortized nor individually tested for impairment.

The consolidated statement of income reflects the share of the results of operations of the associates and the joint venture. Where there has been a change recognized directly in the equity of the associate or joint venture, the Company recognizes its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Company and the associates or the joint venture are eliminated to the extent of the interest in the associates or the joint venture.

The share of net income from associates and the share of net income or loss from a joint venture is shown on the face of the consolidated statement of income less amortization and tax effect of fair value adjustments. This is the net income or loss attributable to shareholders of the associates and the joint venture and therefore is income after tax. When the Company's share of losses in associates or a joint venture equals or exceeds its interest in the associates or joint venture the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associates or joint venture.

The financial statements of the associates and joint venture are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies and classifications in line with those of the Company.

After application of the equity method, the Company determines whether it is necessary to recognize an additional impairment loss on the Company's investment in its associates and interest in its joint venture. The Company determines at each reporting date whether there is any objective evidence that the investment in the associate or the interest in the joint venture is impaired. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the share of net income from associates or share of net income from the joint venture in the consolidated statement of income.

Upon loss of significant influence or joint control over the associates or joint venture, the Company measures and recognizes any remaining investment at its fair value. Any difference between the carrying amount of the associates or joint venture upon loss of significant influence or joint control and the fair value of the remaining investment and any proceeds from disposal is recognized in the consolidated statement of income.

Financial Instruments Initial Recognition and Subsequent Measurement***(a) Available-for-sale financial investments***

Investments classified as available-for-sale are initially recorded at fair value plus transaction costs and then remeasured at subsequent reporting dates to fair value using quoted market prices, if available, or are carried at cost for investments held in private entities, where there are no quoted market prices in an active market. Unrealized gains and losses on available-for-sale investments are recognized directly in equity as other comprehensive income in Other

capital reserves (deficit) until the investment is sold, at which time the cumulative gain or loss is recognized in Other finance (income) expense . Purchases and sales of available-for-sale investments are accounted for on the trade date. Impairments arising from the significant or prolonged decline in fair value of an investment reduce the carrying amount of the asset directly and are charged to the

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consolidated statement of income. Impairments on equity investments classified as available-for-sale are not reversed until disposal of the instrument. On disposal or impairment of the investments, any gains and losses that have been deferred in equity are recognized in the consolidated statement of income. On disposal of investments, fair value movements are reclassified from Other capital reserves (deficit) to the consolidated statement of income based on average cost for shares acquired at different times.

(b) Loans and receivables

Investments classified as loans and receivables are initially recorded at fair value with subsequent measurements recorded at amortized cost using the effective interest method, less impairment, if any. The interest accretion is captured under Other finance (income) expense on the consolidated statement of income.

(c) Derivative financial instruments

Derivative financial instruments are carried at fair value with changes in the fair value being charged or credited to the consolidated statement of income under Other finance (income) expense during the year. Fair value of conversion options within convertible term notes and common share purchase warrants are obtained using the Black-Scholes option pricing valuation model.

(d) Financial liabilities

Payables, accruals and provisions, other balances payable and long-term liabilities are classified as financial liabilities. They are initially measured at their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method. The interest accretion is captured under Other finance (income) expense on the consolidated statement of income.

(e) Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

Significant financial difficulty of the issuer or counterparty;

Default or delinquency in interest or principal payments or it has become probable that the debtor will enter bankruptcy or financial reorganization;

An adverse change in legal factors or in the business climate that could affect the value of an asset; and

Current or forecasted operating or cash flow losses that demonstrate continuing losses associated with the use of an asset.

(f) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) or financial liability is derecognized when:

The rights/obligations to receive/disburse cash flows from the asset/liability have expired/discharged; and

The Company has transferred its rights/obligations to receive/disburse cash flows from the asset/liability.

Table of Contents***Property, Plant and Equipment***

Property, plant and equipment is stated at historical cost less accumulated depreciation and/or accumulated impairment losses, if any. Historical cost includes expenditures that are directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of income during the year in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method over the estimated useful lives of the assets, as follows:

Building under finance lease	Over the life of the lease
Machinery and equipment	2-20 years
Motor vehicles	4-5 years
Computer equipment and software	3-4 years
Furniture and fixtures	2-3 years

The Company periodically reviews the useful lives and the carrying values of its property, plant and equipment and as a result the useful life of property, plant and equipment may be adjusted accordingly. On disposal of property, plant and equipment, the cost and related accumulated depreciation and impairments are removed from the consolidated financial statements and the net amount, less any proceeds, is included in the consolidated statement of income.

Intangible Assets

In the normal course of business, the Company secures development, sales, marketing and distribution rights to innovative and mature drug products. Intangible assets acquired are recorded at cost and consist primarily of pharmaceutical, product licenses and rights, intellectual property and process know-how covered by certain patented and non-patented information. Milestones and other license payments determined to have a high likelihood of attainment, subsequent to the regulatory approval of the product, are capitalized based upon the Company's periodic review and assessment of the product's expected performance. Intangible assets with finite lives are amortized on a straight-line basis over the lesser of the term of the agreement, the life of the patent or the expected useful life of the product once they are available for commercialization. The amortization terms generally range from 2 to 15 years. The Company periodically reviews the useful lives and the carrying values of its intangible assets. As a result, the useful life of intangible assets may be adjusted accordingly.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit (CGU) level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Impairment of Non-Financial Assets

The Company assesses at each reporting period whether there is an indication that an asset may be impaired. An impairment loss is recognized when the carrying amount of an asset, or its CGU, exceeds its recoverable amount. The recoverable amount is the greater of the asset's or CGU's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects

current market assessments of the time value of money and the risks specific to the asset or CGU. In determining fair value less costs to sell, an appropriate valuation model is used. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

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In addition, goodwill, intangible assets with indefinite useful lives and intangible assets which are not yet available for use, if any, are tested for impairment annually, as well as whenever there is an indication that the carrying amount of the asset or the CGU to which an asset has been allocated exceeds its recoverable amount. Impairment losses are charged to the consolidated statement of income in the year concerned. Impairments of goodwill are not reversed. Impairment losses on other long-term assets are only reversed if there has been a change in estimates used to determine the recoverable amounts and only to the extent that the revised recoverable amounts do not exceed the carrying values that would have existed, net of depreciation or amortisation, had no impairments been recognized.

Payables, Accruals and Provisions

Payables, accruals and provisions are initially measured at fair value with subsequent measurement recorded at amortized cost using the effective interest rate method. Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The recognized provisions are mostly related to business acquisitions and product-related agreement exposures and are part of the normal course of business.

Restructuring Provisions

Restructuring provisions are recognized only when general recognition criteria for provisions are fulfilled. Additionally, the Company follows a detailed formal plan about the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs and appropriate timeline. The employees affected have a valid expectation that the restructuring is being carried out or the implementation has been initiated already. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Leases

Leases are classified as either operating or finance, based on the substance of the transaction at inception of the lease. Classification is re-assessed if the terms of the lease are changed.

(a) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under an operating lease (net of any incentives received from the lessor) are recognized in the consolidated statement of income on a straight-line basis over the period of the lease.

(b) Finance lease

Leases in which substantially all the risks and rewards of ownership are transferred to the Company are classified as finance leases. Assets meeting finance lease criteria are capitalized at the lower of the present value of the related lease payments or the fair value of the leased asset at the inception of the lease. Minimum lease payments are distributed between the finance charge and the liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Other Balances Payable

As part of acquisitions of intangible assets, the Company may assume obligations to pay out certain future contractually pre-defined amounts upon meeting specific timelines or specific regulatory or sales related milestones. These obligations are recorded when the likelihood of attainment is deemed likely and are initially

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measured at fair value with subsequent measurements recorded at amortized cost using the effective interest rate method. The long-term other balances payable are discounted to current values using appropriate rates of interest.

Share-Based Compensation Plans

The Company has share-based compensation plans, which are described in Note 23. The cost of share-based compensation plans is recognized, together with a corresponding increase in other paid-in capital and non-controlling interest in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense is recognized at each reporting date until the vesting date and reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The movement in cumulative expense recognized for the period is recorded under Selling, general and administrative expenses and Research and development expenses on the consolidated statements of income. No expense is recognized for awards that do not ultimately vest. Any consideration paid by employees on exercise of share options or purchase of shares is credited to share capital. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in Note 29).

Share Buy-Back Plans

The Company from time to time initiates a share buy-back plan, which is described in Note 23. The common shares are repurchased by the Company and later cancelled. The difference between the amounts paid for the common shares and the weighted average common share value is recorded to retained earnings according to applicable accounting standards.

Share Issue Costs

Share issue costs incurred by the Company are recorded as a reduction of share capital.

Revenue Recognition

Revenue is recognized when the product is delivered to the Company's customers, provided the Company has not retained any significant risks of ownership or future obligations with respect to the product. Revenue from product sales is recognized net of sales discounts, credits and allowances. Revenue related to service arrangements, where the Company earns a distribution fee on net sales or earns co-promotion revenue, is recognized when the service is provided and is recorded on a net basis. Revenue related to royalty arrangements with partners, where the Company earns a royalty fee based on certain pre-determined terms relating to the net sales of products is recognized as such terms are met alongside the recording of partner product revenues. In certain circumstances, returns or exchange of products are allowed under the Company's policy and provisions are maintained accordingly. Revenue is recorded net of these provisions. In certain situations, such as initial product launches for which the Company has limited comparable information or where the market or client acceptance has not been clearly established, the Company may determine that it has not met the requirements for recognition of revenue, such as the ability to reasonably determine provisions for product returns, as a result the Company will defer the recognition of revenue for these product sales until such criteria are met.

Interest Income/Expense

Interest income or expense is recognized on a time-proportion basis. For all financial instruments measured at amortized cost and interest bearing financial assets classified as available-for-sale, interest income or expense is recorded using the effective interest rate method, which is the rate that exactly discounts the estimated future cash

payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

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Table of Contents***Government Assistance***

Amounts received or receivable resulting from government assistance programs, including grants and investment tax credits for research and development, are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the amount relates to an expense item, it is recognized as income on a systematic basis as a reduction to the costs that it is intended to compensate. When the grant relates to an asset, it reduces the carrying amount of the asset and is then recognized as income over the useful life of the depreciable asset by way of a reduced depreciation charge.

Research And Development

Research and development expenditures are charged to the consolidated statement of income in the year in which they are incurred. Milestones and other license payments paid prior to regulatory approval of the product are generally expensed when the event requiring payment of the milestone occurs. Development expenditures are capitalized when the criteria for recognizing an asset are met, usually when a regulatory filing has been made in a major market and approval is considered highly likely. Property, plant and equipment used for research and development is depreciated in accordance with the Company's policy.

Employment Benefits

The Company has an employee deferred income sharing plan available to all permanent employees pursuant to which the Company matches a contribution of up to 4% and 5% of an employee's salary in the form of a registered retirement savings plan contribution. The Company's contributions are charged to the consolidated statement of income as incurred.

Income Taxes

Income tax expense is comprised of current and deferred tax. Tax expenses are recognized in the consolidated statement of income except to the extent they relate to items recognized directly in shareholders' equity, in which case the related tax is recognized in shareholders' equity.

(a) Current Income Tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Company operates and generates taxable income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred Tax

Deferred tax is provided using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax is calculated based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates that are expected to apply to the year of realization or settlement based on tax rates and tax laws enacted or substantially enacted at the reporting date.

Deferred tax assets (liabilities) are recognized for all deductible (taxable) temporary differences and carry forwards of unused tax losses and Scientific Research and Experimental Development (SR&ED) expenditures,

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to the extent that it is probable that taxable income will be available against which the deductible temporary differences, and the carry forward of unused tax losses and SR&ED expenditures can be utilized except:

where the deferred tax asset (liability) relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor taxable income or loss; and

in respect of taxable temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognized deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in comprehensive income or directly in shareholders equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority. Deferred tax liabilities and assets are not discounted.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognized subsequently if new information about facts and circumstances changed. The adjustment would be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred within the measurement period or in the statement of income after the end of the measurement period.

(c) Sales Tax

Revenues, expenses and assets are recognized net of amount of sales tax except:

where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized in the cost of acquisition of the asset or as part of the expense item, as applicable; and

receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables and payables in the consolidated balance sheet.

3. SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

In preparing the consolidated financial statements, management is required to make estimates, judgements and assumptions that affect the amounts of assets, liabilities, revenue and expenses reported in the consolidated financial statements. Actual amounts and results could differ from those estimates. The following are considered to be the key accounting estimates and judgements made.

Revenue Recognition

Revenue is recognized when title and risk of loss is passed to the customer and reliable estimates can be made of relevant deductions. Gross revenue is reduced by discounts, credits, allowances and product returns.

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Accruals are made at the time of sale for the estimated discounts, credits, allowances and product returns, based on available market information and historical experience. Because the amounts are estimated they may not fully reflect the final outcome, and the amounts are subject to change. The level of accrual is reviewed and adjusted regularly in light of contractual and legal obligations, historical trends, past experience and projected market conditions. Market conditions are evaluated using wholesaler and other third-party analyses, market research data and internally generated information. Future events could cause the assumptions on which the accruals are based to change, which could affect the future results of the Company.

In certain situations, such as initial product launches for which the Company has limited comparable information or where the market or client acceptance has not been clearly established, the Company may determine that it has not met the requirements for recognition of revenue, such as the ability to reasonably determine provisions for product returns, as a result the Company will defer the recognition of revenue for these product sales until such criteria are met.

Inventory Valuation

The reserve for inventory primarily consists of all or a portion of the inventory which has reached its expiration or is not expected to be sold, based on the specific facts and circumstances. In order to determine whether the inventory is properly stated at the lower of cost or net realizable value, management reviews the amount of inventory on hand, the remaining shelf life and estimates the time required to sell such inventory taking into account current and expected market conditions and competition.

Assets Arising From Business Combinations

During 2012, the Company invested \$47,643 (2011: \$20,448) on business acquisitions (refer to Note 5). Based on existing accounting standards the Company allocated the cost of the acquisition to the underlying net assets acquired based on their respective estimated fair values. As part of this allocation process, the Company must identify and attribute values and estimated lives to the identifiable assets acquired, mainly intangible assets.

These determinations involve significant estimates and assumptions regarding cash flow projections, economic risk and weighted cost of capital rates such as length of license agreement, expected market penetration, terminal values and country specific risk. These estimates and assumptions determine the amount allocated to identifiable intangible assets and goodwill, as well as the amortization period for identifiable intangible assets with finite lives. If future events or results differ adversely from these estimates and assumptions, the Company could record increased amortization or impairment charges in the future.

Intangible Assets

The factors that drive the actual economic useful life of the intangible assets are inherently uncertain, and include patent protection, physician loyalty and prescribing patterns, competition from products prescribed for similar indications, introductions of competing products, the impact of promotional efforts, adverse patient reactions to products or similar products including negative publicity and many other issues. The terms generally range from 2 to 15 years. Capitalized milestones and other license payments are based on future cash flows that are derived from business forecasts and are inherently judgemental.

Estimated useful lives are reviewed annually and impairment tests are undertaken if events occur which call into question the carrying values of the assets. Impairment tests are based on risk-adjusted future cash flows discounted using the Company's weighted average cost of capital. These future cash flows are based on business forecasts and are

therefore inherently judgemental. Future events could cause the assumptions used in these impairment reviews to change with a consequential adverse effect on the future results of the Company.

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Income Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile.

Deferred tax assets are recognized for all unused tax losses and SR&ED expenditures carried forward to the extent that it is probable that taxable profit will be available against which the losses and SR&ED expenditures can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Further details on taxes are disclosed in Note 10.

4. RECENT ACCOUNTING PRONOUNCEMENTS

Certain new standards, interpretations and amendments to existing standards issued by the IASB or IFRIC that are not yet effective up to the date of issuance of the Company's consolidated financial statements are listed below. These standards are mandatory for accounting periods beginning January 1, 2013 with the exception of IFRS 9 which is mandatory for accounting periods starting with January 1, 2015. The Company is assessing the impact of these pronouncements on its consolidated results and financial position. The Company intends to adopt these standards when they become effective.

IFRS 9 Financial Instruments (Classification and Measurement)

IFRS 10 Consolidated Financial Statements

IFRS 11 Joint Arrangements

IFRS 12 Disclosure of Interest in Other Entities

IFRS 13 Fair value measurements

IAS 1 Presentation of financial statements

IAS 28 Investments in Associates and Joint Ventures

5. SIGNIFICANT TRANSACTIONS AND BUSINESS COMBINATIONS

Pharmaplan / Litha acquisition

On February 21, 2012, the Company entered into a strategic partnership whereby it agreed to accelerate the purchase of the remaining 55.01% interest in Pharmaplan it did not own at that date and to merge the Pharmaplan business with the pharma division of Litha, a publicly listed diversified healthcare company on the Johannesburg Stock Exchange (JSE), with headquarters in Johannesburg, South Africa (the Combined Transactions). On July 2, 2012, the Company acquired the 55.01% interest in Pharmaplan for cash consideration of \$38,150 and the issuance of 88,948 common shares at \$44.97 per share. Litha subsequently acquired 100% of the share capital of Pharmaplan from the Company in exchange for cash of \$15,450 (South African Rand (ZAR) 125,000) and the issuance of 169,090,909 Litha common shares at \$0.3399 (ZAR2.75) per share. The Company further acquired an additional 73,083,214 shares of Litha from third parties at \$0.3399 (ZAR2.75) per share for a total net consideration of \$24,943 (ZAR200,802). Upon the closing of these transactions the Company owns 242,174,122 common shares of Litha, representing a 44.54% interest in Litha making it Litha's single largest shareholder. The

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Combined Transactions described above in conjunction with certain shareholder agreements for 13.42% of Lithia's outstanding common shares give the Company control over more than half of the voting rights of Lithia and, therefore, the Company has included Lithia within its consolidated financial statements as of July 2, 2012, the effective date of acquisition.

Prior to the Combined Transactions, the Company held a 44.99% interest in Pharmaplan (Note 12) and considered it an equity investment recorded at a value of \$18,480 under "Investment in an associate" on the consolidated balance sheet. In conjunction with the Company's acquisition of the remaining 55.01% interest in Pharmaplan, the Company, in accordance with IFRS, revalued its original investment in Pharmaplan as of July 2, 2012 at \$30,774 and recorded a gain of \$12,294.

The consideration given for the Lithia acquisition described above is comprised of the following:

Cash	\$ 47,643
Common shares of the Company	4,000
44.99% interest in Pharmaplan	30,774
Total consideration given	\$ 82,417

The preliminary fair value allocation of the Lithia purchase price as at the date of acquisition was:

Cash and cash equivalents	\$ 5,285
Trade and other receivables	23,661
Inventories	20,340
Income tax receivable	3,289
Current assets	52,575
Investment in an associate	607
Investment in a joint venture	27,950
Loans receivable from a joint venture	9,928
Deferred income tax assets	2,204
Property, plant and equipment	9,578
Intangible assets	104,600
Other non-current assets	410
Total assets	207,852
Bank overdraft	(6,010)
Payables, accruals and provisions	(18,073)
Finance lease liability	(790)
Income tax payable	(2,180)
Current portion of long-term liabilities	(3,771)
Current liabilities	(30,824)

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Finance lease liability	(7,108)
Deferred tax liability	(27,441)
Loans from joint venture	(1,159)
Long-term liabilities	(29,891)
Total liabilities	(96,423)
Net assets	111,429
Non-controlling interests	(67,164)
Net assets net of non-controlling interests	44,265
Goodwill on acquisition	38,152
Net consideration paid and given in kind to Litha	\$ 82,417

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The Company elected to measure the non-controlling interest in Litha using the proportionate share of its interest in Litha's identifiable net assets as per applicable IFRS guidelines and consists of \$61,799 representing 55.46% of the acquired net assets of \$111,429 and \$5,365 representing the fair value of Litha share options at acquisition date.

The fair value of the trade and other receivables amounts to \$23,661. The gross amount of trade and other receivables is \$24,127. None of the trade receivables have been impaired and it is expected that the full contractual amounts can be collected.

The cash and cash equivalents, bank overdraft, trade and other receivables, inventories, loans receivable from a joint venture, finance lease liability and long-term liabilities balances are considered final assessments of their respective fair values for purposes of the purchase price equation. The Company is in the process of finalizing the remaining balances of the purchase price allocation which will be completed during 2013.

The goodwill of \$38,152 represents the excess of net consideration paid and given in kind over the net assets and non-controlling interest acquired and comprises the value of intangible assets that do not qualify for separate recognition; for example the assembled workforce, increased market presence, expected synergies and other benefits arising from the acquisition. The goodwill is provisionally allocated to the Litha reporting segment. The Company is in the process of finalizing the allocation of the goodwill to stand-alone CGUs within Litha. None of the goodwill recognized is expected to be deductible for income tax purposes.

During the period from July 2, 2012 to December 31, 2012 Litha recorded revenues of \$56,327 (ZAR480,260) and a net loss of \$2,710 (ZAR24,682) after net fair value adjustments on acquisition. The available financial information in view of several acquisitions and the deconsolidation of a major subsidiary during the year ended December 31, 2012 does not allow for meaningful and accurate disclosure of pro-forma Litha revenues and net income (loss) had the Company concluded this acquisition at the beginning of the year.

Labopharm acquisition

On October 7, 2011, the Company acquired all of the issued and outstanding common shares of Labopharm Inc. (Labopharm) (TSX: DDS) at a price of \$0.2857 per share in cash, for a total cash consideration of \$20,448, and the settlement of a loan receivable of \$9,712 for a total purchase price of \$30,160. Labopharm was an international specialty pharmaceutical corporation focused on improving and out-licensing existing drugs by incorporating its proprietary and advanced controlled-release technologies.

The acquisition was accounted for using the acquisition method of accounting and the results of Labopharm's operations are included in the Company's consolidated financial statements from October 7, 2011, the effective date of acquisition. The purchase price was allocated as follows:

Cash and cash equivalents	\$ 19,339
Trade and other receivables	3,467
Inventories	2,058
Investments tax credits receivable	1,965
Other current assets	328
Current assets	27,157
Investment tax credits recoverable	9,789

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Deferred tax assets	15,959
Property, plant and equipment and finance lease asset	3,996
Intangible assets	19,997
Total assets	76,898

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Payables, accruals and provisions	(5,749)
Deferred revenue	(1,453)
Loans payable	(13,227)
Finance lease liability	(984)
Current liabilities	(21,413)
Deferred revenue	(2,338)
Finance lease liability	(5,917)
Total liabilities	(29,668)
Net assets acquired	47,230
Consideration paid	(20,448)
Settlement of loan receivable	(9,712)
Purchase gain on business combination	\$ 17,070

The excess of the net assets acquired over the purchase price represents a purchase gain and immediately following the acquisition, in accordance with appropriate accounting standards, the Company initiated a restructuring plan with respect to the Labopharm operating activities. The following unusual expenses and provisions were taken at this time in conjunction with the restructuring plan and have been included in Restructuring, shutdown and other costs on the consolidated statement of income.

Purchase gain on business combination	\$ 17,070
Restructuring costs	(4,135)
Shutdown and other costs	(4,660)
Total costs	(8,795)
Net gain on business combination	\$ 8,275

The majority of the shutdown and other costs relate to the write down of a finance lease building of \$3,946, which the Company had acquired as part of the Labopharm acquisition, further discussed in Note 16. In addition, the shutdown and other costs include \$350 contractual and transition related costs.

During the period from October 7, 2011 to December 31, 2011 Labopharm recorded revenues of \$2,630 and a net loss of \$8,186 primarily due to the one-time impact of the restructuring, shutdown and other costs.

Prostrakan Facility

On January 11, 2011, the Company invested \$77,232 (£50,000) in ProStrakan Group plc (Prostrakan) through the acquisition by way of assignment of ProStrakan s existing secured debt facility with the addition of certain conversion rights. The secured facility was amended and provided by the Company in CAD at a rate of interest of 10.5%. The amended secured facility (Facility) was repayable in full at the end of three years and the Company had the option to convert the outstanding principal debt into new ProStrakan ordinary shares at any point after the initial nine months of the term of the amended agreement. In the event of a change in control of ProStrakan during this same initial time

period, along with the Company consenting to early redemption, the Company was entitled to receive a payment equivalent to the balance of interest for the first year of the loan together with a break fee of \$3,089 (£2,000). The strike price for the conversion rights was set at £1.10 per share, a 24% premium to the closing price of ProStrakan s common shares on December 14, 2010.

According to financial instruments accounting standards, the Facility was initially recognized at its respective fair value through the bifurcation of the conversion option and early redemption option which were classified and subsequently re-measured as derivative assets. The fair value of the conversion option was obtained by using the Black-Scholes option pricing model, adjusted for credit risk and a 25% likelihood of

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conversion, using the following assumptions, as at January 11, 2011: volatility factor: 59.43%, risk free interest rate: 2.01% and time to expiry: 3 years. The fair value of the early redemption option, as at January 11, 2011, was obtained using a probability factor of 75% and a discount factor of 20.8%. The allocated loan portion of the Facility was classified as Loans and receivables and recorded at fair value upon initial measurement and subsequently recorded at amortized cost using the effective interest rate method at a rate of 20.8% per year.

On February 21, 2011, in connection with the proposed acquisition of ProStrakan by Kyowa Hakko Kirin Co., Ltd. (KHK), the Company consented to the repayment of its Facility subject to closing of the acquisition. On March 31, 2011, pursuant to the approval of the acquisition of Prostrakan by KHK, the conversion option was deemed to have a fair value of \$nil and the early redemption option was re-measured using a probability factor of 100%.

On May 17, 2011, the Company received gross proceeds of \$86,432 representing the aggregate of: the principal of the ProStrakan Facility of \$77,232; the interest accrued at May 17, 2011 of \$778; a break free of \$3,089; and the outstanding balance of interest payable for the first year of \$5,333, resulting in a gain on early redemption of \$8,422. The Company has recorded interest accretion of \$1,004 for the year ended December 31, 2011. Both the gain on redemption and the interest accretion are included in Other finance income on the consolidated statement of income. Moreover, the Company retained the rights to the products it had previously been licensed in connection with the agreement.

Afexa Offer

On August 10, 2011, the Company issued a take-over bid circular making an offer to purchase (the Offer), on the terms and subject to the conditions of the Offer, any and all of the issued and outstanding common shares (the Afexa Common Shares) of Afexa Life Sciences Inc. (Afexa), together with any associated rights (the SRP Rights) issued under the Shareholder Rights Plan of Afexa, which included Afexa Common Shares that might have become issued and outstanding after the date of the Offer but before the expiry time of the Offer upon the exercise of options issued under Afexa's Stock Option Plan together with their associated SRP Rights. Under the terms of the Offer, Afexa Shareholders had an alternative to either receive \$0.55 in cash (the Cash Alternative) or 0.013 common shares (Paladin Shares) of the Company (the Share Alternative).

On August 30, 2011, Valeant Pharmaceuticals International Inc. (Valeant NYSE/TSX: VRX), through a subsidiary, made a competing offer to acquire the issued and outstanding common shares of Afexa for \$0.71 per share. Following this offer, on September 26, 2011, the Company increased its Offer (Enhanced Offer) to acquire any and all of the issued and outstanding common shares of Afexa to \$0.81 per share. On September 30, 2011 Valeant further announced it had increased its bid to \$0.85 per share. On October 3, 2011, the Company announced that it would not take up any shares under its Enhanced Offer to acquire any and all of the issued and outstanding common shares of Afexa due to the nonfulfillment of a condition to the Company's Offer. In addition, on October 17, 2011, the Company tendered its shares in Afexa to Valeant for a gain on disposition of \$5,081 included in Other finance income on the consolidated statement of income.

6. CASH AND CASH EQUIVALENTS AND BANK OVERDRAFT

	2012	2011
Cash at banks	\$ 51,239	\$ 17,957
Short-term deposits	64,224	49,082
Restricted cash	3,281	

Commercial paper		5,076
Cash and cash equivalents	118,744	72,115
Bank overdraft	(7,044)	
Cash and cash equivalents and bank overdraft	\$ 111,700	\$ 72,115

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The effective interest rate on cash and cash equivalents at December 31, 2012 was approximately 1.35% (December 31, 2011: 1.09%).

In connection with the Litha acquisition, further discussed in Note 5, the Company placed \$3,281 (ZAR26,544) in escrow as security for its obligations towards Litha as part of the Pharmaplan sale. These funds are restricted in escrow until January 2, 2014.

The effective interest rate on the bank overdraft utilized by the Company's South African subsidiary was approximately 8%. The overdraft facility is secured by a cession of certain trade receivables, inventories, by a notarial bond over certain fixed property, plant, equipment and cross guarantees for all of the companies in the group except for The Biovac Consortium Proprietary Limited.

7. MARKETABLE SECURITIES

	2012	2011
Guaranteed investment certificates, earning effective interest at rates ranging from 1.27% to 2.05% (December 31, 2011: 1.27% to 1.91%) and maturing on various dates from January 2013 to February 2014	\$ 82,525	\$ 87,256
Other interest bearing accounts, earning effective interest at rates ranging from 1.54% to 1.65% (December 31, 2011: 1.43% to 1.75%) and maturing on various dates from May 2013 to November 2013	20,826	12,730
Commercial paper, earning effective interest at rates ranging from 1.30% to 1.76% (December 31, 2011: 1.53% to 2.07%) and maturing on various dates from March 2013 to April 2014	29,768	26,106
Discount notes, earning effective interest at rates ranging from 1.91% to 3.02% (December 31, 2011: 1.46% to 2.40%) and maturing on various dates from June 2013 to November 2013	9,942	29,487
Corporate bonds, earning effective interest at 2.16% (December 31, 2011: 1.60%) and maturing on March 2013	1,986	4,791
Government bonds, earning effective interest at 1.65% (December 31, 2011: 0.21% to 1.63%) and maturing on September 2013	1,211	6,524
	\$ 146,258	\$ 166,894

The entire balance of marketable securities is classified as Available-for-sale and presented as a current asset. The effective rate of return on marketable securities is approximately 1.73% (December 31, 2011: 1.58%).

8. TRADE AND OTHER RECEIVABLES

	2012	2011
Trade receivables, net of provisions	\$ 34,560	\$ 15,994
Interest receivable	1,196	1,587
Other receivables	2,831	2,627

Trade and other receivables	\$ 38,587	\$ 20,208
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The following table provides the change in the provision for doubtful accounts and product returns for trade receivables:

Provision for doubtful accounts and product returns	2012	2011
Balance as of January 1st	\$ 6,454	\$ 6,092
Additions from business combinations	194	
Charge for the year	1,116	573
Utilized	(743)	(211)
Balance as at December 31st	\$ 7,021	\$ 6,454

The following table provides details on trade receivables past due but not provisioned:

	2012	2011
Trade receivables not passed due	\$ 19,526	\$ 17,701
Trade receivables passed due and not provisioned		
Under 30 days	13,889	4,318
31 to 60 days	5,436	324
61 to 90 days	1,880	
Over 90 days	250	
Allowance for product returns	(6,421)	(6,349)
Trade receivables, net of provisions	\$ 34,560	\$ 15,994

Trade and other receivables corresponding to the Company's South African subsidiary with a carrying value of \$19,837 as at December 31, 2012 were pledged as security for its overdraft and long-term liabilities further discussed in Notes 6, 22 and 31.

9. INVENTORIES

	2012	2011
Raw materials	\$ 2,903	\$ 2,229
Work in progress	1,273	1,829
Finished goods	35,803	10,444
Provision for obsolescence	(2,538)	(1,175)
Inventories at the lower of cost and net realizable value	\$ 37,441	\$ 13,327

During the year ended December 31, 2012, inventories of \$52,773 were recognized as cost of sales, including provisions for write-downs to net realizable value of \$191. During the year ended December 31, 2011, inventories of \$33,175 were recognized as cost of sales, including provisions for write-downs to net realizable value of \$420.

Inventories corresponding to the Company's South African subsidiary, with a value at lower of cost and net realizable value of \$22,908 as at December 31, 2012, were pledged as security for its overdraft and long-term liabilities further discussed in Notes 6, 22 and 31.

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The major components of income tax expense for the years ended December 31, 2012 and 2011 are:

Consolidated statements of income	2012	2011
Current income tax:		
Current income tax charge	\$ 1,642	\$ 10,388
Adjustments in respect of current income taxes of prior years	413	1,149
Deferred tax:		
Relating to origination and reversal of temporary differences	16,999	3,548
Adjustments in respect of deferred income taxes of prior years	(1,154)	(971)
Provision for income taxes	\$ 17,900	\$ 14,114

Consolidated statements of comprehensive income	2012	2011
Deferred tax related to items charged or credited directly to shareholders' equity during the year:		
Benefit on tax deductible share issue costs	\$	\$ (614)
Unrealized loss on available-for-sale financial assets		(31)
Income tax charged directly to shareholders' equity	\$	\$ (645)

A reconciliation between tax expense and the product of accounting income multiplied by Canada's domestic tax rate for the years ended December 31, 2012 and 2011 is as follows:

	2012	2011
Accounting income before income tax	\$ 76,255	\$ 64,265
At Canada's statutory income tax rate of 26.9% (2011: 28.4%)	20,513	18,251
Utilization of previously unrecognized tax losses and other tax attributes		(467)
Net adjustments to unrecognized tax benefits	(742)	
Labopharm acquisition non-taxable net gain (note 5)		(4,848)
Pharmaplan non-taxable net revaluation gain (note 5)	(3,307)	
Unrecognized tax benefits of losses carried forward and other differences	694	201
Non-taxable portion of capital gains realized		(841)
Taxable benefit of impairment of financial assets not recognized		1,526
Non-deductible expenses for tax purposes	992	1,888
Effect of income taxes recorded at rates different from the Canadian tax rate	(166)	(1,642)

Other differences	(84)	46
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At the effective income tax rate of 23.5 % (2011: 22.0%)	\$ 17,900	\$ 14,114
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Deferred tax relates to the following:

Deferred tax asset (liability)	Consolidated Balance Sheets		Consolidated Statements of Income	
	December 31,		Years ended	
	2012	2011	2012	2011
Assets				
Tangible and intangible depreciable assets	\$ 3,594	\$ 4,521	\$ (927)	\$ 919
Inventory reserves	357	814	(244)	480
Receivable provisions	1,666	1,698	(101)	26
Provisions	2,070	4,113	(2,587)	1,916
Donations	26	100	(74)	(12)
Financing fees	643	1,011	(368)	(290)
Losses available to offset against future taxable income	10,329	9,209	(277)	(4,148)
SR&ED expenditures	13,363	28,039	(14,676)	(1,810)
Investment tax credits	(6,682)	(6,637)	(45)	(7)
Deferred revenues	95	(2,238)	2,241	271
Losses available to offset against future taxable capital gains				
Other	(59)	(17)	(42)	78
Deferred tax assets	25,402	40,613	(17,100)	(2,577)
Liabilities				
Intangible depreciable assets	(24,415)		1,255	
Deferred tax liabilities	(24,415)		1,255	
Deferred tax in profit and loss			(15,845)	(2,577)
Deferred tax asset/(liability) acquired at acquisition date			(25,237)	15,959
Foreign exchange variation since acquisition			1,456	
Deferred tax asset/(liability) acquired at acquisition date			(23,781)	15,959
Financing fees				614
Other comprehensive income				31
Deferred tax asset recognized in equity				645
Net total deferred tax asset	\$ 987	\$ 40,613	\$ (39,626)	\$ 14,027

Reconciliation of deferred tax assets, net

	2012	2011
Opening balance as of January 1st	\$ 40,613	\$ 26,586
Tax expense during the year recognized in the consolidated statement of income	(15,845)	(2,577)
Tax income during the year recognized in shareholders equity		645
Deferred tax acquired in business combinations (note 5)	(23,781)	15,959
Ending balance as of December 31st	\$ 987	\$ 40,613

The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to offset current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authorities.

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In the next 12 months, the Company expects to recover or settle \$13,213 of its deferred tax assets.

As at December 31, 2012, the Company had Scientific Research and Experimental Development (SR&ED) expenditures available for Canadian federal and provincial income tax purposes, amounting to approximately \$71,701 and \$42,877, respectively, which may be applied against taxable income of future years for an indefinite period of which \$57,469 and \$39,850 respectively have been recognized in the consolidated financial statements. If the Company had recognized all deferred tax assets for SR&ED expenditures, the net income would increase by \$2,495.

The Company has non-capital tax losses which may be applied against taxable income for Canadian federal and Québec income tax purposes of \$29,530 and \$29,429, respectively, which expire between 2030 and 2032. The Company has recognized the tax benefit on \$20,491 and \$20,626 of these losses for Canadian federal and Québec income tax purposes, respectively. If the Company had recognized all deferred tax assets for non-capital tax losses, the net income would increase by \$2,404.

Non-capital losses

Expires in	Federal	Québec
2030	\$ 25,375	\$ 25,148
2031	1,708	1,708
2032	2,447	2,573
	\$ 29,530	\$ 29,429

As part of the Labopharm acquisition, the Company has tax losses which arose in Ireland, Barbados and the United States. The Irish losses of \$198,243 (2011: \$203,586) are available indefinitely for offset against future taxable profits of the company in which the losses arose subject to certain restrictions on continuing the operations of the Irish company. However, these losses relate to a subsidiary that has a history of losses, they do not expire and may not be used to offset taxable income elsewhere in the Company. The Company has reorganized the operations of the Irish subsidiary so that it will generate taxable income. The Company has recognized the tax benefit on \$19,612 (2011: 24,799) of these losses for Irish tax purposes to the extent of the future tax liability recognized as part of the Purchase Price Equation plus additional tax attributes of \$5,085 (2011: \$6,051) reflecting future income streams from the reorganization of the Company. If the Company were able to recognize all unrecognized deferred tax assets for these non-capital tax losses, the Company's consolidated net income would increase by \$22,329 (2011: \$22,348).

The losses which arose in Barbados of \$22,797 (2011: \$24,224) are available to reduce taxable income of future years. These losses carryforward and expire as follows:

Non-capital losses

Expires in	Barbados
2013	\$ 3,765
2014	3,158
2015	
2016	3,955

2017	8,327
2018	2,131
2019	427
2021	1,034
	\$ 22,797

The Company has reorganized the operations of the Barbados subsidiaries so that it will generate taxable income and therefore recognized the tax benefit on \$5,781 (2011: \$6,103) of the losses for Barbados tax purposes. If the Company were able to recognize all unrecognized deferred tax assets for these non-capital tax losses, the Company's consolidated net income would increase by \$425.

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The losses which arose in the United States of \$359 (2011: \$932) are available to reduce taxable income of future years subject to certain restrictions by the application of Section 382 of the Internal Revenue Code of the United States. None of these losses have been recognized.

As part of the Litha acquisition, the Company has tax losses which arose in South Africa. The losses of \$7,635 are available indefinitely for offset against future taxable profits of the company in which the losses arose. The Company has recognized the tax benefit on the entire balance of losses available.

At December 31, 2012, there was no recognized deferred tax liability (2011: \$Nil) for taxes that would be payable on the unremitted earnings of the Company's subsidiaries. The Company has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future, as the Company has an agreement with its subsidiaries that the profits of the subsidiary will not be distributed until it obtains the consent of the Company. The parent company does not foresee giving such consent at the reporting date.

As at December 31, 2011, a tax liability was recorded on the associate of the Company (Pharmaplan) which distributed its profits regularly. The tax accrued on undistributed earnings of the associate at that date was \$226 and was recorded against the share in the income of the associate. The taxation act of South Africa was amended effective April 1, 2012 to repeal the Secondary Tax on Companies (STC) which applied to the payer company on payment of dividends to shareholders. The STC was replaced by a withholding tax. The STC liability accrued on undistributed earnings of Pharmaplan was reversed as of April 1st, 2012. See Notes 5 and 12.

At December 31, 2012, the Company has net realized and unrealized capital losses of \$4,854 (2011: \$7,180) associated with portfolio and available-for-sale financial investments. Capital losses may only be used to offset future capital gains for Canadian federal and Québec income tax purposes. It is uncertain the Company will generate sufficient capital gains in the future to be able to recover these unrealized capital losses, if and when they are realized, and as such, no deferred tax asset has been recognized in the year ended December 31, 2012. If the Company were able to recognize all unrecognized deferred tax assets and all of these capital losses were realized for tax purposes, the Company's consolidated net income would increase by \$653.

11. OTHER CURRENT ASSETS

	2012	2011
Financial assets		
Deposits (i)	\$ 802	\$ 308
Non-financial assets		
Deferred costs (ii)	274	655
Prepayments	585	513
Other current assets	\$ 1,661	\$ 1,476

(i) Deposits consist of deposits on account with suppliers.

(ii) Deferred costs consist of deferred product costs associated with deferred revenue.

12. INVESTMENT IN ASSOCIATES

On March 16, 2010, the Company entered into a strategic investment to acquire an initial 34.99% ownership interest in Pharmaplan, a privately-owned specialty pharmaceutical company based in Johannesburg, South Africa. The Company paid \$18,861 including a non-interest bearing loan of \$2,879 (ZAR21,000). In addition, the Company committed to additional future consideration by increasing its ownership position by 5% per year over the next 3 years to 49.99%, with such additional consideration based upon Pharmaplan's future financial results. In addition, the Company had the option to increase its ownership interest in Pharmaplan to 100% in 2013, at a purchase price determined using Pharmaplan's future financial results, payable in ZAR. Refer to Note 5 for additional information.

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On March 1, 2011, the Company entered into an agreement with Pharmaplan to accelerate the purchase of Pharmaplan shares leading to the acquisition of a total 10% ownership interest in Pharmaplan. This increased the Company's ownership from 34.99% to 44.99% effective March 1, 2011. The Company paid \$5,975 including the settlement of the non-interest bearing loan mentioned above.

The equity interest acquired in Pharmaplan represented an investment subject to significant influence which was accounted for using the equity method from the date of the acquisition, March 16, 2010. The investments were initially recorded at cost and adjustments are made to include the Company's share of Pharmaplan's net income. The Company's share of net income is adjusted to reflect the amortization of the fair value adjustments related to the Company's share of the net identifiable assets of Pharmaplan acquired and the tax impact on the distributable earnings.

The Company is presenting selected financial information derived from Pharmaplan's IFRS compliant unaudited financial statements for information purposes.

Pharmaplan's statement of income data	For the period from January 1 to July 1, 2012	Year ended December 31, 2011
Revenues	\$ 24,411	\$ 46,346
Cost of sales	12,515	22,524
Gross income	11,896	23,822
Earnings before under-noted items	5,711	13,563
Interest, depreciation and income taxes	1,948	4,361
Net income for the period	\$ 3,763	\$ 9,202

On July 2, 2012, in conjunction with the Litha acquisition further discussed in Note 5, the Company acquired the 55.01% interest it did not own in Pharmaplan and in accordance with IFRS revalued and eliminated its original investment in Pharmaplan as of July 2, 2012 at \$30,774 and recorded a gain of \$12,294.

The Company, as part of the Litha acquisition further discussed in Note 5, acquired a 30% equity interest and has significant influence in Firefly Investments Ltd. (Firefly), a private real estate property management company responsible for managing the property on which Litha's headquarters are located.

**Year ended
December 31, 2012**