MANAGEMENT'S DISCUSSION AND ANALYSIS

MAY 13, 2016

MD&A Table of Contents

*The following Management's Discussion and Analysis ("**MD&A**") summarizes Concordia Healthcare Corp.'s ("**Concordia**" or the "**Company**", or "**we**" or "**us**" or "**our**") consolidated operating results and cash flows for the three months ended March 31, 2016 with comparative prior periods and the Company's balance sheet as at December 31, 2015. The MD&A was prepared as of May 13, 2016 and should be read in conjunction with the unaudited condensed interim consolidated financial statements and the notes thereto as at and for the three months ended March 31, 2016 and the financial statements and MD&A for the year ended December 31, 2015. Financial information in this MD&A is prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**") and amounts are stated in thousands of U.S. Dollars, which is the reporting currency of the Company, unless otherwise noted. The significant exchange rates used in the translation to the reporting currency are:*

	US$ per UK Pound Sterling (£)	
As at, and for the periods ended	Spot	Average
October 21 to December 31, 2015	1.4745	1.5042
January 1, 2016 to March 31, 2016	1.4395	1.4321

On April 29, 2016 the shareholders approved changing the name of the Company from Concordia Healthcare Corp. to Concordia International Corp. The name change is expected to be implemented in the second quarter of 2016.

Certain prior period financial information has been presented to conform to the current period presentation.

*Some of the statements contained in this MD&A constitute forward-looking information and forward-looking statements within the meaning of applicable Canadian securities legislation and forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995 (collectively, "**forward-looking statements**"). See "Forward-Looking Statements" for a discussion of certain risks, uncertainties, and assumptions relating to forward-looking statements. Additional information relating to the Company, including the Company's Annual Information Form, is available on SEDAR at www.sedar.com and on EDGAR at www.sec.gov. The results of operations, business prospects and financial condition of Concordia will be affected by, among other things, the "Risk Factors" set out in Concordia's Annual Information Form dated March 23, 2016 available on SEDAR at www.sedar.com, Concordia's Annual Report on form 40-F and other documents filed with the United States Securities and Exchange Commission ("**SEC**"), available on EDGAR at www.sec.gov.*

Certain measures used in this MD&A do not have any standardized meaning under IFRS. When used, these measures are defined in such terms as to allow the reconciliation to the closest IFRS measure. See "Selected Quarterly Financial Information", "Results of Operations" and "Non-IFRS Financial Measures".

Forward-looking Statements

Certain statements contained in this MD&A constitute "forward looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995 and "forward-looking information" within the meaning of applicable Canadian securities laws (collectively, "**forward-looking statements**"), which are based upon the current internal expectations, estimates, projections, assumptions and beliefs of the Company's management ("**Management**"). Statements concerning the Company's objectives, goals, strategies, intentions, plans, beliefs, assumptions, projections, predictions, expectations and estimates, and the business, operations, future financial performance and condition of the Company are forward-looking statements. This MD&A uses words such as "believe", "expect", "anticipate", "estimate", "intend", "may", "will", "would", "could", "plan", "create", "designed", "predict", "project", "seek", "ongoing", "increase", "upside" and similar expressions and the negative and grammatical variations of such expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Such forward-looking statements reflect the current beliefs of Management based on information currently available to them, and are based on assumptions and subject to risks and uncertainties. These statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in the forward-looking statements. In addition, this MD&A may contain forward-looking statements attributed to third-party industry sources.

By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections or other characterizations of future events or circumstances that constitute forward-looking statements will not occur. Such forward-looking statements in this MD&A speak only as of the date of this MD&A. Forward-looking statements in this MD&A include, but are not limited to, statements with respect to:

- the ability of the Company to compete against companies that are larger and have greater financial, technical and human resources than that of the Company, as well as other competitive factors, such as technological advances achieved, patents obtained and new products introduced by competitors;
- the performance of the Company's business and operations;
- the Company's capital expenditure programs;
- the future development of the Company, its growth strategy and the timing thereof;
- the acquisition strategy of the Company;
- the Company's ability to achieve all of the estimated synergies from its acquisitions as a result of cost reductions and/or integration initiatives;
- the estimated future contractual obligations of the Company;
- the Company's future liquidity and financial capacity;
- the supply and market changes in demand for pharmaceutical products within the Company's portfolio of pharmaceutical products;
- cost and reimbursement of the Company's products;
- expectations regarding the Company's ability to raise capital;
- the availability and extent to which the Company's products are reimbursed by government authorities and other third party payors, as well as the impact of obtaining or maintaining such reimbursement on the price of the Company's products;
- changes in regulatory rules or practices in the U.S. or in other jurisdictions in which the Company sells products;
- the inclusion of the Company's products on formularies or the Company's ability to achieve favourable formulary status, as well as the impact on the price of the Company's products in connection therewith; and
- the acquisition and/or launch of new products including, but not limited to, the acceptance and demand for new pharmaceutical products, and the impact of competitive products and prices.

With respect to the forward-looking statements contained in this MD&A, the Company has made assumptions regarding, among other things:

- the ability of the Company to comply with its contractual obligations, including, without limitation, its obligations under debt arrangements;
- the successful licensing of products to third parties or to the Company, as applicable, to market and distribute such products on terms favourable to the Company;
- the ability of the Company to maintain key strategic alliances, and licensing and partnering arrangements, now and in the future;
- the ability of the Company to maintain its distribution networks and distribute its products effectively despite significant geographical expansion;
- the general regulatory environment in which the Company operates, including the areas of taxation, environmental protection, consumer safety and health regulation;
- the tax treatment of the Company and its subsidiaries and the materiality of legal proceedings;
- the timely receipt of any required regulatory approvals;
- the general economic, financial, market and political conditions impacting the industry and countries in which the Company operates;
- the ability of the Company to sustain or increase profitability, fund its operations with existing capital, and/or raise additional capital to fund future acquisitions;
- the ability of the Company to acquire any necessary technology, products or businesses and effectively integrate such acquisitions;
- the development and clinical testing of products under development;
- the ability of the Company to obtain necessary approvals for commercialization of the Company's products from the U.S. Food and Drug Administration ("FDA") or other regulatory authorities;
- future currency exchange and interest rates;
- reliance on third party contract manufacturers to manufacture the Company's products on favourable terms;
- the ability of the Company to generate sufficient cash flow from operations and to access existing and proposed credit facilities and the capital markets to meet its future obligations on acceptable terms;
- potential competition to the Company's pharmaceutical products;
- the availability of raw materials and finished products necessary for the Company's products;
- the impact of increasing competition;
- the ability of the Company to obtain and retain qualified staff, equipment and services in a timely and efficient manner;
- the ability of the Company to maintain and enforce the protection afforded by any patents or other intellectual property rights;
- the ability of the Company to conduct operations in a safe, efficient and effective manner;
- the results of continuing and future safety and efficacy studies by industry and government agencies related to the Company's products; and

- the ability of the Company to successfully market its products and services; and
- the United Kingdom not exiting from the European Union. A significant portion of the Company's business is in the United Kingdom pharmaceutical industry and a significant portion of the Company's contract manufacturers are in mainland Europe. A vote by the United Kingdom electorate in favour of the United Kingdom's exit from the European Union in the forthcoming in-or-out 'Brexit' referendum, could result in a number of developments, including, without limitation, regulatory changes in the pharmaceutical industry, cross-border tariff and cost structure changes or loss of access to European Union global trade markets. Therefore, the United Kingdom's exit from the European Union could have a material adverse effect on the Company's business, financial condition and results of operations.

Forward-looking statements contained in this MD&A are based on the key assumptions described herein. Readers are cautioned that such assumptions, although considered reasonable by the Company, may prove to be incorrect. Actual results achieved during the forecast period will vary from the information provided in this MD&A as a result of numerous known and unknown risks and uncertainties and other factors. The Company cannot guarantee future results.

Risks related to forward-looking statements include those risks referenced in the Company's filings with the Canadian Securities Regulators and the U.S. Securities and Exchange Commission. Some of the risks and other factors which could cause actual results to differ materially from those expressed in the forward-looking statements contained in this MD&A include, but are not limited to, the risk factors included under the heading *"Risk Factors"* in the Company's Annual Information Form dated March 23, 2016, which is available on SEDAR, online at www.sedar.com and on EDGAR, online at www.sec.gov.

Forward-looking statements contained in this MD&A are based on management's current plans, expectations, estimates, projections, beliefs and opinions and the assumptions relating to those plans, expectations, estimates, projections, beliefs and opinions may change. Management of the Company has included the above summary of assumptions and risks related to forward-looking statements included in this MD&A for the purpose of assisting the reader in understanding Management's current views regarding those future outcomes. **Readers are cautioned that this information may not be appropriate for other purposes. Readers are cautioned that the lists of assumptions and risk factors contained herein are not exhaustive. Neither the Company nor any other person assumes responsibility for the accuracy or completeness of the forward-looking statements contained herein.**

Such forward-looking statements are made as of the date of this MD&A and the Company disclaims any intention or obligation to update publicly any such forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

All of the forward-looking statements made in this MD&A are expressly qualified by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Company.

Actual results, performance or achievement could differ materially from that expressed in, or implied by, any forward-looking statement in this MD&A, and, accordingly, investors should not place undue reliance on any such forward-looking statement. New factors emerge from time to time and the importance of current factors may change from time to time and it is not possible for Management to predict all of such factors, or changes in such factors, or to assess in advance the impact of each such factors on the business of Concordia or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement contained in this MD&A.

Trademarks

This MD&A includes trademarks that are protected under applicable intellectual property laws and are the property of Concordia or its affiliates or its licensors. Solely for convenience, the trademarks of Concordia, its affiliates and/or its licensors referred to in this MD&A may appear with or without the ® or TM symbol, but such references or the absence thereof are not intended to indicate, in any way, that the Company or its affiliates or licensors will not assert, to the fullest extent under applicable law, their respective rights to these trademarks. Any other trademarks used in this MD&A are the property of their respective owners.

Company Overview and Business Segments

Concordia is an international specialty pharmaceutical company, owning, through its subsidiaries, a diversified portfolio of branded and generic prescription products. Concordia has three reportable operating segments, which consist of Concordia North America, Concordia International and Orphan Drugs, as well as a Corporate cost centre.

The registered and head office of the Company is located at 277 Lakeshore Rd. East, Suite 302, Oakville, Ontario, L6J 1H9. The Company's records office is located at 333 Bay St., Suite 2400, Toronto, Ontario, M56 2T6. The Company's shares are listed on the Toronto Stock Exchange under the symbol "CXR" and the NASDAQ Global Select Market® under the symbol "CXRX".

Concordia North America

Formerly the Legacy Pharmaceuticals Division, the Concordia North America segment has a diversified product portfolio that focuses primarily on the United States pharmaceutical market. These products include, but are not limited to, Donnatal® for the treatment of irritable bowel syndrome; Zonegran® for the treatment of partial seizures in adults with epilepsy; Nilandron® for the treatment of metastatic prostate cancer; Lanoxin® for the treatment of mild to moderate heart failure and atrial fibrillation; and Plaquenil® for the treatment of lupus and rheumatoid arthritis. Concordia North America's product portfolio consists of branded products and authorized generic contracts. The segment's products are manufactured and sold through an out-sourced production and distribution network.

Concordia International

Concordia International is comprised of the AMCo group of companies acquired by Concordia on October 21, 2015, which consists of a diversified portfolio of branded and generic products that are sold to wholesalers, hospitals and pharmacies in over 100 countries. Concordia International specializes in the acquisition, licensing and development of off-patent prescription medicines, which may be niche, hard to make products. The segment's over 190 molecules are manufactured and sold through an out-sourced manufacturing network and marketed internationally through a combination of direct sales and local distribution relationships. Concordia International mainly operates outside of the North American marketplace.

Orphan Drugs

The Company's Orphan Drugs segment is intended to provide growth opportunities through the expansion into new indications and new markets for existing or acquired orphan drugs. In its initial execution of its orphan drug strategy, the Company, through its subsidiaries, acquired the orphan drug, Photofrin® through the acquisition of Pinnacle Biologics Inc. ("**Pinnacle**") in 2013. Today, Photofrin® is owned by Concordia Laboratories Inc. S.à r.l ("**CLI**") and is the primary focus of the Orphan Drugs segment. Photofrin® is FDA approved and has orphan drug status in respect of esophageal cancer and high-grade dysplasia in Barrett's esophagus. In addition, Photofrin® is FDA approved for the treatment of non-small cell lung cancer. Global sales (outside the United States) are through the Barbados branch of CLI. All distribution in the United States is through Pinnacle.

Corporate

Represents certain centralized costs including costs associated with Concordia's head office in Canada and costs associated with being a public reporting entity.

Recent Events

Product Acquisitions

On May 12, 2016, Concordia entered into an agreement to acquire four products and the associated global rights through its wholly owned subsidiaries Mercury Pharma Group Limited and Amdipharm Mercury International Limited. The product rights acquired provide treatments for depression, urticaria and anemia. The purchase price of the acquisition will consist of an initial payment of £21 million funded through cash on hand, and up to a maximum of £7 million in earn-out payments that would be payable in the first quarter of 2017 if certain performance and supply targets are achieved. The transaction is expected to close on or about May 31, 2016.

The Amdipharm Mercury Limited Acquisition

On October 21, 2015 (the "**AMCo Closing Date**"), the Company, through a wholly owned subsidiary, completed the acquisition of 100% of the outstanding shares of AMCo (the "**AMCo Acquisition**") from Cinven, a European private equity firm, and certain other sellers (collectively the "**Vendors**"). For a description of AMCo, please see *"Company Overview and Business Segments – Concordia International"*.

The AMCo Acquisition provided Concordia with a diversified portfolio of more than 190 off-patent molecules, entry into new therapeutic areas such as endocrinology, ophthalmology and urology, and an international platform with access to over 100 countries.

Concordia, through its wholly-owned subsidiary, acquired AMCo for total consideration of $3.11 billion including cash consideration of approximately £800 million (with a value at closing of $1.24 billion), 8.49 million common shares of the Company (with a value at closing of $230.8 million) and daily interest of £272,801 (with a value at closing of $47.7 million) that accrued from June 30, 2015 to October 21, 2015. In addition, the Company will pay to the Vendors a maximum cash earn-out of £144 million (fair value $206.5 million) based on AMCo's future gross profit over a period of 12 months from October 1, 2015. The Company has an option, which can be exercised by it prior to September 30, 2016, to defer the payment of one-half of this earn-out to February 1, 2017, which deferred amount would accrue interest daily at a rate of 8% per annum. For further information regarding the AMCo Acquisition, refer to note 4 of the unaudited condensed Interim consolidated financial statements for the three months ended March 31, 2016.

The Covis Acquisition

On April 21, 2015, the Company completed the acquisition of substantially all of the commercial assets of privately held Covis Pharma S.à.r.l and Covis Injectables, S.à.r.l (together "**Covis**") for $1.2 billion in cash (the "**Covis Acquisition**"). The drug portfolio acquired from Covis (the "**Covis Portfolio**") included products that address medical conditions in various therapeutic areas including cardiovascular, central nervous system, oncology and acute care markets. On October 5, 2015, the Company sold three of the injectable products acquired from Covis, Fortaz®, Zantac® and Zinacef®, for $10 million and $1 million for purchased inventory.

The Covis Acquisition was structured as an all-cash transaction with a purchase price of $1.2 billion for the Covis Portfolio. The Company paid for the acquisition through a mix of term loans, bonds and equity as further described below. For further information regarding the Covis Acquisition, refer to note 4 of the unaudited condensed interim consolidated financial statements for the three months ended March 31, 2016.

Results of Operations

For the three months ended (in $000's)	Mar 31, 2016	Mar 31, 2015	Change	%
Revenue	228,535	34,113	194,422	570%
Gross profit	159,852	30,284	129,568	428%
Gross profit %	70%	89%		
Adjusted gross profit [(1)]	178,495	30,284	148,211	489%
Adjusted gross profit % [(1)]	78%	89%		
Total operating expenses	99,934	20,479	79,455	388%
Operating income, continuing operations	59,918	9,805	50,113	511%
Income taxes	(1,613)	499	(2,112)	-423%
Net income (loss), continuing operations	(4,801)	3,786	(8,587)	-227%
Earnings (loss) per share, from continuing operations				
Basic	(0.09)	0.13	(0.22)	-169%
Diluted	(0.09)	0.12	(0.21)	-175%
Earnings (loss) per share, including discontinuing operations				
Basic	(0.10)	0.20	(0.30)	-150%
Diluted	(0.10)	0.19	(0.29)	-153%
EBITDA [(1)]	108,952	17,840	91,112	511%
Adjusted EBITDA [(1)]	140,848	19,266	121,582	631%
Adjusted EPS [(1)]	1.35	0.54	0.81	150%

Amounts shown above are results from continuing operations, excluding discontinued operations, unless otherwise noted.

Notes:
(1) Represents a non-IFRS measure. For the relevant definitions and reconciliation to reported results, see "Non-IFRS Financial Measures".

Revenue for the first quarter of 2016 increased by $194,422, or 570% compared to the corresponding period in 2015. The increase was primarily due to $139,913 of revenues from the Concordia International segment acquired on October 21, 2015 and $56,751 from the Covis Portfolio acquired on April 21, 2015, both of which are not included in the comparative period. Refer to the Segment Revenue and Gross Profit section for further discussion on segmental and product performance.

Gross profit for the first quarter of 2016 increased by $129,568, or 428% compared to the corresponding period in 2015. The increase was primarily due to the timing of the AMCo Acquisition and Covis Acquisition during 2015. The gross profit is impacted by an inventory fair value adjustment of $18,643 increasing the cost of sales due to a fair value adjustment on the acquisition of AMCo. Adjusted gross profit

for the first quarter of 2016, which represents gross profit removing the impact of the fair value adjustment as described above, increased by $148,211, or 489% compared to the corresponding period in 2015. Total adjusted gross profit includes $74,635 from the Concordia North America segment, $101,888 from the Concordia International segment and $1,972 from the Orphan Drugs segment, which are further discussed in the segment performance section of this MD&A.

The change in gross profit and adjusted gross profit percentage in the current quarter compared to the corresponding period in 2015 reflects the impact of lower margins related to the Concordia International business segment, offset in part by higher margins associated with certain products included in the Concordia North America business segment.

Operating income for the first quarter of 2016 compared to the corresponding period in 2015 increased by $50,113, or 511% primarily due to increased gross profit from the Concordia International segment and the Covis Portfolio, partially offset by the increased operating expenses reflecting the increased size and scale of the Company's business.

The net loss of $4,801 from continuing operations for the first quarter of 2016 and EPS loss of $0.09 per share is after deducting increased amortization expense and higher interest and accretion expenses associated with intangible assets and related financing for the business combinations in 2015.

Adjusted EBITDA for the quarter of $140,848 was $121,582 or 631% stronger than the same quarter in 2015. Contribution of Adjusted EBITDA by segment was $65,356 from Concordia North America, $82,272 from Concordia International, offset by losses of $587 from Orphan Drugs. In addition the Company incurred $6,193 of Corporate costs related to the Corporate Head Office.

Adjusted EPS for the first quarter of 2016 was $1.35 per share compared with $0.54 per share in the corresponding period in the prior year mainly as a result of the higher adjusted net income as described on page 18 of this MD&A generated from the AMCo Acquisition and the Covis Acquisition. Earnings (loss) per share, from continuing operations, basic and diluted of $(0.09) is based on a calculation of net loss as described above divided by basic and diluted weighted average number of shares.

Segment Revenue and Gross Profit

Concordia North America

For the three months ended (in $000's)	Mar 31, 2016	Mar 31, 2015	Change	%
Revenue	85,948	31,033	54,915	177%
Cost of sales	11,313	3,380	7,933	235%
Gross profit	74,635	27,653	46,982	170%
Gross profit %	87%	89%		

Revenue for the first quarter of 2016 increased by $54,915 or 177% compared to the corresponding period in 2015, primarily due to $56,751 revenue related to products and authorized generic contracts acquired from Covis on April 21, 2015. Our two primary products owned for the entire 2015 year, Donnatal® and Zonegran®, both showed increases in revenue in the first quarter of 2016 over the corresponding period in 2015. Revenue from Donnatal® increased by 11%, which was driven primarily by volume growth. Revenue from Zonegran® increased by 12%, which was due to increased pricing which offset a decline in volume for that product. These increases are partially offset by the impact of the discontinuation of royalty revenue related to generic Kapvay®.

Cost of sales for the first quarter of 2016 increased by $7,933, or 235% compared to the corresponding period in 2015, primarily due to costs associated with revenue related to the acquisition of the Covis Portfolio acquired on April 21, 2015.

Gross profit for the first quarter of 2016 increased by $46,982 or 170% compared to the corresponding period in 2015, primarily due to additional gross profit margin from the Covis Portfolio acquired on April 21, 2015, offset by higher Medicaid claims quarter over quarter and the impact of the lower royalty revenue as described above.

Gross profit % decreased by 200 bps. The decrease was due to mix impact attributed to stronger performance in lower margin authorized generics and branded sales with higher rebates and therefore lower margins.

Concordia International

For the three months ended (in $000's)	Mar 31, 2016	Mar 31, 2015	Change	%
Revenue	139,913	—	139,913	100%
Cost of sales	56,668	—	56,668	100%
Gross profit	83,245	—	83,245	100%
Gross profit %	59%	—		
Adjusted Gross Profit (1)	101,888	—	101,888	100%
Adjusted Gross Profit %	73%	—		

Notes:

(1) Represents a non-IFRS measure. For the relevant definitions and reconciliation to reported results, see "Non-IFRS Financial Measures".

The Concordia International segment represents the results of AMCo. The AMCo business was acquired during October 2015 and therefore no results are reported in the comparative period. Results for Concordia International have been converted from GBP to USD using an average rate of 1.4321 GBP/USD.

Orphan Drugs

For the three months ended (in $000's)	Mar 31, 2016	Mar 31, 2015	Change	%
Revenue	2,674	3,080	(406)	-13%
Cost of sales	702	449	253	56%
Gross profit	1,972	2,631	(659)	-25%
Gross profit %	74%	85%		

Revenue for the first quarter of 2016 declined by $406, or 13% compared to the corresponding period in 2015. Orphan Drugs revenue declined primarily due to a $293 reduction in distribution revenue in Europe from Ethyol® included in the first quarter of 2015, which is no longer distributed by the Company.

Cost of sales for the first quarter of 2016 increased by $253 compared to the corresponding period in 2015. The cost of sales increase is primarily due to increased quality assurance stability and validation testing cost incurred in the current quarter.

Gross profit for the first quarter of 2016 declined by $659, or 25% compared to the corresponding period in 2015 reflecting the net impact of the revenue and cost of sales factors described above.

Corporate and other costs

The following table details expenses from the Company's Corporate cost centre and other operating costs from the business segments:

For the three months ended (in $000's)	Mar 31, 2016	Mar 31, 2015	Change	%
General and administrative	15,467	4,917	10,550	215 %
Selling and marketing	13,313	3,013	10,300	342 %
Research and development	8,867	3,088	5,779	187 %
Share-based compensation	8,357	897	7,460	832 %
Acquisition related, restructuring and other	3,548	2,854	694	24 %
Interest and accretion	68,341	8,478	59,863	706 %
Change in fair value of purchase consideration	3,357	633	2,724	430 %
Amortization of intangible assets	46,595	5,035	41,560	825 %
Depreciation	430	42	388	924 %
Foreign exchange gain	(2,009)	(409)	(1,600)	391 %
Unrealized gain on foreign exchange forward contract	—	(2,549)	2,549	-100 %
Total	**166,266**	**25,999**	**140,267**	**539%**

Notes: Amounts shown above are expenses from continuing operations, excluding discontinued operations.

General and Administrative Expenses

General and administrative expenses reflect costs related to salaries and benefits, professional and consulting fees, ongoing public company costs, travel, facility leases and other administrative expenditures. General and administrative expenses for the first quarter of 2016 were $10,550, or 215% higher compared to the corresponding period in 2015, which is reflective of the increased size and scale of the Company's business. General and administrative expenses for the quarter were 6.8% as a percentage of revenue in the quarter and 14.4% as a percentage of revenue for the same quarter in 2015, representing a declining trend as the business continues to grow.

Selling and Marketing Expenses

Selling and marketing expenses reflect costs incurred by the Company for the marketing, promotion and sale of the Company's broad portfolio of products across the Concordia North America, Concordia International and Orphan Drugs segments. These costs have increased by $10,300 or 342% due to the expansion of Concordia's product portfolio from 6 core products in the first quarter of 2015 to over 200 products and the related selling and marketing efforts of the Concordia North America and Concordia International segments.

Research and Development Expenses

Research and development expenses reflect non-capitalized costs for clinical trial activities, product development, professional and consulting fees and services associated with the activities of the medical, clinical and scientific affairs, quality assurance costs, regulatory compliance and drug safety costs (Pharmacovigilence) of the Company. Research and development costs for the first quarter of 2016 were $5,779, or 187% higher, compared to the corresponding period in 2015 due to costs incurred at the Concordia International segment for product expansion efforts and the costs associated with the Concordia North America segment.

Share Based Compensation

The share based compensation expense relates to the fair value of share-based option and restricted share unit ("**RSU**") awards to employees, management and directors of the Company. Share based compensation during the quarter was $8,357. The increase of expense of $7,460 impacted of a grant of 1,009,000 stock options to AMCo senior management on December 11, 2015 as part of a long term compensation and retention program, as well as certain RSU's issued in the first quarter of 2016.

Under the long-term incentive plan discussed in the December 31, 2015 financial statements, the Company authorized for issuance during the period a total of 423,929 RSUs with market prices between $26.43 and $29.92 with vesting terms over 3 years.

The Company authorized for issuance a total of 1,027,803 performance based RSUs on January 7, 2016 and March 24, 2016 with a market prices on the date of authorisation of $37.07 and $26.43 respectively. The vesting terms and conditions have not yet been determined by the Company's board of directors and the board has reserved the right to reduce the number of these performance based RSUs prior to the finalization of vesting terms and conditions. Given these circumstances the Company has determined that as of March 31, 2016 there is no

shared understanding of the terms and conditions of the arrangement. As such, the Company is not able to reliably estimate the fair value of these awards, and accordingly the Company has not recorded an expense for these performance based RSUs in the three month period ended March 31, 2016.

The fair value of stock options is derived using the Black-Scholes option-pricing model, and a Monte Carlo simulation model is used for calculating the fair value of certain Performance Based RSUs with market based vesting conditions. Assumptions that affect the application of the fair value model include the determination of volatility of the Company's common shares, risk-free interest rate, expected life of options, share price on the date of grant and estimates of financial results for certain Performance Based RSUs.

Acquisition related, Restructuring and Other Costs

Acquisition related, restructuring and other costs during the first quarter of 2016 were $3,548, representing an increase of 24% from the first quarter of 2015. Costs incurred during the quarter primarily related to the Concordia International segment. These costs primarily relate to restructuring and integration costs associated with the Concordia International segment, including costs related to alignment of contract manufacturing and distribution arrangements.

Interest and Accretion

Interest and accretion expense for the first quarter of 2016 was $68,341, representing an increase of $59,863 from the first quarter of 2015. The interest and accretion expense for the quarter was comprised primarily of the following amounts:

- Cash paid and accrued interest expense of $60,463 was substantially higher due to the increases in long term debt arising from the acquisition of the Covis Portfolio and the AMCo Acquisition during 2015 which transactions occurred after March 31, 2015 and as a result the incremental debt and debt service period is not included in the comparative period;
- Total non-cash accretion and amortization of deferred financing costs of $7,571 recorded during the quarter. This expense represents the Company's amortization of debt issuance costs with respect to the Company's debt facilities; and
- Other interest expense of $307.

Changes in Fair Value Adjustments

The change in the fair value of purchase consideration recorded during the quarter ended March 31, 2016 was a loss of $3,357 as a result of movements in the fair value of the purchase consideration due to discounting and a change in estimates and expected payouts.

Amortization of Intangible Assets

Amortization of intangible assets during was $41,560 higher in the first quarter of 2016 compared to the corresponding period in 2015 due to additional amortization on intangible assets acquired as part of the Covis Portfolio and AMCo acquisitions in April and October 2015 which occurred after the end of the comparative period. The expense in the first quarter of 2016 of $46,595 comprised of the following amounts:

- Amortization related to acquired product rights and manufacturing processes was $38,224 for the quarter ended March 31, 2016. The Company amortizes acquired product rights on a straight-line basis over their estimated useful lives, which range from fifteen to thirty-five years. Amortization of acquired product rights and manufacturing processes increased due to increased intangible assets related to the acquisitions of the Covis Portfolio and AMCo totaling $3.2 billion over the prior quarter;
- Amortization related to intellectual property was $410 for the quarter ended March 31, 2016, consistent with $410 in the first quarter of 2015. Intellectual property is amortized on a straight-line basis over an estimated useful life of 20 years;
- Amortization related to distribution and supplier contracts was $7,877 for the quarter ended March 31, 2016. Distribution and supplier contracts are amortized on a straight-line basis over 5 years; and
- Amortization of $84 related to other software amortization was recorded in the quarter ended March 31, 2016.

Foreign Exchange Gain

Foreign exchange gain for the quarter ended March 31, 2016 was $2,009 arising primarily from operations within the Concordia International segment.

Selected Quarterly Financial Information

Amounts shown above are results from continuing operations, excluding discontinued operations, except for total assets and liabilities amounts.

For the three months ended (in $000's, except per share amounts)	Q1-2016	Q4-2015	Q3-2015	Q2-2015	Q1-2015	Q4-2014	Q3-2014	Q2-2014
Revenue	228,535	191,908	93,005	75,198	34,113	39,487	32,251	20,324
Gross profit	159,852	115,727	84,953	68,966	30,284	35,124	28,480	16,726
Adjusted Gross profit [(1)]	178,495	149,659	84,953	68,966	30,284	35,124	28,480	16,726
Operating income	59,918	1,852	44,520	24,274	9,805	13,454	12,842	(1,410)
Net income (loss), continuing operations	(4,801)	(31,455)	1,496	(3,252)	3,786	2,320	10,872	(2,317)
Cash	178,516	155,448	670,548	137,250	32,639	42,770	30,945	32,708
Total assets	5,197,586	5,282,259	2,460,116	1,938,452	582,927	592,700	587,323	490,135
Total liabilities	4,111,596	4,126,051	1,430,919	1,378,661	321,232	335,150	332,314	246,010
EBITDA [(1)]	108,952	50,087	53,368	31,387	17,840	22,853	13,221	(981)
Adjusted EBITDA [(1)]	140,848	120,121	71,376	54,924	19,266	25,222	19,208	9,689
Earnings (Loss) per share								
Basic	(0.09)	(0.64)	0.04	(0.10)	0.13	0.08	0.38	(0.09)
Diluted	(0.09)	(0.64)	0.04	(0.10)	0.12	0.08	0.36	(0.09)
Adjusted [(1)]	1.35	1.24	1.37	1.11	0.54	0.68	0.57	0.31

Notes:
(1) Represents a non-IFRS measure. For the relevant definitions and reconciliation to reported results, see "Non-IFRS Financial Measures."

During the periods presented within the table above, the business has undergone significant growth as described within the Recent Events section of this MD&A, as a result of significant business acquisitions. This has caused significant growth over the quarters presented above. Management has focused their analysis on comparing to the most recent quarters presented above in order to describe current trends that have occurred within the business.

Revenues in the first quarter of 2016 were $228,535 and consisted of $85,948 related to Concordia North America, $139,913 related to Concordia International and $2,674 related to Orphan Drugs. The increase in revenue when compared to the fourth quarter of 2015 was driven by the increase in Concordia North America revenue of $11,724 or 16%, and an increase in the Concordia International segment revenue of $24,192 or 21%. Concordia North America's revenue increases were primarily due to the timing of certain orders for Lanoxin® and higher Plaquenil® authorized generic revenue from the Company's authorized generic partner. Concordia International's revenue increases were primarily due to the fourth quarter including only 72 days of operations subsequent to the AMCo Acquisition.

Gross profit and adjusted gross profit in the first quarter of 2016 increased by $44,125 and $28,836 respectively compared to the fourth quarter of 2015. The increase in gross profit and adjusted gross profit is primarily due to the full quarter results from the Concordia International segment. The adjusted gross profit increase is lower than the gross profit increase as the first quarter of 2016 includes $18,643 of inventory fair value adjustments related to the AMCo Acquisition, compared to the fourth quarter of 2015 which includes $33,932 of inventory fair value adjustments due to the AMCo Acquisition and the Covis Acquisition.

Net loss from continuing operations for the first quarter of 2016 compared to the fourth quarter of 2015, decreased by $27 million mainly attributable to a decrease of acquisition, restructuring and other related costs of $34 million which did not occur in the first quarter of 2016. This impact was mainly offset by a full quarter of amortization, general and administration, selling and marketing and research and development costs related to the Concordia International segment. The first quarter of 2016 also included a full quarter of interest costs associated with the AMCo Acquisition.

Adjusted EBITDA in the first quarter of 2016 of $140,848 consisted of $65,356 related to Concordia North America, $82,272 related to Concordia International, ($587) related to Orphan Drugs and ($6,193) related to Corporate expenses. The increase of $20,727 compared to the fourth quarter of 2015 is primarily due to the full quarter results from the Concordia International segment.

Balance Sheet Analysis

(in $000's)	Mar 31, 2016	Dec 31, 2015	Change	
			$	%
Working capital	311,961	290,980	20,981	7%
Long-lived assets	4,665,753	4,800,064	(134,311)	-3%
Other current liabilities	316,983	318,157	(1,174)	—%
Long-term liabilities	3,574,741	3,616,679	(41,938)	-1%
Shareholder's equity	1,085,990	1,156,208	(70,218)	-6%

Working capital

Concordia defines working capital as current assets less accounts payable and accrued liabilities, and provisions. The $20,981 increase in working capital from December 31, 2015 to March 31, 2016 is primarily due to the following factors:

- Cash and cash equivalents increased by $23,068 as a result of cash flow from operations (refer to Liquidity and Capital Resource section of the MD&A); and
- Accounts receivable increased by $43,629. Concordia International accounts receivable increased $11,215 due to increased sales during February and March 2016 when compared to November and December 2015. Concordia North America accounts receivable increased $32,026 as a result of timing of orders within the quarter as well as a change in sales mix during the first quarter of 2016 compared to the fourth quarter of 2015 with a higher proportion of authorized generics revenue which have longer payment terms.

Offset primarily by:

- Inventory decreased by $14,470. Concordia International inventory decreased by $19,567 primarily due to a non-cash fair value adjustment recorded in cost of goods sold during the first quarter of 2016. This decrease in inventory is offset by Concordia North America's inventory holdings increasing by $5,022 as a result of receiving a large delivery of product during the quarter; and
- Accounts payable and accrued liabilities increased by $28,734. The increase in accounts payable and accrued liabilities is primarily due to the increase in interest payable of $31,170 due to the interest on the Company's senior notes being paid semi-annually, in April and October for the 7% senior notes, and June and December for the 9.5% senior notes, of each year. This is partially offset by ordinary business course trading movements within accounts payable and accrued liabilities.

Long-lived assets

Long-lived assets consist of fixed assets, intangible assets, goodwill and deferred income tax assets. The $134,311 decrease in long-lived assets from December 31, 2015 to March 31, 2016 is primarily due to the following factors:

- A $89,016 decrease due to foreign exchange translation of the Concordia International segment as a result of the movement in the GBP/USD exchange rate from 1.4745 at December 31, 2015 to 1.4395 at March 31, 2016; and
- Intangible amortization recorded during the period of $46,595.

Offset primarily by:

- Intangible asset additions during the first quarter of 2016 of $2,559.

Other current liabilities

Other current liabilities consist of dividends payable, income taxes payable, the current portion of long-term debt and purchase consideration payable. The $1,174 decrease from December 31, 2015 to March 31, 2016 is primarily due to the following factors:

- The current portion of purchase consideration payable decreased by $13,605 due to $22,079 of repayments made related to the Focus purchase consideration during the quarter (refer to Note 18 of Unaudited Condensed Interim Consolidated Financial

Statements for the three months ended March 31, 206), offset by $8,474 of purchase consideration now presented as a current liability as this amount is due during the first quarter of 2017.

Offset primarily by:

- A $5,401 income taxes payable increase primarily due to the current period expense of $8,707, offset by $1,835 income taxes paid during the first quarter of 2016; and
- The current portion of long-term debt increased by $7,029 as the required principal repayments due on the Company's term loans commencing in the first quarter of 2016 increases from 0.25% to 0.675% in the first quarter of 2017.

Long term liabilities

Long-term obligations consist of long-term debt, notes payable and purchase consideration payable, other liabilities and deferred income tax liabilities. The $41,938 decrease in long term liabilities from December 31, 2015 to March 31, 2016 is primarily due to the following factors:

- A decrease of $4,988 in purchase consideration payable due to purchase consideration due in the first quarter of 2017 now presented as a current liability, offset by the unwinding of discount on the long term liability;
- The long-term portion of debt decreased by $22,273 due to approximately $5,197 of principal repayments, an increase of $7,029 to the current portion as a result of increased contractual repayments on the Company's term loans and $17,500 foreign exchange impact on the Company's GBP term loan, offset by the impact of $7,571 accretion of deferred financing costs; and
- A $14,694 decrease to the deferred income tax liability primarily due to the amortization of intangible assets acquired in recent business combinations and the impact of foreign exchange.

Shareholders equity

Shareholders' equity decreased by $70,218 from the fourth quarter of 2015 to the first quarter of 2016. The decrease is primarily related to:

- A $7,092 net change in equity for share based compensation expense, issuance of options, vesting of RSUs and related tax expense.

Offset primarily by:

- Dividends paid during the quarter of $3,826;
- A net loss for the quarter of $5,159; and
- A net foreign exchange impact of $68,325 from the translation of Concordia International and the GBP denominated loan.

Liquidity and Capital Resources

Sources and uses of Cash

For the three months ended (in $000's)	Mar 31, 2016	Mar 31, 2015
Cash from Operating Activities	91,888	4,620
Cash used in Investing Activities	(3,489)	(904)
Cash used in Financing Activities	(62,574)	(10,219)
Total	**25,825**	**(6,503)**

The Company's business continues to generate sustained cash flows from operating activities. Cash flows from operations represent net income adjusted for changes in working capital and non-cash items. The Company intends to use cash on hand and cash flows generated from operating activities in order to fund future acquisitions, and settle debt and other obligations as they become due, over the next two years as described in the following Lending Arrangements and Debt section of this MD&A. Beyond the two years as more significant debt obligations become due, the Company will consider cash from operating activities and other sources of debt refinancing the Company may require at that time.

Cash used in investing activities represents primarily cash used for capital asset additions within the Concordia International segment.

Cash used in financing activities is comprised of a $5,062 settlement of deferred financing fees, $5,197 of planned principal repayment on long term debt, $18,655 for contingent consideration within the Concordia International segment, $29,941 of interest payments during the quarter and a dividend payment of $3,825 representing a $0.075 per common share distribution.

Cash Management

The Company believes that cash on hand in addition to cash flows generated from ongoing operations provide sufficient liquidity to support Concordia's business operations for at least the next 12 months.

As at March 31, 2016, the Company held cash of $178,516 excluding $2,823 cash in discontinued operations, which is classified as part of other assets, and up to $200 million, subject to compliance with certain debt incurrence covenants, is available from an undrawn secured revolving credit facility, which provides further flexibility to meet any unanticipated cash requirements.

Liquidity risk is the risk that the Company may encounter difficulty meeting obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure.

The purpose of liquidity management is to ensure that there is sufficient cash to meet all the financial commitments and obligations of Concordia as they come due. Since inception, Concordia has financed its cash requirements primarily through the issuances of securities, short-term borrowings, long-term debt as well as cash flows generated from operations.

In managing the Company's capital, Management estimates future cash requirements by preparing a budget and a multi-year plan for review and approval by the Company's board of directors (the "**Board of Directors**"). The budget establishes the approved activities for the upcoming year and estimates the costs associated with those activities. The multi-year plan estimates future activity along with the potential cash requirements and is based upon Management's assessment of current progress along with the expected results from the coming years' activity. Budget to actual variances are prepared and reviewed by Management and are presented quarterly to the Board of Directors.

Lending Arrangements and Debt

The composition of long-term debt was as follows:

(in $000's)	Mar 31, 2016	Dec 31, 2015
Term Loan		
USD term loan	1,027,657	1,026,977
GBP term loan	685,485	703,214
Rovolver	—	—
Bridge Facilities	117,594	117,035
October 2015 Notes (9.5%)	764,939	764,342
7% Senior Notes	710,407	709,758
Total carrying value	**3,306,082**	**3,321,326**

Amounts shown above represent long term debt principal net of financing fees deferred and amortized over the debt term.

As at March 31, 2016, approximately 69% of the Company's debt had a maturity date beyond 5 years assuming an estimate of the minimum required annual excess cash flow sweep. In addition the Company has available, under the terms of its credit agreement, a secured revolving loan of up to $200 million that has not been drawn.

Details of the lending arrangements are further disclosed in the notes to the condensed interim consolidated financial statements for the first quarter of 2016.

The following table presents repayments of long-term debt principal, interest payments on long-term debt and purchase consideration on an undiscounted basis:

(in $000's)	< 3 months	3 to 6 months	6 months to 1 year	1 to 2 years	2 to 5 years	Thereafter	Total
Long-term debt [(1)]	4,686	4,686	16,402	231,906	838,384	2,433,193	3,529,257
Interest on long-term debt	61,271	61,877	122,353	242,349	648,404	304,067	1,440,321
Purchase consideration	578	32,389	217,931	5,011	12,293	36,983	305,185
Total	66,535	98,952	356,686	479,266	1,499,081	2,774,243	5,274,763

(1) Long-term debt cash flows include an estimate of the minimum required annual excess cash flow sweep (as described in note 11 (a) within the unaudited condensed Interim consolidated financial statements for the three months ended March 31, 2016).

Contractual Obligations and Purchase Consideration

Contractual Obligations

The Company had the following commitments under operating leases, relating to rental commitments for its international office locations, aircraft lease and computer and electronic equipment leases:

(in 000's)	$
2016	2,607
2017	3,381
2018	3,157
2019	2,586
2020	403
Thereafter	322
Total	**12,456**

All directors and officers of the Company are indemnified by the Company for various items including, but not limited to, all costs to defend lawsuits or actions due to their association with the Company, subject to certain restrictions. The Company has purchased directors' and officers' liability insurance to mitigate the cost of any potential future lawsuits or actions.

In the normal course of business, the Company has entered into agreements that include indemnities in favour of third parties, such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, leasing contracts, license agreements, information technology agreements and various product, service, data hosting and network access agreements. These indemnification arrangements may require the applicable Company entity to compensate counterparties for losses incurred by the counterparties as a result of breaches in representations, covenants and warranties provided by the particular Company entity or as a result of litigation or other third party claims or statutory sanctions that may be suffered by the counterparties as a consequence of the relevant transaction.

In connection with the acquisition of Zonegran®, the Company guaranteed the payment, performance and discharge of Concordia Pharmaceuticals Inc.'s ("**CPI**") (as defined below) payment and indemnification obligations under the asset purchase agreement and each ancillary agreement entered into by CPI in connection therewith that contained payment or indemnification obligations. Pursuant to the terms of the Covis Acquisition purchase agreement the Company guaranteed the payments due by CPI of CPI's obligations under the purchase agreement. Pursuant to the share purchase agreement entered into by the Company in connection with the AMCo Acquisition, the Company guaranteed the obligations of the purchaser under the agreement and related transaction documents.

Purchase Consideration

(in $000's)	Mar 31, 2016	Dec 31, 2015
Due to former owners of AMCo	198,560	199,661
Concordia International purchase consideration	44,282	63,353
Concordia North America purchase consideration	31,507	29,928
Total	**274,349**	**292,942**

The purchase consideration due to the former owners of AMCo was part of the consideration paid for the acquisition of AMCo. The Company is obligated to pay the Vendors of AMCo a maximum cash earn-out of £144 million based on AMCo's future gross profit over a period of 12 months from October 1, 2015 to September 30, 2016. Management has estimated the full amount of this earn-out will be paid in the fourth quarter of 2016 and has recorded the discounted value of $198,560 as at March 31, 2016. The decrease of this liability of $1,100 is due to $4,968 of foreign exchange translation of the GBP denominated liability offset by the unwinding of discounting of $3,868.

Prior to the AMCo Acquisition, both the legacy businesses of Concordia and AMCo had certain purchase consideration liabilities associated with prior acquisitions. These arrangements are described in note 18 of the unaudited interim consolidated financial statements by each type of arrangement. Management makes estimates and uses key assumptions in arriving at the fair value of purchase consideration at each reporting period and records changes in fair value in the statement of income in the period the changes occur.

Related Party Transactions

The Company paid legal fees, including professional services for advice relating to intellectual property matters, to a firm affiliated with a director of the Company in the amount of $30 during the quarter ended March 31, 2016 and $4 during the quarter ended March 31, 2015. As at February 9, 2016, the firm affiliated with the director ceased providing legal services to the Company, apart from clerical and administrative work related to the transfer of files.

Compensation for directors and key management, consisting of salaries, bonuses, other benefits and director fees to key management personnel and directors for the three month period ended March 31, 2016 amounted to $1,240 (2015 – $871). Share based compensation expense recorded for key management and directors, for the three month period ended March 31, 2016 amounted to $3,337 (2015 – $147).

Non IFRS Financial Measures

This MD&A makes reference to certain non-IFRS measures. These non-IFRS measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS, and are therefore unlikely to be comparable to similar measures presented by other companies. When used, these measures are defined in such terms as to allow the reconciliation to the closest IFRS measure. These measures are provided as additional information to complement those IFRS measures by providing further understanding of the Company's results of operations from Management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analyses of the Company's financial information reported under IFRS. Management uses non-IFRS measures such as EBITDA, Adjusted EBITDA, Adjusted Gross Profit, Adjusted Net Income and Adjusted EPS to provide investors with a supplemental measure of the Company's operating performance and thus highlight trends in the Company's core business that may not otherwise be apparent when relying solely on IFRS financial measures. Management also believes that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of issuers. Management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, prepare annual operating budgets, and to assess its ability to meet future debt service, capital expenditure, and working capital requirements.

The definition and reconciliation of Adjusted Gross Profit, EBITDA, Adjusted EBITDA, Adjusted Net Income and Adjusted EPS used and presented by the Company to the most directly comparable IFRS measures follows below.

Adjusted Gross Profit

Adjusted Gross Profit is defined as gross profit adjusted for non-cash fair value increases to cost of acquired inventory from a business combination. Under IFRS, acquired inventory is required to be written-up to fair value at the date of acquisition. As this inventory is sold the fair value adjustment represents a non-cash cost of sale amount that has been excluded in adjusted gross profit in order to normalize gross profit for this non-cash component.

For the three months ended (in $000's)	Mar 31, 2016	Mar 31, 2015
Gross profit per financial statements	159,852	30,284
Add back: Fair value adjustment to acquired inventory	18,643	—
Adjusted Gross profit	**178,495**	**30,284**

EBITDA

EBITDA is defined as net income adjusted for net interest and accretion expense, income tax expense, depreciation and amortization. Management uses EBITDA to assess the Company's operating performance.

Adjusted EBITDA

Adjusted EBITDA is defined as EBITDA adjusted for certain charges including costs associated with acquisitions, restructuring, and other related costs, initial exchange listing expenses on the NASDAQ, non-operating gains/losses, integration costs, non-cash items such as unrealized gains / losses on derivative instruments, share based compensation, change in fair value of purchase consideration, impairment loss, fair value increases to inventory arising from purchased inventory from a business combination, gains / losses from the sale of assets and unrealized gains / losses related to foreign exchange. Management uses Adjusted EBITDA as the key metric in assessing business performance when comparing actual results to budgets and forecasts. Management believes Adjusted EBITDA is an important measure of operating performance and cash flow, and provides useful information to investors because it highlights trends in the underlying business that may not otherwise be apparent when relying solely on IFRS measures.

For the three months ended (in $000's)	Mar 31, 2016	Mar 31, 2015
Net (loss) from continuing operations	(4,801)	3,786
Interest and accretion	68,341	8,478
Income taxes	(1,613)	499
Depreciation	430	42
Amortization of intangible assets	46,595	5,035
EBITDA	**108,952**	**17,840**
Fair value adjustment to acquired inventory	18,643	—
Acquisition related, restructuring and other	3,548	2,854
Share-based compensation	8,357	897
Change in fair value of purchase consideration	3,357	633
Foreign exchange gain	(2,009)	(409)
Unrealized gain on foreign exchange forward contract	—	(2,549)
Adjusted EBITDA	**140,848**	**19,266**

Adjusted Net Income and EPS

Adjusted EPS is defined as adjusted net income divided by the weighted average number of fully diluted shares outstanding. Adjusted net income is defined as net income (loss) adjusted for certain charges including costs associated with acquisitions, restructuring, and other related costs, initial exchange listing expenses on the NASDAQ, non-operating gains/losses, integration costs, non-cash items such as unrealized gains / losses on derivative instruments, share based compensation, change in fair value of purchase consideration, impairment loss, fair value increases to inventory arising from purchased inventory from a business combination, gains / losses from the sale of assets, unrealized gains / losses related to foreign exchange, non-cash accretion expense and the tax impact of the above items. Management believes Adjusted EPS is an important measure of operating performance and cash flow, and provides useful information to investors.

For the three months ended (in $000's, except per share amounts)	Q1-2016	Q4-2015	Q3-2015	Q2-2015	Q1-2015	Q4-2014	Q3-2014	Q2-2014
Weighted average number of fully diluted shares [1]	51,762,381	49,752,148	35,248,353	33,950,472	30,584,951	30,439,316	30,127,443	27,826,313
Net income (loss), continuing operations	(4,801)	(31,455)	1,496	(3,252)	3,786	2,320	10,872	(2,317)
Adjustments								
Fair value adjustment to acquired inventory	18,643	33,932	—	—	—	—	—	—
Share-based compensation	8,357	5,917	5,264	4,120	897	1,090	1,258	1,380
Exchange listing costs	—	151	326	574	—	—	—	—
Acquisition, restructuring and other	3,548	37,960	6,691	10,118	2,854	940	4,093	8,314
Depreciation	430	372	33	30	42	29	26	12
Amortization of intangible assets	46,595	41,630	14,260	14,885	5,035	9,130	410	410
Change in fair value of purchase consideration	3,357	(1,343)	287	984	633	580	579	983
Foreign exchange losses (gains)	(2,009)	(6,233)	5,445	7,802	(2,958)	(242)	73	—
Interest accretion	7,571	9,802	16,251	2,541	5,815	—		
Tax adjustments [2]	(11,595)	(28,877)	(1,885)	(39)	460	6,998	(48)	(66)
Adjusted net income, continuing operations	70,096	61,856	48,168	37,763	16,564	20,845	17,263	8,716
Adjusted EPS diluted, continuing operations	**1.35**	**1.24**	**1.37**	**1.11**	**0.54**	**0.68**	**0.57**	**0.31**

Amounts shown above are results from continuing operations, excluding discontinued operations.

Notes:

(1) Weighted average number of fully diluted share calculation for the fourth quarter of 2015 includes 8,000,000 common shares of Concordia issued on September 30, 2015, pursuant to a prospectus offering and in connection with the AMCo Acquisition. Net income from AMCo has been included since the date of acquisition on October 21, 2015. The impact to adjusted EPS if the offering had occurred on October 21, 2015, the AMCo Closing Date, would be an additional $0.05 cents per common share for the fourth quarter of 2015.

(2) The Company has included in tax adjustments: (i) the current and deferred income taxes presented in the consolidated statements of income (loss) to the extent that these relate to adjustments made to net income (loss) from continuing operations; and (ii) income taxes for the period resulting from the items above. The income taxes presented in the consolidated statements of income (loss), after including the tax adjustments, represents the Company's estimate of the income taxes in respect of adjusted net income.

Critical Accounting Estimates

In preparing the Company's consolidated financial statements, Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the date of the consolidated financial statements and the reported amounts of expenses during the reporting periods.

Significant estimates made by Management include: gross to net deductions; allowance for doubtful accounts; inventory reserves; useful lives of amortizable tangible and intangible assets; recoverability of long lived assets and related impairments; fair value of assets acquired in a business combination; fair value of contingent consideration; fair value of foreign currency financial instruments; weighted average cost of capital; determining the fair value of share-based payments and the income tax expense and the ability to realize deferred income tax assets. On an ongoing basis, Management reviews its estimates to ensure that these estimates appropriately reflect changes in the Company's business and new information as it becomes available. If historical experience and other factors used by Management to make these estimates do not reasonably reflect future activity, the Company's consolidated financial statements could be materially impacted.

Chargebacks

The provision for chargebacks is an estimate used in the recognition of revenue. The Concordia North America segment sells mainly in the United States whereby these sales are directly to wholesale distributors. The wholesale distributors sell directly to independent pharmacies, managed care organizations, hospitals and group purchasing organizations ("**indirect customers**"). The difference between the price that Concordia sells to wholesalers and the price the wholesaler sells to indirect customers is referred to as a chargeback. The provision for chargebacks is calculated based upon historical experience. As sales are made to large wholesale customers, Concordia continually monitors the provision for chargebacks and makes adjustments when actual chargebacks differ from estimated provision amounts.

Returns

The provision for returns is an estimate used in the recognition of revenue. Concordia has a returns policy that allows wholesalers to return the product within a specified period prior to and subsequent to the expiration date. Provisions for returns are recognized in the period in which the underlying sales are recognized, as a reduction of sales revenue. Concordia estimates provisions for returns by using historical experience and other factors, in order to determine Management's best estimate of potential future returns. Concordia continually monitors provisions for returns and makes adjustments when actual product returns differ from established reserves.

Rebates

The provision for rebates is an estimate used in the recognition of revenue. Rebates are granted to healthcare authorities and under contractual arrangements with certain customers. Products sold in the United States are covered by various programs (such as Medicaid and Medicare) under which products are sold at a discount. Concordia estimates its provisions for rebates based on current contractual terms and conditions as well as the historical experience, changes to business practices and credit terms. Concordia continually monitors the provision for rebates and makes adjustments when it believes that actual rebates may differ from established provisions. All rebates are recognized in the period in which the underlying sales are recognized as a reduction of sales revenue.

Other Price Adjustments

The provision for other price adjustments is a significant and complex estimate used in the recognition of revenue. Other price adjustments are credits issued by the wholesaler to reflect various decreases in the selling price. The price that Concordia sells to the wholesaler is known as the Wholesale Acquisition Cost ("**WAC**"). Decreases to WAC are discretionary decisions made by the wholesalers to reflect competitive market conditions. Amounts recorded for other price adjustments are based upon estimated declines in market prices. Concordia regularly monitors these and other factors and re-evaluates the provision as additional information becomes available.

Share-based compensation

IFRS 2 requires that each installment of options and RSUs be treated as a separate grant with graded-vesting features. Forfeitures are estimated at the time of grant and revised if actual forfeitures are likely to differ from previous estimates. Options granted to parties other than employees are measured at their fair values. Share-based compensation for options is recognized as compensation in the statement of income (loss) and comprehensive income (loss) based on the fair values of the underlying options at the time of the grant, with the compensation expense amortized over the vesting period for the grantee. Share based compensation for RSUs is recognized as compensation in the statement of income (loss) and comprehensive income (loss) based on changes in Management's estimate of the number of RSUs that are expected to vest and changes in the market value of Concordia's common shares. The Company has also issued certain Performance Based RSUs subject to market based and Company specific performance vesting conditions. Concordia uses the Black-Scholes option pricing model to price its options and uses Monte Carlo option pricing models to price its Performance Based RSUs in computing share based compensation, which requires certain assumptions on variables including, but not limited to, the stock price volatility rate for a publicly held corporation and estimates of future earnings. The selection of different option pricing models and different assumptions of volatility and future earnings could produce different values for share based compensation, which could impact results.

Impairment of non-financial assets

The Company reviews amortized non-financial assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may be impaired. The Company also reviews, on an annual basis, non-financial assets with indefinite life for impairment. If the recoverable amount of the respective non-financial assets is less than its carrying amount, it is considered to be impaired. In the process of measuring the recoverable amount, Management makes assumptions about future events and circumstances. The actual results may vary and may cause significant adjustments.

Income taxes

The Company is subject to income taxes in numerous jurisdictions. The integrated nature of the Company's global operations gives rise to many transactions in the ordinary course of business in respect of which the determination of income for tax purposes may be uncertain. The Company uses judgment to determine its income for tax purposes, which may impact the recognized amount of assets or liabilities, the

disclosure of contingent liabilities or the reported amount of revenue or expense during the reporting period. The Company evaluates these judgements based upon historical experience, current and expected future outcomes, third-party evaluations and various other assumptions believed to be reasonable in the circumstances.

The evaluation by the Company may result in an unrealized tax benefit in connection with taxation years that have not yet been reviewed by the relevant tax authority. If appropriate, an unrealized tax benefit will be realized in the reporting period in which the Company determines that realization is not in doubt. Where the finally determined outcome is different from the Company's estimate, such difference will impact the Company's income taxes in the reporting period during which such determination is made.

Acquisition-Related Purchase Consideration

Certain acquisitions completed by Concordia, or its subsidiaries, include purchase consideration that may be paid based on the occurrence of certain future events, such as sales performance and the achievement of certain future developments, regulatory and sales milestones.

Acquisition-related purchase consideration associated with an acquisition is initially recognized at fair value and then re-measured each reporting period, with changes in fair value recorded in the consolidated statements of income (loss) and comprehensive income (loss). The estimates of fair value contain uncertainties as they involve assumptions about the likelihood of achieving specified milestone criteria, projections of future financial performance, and assumed discount rates. Changes in the fair value of the acquisition-related purchase consideration obligations result from several factors including changes in discount periods and rates, changes in the timing and amount of revenue estimates and changes in probability assumptions with respect to the likelihood of achieving specified milestone criteria. A change in any of these assumptions could produce a different fair value, which could impact results.

Current and Future Accounting Pronouncements

The Company's accounting policies are consistent with those disclosed in note 2 to the December 31, 2015 consolidated financial statements.

Contingencies

Royalties

The Company has a commitment to pay royalties on certain products acquired from Shionogi in May 2013 at certain prescribed rates. These royalties are payable on a quarterly basis.

Litigation and Arbitration

In the normal course of business the Company may be the subject of litigation claims. The following are items either resolved or outstanding impacting the Company:

On July 13, 2015, a former financial advisor to the Company commenced an arbitration with the American Arbitration Association against the Company in respect of amounts that the financial advisor believes are owing to it in connection with the acquisition of the Covis Portfolio under the terms of a previous engagement letter with the financial advisor. The amount claimed is $12.3 million. On October 23, 2015, the Company received an invoice from this former financial advisor for approximately $26 million, with respect to the Company's acquisition of AMCo on October 21, 2015. On November 2, 2015, the financial advisor amended its statement of claim, claiming that it is entitled to the invoiced amount in respect of the Company's acquisition of AMCo. The Company disputes that these amounts are owing and intends to vigorously defend this matter.

Contractual obligations

The Company enters into contractual obligations in the normal course of business. There have been no significant changes to the specified contractual obligations during the first quarter of 2016. Details of the contractual obligations are further disclosed in the notes to the December 31, 2015 consolidated financial statements.

The Company has not engaged in any off-balance sheet financing transactions.

Outstanding Share Data

The authorized capital of the Company consists of an unlimited number of common shares. As at March 31, 2016 and May 12, 2016, the Company had, respectively, 51,015,872 and 51,016,543 common shares issued and outstanding. As at March 31, 2016 and May 12, 2016, there were, respectively, 2,460,235 options outstanding that entitle the holders thereof to purchase one common share per option of the Company.

As at March 31, 2016 and May 12, 2016, the Company had, respectively, 1,662,921 and 1,667,498 unvested RSUs outstanding. Each RSU can be settled either in cash or shares issued from treasury or a combination of cash and shares issued from treasury at the sole discretion of the Company.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

Disclosure Controls and Procedures

The Company is required to review and report on the effectiveness of its disclosure controls and procedures ("DC&P") in accordance with National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings" ("NI 52-109"), issued by the Canadian Securities Administrators. NI 52-109 requires a Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") to certify that they are responsible for establishing and maintaining DC&P for the Company, that DC&P have been designed and are effective in providing reasonable assurance that material information relating to the Company is made known to them, that they have evaluated the effectiveness of the Company's DC&P and that their conclusions about the effectiveness of those DC&P at the end of the period covered by the relevant interim filings have been disclosed by the Company.

A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that its objectives are met. Due to inherent limitations in a control system, no evaluation of controls can provide absolute assurance that all control issues within a company have been detected. In addition, the design of any system of control is based upon certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all future events, no matter how remote, or that the degree of compliance with the policies or procedures may not deteriorate. Accordingly, the Company's DC&P are effective in providing reasonable, not absolute, assurance that the objectives of its disclosure control system have been met.

Internal Controls over Financial Reporting

Management is responsible for establishing and maintaining adequate Internal Control over Financial Reporting ("ICFR"), which is a process designed by, or designed under the supervision of the CEO and CFO, and effected by the Board, Management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Under their supervision and with the participation of Management, including the CEO and CFO, an evaluation of the effectiveness of the Company's internal control over financial reporting was conducted at March 31, 2016. Based on this evaluation, Management has concluded that the Company's internal control over financial reporting were effective as at March 31, 2016.

Given Management is in the process of evaluating controls associated with business combinations, in accordance with Section 3.3(1) of NI 52-109, Management has limited the scope and design and subsequent evaluation of internal controls over financial reporting to exclude the controls, policies and procedures of AMCo, the Company's Concordia International segment, acquired through a business combination on October 21, 2015. Financial information related to AMCo has been presented in the MD&A under the Concordia International segment. Additional information related to AMCo as at March 31, 2016 includes: current assets of $259,712, non-current assets of $3,047,316, current liabilities of $363,040 and non-current liabilities of $314,473.

Except for changes relating to the continuing integration of AMCo, the Company's Concordia International segment, as discussed above, there have been no changes in the Company's internal control over financial reporting during the quarter ended March 31, 2016 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Unaudited Condensed Interim Consolidated Financial Statements of

Concordia Healthcare Corp.

March 31, 2016

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Concordia Healthcare Corp.

Unaudited Condensed Interim Consolidated Balance Sheets

(Stated in thousands of U.S. Dollars, except per share amounts and where otherwise stated)

As at	Mar 31, 2016	Dec 31, 2015
Assets		
Current		
Cash and cash equivalents	178,516	155,448
Accounts receivable (Note 5)	236,823	193,194
Inventory (Note 6)	86,143	100,613
Prepaid expenses	10,380	10,820
Income taxes recoverable	5,692	6,175
Other current assets	14,279	15,945
	531,833	482,195
Intangible assets (Notes 4 and 7)	3,847,525	3,961,742
Goodwill (Notes 4 and 8)	805,694	824,529
Fixed assets	5,870	5,053
Deferred income tax assets	674	2,271
Other assets (Note 23)	5,990	6,469
Total Assets	5,197,586	5,282,259
Liabilities		
Current		
Accounts payable and accrued liabilities	187,220	158,486
Provisions (Note 9)	32,652	32,729
Dividend payable	3,826	3,825
Income taxes payable	47,388	41,987
Current portion of long-term debt (Note 11)	25,774	18,745
Current portion of purchase consideration payable (Note 18)	239,995	253,600
	536,855	509,372
Long-term debt (Note 11)	3,280,308	3,302,581
Purchase consideration payable (Note 18)	34,354	39,342
Deferred income tax liabilities	259,408	274,102
Other long-term liabilities	328	401
Other liabilities (Note 23)	343	253
Total Liabilities	4,111,596	4,126,051
Shareholders' Equity		
Share capital (Note 12)	1,275,120	1,274,472
Contributed surplus	30,000	23,556
Accumulated other comprehensive loss	(172,618)	(104,293)
Deficit	(46,512)	(37,527)
Total Shareholders' Equity	1,085,990	1,156,208
Total Liabilities and Shareholders' Equity	5,197,586	5,282,259

Commitments and contingencies (Note 16)

Approved and authorized for issue by the Board of Directors on May 12, 2016.

"Rochelle Fuhrmann"	**"Mark Thompson"**
Director **(Signed)**	Director **(Signed)**

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

Concordia Healthcare Corp.

Unaudited Condensed Interim Consolidated Statements of Income (Loss)

(Stated in thousands of U.S. Dollars, except per share amounts and where otherwise stated)

	Three months ended	
	Mar 31, 2016	**Mar 31, 2015**
Revenue	228,535	34,113
Cost of sales (Notes 6 & 22)	68,683	3,829
Gross profit	159,852	30,284
Operating expenses (Note 22)		
General and administrative	15,467	4,917
Selling and marketing	13,313	3,013
Research and development	8,867	3,088
Acquisition related, restructuring and other	3,548	2,854
Share-based compensation (Note 14)	8,357	897
Amortization of intangible assets (Note 7)	46,595	5,035
Depreciation expense	430	42
Change in fair value of purchase consideration (Note 18)	3,357	633
Total operating expenses	99,934	20,479
Operating income from continuing operations	59,918	9,805
Other income and expense		
Interest and accretion expense (Note 11)	68,341	8,478
Foreign exchange gain	(2,009)	(409)
Unrealized gain on foreign exchange forward contract	—	(2,549)
Income (loss) from continuing operations before tax	(6,414)	4,285
Income taxes (Note 10)		
Current	8,707	535
Deferred	(10,320)	(36)
Net income (loss) from continuing operations	(4,801)	3,786
Net income (loss) from discontinued operations (Note 23)	(358)	1,882
Net income (loss) for the period	(5,159)	5,668
Earnings (loss) per share, from continuing operations (Note 13)		
Basic earnings (loss) per share	(0.09)	0.13
Diluted earnings (loss) per share	(0.09)	0.12
Earnings (loss) per share, including discontinuing operations (Note 13)		
Basic earnings (loss) per share	(0.10)	0.20
Diluted earnings (loss) per share	(0.10)	0.19

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

Concordia Healthcare Corp.

Unaudited Condensed Interim Consolidated Statements of Comprehensive Income (Loss)

(Stated in thousands of U.S. Dollars, except per share amounts and where otherwise stated)

	Three months ended	
	Mar 31, 2016	**Mar 31, 2015**
Net income (loss) for the period	(5,159)	5,668
Other comprehensive loss, net of tax		
Amounts that will be reclassified to statement of income (loss)		
Cumulative translation adjustment	(83,524)	(293)
Net investment hedge of GBP denominated loans (net of taxes of $2,301)	15,199	—
Other comprehensive loss for the period, net of tax	(68,325)	(293)
Total comprehensive income (loss) for the period	(73,484)	5,375

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

Concordia Healthcare Corp.

Unaudited Condensed Interim Consolidated Statements of Changes in Equity

(Stated in thousands of U.S. Dollars, except per share amounts and where otherwise stated)

	Share Capital					
	Number of Shares	Amount	Contributed Surplus	Accumulated Other Comprehensive Loss	Retained Earnings/ (Deficit)	Total Shareholders' Equity
Balances, January 1, 2015	28,861,239	247,035	5,028	(274)	5,761	257,550
Dividends (Note 12)	—	—	—	—	(2,166)	(2,166)
Exercise of options (Note 14)	12,500	52	(13)	—	—	39
Share based compensation expense (Note 14)	—	—	897	—	—	897
Net income for the period	—	—	—	—	5,668	5,668
Foreign currency translation adjustment	—	—	—	(293)	—	(293)
Balances, March 31, 2015	28,873,739	247,087	5,912	(567)	9,263	261,695
Balances, January 1, 2016	50,994,397	1,274,472	23,556	(104,293)	(37,527)	1,156,208
Dividends (Note 12)	—	—	—	—	(3,826)	(3,826)
Exercise and vesting of stock based compensation (Note 14)	21,475	648	(475)	—	—	173
Share based compensation expense (Note 14)	—	—	8,357	—	—	8,357
Taxes for share based compensation	—	—	(1,438)	—	—	(1,438)
Net loss for the period	—	—	—	—	(5,159)	(5,159)
Translation of foreign denominated loans (net of taxes of $2,301)	—	—	—	15,199	—	15,199
Cumulative translation adjustment	—	—	—	(83,524)	—	(83,524)
Balances, March 31, 2016	51,015,872	1,275,120	30,000	(172,618)	(46,512)	1,085,990

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

Concordia Healthcare Corp.

Unaudited Condensed Interim Consolidated Statements of Cash Flows

(Stated in thousands of U.S. Dollars, except per share amounts and where otherwise stated)

	Three months ended	
	March 31, 2016	**March 31, 2015**
Cash flows from operating activities		
Net income (loss) from continuing operations	(4,801)	3,786
Adjustments to reconcile net income to net cash flows from operating activities:		
Interest and accretion expense (Note 11)	68,341	8,478
Depreciation and amortization	47,025	5,077
Share based compensation expense (Note 14)	8,357	897
Non-cash inventory fair value adjustments (Note 6)	18,643	—
Fair value adjustments	3,357	633
Income tax (recovery) expense	(1,613)	499
Other (income) expense	(1,275)	416
Unrealised gain on foreign exchange	—	(2,549)
Contingent consideration paid	(3,424)	—
Income taxes paid	(1,835)	(14,176)
Changes in operating assets and liabilities		
Accounts receivable	(40,317)	9,140
Inventory	(3,303)	(986)
Prepaid expenses and other current assets	1,958	(7,627)
Accounts payable and accrued liabilities	2,285	3,203
Provisions	(1,869)	(2,979)
Other liabilities	(74)	(6)
Cash flows from operating activities - continuing operations	91,455	3,806
Cash flows from operating activities - discontinued operations	433	814
Net cash flows from operating activities - continuing and discontinued operations	91,888	4,620
Cash flows used in investing activities		
Purchase of fixed assets and capitalised development costs	(3,779)	(90)
Interest earned	290	—
Cash flows used in investing activities - continuing operations	(3,489)	(90)
Cash flows used in investing activities - discontinued operations	—	(814)
Net cash flows used in investing activities - continuing and discontinued operations	(3,489)	(904)
Cash flows used in financing activities		
Deferred financing costs	(5,062)	—
Proceeds from exercise of options	106	38
Payment of long-term debt	(5,197)	(5,950)
Contingent consideration paid (Note 18)	(18,655)	—
Interest paid	(29,941)	(2,142)
Dividends paid (Note 12)	(3,825)	(2,165)
Cash flows used in financing activities - continuing operations	(62,574)	(10,219)
Cash flows used in financing activities - discontinued operations	—	—
Net cash flows used in financing activities - continuing and discontinued operations	(62,574)	(10,219)
Net change in cash and cash equivalents	25,825	(6,503)
Effects of exchange rate changes on cash and cash equivalents	(2,757)	(430)
Cash and cash equivalents, beginning of period	155,448	39,572
Cash and cash equivalents, end of period	178,516	32,639

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

1. Description of Business and General Information

Concordia Healthcare Corp. (the "**Company**", "**Concordia**" or the "**Group**") is an international specialty pharmaceutical company, owning, through its subsidiaries, a diversified portfolio of branded and generic prescription products. Concordia has three reportable operating segments, which consist of Concordia North America, Concordia International and Orphan Drugs, as well as a Corporate cost centre. On April 29, 2016 the shareholders approved changing the name of the Company from Concordia Healthcare Corp. to Concordia International Corp. The name change is expected to be implemented in the second quarter of 2016.

Concordia North America, formerly the Company's "Legacy Pharmaceuticals Division", has product right sales of legacy pharmaceutical products mainly in the United States. Concordia North America operations are conducted through the Barbados branch of Concordia Pharmaceuticals Inc. S.à r.l ("**CPI**"). CPI has a portfolio of branded products and authorized generic contracts.

Concordia International operations are conducted through Amdipharm Mercury Limited ("**AMCo**") and certain of its subsidiaries. AMCo is an international specialty pharmaceutical company, owning a diversified portfolio of branded and generic prescription products, which are sold to wholesalers, hospitals and pharmacies in over 100 countries.

Both the Concordia North America and Concordia International segments have products manufactured and sold through an out-sourced production and distribution network and marketed internationally through a combination of direct sales and local partnerships. Manufacturing is mainly outsourced to a network of contract manufacturers.

Concordia's Orphan Drugs segment operations are conducted through the Barbados branch of Concordia Laboratories Inc. S.à r.l ("**CLI**"). CLI owns Photofrin® for the treatment of certain forms of rare cancer.

The Corporate cost centre consists of centralized costs incurred by the Company, as ultimate parent company of the Group.

During 2015, the Company resolved to dissolve Complete Medical Homecare Inc. ("**CMH**"), and thus commenced the wind up of CMH. CMH was previously presented as the Company's Specialty Healthcare Distribution Division ("**SHD**"), which distributed diabetes testing supplies and other healthcare products.

Concordia's business experiences little seasonal variation in demand.

The Company's shares are listed for trading on the Toronto Stock Exchange ("**TSX**") under the symbol "CXR" and are listed for trading on the NASDAQ Global Select Market® under the symbol "CXRX".

The registered and head office of the Company is located at 277 Lakeshore Rd. East, Suite 302, Oakville, Ontario, L6J 1H9.

2. Significant Accounting Policies

(a) Basis of Presentation

These condensed interim consolidated financial statements for the three months ended March 31, 2016 have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("**IFRS**") applicable to the preparation of interim financial statements including IAS 34, Interim Financial Reporting. These condensed interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with Concordia's annual consolidated financial statements as at and for the year ended December 31, 2015.

The condensed interim consolidated financial statements are prepared in accordance with the accounting policies as set out in the Company's annual consolidated financial statements as at December 31, 2015, prepared in accordance with IFRS. The presentation of these condensed interim consolidated financial statements is consistent with those annual consolidated financial statements.

The condensed interim consolidated financial statements are prepared on a going concern basis and have been presented in U.S. dollars, which is also the Company's functional currency.

(b) Future accounting changes

The International Accounting Standards Board has not issued any significant new accounting standards that impact the Company since the standards described in the most recent annual financial statements for the year ended December 31, 2015.

The Company is assessing the material standards described in the annual financial statements, which include IFRS 15, "Revenue from Contracts with Customers", IFRS 9, "Financial Instruments", IFRS 7, "Financial Instruments Disclosures", and IFRS 16, "Leases" all of which have an effective implementation date beginning on, or after, January 1, 2018.

The Company continues to monitor changes to IFRS, including the amendments to IAS 1, "Presentation of Financial Statements", and has implemented applicable IASB changes to standards, new interpretations and annual improvements, none of which had an impact on these condensed interim consolidated financial statements.

(c) Prior Period Presentation

Certain prior period balances have been re-classified to conform with the current period presentation.

3. Critical Accounting Estimates and Judgments and Key Sources of Estimation Uncertainty

The preparation of interim financial statements requires management to make a number of judgments, estimates and assumptions regarding recognition and measurement of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed interim consolidated financial statements, the significant judgements made by management in applying the group policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended December 31, 2015.

(Stated in thousands of U.S. Dollars, except per share amounts and where otherwise stated)

4. Acquisitions

The AMCo Transaction

On October 21, 2015 (the "**AMCo Closing Date**") the Company, through a wholly owned subsidiary, completed the acquisition of 100% of the outstanding shares of AMCo (the "**AMCo Acquisition**") from Cinven, a European private equity firm, and certain other sellers (collectively the "**Vendors**").

The AMCo Acquisition was completed for cash consideration of approximately £800 million (with a value at closing of $1.24 billion), 8.49 million common shares of the Company (with a value at closing of $230.8 million) and daily interest on the total cash consideration, that accrued from June 30, 2015 to October 21, 2015 (with a value at closing of $47.7 million). In addition the Company will pay to the Vendors a maximum cash earn-out of £144 million (with a value at closing of $206.5 million) based on AMCo's future gross profit over a period of 12 months from October 1, 2015. The Company has an option, which can be exercised by it prior to September 30, 2016, to defer the payment of one-half of this earn-out to February 1, 2017, which deferred amount would accrue interest daily at a rate of 8% per annum.

The purchase price allocation for AMCo is not final as the Company is in the process of concluding on the valuation of intangible assets obtained from this acquisition, including the evaluation of currently in process research and development projects.

Fair Value of Consideration Transferred

Cash purchase consideration paid	2,683,260
Common shares (8.49 million)	230,843
Purchase consideration payable	206,490
Total Consideration	3,120,593
Adjusted for the following:	
Discharge of AMCo long-term debt	(1,396,434)
Discharge of other transaction liabilities	(89,700)
Cash assumed on acquisition	(76,100)
Total	1,558,359

Assets Acquired and Liabilities Assumed

The transaction has been accounted for as a business combination under the acquisition method of accounting. The following table summarizes the estimated fair values of the assets acquired and liabilities assumed as of the acquisition date.

(Stated in thousands of U.S. Dollars, except per share amounts and where otherwise stated)

	Amounts Recognized as of the Acquisition Date[a]
Accounts receivable [b]	114,309
Inventory [c]	105,235
Prepaid expenses and other current assets	6,234
Fixed assets	4,087
Intangible assets [d]	2,499,171
Deferred income tax assets	319
Accounts payable	(29,144)
Accrued liabilities	(67,530)
Provisions	(5,899)
Current income taxes payable	(36,467)
Contingent consideration payable [e]	(68,984)
Deferred income tax liabilities [f]	(310,431)
Long-term debt	(1,396,434)
Other transaction liabilities	(89,700)
Total identifiable net assets	724,766
Goodwill [g]	833,593
Total fair value of consideration transferred	1,558,359

(a) There have been no measurement period adjustments since the date of acquisition through to March 31, 2016

(b) The fair value of trade accounts receivable acquired was $114,309, with the gross contractual amount being $114,865, of which the Company has established an initial reserve of $566 in respect of amounts which may be uncollectible.

(c) Includes a fair value increase to inventory of $41,951,whereby the entire amount has been recorded in cost of sales by March 31, 2016. An amount of $18,643 has been recorded in cost of sales during the three months ended March 31, 2016.

(d) The following table summarizes the amounts and useful lives assigned to identifiable intangible assets:

	Weighted-Average Useful Lives (Years)	Amounts Recognized as of the Acquisition Date
Acquired product rights and manufacturing process	20	2,019,769
Distribution contracts	5	35,340
Supplier contracts	5	135,429
In-process research and development	No amortization	307,540
Other intangible assets	3-5	1,093
Total identifiable intangible assets acquired		2,499,171

(Stated in thousands of U.S. Dollars, except per share amounts and where otherwise stated)

(e) The Company assumed contingent consideration payable of $68,984, which included the earn-out on the acquisitions previously completed by AMCo.

(f) Deferred income tax liabilities have been recognized in connection with intangible assets and inventory using the substantively enacted tax rates at which the temporary differences were expected to be realized as of the AMCo Closing Date.

(g) The balance of goodwill, which to date, has been allocated to the Concordia International segment, is the difference between the acquisition date fair value of the consideration transferred and the values assigned to the assets acquired and liabilities assumed. None of the goodwill is expected to be deductible for tax purposes. The goodwill recorded represents the following:

- cost savings and operating synergies expected to result from combining the operations of AMCo with those of the Company;
- the value of the continuing operations of AMCo's existing business (that is, the higher rate of return on the assembled net assets versus if the Company had acquired all of the net assets separately); and
- intangible assets that do not qualify for separate recognition.

The Covis Transaction

On April 21, 2015, the Company, through its subsidiary CPI, completed the acquisition of substantially all of the commercial assets of Covis Pharma S.à r.l and Covis Injectables S.à r.l (collectively, "**Covis**") for $1.2 billion in cash (the "**Covis Acquisition**") pursuant to the terms of an asset purchase agreement (the "**Covis Purchase Agreement**"). The drug portfolio acquired from Covis (the "**Covis Portfolio**") consists of a portfolio of products, comprised of branded products and authorized generic contracts, that address medical conditions in various therapeutic areas including cardiovascular, central nervous system, oncology and acute care markets.

The allocation of total consideration was allocated to assets acquired and adjusted to final as follows. There were no measurement period adjustments in the first quarter of 2016.

Fair Value of Consideration Transferred

Cash	1,200,000
Total Consideration	**1,200,000**

Assets Acquired and Liabilities Assumed

	Amounts Recognized as of Acquisition Date	Measurement Period Adjustments [(a)]	Amount Recogized as of March 31, 2016 (as adjusted)
Inventory	6,424	10,698	17,122
Accounts receivable	616	(566)	50
Accrued liabilities	(422)	(100)	(522)
Contingent liability	(7,191)	7,191	—
Deferred tax liability	(3,340)	(888)	(4,228)
Acquired product rights	1,195,560	(10,660)	1,184,900
Total identifiable net assets	1,191,647	5,675	1,197,322
Goodwill	8,353	(5,675)	2,678
Total fair value of consideration transferred	1,200,000	—	1,200,000

(Stated in thousands of U.S. Dollars, except per share amounts and where otherwise stated)

(a) The measurement period adjustments were made to reflect facts and circumstances existing as of the acquisition date, and did not result from intervening events subsequent to the acquisition date. These adjustments did not have a significant impact on the Company's previously reported consolidated financial statements. During the measurement period, the Company recorded certain adjustments to the purchase price allocation including a decrease to acquired product rights of $10,660, an increase to the deferred tax liability of $888, an increase in accrued liabilities of $100, a decrease to contingent liability of $7,191, and a decrease to accounts receivable of $566. In addition the Company recorded a fair value increase of $10,698 to inventory in the measurement period, which entire amount had subsequently been recorded in cost of sales during the year ended December 31, 2015. As a result of all of the above, goodwill was decreased by $5,675.

The total amount of goodwill of $2,678 is calculated as the difference between the fair value of consideration transferred and the fair value of the assets acquired and liabilities assumed. Goodwill is primarily attributable to the benefits associated with the group of products acquired and the corresponding projected future cash flows to be earned.

On October 5, 2015, CPI sold its rights to three injectable products, Fortaz®, Zantac® and Zinacef®, which were acquired in the Covis Acquisition, for total consideration of approximately $10 million plus $1 million for purchased inventory.

5. Accounts Receivable

As at	Mar 31, 2016	Dec 31, 2015
Accounts Receivable	242,955	199,412
Allowance for Doubtful Accounts	(6,132)	(6,218)
Total	236,823	193,194

Bad debt write-offs of $33 were recorded during the three month period ended March 31, 2016 (2015 - $118).

6. Inventory

As at	Mar 31, 2016	Dec 31, 2015
Finished goods	70,029	$ 89,352
Raw materials	23,210	20,444
Work in process	11,278	7,753
Obsolescence reserve	(18,374)	(16,936)
Total	86,143	100,613

Inventory costs charged to cost of sales during the three month period ended March 31, 2016 were $40,087 (2015 - $2,685) which includes $18,643 (2015 - $nil) of non-cash fair value adjustments related to inventories acquired through the AMCo Acquisition. As at March 31, 2016 all fair value adjustments recorded as part of acquired inventories have been released. The Company increased its reserve for obsolete inventory to $18,374 during the period. There were no inventory write-downs charged to cost of sales during the three month period ended March 31, 2016 (2015 - $nil).

(Stated in thousands of U.S. Dollars, except per share amounts and where otherwise stated)

7. Intangible Assets

As at January 1, 2016	3,961,742
Additions	2,559
Amortization	(46,595)
Impact of foreign exchange	(70,181)
As at March 31, 2016	3,847,525

Additions of $2,559 for the three months ended March 31, 2016 were related to in-process research and development.

8. Goodwill

As at January 1, 2016	824,529
Impact of foreign exchange	(18,835)
As at March 31, 2016	805,694

9. Provisions

As at	**Mar 31, 2016**	**Dec 31, 2015**
Chargebacks/Medicaid/Co-pay	20,896	20,880
Returns	6,110	7,538
Inventory management	4,476	3,495
Prompt pay	1,170	816
Closing Balance	32,652	32,729

The closing balance relates to provisions made to estimate the liabilities arising from chargebacks, returns, rebates, co-pay and other price adjustments. Although these estimates and provisions relate to revenue recognition transactions, namely the sales of products, the payments made for the underlying transactions are made directly to the claimants concerned and not to the original customer. Payments are expected within 12 months from the balance sheet date. Invoices received for such charges and estimates are shown in the accounts payable when received. The provision is for the uninvoiced portion of the charges and estimates.

The following table describes movements in the Company's provisions balance by nature of provision:

	Chargebacks/ Medicaid/ Co-pay	Returns	Inventory management	Prompt pay	**Total**
As at January 1, 2016	20,880	7,538	3,495	816	32,729
Additions	37,751	4,222	6,422	1,975	50,370
Utilization	(37,735)	(5,650)	(5,441)	(1,621)	(50,447)
As at March 31, 2016	**20,896**	**6,110**	**4,476**	**1,170**	**32,652**

10. Income Taxes

There have been no material changes to tax matters in connection with reporting periods prior to the Company's annual financial statements for the year ended December 31, 2015. Refer to the 'Income Taxes' note in the Company's annual financial statements for the year ended December 31, 2015 for a full description of the Company's tax matters.

(Stated in thousands of U.S. Dollars, except per share amounts and where otherwise stated)

The Company is subject to income tax in numerous jurisdictions with varying tax rates. There was no material change to the statutory tax rates in the taxing jurisdictions where the majority of the Company's income for tax purposes was earned or where its temporary differences or losses are expected to be realized or settled.

The Company continues to believe the amount of unrealized tax benefits appropriately reflects the uncertainty of items that are or may in the future be under discussion, audit, dispute or appeal with a tax authority or which otherwise result in uncertainty in the determination of income for tax purposes. If appropriate, an unrealized tax benefit will be realized in the reporting period in which the Company determines that realization is not in doubt. Where the final determined outcome is different from the Company's estimate, such difference will impact the Company's income taxes in the reporting period during which such determination is made.

11. Long-term Debt

As at	Mar 31, 2016	Dec 31, 2015
Term Loan Facilities [(a)]		
- USD term loan	1,027,657	1,026,977
- GBP term loan	685,485	703,214
- Revolver	—	—
Bridge Facilities [(b)]	117,594	117,035
9.5% Senior Notes [(c)]	764,939	764,342
7% Senior Notes [(d)]	710,407	709,758
Carrying value	3,306,082	3,321,326
Less: current portion	(25,774)	(18,745)
Long-term portion	3,280,308	3,302,581

(a) On the AMCo Closing Date, the Company completed the AMCo Acquisition as discussed in note 4. To finance the AMCo Acquisition, the Company entered into a credit agreement (the "**AMCo Credit Agreement"**) on October 21, 2015 pursuant to which a syndicate of lenders made available secured term loans in the aggregate amounts of $1.1 billion in one tranche (the "**USD Term Loan**") and £500 million in a separate tranche (the "**GBP Term Loan**", and together with the USD Term Loan, the "**Term Loans**"). In addition, the AMCo Credit Agreement provides for, and made available to the Company, a secured revolving loan up to $200 million that has not been drawn to date, that matures in October 2020. All obligations of the Company under the Term Loans are guaranteed by all current and future material subsidiaries of the Company and include security of first priority interests in the assets of the Company and its material subsidiaries. The Term Loans mature on October 21, 2021, have variable interest rates and require quarterly principal repayments that commenced in 2016. In addition commencing in 2017, the Term Loans may require certain repayments calculated by reference to the Company's excess cash flow as defined in the AMCo Credit Agreement, calculated annually in respect of the prior year. Interest rates on the Term Loans are calculated based on LIBOR plus applicable margins, with a LIBOR floor of 1%. Interest expense on the Term Loans for the three month period ended March 31, 2016 was $25,465. The Company made principal payments of $2,750 and £1,250 to the USD Term Loan and GBP Term Loan, respectively, in the first quarter of 2016.

(b) On the AMCo Closing Date a syndicate of lenders also provided the Company with a senior unsecured equity bridge term loan facility of $135 million (the "**Extended Bridge Loans**") and a senior unsecured equity bridge term loan facility of $45 million (the "**Equity Bridge Loans**" and together with the Extended Bridge Loans, the "**Bridge Facilities**"). All obligations of the Company under the Bridge Facilities, subject to certain customary exceptions, are guaranteed by all material subsidiaries of the Company. The Extended

(Stated in thousands of U.S. Dollars, except per share amounts and where otherwise stated)

Bridge Loans have a seven year term to maturity and an interest rate of 9.5% for two years. If the Extended Bridge Loans are not repaid on or prior to October 21, 2017, the interest rate will increase to 11.5% and the lenders holding the Extended Bridge Loans will have the right to convert the Extended Bridge Loans into a five-year bond with an interest rate of 11.5%. The Equity Bridge Loans have a two year term to maturity and an interest rate of 9.5%. The Bridge Facilities can be repaid in full or in part at any time. In the first quarter of 2016, the Company made a principal payment of $556 on the Bridge Facilities which was allocated pro rata between the outstanding principal amounts of the Bridge Facilities. Interest expenses on the Bridge Facilities for the three month period ended March 31, 2016 was $3,235.

(c) On the AMCo Closing Date, the Company issued at par $790 million 9.5% senior unsecured notes due October 21, 2022 (the "**October 2015 Notes**"). The October 2015 Notes require no payment of principal throughout their term. Interest on the October 2015 Notes is payable semi-annually on June 15th and December 15th of each year. Interest expense on the October 2015 Notes for the three month period ended March 31, 2016 was $18,971.

(d) In connection with the Covis Acquisition on April 21, 2015, the Company issued at par $735 million 7.00% senior unsecured notes due April 21, 2023 (the "**Covis Notes**"). The Covis Notes require no payment of principal throughout their term. Interest on the Covis Notes is payable semi-annually on April 15th and October 15th of each year. Interest on the Covis Notes for the three month period ended March 31, 2016 was $12,792.

The Company was in compliance with its financial maintenance covenants which exist as part of the Term Loans as at, and for the three month period ended March 31, 2016.

The fair value of long-term debt as at March 31, 2016 was $3,243 million.

Interest expense

	Three months ended	
	Mar 31, 2016	**Mar 31, 2015**
Interest expense payable in cash	60,463	2,456
Non-cash items:		
Accretion of deferred financing fees	7,571	—
Accelerated accretion of deferred financing fees	—	5,815
Other	307	207
Interest expense	68,341	8,478

12. Share Capital

The Company is authorized to issue an unlimited number of common shares.

	Number of Common Shares	**$**
Balances as at January 1, 2016	50,994,397	1,274,472
Exercise of stock options	12,500	173
Vesting of RSUs	8,975	475
Balances as at March 31, 2016	51,015,872	1,275,120

The Company's board of directors declared a dividend payment of $3,826 (2015 - $2,166) on March 26, 2016, with a payment date of April 29, 2016.

(Stated in thousands of U.S. Dollars, except per share amounts and where otherwise stated)

13. Earnings (Loss) Per Share

	Mar 31, 2016	Mar 31, 2015
Net Income (loss) from continuing operations for the period attributable to shareholders	(4,801)	3,786
Weighted average number of ordinary shares in issue	51,009,511	28,871,869
Adjustments for:		
Dilutive stock options and agent warrants	490,030	1,713,082
Dilutive unvested shares	262,840	—
Weighted average number of fully diluted shares	51,762,381	30,584,951
Earnings (loss) per share, from continuing operations		
Basic earnings (loss) per share	(0.09)	0.13
Diluted earnings (loss) per share	(0.09)	0.12
Earnings (loss) per share, including discontinuing operations		
Basic earnings (loss) per share	(0.10)	0.20
Diluted earnings (loss) per share	(0.10)	0.19

14. Share Based Compensation

Employee Stock Option Plan

The Company has an incentive stock option plan that permits it to grant options to acquire common shares to its directors, officers, employees, and others.

As at March 31, 2016, 402,716 stock options (December 31, 2015 – 471,466) were available for grant under the stock option plan.

Information with respect to stock option transactions for the period ended March 31, 2016 is as follows:

	Number of Stock Options	Weighted Average Exercise Price
Balance, January 1, 2016	2,403,985	$ 37.07
Granted during the period	152,500	25.06
Cancelled during the period	(83,750)	34.23
Exercised during the period	(12,500)	10.32
Balance, March 31, 2016	2,460,235	$ 36.55
Weighted-average exercise price of options exerciseable as at March 31, 2016		$ 12.64

The Black-Scholes model was used to compute option values. Key assumptions used to value the grants during the period are set forth in the table below:

(Stated in thousands of U.S. Dollars, except per share amounts and where otherwise stated)

Number of options granted	152,500
Market price	24.32 - 26.43
Fair value of options granted	12.63 - 13.81
Assumptions:	
Risk-Free Interest Rate	1.38%
Expected Life	5
Volatility	66%

Exercise price for each of the stock options issued agreed to the market prices at the date of grant.

Volatility for options granted is derived from historical trading prices.

All the stock options issued have different vesting terms ranging from immediate vesting to vesting over a period of 3 years. Contract terms of options issued range and have a life of 7-10 years.

For the three months ended March 31, 2016, the total compensation charged against income with respect to all stock options granted was $6,248 (2015 – $897).

For the options exercised during the three months ended March 31, 2016, the weighted average market price on the date of exercise was $30.04.

As at March 31, 2016 outstanding stock options were as follows:

Year of Expiry	Exercise Price	Number of Stock Options	Exercisable
2022	35.29	956,500	—
2023	3.00-25.28	265,000	106,250
2024	4.52-24.78	576,500	335,250
2025	31.78-74.12	662,235	10,000
		2,460,235	451,500

Long-Term Incentive Plan

The Company has a long-term incentive plan ("**LTIP**") as disclosed in the December 31, 2015 annual financial statements. Under the terms of the LTIP, the Board of Directors may grant units ("**Units**"), which may be either Restricted Share Units ("**RSU's**") or Deferred Share Units ("**DSU's**") to officers, directors, employees or consultants of the Company. Each unit represents the right to receive one common share in accordance with the terms of the LTIP.

During the period the Company authorized for issuance under the LTIP a total of 423,929 RSUs with market prices between $26.43 and $29.92 with vesting terms over 3 years.

The Company authorized for issuance a total of 1,027,803 performance based RSUs on January 7, 2016 and March 24, 2016 with market prices on the date of authorization of $37.07 and $26.43 respectively. The vesting terms and conditions have not yet been determined by the Company's board of directors and the board has reserved the right to reduce the number of these performance based RSUs prior to the finalization of vesting terms and conditions. Given these circumstances the Company has determined that as of March 31, 2016 there is no shared understanding of the terms and conditions of the arrangement. As such, the Company is not able to reliably estimate the fair value of these awards, and accordingly the Company has not recorded an expense for these performance based RSUs in the three month period ended March 31, 2016.

(Stated in thousands of U.S. Dollars, except per share amounts and where otherwise stated)

For the three months ended March 31, 2016, the Company recorded share based compensation expense of $2,109 (2015 - $nil) related to the RSUs accounted for on the basis that they will be equity-settled, with a corresponding credit to shareholders' equity.

Certain Performance Based RSU's are subject to non-market based performance conditions. As at March 31, 2016 the Company assessed the actual and forecasted performance underlying the outstanding Performance Based RSU's. No vesting or expense has been recorded with respect to these Performance Based RSU's during the period.

The Company's outstanding RSUs are as follows:

	Number of RSUs
Balance, January 1, 2016	220,164
Issued during the period	1,451,732
Vested during the period	(8,975)
Balance, March 31, 2016	1,662,921

15. Related Party Transactions

The Company had the following related party transactions during the three month periods ended March 31, 2016 and 2015:

	Three months ended	
	Mar 31, 2016	Mar 31, 2015
Legal fees paid or payable to a firm affiliated with a director	30	4
	30	4

Legal fees include professional services for advice relating to intellectual property matters. As at February 9, 2016, the firm affiliated with the director ceased providing legal services to the Company, apart from clerical and administrative work related to the transfer of files.

16. Commitments and Contingencies

Lease Commitments

The Company has operating leases relating to rental commitments for its international office locations, an aircraft lease and computer and electronic equipment leases. The leases typically run for a period of months up to five years.

The below table sets forth the Company's obligations under operating leases:

(Stated in thousands of U.S. Dollars, except per share amounts and where otherwise stated)

	Minimum Lease Payments
2016	2,607
2017	3,381
2018	3,157
2019	2,586
2020	403
Thereafter	322
	12,456

Guarantees

All directors and officers of the Company are indemnified by the Company for various items including, but not limited to, all costs to defend lawsuits or actions due to their association with the Company, subject to certain restrictions. The Company has purchased directors' and officers' liability insurance to mitigate the cost of any potential future lawsuits or actions.

In the normal course of business, the Company has entered into agreements that include indemnities in favour of third parties, such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, leasing contracts, license agreements, information technology agreements and various product, service, data hosting and network access agreements. These indemnification arrangements may require the applicable Concordia entity to compensate counterparties for losses incurred by the counterparties as a result of breaches in representations, covenants and warranties provided by the particular Concordia entity or as a result of litigation or other third party claims or statutory sanctions that may be suffered by the counterparties as a consequence of the relevant transaction.

In connection with the acquisition of Zonegran®, the Company guaranteed the payment, performance and discharge of CPI's payment and indemnification obligations under the asset purchase agreement and each ancillary agreement entered into by CPI in connection therewith that contained payment or indemnification obligations. Pursuant to the Covis Purchase Agreement (see note 4) the Company guaranteed the payments due by CPI of CPI's obligations under the Covis Purchase Agreement. Pursuant to the share purchase agreement entered into by the Company in connection with the AMCo Acquisition, the Company guaranteed the obligations of the purchaser under the agreement and related transaction documents.

Litigation and Arbitration

In the normal course of business the Company may be the subject of litigation claims.

On July 13, 2015, a former financial advisor to the Company commenced an arbitration with the American Arbitration Association against the Company in respect of amounts that the financial advisor believes are owing to it in connection with the acquisition by CPI of the Covis Portfolio under the terms of a previous engagement letter with the financial advisor. The amount claimed is $12.3 million. On October 23, 2015, the Company received an invoice from this former financial advisor in the amount of approximately $26 million, with respect to the Company's acquisition of AMCo on October 21, 2015. On November 2, 2015, the financial advisor amended its statement of claim, claiming that it is entitled to the invoiced amount in respect of the Company's acquisition of AMCo. The Company disputes that these amounts are owing and intends to vigorously defend this matter.

17. Financial Risk Management

The Company's activities expose it to certain financial risks, including currency risk, interest rate risk, credit risk and liquidity risk.

(Stated in thousands of U.S. Dollars, except per share amounts and where otherwise stated)

The unaudited condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and therefore should be read in conjunction with the Company's annual financial statements as at and for the year ended December 31, 2015.

Currency Risk

The Company operates primarily in United States dollars (USD), GBP Sterling and Euro. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

The table below shows the extent to which Company has monetary assets (liabilities) in currencies other than the functional currency of the Company.

As at **Amounts in USD**	**Mar 31, 2016**	**Dec 31, 2015**
GBP Sterling	165,284	145,152
Euro	14,768	12,998
Indian Rupepes	11,401	12,083
Canadian Dollars	(998)	(2,082)
Other	29,918	25,679
Total	220,373	193,830

Interest Rate Risk

The long term debt which bears interest at floating rates is subject to interest rate cash flow risk resulting from market fluctuations in interest rates. Contingent consideration payable and notes payable bear interest at a fixed rate of interest, and as such are subject to interest rate price risk resulting from changes in fair value from market fluctuations in interest rates. A 1% appreciation (depreciation) in the interest rate would result in the following:

	Three months ended	
	Mar 31, 2016	**Mar 31, 2015**
Impact of a 1% increase in interest rates for contingent purchase consideration payable on net income	(2,740)	(180)
Impact of a 1% decrease in interest rates for contingent purchase consideration payable on net income	2,858	170
Impact of a 1% increase in interest rates above LIBOR floor for long-term debt on net income	(4,592)	(877)
Impact of a 1% decrease in interest rates for long-term debt on net income	—	877

Credit Risk

The Company's investment policies are designed to mitigate the possibility of deterioration of principal, enhance the Company's ability to meet its liquidity needs and provide high returns within those parameters. Management monitors the collectability of accounts receivable and estimates an allowance for doubtful accounts. As at March 31, 2016, the allowance for doubtful accounts was $6,132 (December 31, 2015 – $6,218).

Concentrations of credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk primarily consist of accounts receivable.

(Stated in thousands of U.S. Dollars, except per share amounts and where otherwise stated)

The Company evaluates the recoverability of its accounts receivable on an on-going basis. As of March 31, 2016 the Company's three largest U.S. wholesale customers account for approximately 63% of net trade receivables within the Concordia North America segment with a total net accounts receivable balance of $107 million. The Company does not consider there to be additional concentration risk within the Concordia International or Orphan Drugs segments.

Liquidity Risk

The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. Since inception, the Company has financed its cash requirements primarily through issuances of securities, short-term borrowings and issuances of long-term debt. The Company controls liquidity risk through management of working capital, cash flows and the availability and sourcing of financing.

The following tables summarize the Company's significant contractual undiscounted cash flows as at March 31, 2016:

As at							Mar 31, 2016
Financial Instruments	**< 3 months**	**3 to 6 months**	**6 months to 1 year**	**1 to 2 years**	**2 to 5 years**	**Thereafter**	**Total**
Accounts payable and accrued liabilities	187,220	—	—	—	—	—	187,220
Provisions	22,842	6,777	3,033	—	—	—	32,652
Taxes payable	47,388	—	—	—	—	—	47,388
Current portion of long-term debt	4,686	4,686	16,402	—	—	—	25,774
Long-term debt [(a)]	—	—	—	231,906	838,384	2,433,193	3,503,483
Interest on long-term debt	61,271	61,877	122,353	242,349	648,404	304,067	1,440,321
Current portion of purchase consideration payable	578	32,389	217,931	—	—	—	250,898
Purchase consideration payable	—	—	—	5,011	12,293	36,983	54,287
	323,985	105,729	359,719	479,266	1,499,081	2,774,243	5,542,023

(a) Long-term debt cash flows include an estimate of the minimum required annual excess cash flow sweep (refer to note 11 (a)).

18. Financial Instruments – Fair Value Estimation

Accounting classifications and fair values

The fair value of a financial asset or liability is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. For the financial assets and liabilities of the Company, the fair values have been estimated as described below:

Cash	- approximates to the carrying amount;
Long-term debt	- mainly approximates to the carrying amount in the case of floating interest rates;
Receivables and payables	- approximates to the carrying amount

The following table presents the fair value of financial assets and financial liabilities, including their levels in the fair value hierarchy:

(Stated in thousands of U.S. Dollars, except per share amounts and where otherwise stated)

As at				Mar 31, 2016
	Level 1	Level 2	Level 3	Total
Financial liabilities measured at fair value through profit or loss				
Purchase consideration	—	—	268,816	268,816
	—	—	268,816	268,816

As at				Dec 31, 2015
	Level 1	Level 2	Level 3	Total
Financial liabilities measured at fair value through profit or loss				
Purchase consideration	—	—	287,538	287,538
	—	—	287,538	287,538

The current portion of purchase consideration as at March 31, 2016 is $239,995 (December 31, 2015: $253,600).

Measurement of fair values

The following table presents the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used:

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurements
Due to former owners of AMCo	As part of the consideration for the acquisition of AMCo, the Company is obligated to pay the Vendors of AMCo a maximum cash earn-out of £144 million based on AMCo's future gross profit over a period of 12 months from October 1, 2015 to September 30, 2016. Discounted cash flows: The value model considers the present value of expected payment, discounted using a risk adjusted discount rate.	Gross profit threshold for 12 months ending September 30, 2016, subject to a cap of £144 million. Risk adjusted discount rate.	The estimated fair value would decrease if the annual gross profit growth rates were lower. The estimated fair value would increase/ decrease if market representative interest rate was higher/ (lower).

(Stated in thousands of U.S. Dollars, except per share amounts and where otherwise stated)

Due to former owners of Pinnacle Biologies Inc. ("**Pinnacle**")	As part of the consideration for the acquisition of Pinnacle, the Company is obligated to pay additional payments of up to $5,000 based on the achievement of certain milestones related to clinical trials. The Company is also obligated to pay additional earn-out payments equal to 15% of worldwide sales of Photofrin® in excess of $25,000 over the 10 calendar years following the Company's acquisition of Pinnacle. Discounted cash flows: The value model considers the present value of expected payment, discounted using a risk – adjusted discount rate. The expected payment is determined by considering the possible scenarios of trial results, sales thresholds, and the amount to be paid under each scenario and the probability of each scenario.	15% of worldwide sales of Photofrin® in excess of $25,000 over the 10 calendar years. Risk adjusted discount rate.	The estimated fair value would decrease if the annual gross profit growth rates were lower. The estimated fair value would increase/ decrease if market representative interest rate was higher/ (lower).
Due to former owners of Pinnacle (non-contingent)	As part of the consideration for the acquisition of Pinnacle, the Company is obligated to make 10 annual payments of $1,000, with the first payment made on December 31, 2014. The obligation is subordinated and is not subject to interest. The obligation has been recorded at the present value of required payments with a risk adjusted discount rate.	Risk adjusted discount rate.	The estimated fair value would increase/ (decrease) if market representative interest rate was higher/ (lower).
Focus purchase consideration	The Company assumed the Focus purchase consideration on the acquisition of AMCo. Discounted cash flows: The valuation model considers the present value of expected payment, discounted using a risk -adjusted discount rate. The expected payment is determined by considering the possible scenarios of gross profit threshold, receiving market authorisations and ensuring continuity of supply of the products, the amount to be paid under each scenario and the probability of each scenario.	Gross profit thresholds for 12 months ending December 2015 and 2016, subject to a cap of £7 million and £4 million respectively. Risk adjusted discount rate. Purchase consideration of £2 million and £12.4 million paid in January 2016 and March 2016 which reduced the fair value.	The estimated fair value would decrease if the annual gross profit growth rates were lower. The estimated fair value would increase/ decrease if market representative interest rate was higher/ (lower).
Boucher & Muir purchase consideration	The Company assumed the Boucher & Muir purchase contingent consideration on the acquisition of AMCo. Discounted cash flows: The valuation model considers the present value of expected payment, discounted using a risk -adjusted discount rate. The expected payment is determined by considering the possible scenarios of EBITDA threshold, the amount to be paid under each scenario and the probability of each scenario.	EBITDA thresholds for 12 months ending June 2016 and 2017, subject to a cap of Australian Dollar 3 million per year. Risk adjusted discount rate.	The estimated fair value would decrease if: the EBITDA amounts were lower. The estimated fair value would increase/ decrease if market representative interest rate was higher/ (lower).

(Stated in thousands of U.S. Dollars, except per share amounts and where otherwise stated)

Primegen purchase consideration	The Company assumed the Primegen purchase contingent consideration on the acquisition of AMCo. Discounted cash flows: The valuation model considers the present value of expected payment, discounted using a risk -adjusted discount rate. The expected payment is determined by considering the possible scenarios of receiving market authorisations and ensuring continuity of supply of the products, the amount to be paid under each scenario and the probability of each scenario.	Certain revenue thresholds for 12 months ending June 2016 subject to a cap of £10 million and marketing authorisations being granted. Risk adjusted discount rate.	The estimated fair value would decrease if: the annual revenue growth rates were lower and marketing authorisations are not granted. The estimated fair value would increase/ decrease if market representative interest rate was higher/ (lower).

Reconciliation of Level 3 fair values

The following table presents movement from the opening balance to the closing balances for Level 3 fair values:

	Purchase consideration
Balance as at January 1, 2016	292,942
Paid during the period	(22,079)
Recognized in consolidated statement of income (loss)	3,486
Balance as at March 31, 2016	274,349

19. Capital Management

The Company's capital management objectives are to safeguard its ability to provide returns for shareholders and benefits for other stakeholders, by ensuring it has sufficient cash resources to fund its activities, to pursue its commercialization efforts and to maintain its ongoing operations. The Company includes long-term debt and shareholders' equity in the definition of capital.

The below table sets forth the Company's capital structure:

As at	**Mar 31, 2016**	**Dec 31, 2015**
Long-term debt	3,306,082	3,321,326
Shareholders' Equity	1,085,990	1,156,208
	4,392,072	4,477,534

20. Segmented Reporting

Operating Segments

Following the AMCo Acquisition in October 2015 the Company reorganised its reportable segments. The Company now has three reportable operating segments: Concordia North America, Concordia International and Orphan Drugs, as well as a Corporate cost centre. In December 2015, the Company discontinued the SHD Division, previously operated through CMH, which was previously accounted for as its own segment. A brief description of each is as follows:

Concordia North America

Formerly the Legacy Pharmaceuticals Division, the Concordia North America segment has a diversified product portfolio that focuses primarily on the United States pharmaceutical market. These products include, but are not limited to, Donnatal® for the treatment of irritable bowel syndrome; Zonegran® for the treatment of partial seizures in adults with epilepsy; Nilandron® for the treatment of metastatic prostate cancer; Lanoxin® for the treatment of mild to moderate heart failure and atrial fibrillation; and Plaquenil® for the treatment of lupus and rheumatoid arthritis. Concordia North America's product portfolio consists of branded-products and authorized generic contracts. The segment's products are manufactured and sold through an out-sourced production and distribution network.

Concordia International

Concordia International is comprised of the AMCo group of companies acquired by Concordia on October 21, 2015, which consists of a diversified portfolio of branded and generic products that are sold to wholesalers, hospitals and pharmacies in over 100 countries. Concordia International specializes in the acquisition, licensing and development of off-patent prescription medicines, which may be niche, hard to make products. The segment's over 190 molecules are manufactured and sold through an out-sourced manufacturing network and marketed internationally through a combination of direct sales and local distribution relationships. Concordia International mainly operates outside of the North American marketplace.

Orphan Drugs

The Company's Orphan Drugs segment is intended to provide growth opportunities through the expansion into new indications and new markets for existing or acquired orphan drugs. In its initial execution of its orphan drug strategy, the Company, through its subsidiaries, acquired the orphan drug, Photofrin® through the acquisition of Pinnacle in 2013. Today, Photofrin® is owned by CLI and is the primary focus of the Orphan Drugs segment. Photofrin® is FDA approved and has orphan drug status in respect of esophageal cancer and high-grade dysplasia in Barrett's esophagus. In addition, Photofrin® is FDA approved for the treatment of non-small cell lung cancer. Global sales (outside the United States) are through the Barbados branch of CLI. All distribution in the United States is through Pinnacle.

Corporate

Represents certain centralized costs including costs associated with the Company's head office in Canada and costs associated with being a public reporting entity.

The following table sets forth operating income (loss), change in fair value of purchase consideration, goodwill, total assets and total liabilities by reportable operating segment for the three month period ended March 31, 2016 and 2015.

(Stated in thousands of U.S. Dollars, except per share amounts and where otherwise stated)

	Concordia North America	Concordia International	Orphan Drugs	Corporate	**Three month period ended March 31, 2016**
Revenue	85,948	139,913	2,674	—	228,535
Cost of sales	11,313	56,668	702	—	68,683
Gross profit	74,635	83,245	1,972	—	159,852
Operating expenses					
General and administrative	2,341	6,210	723	6,193	15,467
Selling and marketing	4,973	7,448	892	—	13,313
Research and development	1,965	5,958	944	—	8,867
Acquisitions, restructuring and other	—	3,333	—	215	3,548
Share based compensation	(59)	—	—	8,416	8,357
Amortization of intangible assets	14,932	31,253	410	—	46,595
Depreciation expense	11	377	—	42	430
Change in fair value of purchase consideration	—	3,007	1,450	(1,100)	3,357
Total operating expenses	24,163	57,586	4,419	13,766	99,934
Operating income (loss), continuing operations	50,472	25,659	(2,447)	(13,766)	59,918
As at					**March 31, 2016**
Goodwill, continuing operations	3,062	774,666	27,966	—	805,694
Total assets, continuing operations	1,705,954	3,370,067	75,732	39,843	5,191,596
Total liabilities, continuing operations	53,891	622,752	35,185	3,399,425	4,111,253

(Stated in thousands of U.S. Dollars, except per share amounts and where otherwise stated)

	Concordia North America	Concordia International	Orphan Drugs	Corporate	**Three month period ended March 31, 2015**
Revenue	31,033	—	3,080	—	34,113
Cost of sales	3,380	—	449	—	3,829
Gross profit	27,653	—	2,631	—	30,284
Operating expenses					
General and administrative	1,510	—	693	2,714	4,917
Selling and marketing	2,355	—	658	—	3,013
Research and development	1,255	—	1,833	—	3,088
Share based compensation	51	—	—	846	897
Amortization of intangible assets	4,625	—	410	—	5,035
Acquisitions, restructuring and other	437	—	(6)	2,423	2,854
Depreciation expense	11	—	21	10	42
Change in fair value of purchase consideration	—	—	633	—	633
Total operating expenses	10,244	—	4,242	5,993	20,479
Operating income (loss), continuing operations	17,409	—	(1,611)	(5,993)	9,805
As at					**March 31, 2015**
Goodwill, continuing operations	385	—	27,951	—	28,336
Total assets, continuing operations	479,911	—	72,890	14,562	567,363
Total liabilities, continuing operations	28,762	—	25,796	260,933	315,491

Geographic Segments

The Company has major operations in Barbados, Canada, United States, and United Kingdom.

The following table sets forth revenue by geographic location (excluding inter-company transactions):

(Stated in thousands of U.S. Dollars, except per share amounts and where otherwise stated)

For the three month period ended						**Mar 31, 2016**
	Barbados	Canada	United States	United Kingdom	All other countries	**Total**
Revenue	85,948	562	2,674	99,095	40,256	**228,535**

For the three month period ended						Mar 31, 2015
	Barbados	Canada	United States	United Kingdom	All other countries	Total
Revenue	31,033	—	3,080	—	—	34,113

The following table sets forth assets and liabilities by geographic location (excluding inter-company balances and investments in subsidiaries):

As at						**Mar 31, 2016**
	Barbados	Canada	United States	United Kingdom	All other countries	**Total**
Current assets	158,370	38,959	11,753	186,603	136,148	531,833
Non-current assets	1,597,426	885	14,136	1,911,082	1,136,234	4,659,763
Total assets, continuing operations	1,755,796	39,844	25,889	2,097,685	1,272,382	5,191,596
Current liabilities	53,755	115,406	4,654	316,608	46,432	536,855
Non-current liabilities	—	3,284,019	30,667	227,045	32,667	3,574,398
Total liabilities, continuing operations	53,755	3,399,425	35,321	543,653	79,099	4,111,253

As at						Dec 31, 2015
	Barbados	Canada	United States	United Kingdom	All other countries	**Total**
Current assets	131,503	30,836	11,853	176,297	131,706	482,195
Non-current assets	1,611,628	1,683	14,591	2,057,300	1,108,393	4,793,595
Total assets, continuing operations	1,743,131	32,519	26,444	2,233,597	1,240,099	5,275,790
Current liabilities	44,159	104,963	1,146	326,330	32,774	509,372
Non-current liabilities	—	3,319,920	—	241,771	54,735	3,616,426
Total liabilities, continuing operations	44,159	3,424,883	1,146	568,101	87,509	4,125,798

21. Directors and key management compensation

Compensation, consisting of salaries, bonuses, other benefits and director fees to key management personnel and directors for the three month period ended March 31, 2016 amounted to $1,240 (2015 – $871).

Share based compensation expense recorded for key management and directors, for the three month period ended March 31, 2016 amounted to $3,337 (2015 – $147).

(Stated in thousands of U.S. Dollars, except per share amounts and where otherwise stated)

22. Nature of expenses

The nature of expenses included in cost of sales and operating expenses are as follows:

	Three month ended	
	Mar 31, 2016	**Mar 31, 2015**
Production, manufacturing and distribution costs	68,683	3,829
Salaries, bonus and benefits	6,597	2,897
Sales and marketing expenses	13,313	2,973
Research and development expenses	8,867	3,088
Share-based compensation	8,357	897
Amortization and depreciation	47,025	5,077
Change in fair value of purchase consideration	3,357	633
Professional fees including acquisition and restructuring	7,577	2,989
Travel expenses	2,038	535
Rent and facilities	616	156
Other expenses	2,187	1,234
Total	168,617	24,308

23. Discontinued operations

In December 2015, the Company decided to wind down operations of its former SHD Division and its subsidiary CMH which distributed diabetes testing supplies and other healthcare products. The completion of the wind-down of the SHD Division is expected by June 2016.

Net income (loss) from the discontinued operation include:

	Three months ended	
	Mar 31, 2016	**Mar 31, 2015**
Revenue	23	2,322
Expenses	539	440
Pre-tax (loss) income from discontinued operation	(516)	1,882
Income tax (recovery) expense	(158)	—
Income (loss) from discontinued operation, net of taxes	(358)	1,882

Assets and liabilities of the discontinued operation classified as other assets and other liabilities in the unaudited condensed consolidated balance sheet include:

As at	**Mar 31, 2016**	**Dec 31, 2015**
Current assets	5,990	6,469
Other assets	5,990	6,469
Trade and other payables	343	253
Other liabilities	343	253

24. Subsequent events

On May 12, 2016, Concordia entered into an agreement to acquire four products and the associated global rights through its wholly owned subsidiaries Mercury Pharma Group Limited and Amdipharm Mercury International Limited. The product rights acquired provide treatments for depression, urticaria and anemia. The purchase price of the acquisition will consist of an initial payment of £21 million funded through cash on hand, and up to a maximum of £7 million in earn-out payments that would be payable in the first quarter of 2017 if certain performance and supply targets are achieved. The transaction is expected to close on or about May 31, 2016.