Q1 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

MAY 9, 2017

MD&A Table of Contents

Forward-looking Statements 2
Business Overview and Segments 6
Recent Events 7
Results of Operations 9
Segment Revenue and Gross Profit 11
Corporate and Other Costs 13
Selected Quarterly Financial Information 16
Balance Sheet Analysis 18
Liquidity and Capital Resources 20
Lending Arrangements and Debt 23
Contractual Obligations and Purchase Consideration 24
Related Party Transactions 25
Non-IFRS Financial Measures 26
Critical Accounting Estimates 29
Contingencies 30
Outstanding Share Data 32
Control Environment 33

*The following Management's Discussion and Analysis ("**MD&A**") summarizes Concordia International 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, 2017 and 2016 and the Company's balance sheet as at March 31, 2017 with a comparative period to December 31, 2016. The MD&A was prepared as of May 9, 2017 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, 2017 and the consolidated financial statements and MD&A for the year ended December 31, 2016. Financial information in this MD&A is based on financial statements that have been 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 Great British pound (£)	
As at, and for the periods ended	Spot	Average
January 1, 2016 to March 31, 2016	1.4395	1.4321
April 1, 2016 to June 30, 2016	1.3395	1.4354
July 1, 2016 to September 30, 2016	1.3008	1.3136
October 1, 2016 to December 31, 2016	1.2305	1.2438
January 1, 2017 to March 31, 2017	1.2489	1.2387

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 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 15, 2017 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 "Results of Operations", "Segment Revenue and Gross Profit", "Selected Quarterly Financial Information", 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 Company's ability to satisfy its financial obligations in future periods;
- 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;
- the Company's business priorities, long-term growth strategy and/or stabilization programs or initiatives;
- changes in regulatory rules or practices in the U.S., United Kingdom 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, in-licensing 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 factors:

- the ability of the Company to comply with its contractual obligations, including, without limitation, its obligations under debt arrangements;
- the ability of the Company to stabilize its business;
- the ability of the Company to implement and successfully achieve its business priorities in order to stabilize the Company's business and financial condition;
- the ability of the Company to complete its long-term growth strategy and/or not being delayed in completing such strategy;
- 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 partnerships, 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 and regulatory 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 its operations or future acquisitions;
- the ability of the Company to meet its financial forecasts and projections over the next twelve months and beyond;
- the ability of the Company to acquire or in-license any necessary technology, products or businesses and effectively integrate such acquisitions or such in-licensed technology or products;
- 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"), the U.K. Medicines and Healthcare products Regulatory Agency, the EMA 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;
- reliance on third party distributors to distribute 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 impact of the entry of competitive products, including the timing of the entry of such products in the market place;
- 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;
- the ability of the Company to retain members of the senior management team, including but not limited to, the officers of the Company;
- the ability of the Company to successfully market its products and services;
- the impact of the United Kingdom's referendum through which voters supported a withdrawal 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. The United Kingdom's exit from the European Union 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. In addition, the United Kingdom's exit from the European Union may result in a period of uncertainty while the terms of such exit are being negotiated;
- the impact of the recently enacted UK Health Service Medical Supplies (Costs) Act on the Company's business, including, without limitation, the pricing of the Company's products in the United Kingdom; and
- the Company's operating results, financial condition and financial forecasts may fluctuate from period to period for a number of reasons, including as a result of events or occurrences disclosed in the Company's public filings (including, without limitation, under the heading "Risk Factors" in the Annual Information Form dated March 15, 2017). As a result, the Company believes that quarter-to-quarter comparisons of results from operations or financial forecasts, or any other similar period-to-period comparisons, should not be construed as reliable indicators of the Company's future performance. The events or occurrences described in the Company's public filings, including, without limitation, under the heading "Risk Factors" in the Annual Information Form dated March 15, 2017, may cause the Company's operating results and/or financial forecasts to fluctuate and such events or occurrences could have a material adverse effect on the Company's business, financial condition and results of operations. In any period, the Company's results may be below the expectations of market analysts and investors, which could cause the trading price of the Company's common shares to decline.

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 herein and in the Company's other filings with the Canadian Securities Regulators and the SEC. 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 described herein and included under the heading *"Risk Factors"* in the Company's Annual Information Form dated March 15, 2017, 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 has included the 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 achievements could differ materially from those 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.

Refer to the "*Liquidity and Capital Resources*" and "*Lending Arrangements and Debt*" sections of this MD&A for a further discussion on the Company's financial position, liquidity and future outlook.

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.

Business Overview and Segments

Concordia is an international specialty pharmaceutical company, owning or licensing, through its subsidiaries, a diversified portfolio of branded and generic prescription products. As part of the Company's evolving corporate strategy, Management changed the composition of the Company's reporting segments and the manner in which operating results are reported. The Company previously had three reporting segments: Concordia International, Concordia North America and Orphan Drugs. The results from the former Orphan Drugs segment are now aggregated with the results of the former Concordia North America segment. The Company now has two reporting segments, which consist of Concordia North America and Concordia International, in addition to its 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 common shares are listed on the Toronto Stock Exchange under the symbol "CXR" and on the NASDAQ Global Select Market® under the symbol "CXRX".

Concordia North America

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; Plaquenil® for the treatment of lupus and rheumatoid arthritis; and Photofrin® for the treatment of lung cancer. 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 in the United States, except for distribution of Photofrin® in the United States territory, which distribution is completed by an affiliate of the Company.

Concordia International

Concordia International is comprised of the Concordia International (Jersey) Limited (formerly known as Amdipharm Mercury Limited) group of companies ("Concordia International") 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 90 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 200 products 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.

Corporate

The Corporate cost centre represents certain centralized costs including costs associated with the Company's head office in Canada and costs associated with being a public reporting entity.

Recent Events

Events during the first quarter of 2017

Management and Board of Directors Change

On April 26, 2017, the Company announced that it appointed David Price as its new Chief Financial Officer, effective May 15, 2017.

On May 4, 2017, the Company announced the appointment of Frank Perier and Itzhak Krinsky to the board of directors of the Company (the "**Board**").

Other recent events

Business Impact in Relation to Brexit

On June 23, 2016, the United Kingdom held a referendum and voted to withdraw from the European Union ("**Brexit**"). On March 29, 2017, the United Kingdom delivered notice to the European Council in accordance with Article 50 of the Treaty on European Union of the United Kingdom's intention to withdraw from the European Union. The Company understands that the timeframe for the negotiated withdrawal of the United Kingdom from the European Union is approximately two (2) years from the date of the withdrawal notification. However, as no member state has formally withdrawn from the European Union in the past, there is no precedent for the operation of Article 50 and, as a result, the timing and outcome of Brexit continues to be uncertain at this time. In addition, the United Kingdom is holding a general election on June 8, 2017 and the results of this election may impact the timing and outcome of any such withdrawal. The Company's Concordia International segment has significant operations within the United Kingdom and other parts of the European Union, and therefore continues to monitor developments related to Brexit, including the impact resulting from currency market movements. Refer to the "*Liquidity and Capital Resources*" and "*Lending Arrangements and Debt*" sections of this MD&A for further details on the Company's current assessment of the foreign currency impact to the Company's financial operations as a result of the Brexit vote. In addition, please refer to the *"Risk Factors"* section of the Company's Annual Information Form dated March 15, 2017.

Business Impact in Relation to the UK Health Service Medical Supplies (Costs) Act 2017 (the "Act")

The Act received Royal Assent on April 27 2017. The Act introduces provisions in connection with controlling the cost of health service medicines and other medical supplies. The Act also introduces provisions in connection with the provision of pricing and other information by manufacturers, distributors and suppliers of those medicines and medical supplies. The Company continues to monitor the implementation of the Act and its impact on its business. Please refer to the "*Liquidity and Capital Resources*" section of this MD&A and the "*Risk Factors*" section of the Company's Annual Information Form dated March 15, 2017.

Senior Secured Notes Offering

On October 13, 2016, the Company issued $350 million of Senior Secured First Lien Notes at par (the "**Secured Notes**"). The Secured Notes have a term of five and a half years maturing on April 1, 2022. The Secured Notes bear an interest rate of 9% per annum paid semi-annually. Refer to the "*Lending Arrangements and Debt*" section of the Company's MD&A for the year ended December 31, 2016, dated March 15, 2017 (the "**2016 Annual MD&A**"), for further detail on the Secured Notes.

Cross Currency Swaps

On August 17, 2016, the Company entered into a cross currency swap agreement (the "**August Swap Agreement**") in order to reduce the Company's exposure to exchange rate fluctuations between the Great British pound ("**GBP**" or "**£**") and the US dollar ("**USD**"). The pay fixed GBP / receive fixed USD cross currency swap has a principal amount of USD$382 million and effectively converts this amount of Concordia's USD debt obligations into a GBP obligation in the amount of approximately GBP 297 million. The maturity date of the August Swap Agreement is April 15, 2023.

On November 3, 2016, the Company entered into a second cross currency swap agreement (the "**November Swap Agreement**") in order to reduce the Company's exposure to exchange rate fluctuations between GBP and the USD. The pay fixed GBP / receive fixed USD cross currency swap has a principal amount of USD$350 million and was entered into to effectively convert Concordia's USD debt obligation associated with the Secured Notes into a GBP obligation in the amount of approximately GBP 287 million. The maturity date of the November Swap Agreement is April 1, 2022.

Asset Impairments

During the fourth quarter of 2016, the Company recorded total impairments of $562,105, of which $306,938 related to its North America segment product portfolio and $255,167 related to its International segment product portfolio. The International segment impairment included $196,697 related to its acquired product rights and manufacturing processes and $58,470 related to acquired in-process research and development ("**IPR&D**") from a business combination where certain projects have either been abandoned or there are updated forecasts reflecting changes in the competitive environment.

During the second quarter of 2016, the Company recorded impairments of $567,076 related to certain intangible asset product rights associated with its North America segment.

Refer to the "*Corporate and Other Costs*" section of the 2016 Annual MD&A for further details of these impairments.

Management and Board of Director Change

On November 2, 2016, the Company announced that its board of directors (the "**Board**") appointed Allan Oberman as the Chief Executive Officer of the Company and appointed Jordan Kupinsky as the non-executive Chairman of the Board. The new appointments were effective November 8, 2016.

On December 28, 2016, the Company announced that the President of the Concordia International segment, John Beighton, would retire from his management position, but would continue to act as a member of the board of directors of a significant subsidiary within the Concordia International segment, where he would continue to be available to provide strategic advice to the Company's international business. The Managing Director for the Concordia International segment, Graeme Duncan, replaced Mr. Beighton becoming President of the Concordia International segment effective January 1, 2017.

Product Acquisitions

On May 12, 2016, Concordia International, through certain of its subsidiaries, entered into an agreement to acquire four products and the associated global product rights (the "**Products Acquisition**"). The products acquired included Sodium Feredetate oral solution for the treatment of anemia, Trazadone oral solution for the treatment of depression, and antihistamine Alimemazine oral solution and tablets. The Company paid £21 million, funded through cash on hand on closing of the Products Acquisition. In addition, £7 million in earn-out payments based on certain performance and supply targets were paid on February 6, 2017. The transaction closed on June 1, 2016.

Results of Operations

For the three months ended (in $000's, except per share data)	Mar 31, 2017	Mar 31, 2016
Revenue	160,557	228,535
Gross profit	115,415	159,852
Gross profit %	72%	70%
Adjusted gross profit [(1)]	115,726	178,495
Adjusted gross profit % [(1)]	72%	78%
Total operating expenses	97,049	104,902
Operating income from continuing operations	18,366	54,950
Income tax expense (recovery)	4,739	(1,613)
Net loss from continuing operations	(78,824)	(4,801)
Loss per share, from continuing operations		
Basic	(1.54)	(0.09)
Diluted	(1.54)	(0.09)
Loss per share, including discontinuing operations		
Basic	(1.54)	(0.10)
Diluted	(1.54)	(0.10)
EBITDA [(1)]	56,932	108,952
Adjusted EBITDA [(1)]	84,242	140,848
Adjusted EPS [(1)]	0.22	1.35

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*" section of this MD&A. Management believes non-IFRS measures, including Adjusted EBITDA, provide supplementary information to IFRS measures used in assessing the performance of the business.

Revenue for the three months ended March 31, 2017 decreased by $67,978, or 30%, compared to the corresponding period in 2016. This decrease was primarily due to a $46,794 decrease in revenue from the Concordia North America segment primarily as a result of competitor generic product launches that occurred during the second half of 2016 and other competitive market place pressures, and a $21,184 decrease in revenue from the Concordia International segment primarily as a result of unfavorable movements in foreign exchange rates and lower revenue from the segment's generic portfolio products. Refer to the "*Segment Revenue and Gross Profit*" section of this MD&A for a further discussion on segmental and product specific performance.

Gross profit for the three months ended March 31, 2017 decreased by $44,437, or 28%, compared to the corresponding period in 2016 primarily due to the impact of the factors described above. The increase in gross profit percentage of 2%, is primarily due to the first quarter of 2016 including $18,643 within cost of sales related to a non-cash inventory fair value adjustment arising as a result of acquired inventory from business acquisitions. Excluding the impact of these non-cash inventory adjustments, the gross profit percentage decreased by 6% primarily due to a change in the mix of product sales within both the Concordia North America segment and Concordia International segment. Refer to the "*Segment Revenue and Gross Profit*" section of this MD&A for a further discussion on segmental and product specific performance.

Operating expenses for the three months ended March 31, 2017 decreased by $7,853, or 7%, compared to the corresponding period in 2016. Operating expenses were lower primarily due to $8,133 lower change in fair value of purchase consideration, $5,405 lower share based compensation expense and $3,561 lower selling and marketing costs. For a further detailed description of operating expenses, refer to the "*Corporate and Other Costs*" section of this MD&A.

Operating income from continuing operations for the three months ended March 31, 2017 decreased by $36,584 compared to the corresponding period in 2016 due to the decrease in gross profit as described above, partially offset by the decreased operating expenses.

The current income tax expense recorded for the three months ended March 31, 2017 decreased by $2,721, compared to the corresponding period in 2016. Income taxes were lower primarily due to the impact of foreign exchange on the Concordia International segment. The deferred income tax net recovery recorded for the three months ended March 31, 2017 decreased by $9,073, and is mainly the result of: the reversal of certain deferred tax liabilities in respect of assets recorded as a result of purchase price accounting; changes to the carrying value of certain assets due to their impairment and/or changes in the applicable foreign exchange rate; and changes to the tax rates expected to apply when certain temporary differences are expected to reverse.

The net loss from continuing operations for the three months ended March 31, 2017 was $78,824, and EPS loss was $1.54 per share. Significant components comprising the net loss are fair value gains and losses on derivative contracts of $27,314, and the deduction of other significant cash and non-cash expenses which include, but are not limited to, interest and accretion expense of $92,291 offset by operating income of $18,366. Refer to the "*Corporate and Other Costs*" section of this MD&A for further information related to expenses impacting net loss.

EBITDA is higher than the net loss from continuing operations as it excludes: interest and accretion expense; interest income; income taxes; depreciation; and amortization of intangible assets (refer to the "*Non-IFRS Financial Measures*" section of this MD&A for a full reconciliation). EBITDA for the three months ended March 31, 2017 decreased by $52,020, compared to the corresponding period in 2016. The decrease in EBITDA was primarily due to $44,437 lower gross profit earned and $27,314 higher fair value loss on derivative contracts during the first quarter of 2017 compared to the corresponding period in 2016, offset by $3,561 lower selling and marketing costs and $5,405 lower share based compensation expense over the same period.

Adjusted EBITDA is higher than EBITDA, as it excludes: impairments; fair value adjustments to acquired inventory; acquisition related, restructuring and other costs; share-based compensation; initial exchange listing expenses; change in fair value of purchase consideration; foreign exchange loss (gain); unrealized foreign exchange loss (gain); unrealized loss on derivative contract liabilities; and legal settlements and related legal costs (refer to the "*Non-IFRS Financal Measures*" section of this MD&A for a full reconciliation and description of these expenses). Adjusted EBITDA for the three months ended March 31, 2017 decreased by $56,606, or 40%, compared to the corresponding period in 2016 primarily due to a decline related to the Concordia North America segment combined with the impact of unfavorable movements in foreign exchange rates and generic competition impacting the Concordia International segment. Adjusted EBITDA by segment was $26,639 from Concordia North America and $63,241 from Concordia International. In addition the Company incurred $5,638 of Corporate costs related to the Corporate Head Office.

Segment Revenue and Gross Profit

Segment change

As disclosed in the "*Business Overview and Segments*" section of this MD&A, the Company changed the composition of its reporting segments during the first quarter of 2017. As a result, the Company has presented prior period segment information to conform with the current period presentation by aggregating the 2016 segment information of the Concordia North America segment with the segment information of the Orphan Drugs segment, into a single reporting segment, entitled, "Concordia North America".

Concordia North America

For the three months ended (in $000's)	Mar 31, 2017	Mar 31, 2016
Revenue	41,828	88,622
Cost of sales	7,641	12,015
Gross profit	34,187	76,607
Gross profit %	82%	86%

Revenue for the three months ended March 31, 2017 decreased by $46,794 or 53%, compared to the corresponding period in 2016. The decrease was primarily due to: a $21,184 decrease in revenue from Plaquenil® authorized generic, resulting from a loss of market share and competitive pressures; a $11,401 decrease in revenue from Lanoxin®; a $6,343 decrease in revenue from Donnatal®, resulting from a loss of market share and competitive pressures which includes continued pressure from a non-FDA approved product being distributed by a third party; and a $6,328 decrease in revenue from Nilandron® due to the launch of generic competition during the second half of 2016.

Cost of sales for the three months ended March 31, 2017 decreased by $4,374, or 36%, compared to the corresponding period in 2016. The decrease in cost of sales is primarily due to volume losses.

Gross profit for the three months ended March 31, 2017 decreased by $42,420, or 55% primarily due to lower revenue as described above.

Gross profit as a percentage of revenue decreased by 4% compared to the corresponding period in 2016. The decrease was primarily due to the loss of revenue from Plaquenil® authorized generic, Donnatal® and Nilandron®.

Concordia International

For the three months ended (in $000's)	Mar 31, 2017	Mar 31, 2016
Revenue	118,729	139,913
Cost of sales	37,501	56,668
Gross profit	81,228	83,245
Gross profit %	68%	59%
Adjusted Gross Profit [(1)]	81,539	101,888
Adjusted Gross Profit % [(1)]	69%	73%

Notes:

(1) Represents a non-IFRS measure. For the relevant definitions and reconciliation to reported results, see "*Non-IFRS Financial Measures*" section of this MD&A.

Revenue for the three months ended March 31, 2017 decreased by $21,184 or 15%, compared to the corresponding period in 2016. The decrease was primarily due to a $19,116 decrease in revenue as a result of the foreign currency impact of the GBP weakening against the USD compared to the corresponding period in 2016. The primary drivers of the remaining decline were a $3,657 decrease in hydrocortisone, a $3,492 decrease in prednisolone and a $2,655 decline in levothyroxine sodium due to competitive pressures. These decreases were partially offset by smaller increases over the same quarter in the prior year in certain molecules including cyclizine hydrochloride, codeine phosphate + paracetomol and biperiden hydrochloride.

Cost of sales for the three months ended March 31, 2017 decreased by $19,167, or 34%, compared to the corresponding period in 2016. The decrease in cost of sales is primarily due to the corresponding period in 2016 including a non-cash inventory fair value adjustment related to the acquisition of the Concordia International segment of $18,643. Excluding the impact of this adjustment, cost of sales were consistent with the corresponding period in 2016.

Gross profit for the three months ended March 31, 2017 decreased by $2,017, primarily due to the factors described above.

Adjusted gross profit for the three months ended March 31, 2017 decreased by $20,349, or 20%, compared to the corresponding period in 2016. The decrease in adjusted gross profit is primarily due to a decline in revenue as described above as well as a shift in product mix from solus and generic products to promoted products with lower margins.

Corporate and Other Costs

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

For the three months ended (in $000's)	Mar 31, 2017	Mar 31, 2016
General and administrative	13,748	15,467
Selling and marketing	9,752	13,313
Research and development	7,984	8,867
Acquisition related, restructuring and other	5,216	3,548
Share-based compensation	2,952	8,357
Amortization of intangible assets	56,717	46,595
Depreciation expense	488	430
Change in fair value of purchase consideration	192	8,325
Interest and accretion expense	92,291	68,341
Interest income on derivative financial instrument	(18,479)	—
Fair value loss on derivative contracts	27,314	—
Foreign exchange (gain) loss	990	(1,391)
Unrealized foreign exchange gain	(9,665)	(5,586)
Total	**189,500**	**166,266**

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 three months ended March 31, 2017 decreased by 11% as a result of cost saving initiatives being undertaken by the Company as well as favourable movements in foreign exchange rates.

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 Company's segments. Selling and marketing costs for the three months ended March 31, 2017 decreased by $3,561, or 27%, compared to 2016. These costs have decreased primarily due to the termination of the previous higher cost Donnatal® contract sales force, which has been replaced by a co-promotion agreement with RedHill Biopharma Ltd., as well as the favourable foreign exchange impact of selling and marketing costs incurred within the Concordia International segment.

Research and Development Expenses

Research and development expenses reflect 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 three months ended March 31, 2017 decreased by $883, or 10%, compared to the corresponding period in 2016. This decrease is due to cost saving initiatives undertaken by the Company to move certain external costs previously incurred within the Concordia North America segment to the Company's centre of excellence in Mumbai, India.

Acquisition Related, Restructuring and Other Costs

Acquisition related, restructuring and other costs during the three months ended March 31, 2017 were $5,216, representing an increase of 47% compared to the corresponding period in 2016. The increase from 2016 was primarily due to $1,617 of legal related costs incurred during the first quarter of 2017 related to the on-going UK Competition and Market Authority investigation within the Concordia International segment. Refer to the "*Contingency*" section of this MD&A for further details. In addition, the Company incurred $1,424 of costs related to severance, and $2,175 total other restructuring and integration costs related primarily to alignment of contract manufacturing and distribution agreements.

Share Based Compensation

The share based compensation expense relates to the fair value of share-based option, restricted share unit ("**RSU**") and deferred share unit ("**DSU**") awards to employees, management and directors of the Company. Share based compensation during the three months ended March 31, 2017 was $2,952. The decrease in the expense of $5,405 for the period is primarily due to the impact of the staged vesting of the 1,009,000 stock options granted to Concordia International senior management on December 11, 2015 resulting in a higher expense in 2016, as well as higher costs incurred during the first quarter of 2016 for the former CFO and former CEO.

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.

Amortization of Intangible Assets

Amortization of intangible assets was $10,122 higher for the three months ended March 31, 2017 compared to the corresponding period in 2016. The higher expense is a result of the Company's change in accounting estimate with respect to amortizing intangible assets in the Concordia North America segment. The expense for the three months ended March 31, 2017 of $56,717 is comprised of the following amounts:

- Amortization related to acquired product rights and manufacturing processes for the three months ended March 31, 2017 was $49,237;
- Amortization related to distribution and supplier contracts for the three months ended March 31, 2017 was $6,902. Distribution and supplier contracts are amortized on a straight-line basis over 5 years; and
- Amortization related to other intangibles for the three months ended March 31, 2017 was $578

Changes in Fair Value of Purchase Consideration

The change in the fair value of purchase consideration recorded during the three months ended March 31, 2017 was a loss of $192 primarily due to the impact of discounting and other changes in fair value.

Interest and Accretion

Interest and accretion expenses for the three months ended March 31, 2017 were $92,291, representing an increase of $23,950 compared to the corresponding period in 2016. The interest and accretion expenses for the period were comprised primarily of the following amounts:

- Interest expenses payable in cash for the three months ended March 31, 2017 were $65,746, which was $5,283 higher than the corresponding period in 2016 due to the increase in long term debt obligations arising from the Secured Notes offering, partially offset by a favourable GBP foreign exchange rate lowering the interest expense of the Company's GBP denominated term loan;
- Total non-cash accretion and amortization of deferred financing costs of $7,461. This expense represents the Company's amortization of debt issuance costs with respect to the Company's debt facilities; and
- Interest expense related to the cross currency swaps of $18,303, that were entered into during the third and fourth quarters of 2016 (refer to the "*Interest Income on Derivative Financial Instrument*" section below for offsetting interest income).

Interest Income on Derivative Financial Instrument

Interest income for the three months ended March 31, 2017 was $18,479. The interest income is a result of the August Swap Agreement and November Swap Agreement that were entered into during the third and fourth quarters of 2016, respectively. The interest income on the cross currency swaps is related to the interest expense described above of $18,303 on the cross currency swaps, resulting in a net $176 of interest income from these contracts.

Fair value loss on Derivative Contracts

The fair value loss on derivative contracts for the three months ended March 31, 2017 was $27,314. The fair value loss is a result of movements in forward rates between GBP and USD from December 31, 2016 to March 31, 2017 related to the August Swap Agreement and November Swap Agreement.

Foreign Exchange Loss and Unrealized Foreign Exchange Gain

Foreign exchange loss for the three months ended March 31, 2017 was $990.

Unrealized foreign exchange gain for the three months ended March 31, 2017 was $9,665. The primary component of the foreign exchange gain is a result of IFRS requiring that inter-company trading balances denominated in a currency other than the functional currency of an entity being retranslated with the exchange differences flowing through the consolidated statement of loss with the off-set within other comprehensive income (loss).

The foreign exchange translation impact of Concordia International is recorded within other comprehensive loss. During the three months ended March 31, 2017, there was a total of $22,097 foreign exchange gains, net of tax, associated with the translation of entities with a different functional currency, primarily within the Concordia International segment, offset by $7,778 of foreign exchange losses associated with the translation of the Company's GBP denominated loan. This off-set demonstrates that a portion of the Company's foreign currency translation is naturally hedged through the relationship described above.

Selected Quarterly Financial Information

For the three months ended (in $000's, except per share amounts)	Q1-2017	Q4-2016	Q3-2016	Q2-2016	Q1-2016	Q4-2015	Q3-2015	Q2-2015
Revenue	160,557	170,408	185,504	231,712	228,535	191,908	93,005	75,198
Gross profit	115,415	120,464	137,034	177,607	159,852	115,727	84,953	68,966
Adjusted Gross profit [(1)]	115,726	120,858	138,540	178,476	178,495	149,659	84,953	68,966
Operating income (loss)	18,366	(524,962)	42,636	(514,931)	54,950	1,852	44,520	24,274
Net income (loss), continuing operations	(78,824)	(663,761)	(75,147)	(570,384)	(4,801)	(31,455)	1,496	(3,252)
Cash	336,156	397,917	162,616	145,341	178,516	155,448	670,548	137,250
Total assets	3,619,665	3,731,574	4,229,695	4,349,554	5,197,586	5,282,259	2,460,116	1,938,452
Total liabilities	4,058,725	4,109,147	3,928,646	3,982,125	4,111,596	4,126,051	1,430,919	1,378,661
EBITDA [(1)]	56,932	(569,997)	30,213	(454,285)	108,952	50,087	53,368	31,387
Adjusted EBITDA [(1)]	84,242	80,508	104,444	142,344	140,848	120,121	71,376	54,924
Earnings (Loss) per share								
Basic	(1.54)	(13.00)	(1.47)	(11.18)	(0.09)	(0.64)	0.04	(0.10)
Diluted	(1.54)	(13.00)	(1.47)	(11.18)	(0.09)	(0.64)	0.04	(0.10)
Adjusted [(1)]	0.22	0.13	0.69	1.38	1.35	1.24	1.37	1.11

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

Notes:

(1) Represents a non-IFRS measure. For the relevant definitions see the "*Non-IFRS Financial Measures*" section of this MD&A. For the relevant reconciliation to reported results, see the "*Non-IFRS Financial Measures*" section of this MD&A for the first quarter of 2017 and corresponding period in 2016, and for other periods presented, refer to previous publicly filed MD&As.

During the quarterly periods presented above, the Company has experienced significant change. Over the 12 month period from the second quarter of 2015 to 2016 detailed above, the Company had undergone substantial growth through business acquisitions, as previously disclosed during those periods. Since the second quarter of 2016 to the first quarter of 2017, the business experienced downward business pressures. The primary drivers of the business pressures include the impact of foreign exchange movements on the operating results of the Concordia International segment subsequent to the second quarter of 2016, as well as additional competition entering the market during the fourth quarter of 2016 which resulted in an impairment charge during the fourth quarter for the Concordia International segment, which had a direct impact on net income (loss) continuing operations and EBITDA. Additionally, within the Concordia North America segment, the Company faced increasing product competition. These factors contributed to the Company recording impairment charges for the Concordia North America segment during the second and fourth quarters of 2016, and resulted in lower gross margins from the Concordia North America segment. In the following paragraphs below, Management has focused their analysis on comparing to the most recent quarters presented above in order to describe the most current trends that have occurred within the business.

Revenues in the first quarter of 2017 were $160,557 which consisted of $41,828 from the Concordia North America segment, and $118,729 from the Concordia International segment. The decrease in revenue when compared to the fourth quarter of 2016 was driven by a $9,957, or 8%, decrease in revenue from the Concordia International segment, partially offset by a $106 increase in revenue from the Concordia North America segment. Revenue from the Concordia International segment decreased primarily due to the impact of continued competition on generic product revenue. The primary drivers of the decline were a decrease in fusidic acid of $3,641, a decrease of $3,166 in prednisolone and a decrease of $2,389 in trazadone. These decreases were partially offset by smaller increases in certain molecules including cylizine hydrochloride and biperiden hydrochloride. The Concordia North America segment net increase is primarily due to revenue increases from authorized generic product revenue, partially offset by continued competitive pressures on the segment's key products including Donnatal® and Plaquenil®. Donnatal® continues to experience competitive pressure from a non-FDA approved product being distributed by a third party. Refer to the "*Litigation and Arbitration*" section of this MD&A for further details with respect to these non-FDA approved products.

Gross profit and adjusted gross profit in the first quarter of 2017 decreased by $5,049 and $5,132, respectively, compared to the fourth quarter of 2016.

Net loss from continuing operations for the first quarter of 2017 compared to the fourth quarter of 2016, decreased by $584,937. The decrease in net loss is due to $548,377 lower operating expenses primarily due to impairment charges of $562,105 recorded during the fourth quarter of 2016. Refer to the "*Corporate and Other Costs*" section of the 2016 Annual MD&A for further details with respect to these impairments.

Net loss from continuing operations in the first quarter of 2017 was $78,824 compared to Adjusted EBITDA of $84,242. Significant components comprising the difference between these two amounts is a result of $92,291 of interest and accretion expense, $56,717 amortization of intangible assets, $2,952 of share based compensation expense, $5,216 of acquisition related, restructuring and other costs, and $9,665 of unrealized foreign exchange gain (refer to the "*Non-IFRS Financial Measures*" section of this MD&A for a full reconciliation of net loss to EBITDA and Adjusted EBITDA).

Adjusted EBITDA in the first quarter of 2017 of $84,242 consisted of $26,639 related to Concordia North America, $63,241 related to Concordia International, and $5,638 related to Corporate expenses. The increase of total adjusted EBITDA of $3,734 in the first quarter of 2017 compared to the fourth quarter of 2016 is primarily due to lower selling and marketing costs as described above.

Balance Sheet Analysis

As at	Mar 31, 2017	Dec 31, 2016	Change	
			$	%
Working capital	411,703	517,297	(105,594)	(20)%
Long-lived assets	2,970,474	2,993,016	(22,542)	(1)%
Other long-term assets	6,405	24,534	(18,129)	(74)%
Other current liabilities	127,358	226,332	(98,974)	(44)%
Long-term liabilities	3,700,284	3,686,088	14,196	— %
Shareholder's deficit	(439,060)	(377,573)	(61,487)	16 %

Working capital

Concordia defines working capital as current assets less accounts payable and accrued liabilities, and provisions. The $105,594 decrease in working capital from December 31, 2016 to March 31, 2017 is primarily due to the following factors:

- Cash and cash equivalents decreased by $61,761 primarily due to cash outflows used in financing activities, which includes the £72 million (plus interest of approximately £2 million) final payment of the earn-out payable to the vendors of Concordia International and the £7 million earn-out payment related to the Products Acquisition offset by cash inflows from operating activities, as further discussed in the "*Liquidity and Capital Resources*" section of this MD&A;
- Accounts receivable decreased by $20,012. Concordia North America accounts receivable decreased by $11,677 primarily due to the timing of returns and other provisions taken by customers as well as a $1,582 bad debt provision recorded during the first quarter of 2017. The $8,335 decrease in accounts receivable in the Concordia International segment is primarily due to lower sales during the first quarter of 2017 compared to the fourth quarter of 2016;
- Other current assets decreased by $1,927 primarily due to the receipt of indirect taxes as well as a reduction of inventory related vendor deposits within the Concordia North America segment; and
- Accounts payable and accrued liabilities increased by $36,315. The increase in accounts payable and accrued liabilities is primarily due to an increase in interest payable on the Company's long-term debt of $21,466 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. Additionally, interest payable on the cross currency swaps entered into during 2016 increased by $18,303 due to the timing of the semi-annual payments. These increases are partially offset by $5,566 lower other accrued liabilities as at March 31, 2017.

Offset primarily by:

- Interest receivable of $38,490 increased by $18,046 due to interest receivable on the cross currency swaps entered into during 2016; and
- Provisions decreased by $1,959. The decrease is primarily due to the timing of returns and other provisions taken by customers and change in sales mix during the period.

Long-lived assets

Long-lived assets consist of fixed assets, intangible assets and goodwill. During the first quarter of 2017, the Company did not record any impairments related to its intangible assets or goodwill. The $22,542 decrease in long-lived assets from December 31, 2016 to March 31, 2017 is primarily due to the following factors:

- Intangible amortization recorded during 2017 of $56,717.

Offset primarily by:

- A $34,073 increase due to foreign exchange translation of the intangible assets and goodwill within the Concordia International segment as a result of the movement in the GBP/USD exchange rate from 1.2305 as at December 31, 2016 to 1.2489 as at March 31, 2017.

Other long-term assets

Other long-term assets consist of derivative financial instruments and deferred income tax assets. The $18,129 decrease in other long-term assets from December 31, 2016 to March 31, 2017 is primarily due to a $18,839 decrease in value of the derivative financial instrument based on the fair value related to foreign currency movements. Refer to the "*Lending Arrangements and Debt*' section.

Other current liabilities

Other current liabilities consist of income taxes payable, the current portion of long-term debt and purchase consideration payable. The $98,974 decrease from December 31, 2016 to March 31, 2017 is primarily due to the following factors:

- The current portion of purchase consideration payable decreased by $101,678 during the three months ended March 31, 2017 primarily due to the earn-out payments related to the acquisition of the Concordia International segment and the Products Acquisition described above being made during the first quarter of 2017.

Offset primarily by:

- A $2,474 income taxes payable increase primarily due to the expense of $5,986 incurred for the three months ended March 31, 2017, offset primarily by $5,240 of income taxes paid during the three months ended March 31, 2017 and the impact of foreign exchange.

Long term liabilities

Long-term obligations consist of long-term debt, notes payable and purchase consideration payable, derivative financial instruments, other liabilities and deferred income tax liabilities. The $14,196 increase in long term liabilities from December 31, 2016 to March 31, 2017 is primarily due to the following factors:

- The long-term portion of debt increased by $5,536 due to $7,393 amortization of deferred financing costs and $9,151 as a result of the foreign exchange impact of the Company's GBP term loan, offset by $10,778 of contractual repayments; and
- An increase of $8,776 in the foreign currency forward contract liability as a result of the cross currency swaps entered into during the third and fourth quarters of 2016.

Shareholders' deficit

Shareholders' deficit increased by $61,487 from December 31, 2016 to March 31, 2017. The increase is primarily related to:

- A net loss for the three months ended March 31, 2017 of $78,824.

Offset primarily by:

- A net foreign exchange impact of $14,380 from the translation of the Concordia International segment, the cross currency swaps and the GBP denominated term loan; and
- A $2,952 net change in equity for share based compensation expense, issuance of options, vesting of RSUs and related reversal of deferred income tax assets.

Liquidity and Capital Resources

The Company manages its capital structure to fund its ongoing operations and service its obligations through a process of budgeting and forecasting cash flows. The Company defines capital mainly as shareholders' deficit and long-term debt. In addition to the cash flows generated by operations, the Company relies on existing cash resources and debt and equity financings to operate its business.

As of March 31, 2017, the Company's liquidity was substantially comprised of $336 million (December 31, 2016 - $398 million) of cash and cash equivalents and $60 million available under an undrawn revolving credit facility.

The Company incurred a loss from operations for the year ended December 31, 2016 of $1.3 billion, and had a shareholders' deficiency of $378 million. Cash flows from operating activities were $408 million in 2016 which is expected to decline in 2017 due to a number of factors including competitive pressures associated with the Company's product portfolio. However, the Company expects to continue to generate positive cash flows from operations that will be used as a source of liquidity for its operations. The Company incurred a loss from operations for the three months ended March 31, 2017 of $79 million and had a shareholders' deficiency of $439 million. Cash flows from operating activities were $86 million in the first quarter of 2017.

Since inception, the Company has expanded significantly through acquisitions to become an international specialty pharmaceutical company with a large portfolio of products in the North American, United Kingdom and other international markets with a total of approximately $3.7 billion of long-term debt. The Company's long-term debt arrangements (refer to the *"Lending Arrangements and Debt"* section of this MD&A) are not currently subject to financial maintenance covenants. The Company currently has up to $60 million available under its revolving credit facility before it is subject to financial maintenance covenants. Principal payments of approximately $34 million are due in October 2017 on the maturity of the Company's equity bridge loan and a total of approximately $43 million of mandatory term loan facilities payments are due over the next twelve months through the required quarterly principal payments. No other principal payments are required through to maturity on the Company's extended bridge facility, unsecured notes and secured notes. The long term debt arrangements reach maturity during the period commencing October 21, 2021 for the term loan facilities through to April 21, 2023 for the Company's other debt arrangements: extended bridge facility (October 2022) and three senior notes (April 2022 for the Secured Notes (as defined herein), October 2022 for the October 2015 Notes (as defined herein) and April 2023 for the Covis Notes (as defined herein)).

In October 2016, the Company determined it was important to improve its liquidity position to provide more capital to support its business and to increase its cash reserves. Accordingly, the Company issued $350 million of Secured Notes on October 13, 2016. These cash resources provided the Company with additional liquidity as it manages the challenges imposed by the decline in its operating performance, interest costs associated with being highly leveraged, foreign exchange risks and business environment challenges in both the North American and international markets. Cash flows from ongoing operations, cash on hand and a portion of the proceeds from the Secured Notes offering were used to fund cash earn-out payments of approximately $206.5 million (GBP 144 million) to the vendors of Amdipharm Mercury Limited, whereby one half of the earn-out was settled in December 2016 and the other half was paid in February 2017 along with accrued interest.

Given the declining performance of the Concordia North America segment, the Company now has significantly greater reliance on the Concordia International segment's cash flows to fund its long-term debt interest and principal payments which exposes the Company to significant currency risk. The majority of the Company's long-term debt of approximately $3.7 billion is denominated in US dollars other than the GBP term loan, which as at March 31, 2017 had an outstanding balance of £492 million. To mitigate the risk of GBP/USD fluctuations, the Company entered into cross currency swaps as economic hedges of certain cash flows from its Concordia International segment denominated in GBP which will be used to fund certain interest and principal payments denominated in USD. These cross currency swaps have terms through to 2022 and 2023 and fix certain interest and principal payments over their term.

As described in the Company's annual financial statements for the year ended December 31, 2016, the Company evaluates whether material uncertainties exist relating to the above events or conditions and has considered the following, including more recent developments during the period ended March 31, 2017:

(a) The Company's current operating budget and cash flows from operating activities in 2017 are expected to decline compared with 2016, however, the Company believes it will continue to generate positive cash flow from operations, which, when combined with its estimated cash and cash equivalents, the Company believes will provide liquidity that is in excess of required interest and principal payments due on its long-term debt for at least, but not limited to, the next twelve months. During the first quarter of 2017 the Company generated cash flow from operations of $86 million (2016 - $92 million), and paid the remaining earn-out payments related to the acquisition of the Concordia International segment and the Products Acquisition (as defined herein) totaling £79 million and, as at March 31, 2017, the Company had $336 million of cash and cash equivalents. In addition, $60 million is currently available to the Company under the Company's revolving credit facility before the Company is subject to financial maintenance covenants on its long-term debt arrangements. During the next twelve months, the Company is required to make an estimated $290 million in interest repayments on its long-term debt, $77 million of principal repayments on its long-term debt (which includes a $34 million equity

bridge loan repayment) and $2 million of purchase consideration payments. The Company believes it will have sufficient liquidity to service its obligations over the next twelve months, with cash flows from operations expected to service a significant portion of its financing obligations with excess funded through cash on hand where required.

(b) The Company's business faces certain significant risks and uncertainties which may impact its ability to achieve its 2017 operating budget. In addition to currency risk exposures referred to above, the Company continues to monitor the implementation of the recently enacted UK Health Service Medical Supplies (Costs) Act 2017 for impacts to its business and has certain ongoing investigations being conducted by the UK Competition and Markets Authority (CMA), the outcomes of which may impact pricing practices in its International segment, as well as impose penalties on the Company. The Company is also incurring legal costs to defend the class action proceedings which were commenced against the Company (refer to the "Contingencies" section of this MD&A). While the outcome of these legal matters are unknown at this time, Management recognizes that these matters impose certain risks and uncertainties on the Company's operations and cash flows, which may, in turn, impact its operating budget in 2017 and beyond. The Company believes that as at March 31, 2017, these developments are not expected to result in a material uncertainty with respect to its cash requirements for at least, but not limited to, the next 12 months.

(c) If the Company does not generate sufficient cash to service its long-term debt obligations, it may be required to refinance or restructure its long-term debt arrangements, sell assets or seek to raise additional capital, which may be at less favourable terms. The Company's first significant long-term debt maturities are not until October 2021. Notwithstanding the above factors, the Company is highly levered at the present time, and cannot currently provide any assurance with respect to its ability to refinance its long-term debt obligations when they become due in 2021 and beyond. The Company believes that based on current market conditions it will have adequate liquidity over the next twelve months to operate its business and meet its cash requirements, but that a reduction in the amount of its long-term debt may be necessary prior to October 2021. However, the Company believes that the need to refinance or restructure the Company's long-term debt at some point in the future does not constitute a material uncertainty at this time.

Sources and Uses of Cash

For the three months ended (in $000's)	Mar 31, 2017	Mar 31, 2016
Cash from Operating Activities	86,204	91,888
Cash used in Investing Activities	(317)	(3,489)
Cash used in Financing Activities	(151,515)	(62,574)
Total	**(65,628)**	**25,825**

The Company's business continues to generate cash flows from operating activities. Cash flows from operations represent net income adjusted for changes in working capital, non-cash items and excludes interest paid as this is recorded within cash used in financing activities. The Company intends to use cash on hand and cash flows generated from operating activities in order to make mandatory loan principal repayments and equity bridge debt repayments in the next twelve months, and to service long-term debt interest payments and other obligations as they become due, over at least the next twelve months as described in the "*Lending Arrangements and Debt*" section of this MD&A.

Cash used in financing activities during the three months ended March 31, 2017 is comprised of: $43,496 of contractual interest payments; $97,241 of contingent consideration payments which includes the final purchase consideration payments of £7 million in connection with the Products Acquisition and £72 million in connection with the acquisition of the Concordia International segment, and $10,778 of scheduled long-term debt principal repayments.

Cash and Capital Management

As described above, at the present time, the Company believes that cash and cash equivalents as at March 31, 2017, along with positive cash flows from operations and availability of certain amounts of its undrawn revolving credit facility, will be sufficient to meet current liquidity needs over at least the next twelve months.

As at March 31, 2017, the Company held cash and cash equivalents of $336,156. In addition, but subject to compliance with certain incurrence covenants under the Company's debt agreements, the Company currently has up to $60 million available to it in a revolving credit facility before it is subject to financial maintenance covenants.

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 the Company as they come due. Since inception, the Company 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.

During the three months ended March 31, 2017 the Company used cash of $65,628 primarily as a result of purchase consideration payments made during the period of $105,876 (including operating and financing payment portions). Excluding the impact of purchase consideration payments made during the period associated with previous business acquisitions, the Company generated $40,248 of cash after making all contractual interest and certain principal repayments on its long-term debt.

In managing the Company's capital, Management estimates future cash requirements by preparing annual financial forecasts for review and approval by the Board. The financial forecasts are reviewed and updated periodically and establish approved activities for the year and estimates the costs associated with those activities. Forecast to actual variances are prepared and reviewed by Management and are presented regularly to the Board.

The Company is currently not subject to the financial maintenance covenants under its credit agreement dated October 21, 2015, as amended (the "**Credit Agreement**"). These financial maintenance covenants are applicable only in the event that the aggregate principal amount of outstanding revolving loans under the Credit Agreement is greater than 30% of the aggregate amount of the available revolving facility. As the Company has not drawn on the revolving facility, the financial maintenance covenants under the Credit Agreement do not apply at this time. Notwithstanding the aforementioned, the Company is required to comply with customary non-financial covenants and each agreement that governs the Company's debt contains cross default provisions in the event of non-compliance.

Lending Arrangements and Debt

As at (in $000's)	Mar 31, 2017	Dec 31, 2016
Term Loan		
- USD term loan	1,082,125	1,089,000
- GBP term loan	614,347	609,099
- Revolver	—	—
Bridge Facilities	134,444	134,444
9.5% Senior Notes	790,000	790,000
7% Senior Notes	735,000	735,000
9% Secured Notes	350,000	350,000
Total principal balance outstanding	**3,705,916**	**3,707,543**

As at March 31, 2017, approximately 83% of total long term debt is denominated in USD (December 31, 2016 - 84%) and 17% denominated in GBP (December 31, 2016 - 16%). After including the impact of the August Swap Agreement and November Swap Agreement, the effective amount of long term debt denominated in USD is 64% and in GBP is 36%.

During the three months ended March 31, 2017 the Company made $10,778 of principal repayments and paid $43,496 of cash interest expense.

Details of the Company's lending arrangements are further disclosed in the notes to the consolidated financial statements for the three months ended March 31, 2017.

The following table presents repayments of long-term debt principal, interest payments on long-term debt, net interest payments on cross currency swaps 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)]	10,778	10,778	55,167	58,525	1,594,792	1,975,876	3,705,916
Interest on long-term debt	53,179	106,055	130,950	261,411	723,614	151,941	1,427,150
Derivative financial instruments[(2)]	(1,680)	—	2,471	8,169	13,188	—	22,148
Purchase consideration	818	—	1,511	1,511	5,295	8,377	17,512
Total	63,095	116,833	190,099	329,616	2,336,889	2,136,194	5,172,726

(1) Long-term debt cash flows include an estimate of the minimum required annual excess cash flow sweep (as described in Note 14 (a) of the consolidated financial statements for the three months ended March 31, 2017).

(2) Derivative financial instruments reflects the interest income, interest expense and notional amounts payable to and receivable from the counterparty under the applicable swap agreements.

As at March 31, 2017, approximately 53% of the Company's debt had a maturity date beyond 5 years which includes an estimate of the minimum required annual excess cash flow sweep.

The six months to one year classification of long term debt includes $33,611 related to the two year equity bridge loan due in the fourth quarter of 2017 and therefore presented as a current liability.

Included within derivative financial instruments is the interest obligation offset with interest income and the settlement of the principal amounts on the August Swap Agreement and November Swap Agreement.

Contractual Obligations and Purchase Consideration

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 2017. Details of the contractual obligations are further disclosed in the notes to the consolidated financial statements for the three months ended March 31, 2017.

During the three months ended March 31, 2017, the Company did not engage in any off-balance sheet financing transactions.

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 $nil during the three months ended March 31, 2017 (2016 - $30). 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.

Certain current employees of the Concordia International segment had an equity interest in the Concordia International segment at the time of its sale to the Company. As a result, pursuant to the share purchase agreement entered into by the Company in connection with the acquisition of the Concordia International segment, these employees received a portion of the consideration paid by the Company to the vendors of the Concordia International segment (including the earn-out consideration paid in December 2016 and February 2017, respectively).

Compensation for directors and key management, consisting of salaries, bonuses, other benefits, severance and director fees for the three months ended March 31, 2017 amounted to $1,315 (2016 - $1,240). Share based compensation expense recorded for key management and directors, for the three months ended March 31, 2017 amounted to $1,883 (2016 - $3,337).

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 to 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 supplemental information 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. 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 requirements, in making capital expenditures, and to consider the business's 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 the 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, 2017	Mar 31, 2016
Gross profit per financial statements	115,415	159,852
Add back: Fair value adjustment to acquired inventory	311	18,643
Adjusted Gross profit	**115,726**	**178,495**

EBITDA

EBITDA is defined as net income adjusted for interest and accretion expense, interest income, 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 initiatives, and other costs (which includes onerous contract costs and direct costs associated with contractual terminations), initial exchange listing expenses on the NASDAQ, non-operating gains/losses, integration costs, legal settlements (net of insurance recoveries) and related legal costs, non-cash items such as unrealized gains / losses on derivative instruments, share based compensation, fair value changes including purchase consideration and derivative financial instruments, asset impairments, 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, among other Non-IFRS financial measures, 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, 2017	Mar 31, 2016
Net loss from continuing operations	(78,824)	(4,801)
Interest and accretion expense	92,291	68,341
Interest income	(18,479)	—
Income taxes	4,739	(1,613)
Depreciation	488	430
Amortization of intangible assets	56,717	46,595
EBITDA	**56,932**	**108,952**
Fair value adjustment to acquired inventory	311	18,643
Acquisition related, restructuring and other	5,216	3,548
Share-based compensation	2,952	8,357
Fair value changes of purchase consideration and derivatives	27,506	8,325
Foreign exchange loss (gain)	990	(1,391)
Unrealized foreign exchange gain	(9,665)	(5,586)
Adjusted EBITDA	**84,242**	**140,848**

Adjusted Net Income and Adjusted 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 initiatives, and other costs (which includes onerous contract costs and direct costs associated with contractual terminations), initial exchange listing expenses on the NASDAQ, non-operating gains/losses, integration costs, legal settlements (net of insurance recoveries) and related legal costs, non-cash items such as unrealized gains / losses on derivative instruments, share based compensation, fair value changes including purchase consideration and derivative financial instruments, asset impairments, 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, 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.

In $000's, except per share amounts	Q1-2017	Q4-2016	Q3-2016	Q2-2016	Q1-2016	Q4-2015	Q3-2015	Q2-2015
Weighted average number of fully diluted shares	52,690,190	51,623,190	51,862,590	52,081,161	51,762,381	49,752,148	35,248,353	33,950,472
Net income (loss), continuing operations	(78,824)	(663,761)	(75,147)	(570,384)	(4,801)	(31,455)	1,496	(3,252)
Adjustments								
Fair value adjustment to acquired inventory	311	394	1,506	869	18,643	33,932	—	—
Share-based compensation	2,952	3,438	10,069	8,889	8,357	5,917	5,264	4,120
Exchange listing costs	—	—	—	—	—	151	326	574
Acquisition, restructuring and other	5,216	20,309	4,251	7,860	3,548	37,560	6,691	10,102
Depreciation	488	512	528	469	430	372	33	30
Amortization of intangible assets	56,717	41,148	42,715	52,361	46,595	41,630	14,260	14,885
Impairments	—	562,105	3,062	567,076	—	—	—	—
Foreign exchange losses (gains)	(8,675)	84,075	55,666	(7,816)	(6,977)	(6,233)	5,445	7,802
Fair value changes of purchase consideration and derivatives	27,506	(20,599)	(323)	6,288	8,325	(1,343)	287	984
Interest accretion	7,461	7,453	7,348	7,692	7,571	9,802	16,251	2,541
Legal settlement and related legal cost [(2)]	—	783	—	13,463	—	—	—	—
Tax adjustments [(1)]	(1,484)	(29,125)	(14,047)	(15,052)	(11,595)	(28,877)	(1,885)	(39)
Adjusted net income, continuing operations	11,668	6,732	35,628	71,715	70,096	61,456	48,168	37,747
Adjusted EPS diluted, continuing operations	**0.22**	**0.13**	**0.69**	**1.38**	**1.35**	**1.24**	**1.37**	**1.11**

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

Notes:

(1) The Company has included in tax adjustments 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. 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 ("Tax on Adjusted Net Income"). Tax on Adjusted Net Income does not represent the Company's expectation of its current cash income tax obligations as such obligations are further impacted by: (i) the tax impact of certain adjustments made to net income (loss) from continuing operations but which do impact current cash income tax obligations, e.g., the tax impact of adjustments for stock based compensation, depreciation and amortization; and (ii) when such income tax obligations are required to be paid, which is a function of the laws applicable in the jurisdiction to which the payment is due.

(2) Represents legal settlements of $13.2 million discussed in the "*Litigation and Arbitration*" section of this MD&A and $1.0 million of related legal representation costs.

Critical Accounting Estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect reported assets, liabilities, revenues and expenses, gains and losses, and disclosures of contingencies. These estimates and assumptions are subject to change based on experience and new information. Critical accounting estimates are those that require management to make assumptions about matters that are highly uncertain at the time the estimate is made. Critical accounting estimates are also those estimates which, where a different estimate could have been used or where changes in the estimate that are reasonably likely to occur, would have a material impact on the company's financial condition, changes in financial condition or financial performance. Critical accounting estimates and judgments are reviewed annually by the Audit Committee of the Board of Directors.

A detailed description of the Company's critical accounting estimates is provided in Note 4 of the consolidated financial statements for the year ended December 31, 2016 and in the "*Critical Accounting Estimates*" section of the 2016 Annual MD&A.

Change in estimate

During the first quarter of 2017, the Company assessed the use of the straight line amortization method for certain intangible assets and determined that, based on recent developments and historical patterns of economic consumption, these assets should be amortized based on a declining balance model. Specifically, the Company determined that this method of amortization better reflects the pattern in which the asset's future economic benefits are expected to be consumed by the Company, and that based on recent historical experience and knowledge about its intangible assets, this pattern can be determined reliably.

This change in estimate resulted in an increase in amortisation expense of approximately $18.8 million for the period ended March 31, 2017.

Current and Future Accounting Pronouncements

Note 3 of the consolidated financial statements as at and for the three months ended March 31, 2017 describes information relating to current and future significant accounting policies applicable to the Company.

Contingencies

Royalties

The Company has a commitment to pay royalties on certain products acquired from Shionogi Inc. in May 2013 and certain products acquired from Covis Pharma S.à R.L on April 21, 2015, at certain prescribed rates. These royalties are payable on a quarterly basis. During the three months ended March 31, 2017 the royalty expense was $408.

Litigation and Arbitration

From time to time, the Company becomes involved in various legal and administrative proceedings, which include product liability, intellectual property, securities, commercial, antitrust, government and regulatory investigations, related private litigation and ordinary course employment-related issues. From time to time, the Company also initiates actions or files counterclaims. The Company could be subject to counterclaims or other suits in response to actions it may initiate. The Company believes that the prosecution of these actions and counterclaims is important to preserve and protect the Company, its reputation and its assets. Certain of these proceedings and actions are described below.

Unless otherwise indicated the Company cannot reasonably predict the outcome of these legal proceedings, nor can it estimate the amount of loss, or range of loss, if any, that may result from these proceedings. An adverse outcome in certain of these proceedings could have a material adverse effect on the Company's business, financial condition and results of operations, and could cause the market value of its common shares and/or debt securities to decline.

The Company, and certain of its former and current executive officers are the subject of various class action complaints relating to the Company's August 12, 2016 press release, whereby the Company revised its 2016 guidance. The complaints allege that the Company issued false and misleading statements to investors and/or failed to disclose that: the Company was experiencing a substantial increase in market competition against its drug Donnatal®, and other products; as a result, Concordia's financial results would suffer, and Concordia would be forced to suspend its dividend; and as a result Concordia's statements about its business, operations and prospects were materially false and misleading and/or lacked a reasonable basis at all relevant times. The class action lawsuits have been consolidated into a single case and a motion to dismiss this action was filed by the Company on February 20, 2017. On March 21, 2017, the plaintiffs in this action filed a response to the motion to dismiss, and on April 5, 2017 the Company filed a reply to plaintiffs' response.

The Company and certain of its former and current executive officers are also subject to a class action complaint alleging that the Company made false and/or misleading statements, as well as, failed to disclose material adverse facts about the Company's business operations and prospects, in the Company's Registration Statement, Prospectus and Supplemental Prospectus issued in connection with the Company's secondary offering on September 30, 2015. Specifically, the claim alleges that the statements were false and/or misleading and/or failed to disclose that: (i) the Company was experiencing a substantial increase in market competition against Donnatal®, and other products; (ii) consequently the Company's financial results would suffer and the Company would be forced to suspend its dividends; and (iii) as a result of the foregoing, the defendant's statements about the Company's business operations and prospects were false and misleading and/or lacked a reasonable basis. The Company has filed a motion to have this matter transferred to the Federal court hearing the class actions described immediately above.

The Company and certain of its former and current executive officers and certain members of the Board of Directors of the Company are subject to a securities class action filed in Quebec, Canada. The amended statement of claim alleges that the Company failed to disclose adverse material facts relating to, and misrepresented, among other things, the Company's business model, growth platforms, proforma revenues and dividend payments in certain disclosures from March 23, 2016 to August 11, 2016. This class action has not yet been certified nor has leave to bring a statutory claim under securities legislation yet been granted.

In all of the above class actions, the Company has retained counsel and intends to vigorously defend itself.

On October 25, 2016, the Company announced that the UK Competition and Markets Authority (CMA) commenced an investigation into various issues in relation to the UK pharmaceutical sector, and that the Concordia International segment was part of the inquiry. The CMA's investigation includes matters that pre-date Concordia's ownership of the Concordia International segment and relates to the Company's pricing of certain products. The Company is fully cooperating with the investigation and the CMA has not reached a view as to whether or not it may proceed with its investigation to any finding of a competition law violation.

On March 3, 2017, the Company announced that the CMA issued a statement of objections to a third party and one of the Company's subsidiaries in relation to the supply of 10mg hydrocortisone tablets in the UK between 2013 and 2016. A statement of objections is a formal statement by the CMA that it considers that a competition infringement may have occurred. The Company intends to respond in detail to the statement of objections and continues to cooperate fully with the CMA in the investigation. This investigation includes matters that pre-date the Company's ownership of the Concordia International segment.

During the second quarter of 2016, the Company agreed to settle a previously disclosed arbitration proceeding commenced by a former financial advisor to the Company, whereby the financial advisor had claimed it was owed approximately $12.3 million in connection with the acquisition of a portfolio of products from Covis Pharma, S.a.R.L. and Covis Injectables, S.a.R.L. and $26 million in connection with the acquisition of the Concordia International segment, plus accrued interest on such amounts. As part of the settlement, the financial advisor released all claims against the Company and the Company agreed to pay a settlement amount of $12.5 million, which has been recorded in litigation settlement along with $0.96 million associated legal costs.

During the first quarter of 2016, the Company became aware that a third party had notified wholesalers, through listing services, of its intent to distribute and sell in certain US regions a non-FDA approved copy of Donnatal®. On January 6, 2016, the Company commenced a lawsuit against the third party and its principal owner claiming damages from such conduct, and on April 29, 2016 and May 3, 2016 commenced proceedings against two listing services for the continued listing of the products in their database. In May 2016, this non-FDA approved product was introduced into certain US regions. On October 4, 2016 and November 16, 2016, the Company dismissed its claims against the listing services on a without prejudice basis, respectively. On March 15, 2017, the Court ruled on the third party's motion to dismiss the Company's claim, denying such motion in part and granting it in part. On March 29, 2017, the third party filed its answer and counter claim in response to the Company's claim. The Company continues to pursue this lawsuit vigorously. Donnatal® is one phenobarbital and belladonna alkyloid product that has a right to a DESI hearing and we believe has distinct legal rights to be actively marketed. In a similar lawsuit commenced against Method Pharmaceuticals, LLC ("**Method**") and its principal owner, the Company received a favorable jury verdict on April 21, 2016 and was awarded damages in the amount of approximately $733. On March 2, 2017, the United States District Court - Western District of Virginia, Charlottesville Division, granted the Company's motion for enhanced damages in part, to amend the judgment against Method and its principal owner to reflect an award of damages in the total amount of approximately $2.2 million. On March 30, 2017, Method filed a motion to reconsider the order on enhanced damages. On April 13, 2017, the Company filed an opposition to Method's motion to reconsider. The motion is still pending.

On September 16, 2016, the Company announced the introduction of a bill into the U.K. House of Commons to amend and extend existing provisions of the National Health Service Act 2006 to enable the Secretary of State to help manage the cost of health service medicines. On April 27 2017, the U.K. government accorded Royal Assent to the Act. See the "*Liquidity and Capital Resources*" section of this MD&A for additional information on the potential impact of the Act on the Company. The Act introduces provisions in connection with controlling the cost of health service medicines and other medical supplies. The Act also introduces provisions in connection with the provision of pricing and other information by manufacturers, distributors and suppliers of those medicines and medical supplies. The Company continues to monitor the implementation of the Act. While the effects of the Act are unknown at this time, the Act could impose certain risks and uncertainties on the Company's operations and cash flows.

Outstanding Share Data

The authorized capital of the Company consists of an unlimited number of common shares. As at March 31, 2017 and May 9, 2017, the Company had 51,089,782 common shares issued and outstanding. As at March 31, 2017 and May 9, 2017, there were 1,894,685 stock options outstanding that entitle the holders thereof to purchase one common share of the Company per stock option held.

As at March 31, 2017 and May 9, 2017, the Company had 2,662,133 unvested RSUs outstanding. Each RSU can be settled either in cash or common shares issued from treasury or a combination of cash and common shares issued from treasury at the sole discretion of the Company.

As at March 31, 2017 and May 9, 2017, the Company had 23,089 unvested DSUs outstanding. Each DSU can be settled either in cash or common shares issued from treasury or a combination of cash and common shares issued from treasury at the sole discretion of the Company.

The Board has approved a grant of 33,000 RSUs to the new Chief Financial Officer of the Company, which are to be granted on May 15, 2017 (being the effective date of employment).

Control Environment

Management is responsible for establishing and maintaining adequate Internal Control over Financial Reporting and disclosure controls and procedures as defined in the 2016 Annual MD&A.

Based on their evaluation as at March 31, 2017, Management concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the United States Securities Exchange Act of 1934, as amended (the Exchange Act)), are effective to ensure that information required to be disclosed by the Company in reports that are filed or submitted to Canadian and U.S. securities authorities is recorded, processed, summarized and reported within the time periods specified in Canadian and U.S. securities laws. In addition, as at March 31, 2017, there were no changes in the internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15 (f)) that occurred during the three-month period ended March 31, 2017 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. As a result, Management's conclusion on the effectiveness of the Company's internal control over financial reporting and its disclosure controls and procedures that were operating effectively as at December 31, 2016 has not changed.

Management will continue to periodically evaluate the Company's disclosure controls and procedures and internal control over financial reporting, and will make any modifications from time to time as deemed necessary. Based on their inherent limitations, disclosure controls and procedures and internal control over financial reporting may not prevent or detect misstatements, and even those controls determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Unaudited Condensed Interim Consolidated Financial Statements of

Concordia International Corp.

March 31, 2017

Table of Contents

Unaudited Condensed Interim Consolidated Balance Sheets	3
Unaudited Condensed Interim Consolidated Statements of Loss	4
Unaudited Condensed Interim Consolidated Statements of Comprehensive Loss	5
Unaudited Condensed Interim Consolidated Statements of Changes in (Deficit) Equity	6
Unaudited Condensed Interim Consolidated Statements of Cash Flows	7
Notes to Unaudited Condensed Interim Consolidated Financial Statements	8 - 37

Concordia International 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, 2017	Dec 31, 2016
Assets		
Current		
Cash and cash equivalents	336,156	397,917
Accounts receivable (Note 6)	162,480	182,492
Inventory (Note 7)	91,336	92,807
Prepaid expenses	6,736	6,837
Income taxes recoverable	405	4,417
Interest receivable	38,490	20,444
Other current assets	7,183	9,110
	642,786	714,024
Intangible assets (Notes 5 & 8)	2,247,334	2,279,720
Goodwill (Note 9)	718,097	707,930
Fixed assets	5,043	5,366
Deferred income tax assets	1,689	979
Derivative financial instruments (Note 13)	4,716	23,555
Total Assets	3,619,665	3,731,574
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 10)	205,808	169,493
Provisions (Note 11)	25,275	27,234
Income taxes payable	48,275	45,801
Current portion of long-term debt (Note 14)	76,722	76,492
Current portion of purchase consideration payable (Note 21)	2,361	104,039
	358,441	423,059
Long-term debt (Note 14)	3,474,821	3,469,285
Purchase consideration payable (Note 21)	6,627	7,505
Deferred income tax liabilities	182,013	181,238
Derivative financial instruments (Note 13)	36,630	27,854
Other liabilities	193	206
Total Liabilities	4,058,725	4,109,147
Shareholders' Deficit		
Share capital (Note 15)	1,277,180	1,277,175
Contributed surplus	52,901	49,949
Accumulated other comprehensive loss	(329,444)	(343,824)
Deficit	(1,439,697)	(1,360,873)
Total Shareholders' Deficit	(439,060)	(377,573)
Total Liabilities and Shareholders' Deficit	3,619,665	3,731,574

Commitments and contingencies (Note 19)

Approved and authorized for issue by the Board of Directors on May 9, 2017.

"Rochelle Fuhrmann"	**"Allan Oberman"**
Director **(Signed)**	Director (**Signed)**

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

Concordia International Corp.

Unaudited Condensed Interim Consolidated Statements of Loss

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

	Three months ended	
	Mar 31, 2017	**Mar 31, 2016**
Revenue (Note 11)	160,557	228,535
Cost of sales (Notes 7 & 25)	45,142	68,683
Gross profit	115,415	159,852
Operating expenses (Note 25)		
General and administrative	13,748	15,467
Selling and marketing	9,752	13,313
Research and development	7,984	8,867
Acquisition related, restructuring and other	5,216	3,548
Share-based compensation	2,952	8,357
Amortization of intangible assets (Note 8)	56,717	46,595
Depreciation expense	488	430
Change in fair value of purchase consideration	192	8,325
Total operating expenses	97,049	104,902
Operating income from continuing operations	18,366	54,950
Other income and expense		
Interest and accretion expense (Note 14)	92,291	68,341
Interest income (Note 13)	(18,479)	—
Fair value loss on derivative financial instruments	27,314	—
Foreign exchange loss (gain)	990	(1,391)
Unrealized foreign exchange gain	(9,665)	(5,586)
Loss from continuing operations before tax	(74,085)	(6,414)
Income taxes		
Current	5,986	8,707
Deferred	(1,247)	(10,320)
Net loss from continuing operations	(78,824)	(4,801)
Net loss from discontinued operations	—	(358)
Net loss for the period	(78,824)	(5,159)
Loss per share, from continuing operations (Note 16)		
Basic loss per share	(1.54)	(0.09)
Diluted loss per share	(1.54)	(0.09)
Loss per share, including discontinuing operations (Note 16)		
Basic loss per share	(1.54)	(0.10)
Diluted loss per share	(1.54)	(0.10)

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

Concordia International Corp.

Unaudited Condensed Interim Consolidated Statements of Comprehensive Loss

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

	Three months ended	
	Mar 31, 2017	**Mar 31, 2016**
Net loss for the period	(78,824)	(5,159)
Other comprehensive income (loss), net of tax		
Amounts that will be reclassified to net loss		
Cumulative translation adjustment	22,097	(83,524)
Net investment hedge of GBP denominated loans (net of taxes of $1,330 (2016 - $(2,301)))	(7,778)	15,199
Cross currency derivative financial instruments (net of taxes) (Note 13 (a))	61	—
Other comprehensive income (loss), net of tax	14,380	(68,325)
Total comprehensive loss	(64,444)	(73,484)

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

Concordia International Corp.

Unaudited Condensed Interim Consolidated Statements of Changes in (Deficit) 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	Deficit	Total Shareholders' Equity (Deficit)
Balances, January 1, 2016	50,994,397	1,274,472	23,556	(104,293)	(37,527)	1,156,208
Dividends (Note 15)	—	—	—	—	(3,826)	(3,826)
Exercise and vesting of stock based compensation	21,475	648	(475)	—	—	173
Share based compensation	—	—	8,357	—	—	8,357
Taxes for share based compensation	—	—	(1,438)	—	—	(1,438)
Net loss for the period	—	—	—	—	(5,159)	(5,159)
Net investment hedge of GBP 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
Balances, January 1, 2017	51,089,556	1,277,175	49,949	(343,824)	(1,360,873)	(377,573)
Exercise and vesting of stock based compensation	226	5	(5)	—	—	—
Share based compensation	—	—	2,957	—	—	2,957
Net loss for the period	—	—	—	—	(78,824)	(78,824)
Net investment hedge of GBP denominated loans (net of taxes of $1,330)	—	—	—	(7,778)	—	(7,778)
Cross currency derivative financial instruments (net of taxes) (Note 13 (a))	—	—	—	61	—	61
Cumulative translation adjustment	—	—	—	22,097	—	22,097
Balances, March 31, 2017	51,089,782	1,277,180	52,901	(329,444)	(1,439,697)	(439,060)

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

Concordia International 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	
	Mar 31, 2017	**Mar 31, 2016**
Cash flows from operating activities		
Net loss from continuing operations	(78,824)	(4,801)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Interest and accretion expense (Note 14)	92,291	68,341
Interest income (Note 13)	(18,479)	—
Depreciation and amortization	57,205	47,025
Share based compensation expense	2,952	8,357
Non-cash inventory fair value adjustments (Note 5 & 7)	311	18,643
Fair value gains on purchase consideration	192	8,325
Income tax expense (recovery)	4,739	(1,613)
Fair value loss on derivative financial instruments	27,314	—
Unrealized foreign exchange loss	(9,665)	(5,586)
Contingent consideration paid (Note 21)	(8,635)	(3,424)
Income taxes paid	(5,240)	(1,937)
Income tax refunds	4,943	102
Bad debt expense	1,582	33
Changes in non-cash working capital (Note 26)	15,518	(42,010)
Cash flows from operating activities - continuing operations	86,204	91,455
Cash flows from operating activities - discontinued operations	—	433
Net cash flows from operating activities	86,204	91,888
Cash flows used in investing activities		
Purchase of fixed assets and development costs	(484)	(3,779)
Interest earned	167	290
Net cash flows used in investing activities	(317)	(3,489)
Cash flows used in financing activities		
Deferred financing costs paid	—	(5,062)
Proceeds from exercise of options	—	106
Repayment of long-term debt	(10,778)	(5,197)
Contingent consideration paid (Note 21)	(97,241)	(18,655)
Interest paid	(43,496)	(29,941)
Dividends paid	—	(3,825)
Net cash flows used in financing activities	(151,515)	(62,574)
Net change in cash and cash equivalents	(65,628)	25,825
Effects of exchange rate changes on cash and cash equivalents	3,867	(2,757)
Cash and cash equivalents, beginning of period	397,917	155,448
Cash and cash equivalents, end of period	336,156	178,516

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

1. Description of Business and General Information

Concordia International Corp. (the "**Company**", "**Concordia**", and together with its subsidiaries, the "**Group**") is an international specialty pharmaceutical company, owning or licensing, through its subsidiaries, a diversified portfolio of branded and generic prescription products. Concordia changed the composition of its business segments during the period from three to two reportable segments, which consist of Concordia North America and Concordia International, as well as a Corporate cost centre.

The Concordia North America segment has a diversified product portfolio that focuses primarily on the United States pharmaceutical market. During the period ended March 31, 2017, the Company aggregated its segments to include Orphan Drugs and Concordia North America into one reportable segment also named Concordia North America. Concordia North America operations are conducted through Concordia Pharmaceuticals Inc, S.à R.L. ("**CPI**") and Concordia Laboratories Inc., S.à R.L. ("**CLI**"). CPI has a portfolio of branded products and authorized generic contracts. CLI owns Photofrin® for the treatment of certain forms of rare cancer. CLI is currently focusing on the use of Photofrin® for the treatment of lung cancer in line with its approved indications.

Concordia International operations are conducted through Concordia International (Jersey) Limited (formerly known as Amdipharm Mercury Limited) and certain of its subsidiaries ("**Concordia International**"). Concordia International is an international specialty pharmaceutical business, owning or licensing a diversified portfolio of branded and generic prescription products, which are sold to wholesalers, hospitals and pharmacies in over 90 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 outsourced to a network of contract manufacturers.

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

Concordia's business does not experience a significant amount of 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.

These financial statements include 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 these financial statements 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 these financial statements are the property of their respective owners.

2. Liquidity Risk

The Company manages its capital structure to fund its ongoing operations and service its obligations through a process of budgeting and forecasting cash flows. The Company defines capital mainly as shareholders' deficit and long-term debt. In addition to the cash flows generated by operations, the Company relies on existing cash resources and debt and equity financings to operate its business.

As of March 31, 2017, the Company's liquidity was substantially comprised of $336 million (December 31, 2016 - $398 million) of cash and cash equivalents and $60 million available under an undrawn revolving credit facility (refer to Note 14).

The Company incurred a loss from operations for the year ended December 31, 2016 of $1.3 billion, and had a shareholders' deficiency of $378 million. Cash flows from operating activities were $408 million in 2016 which is expected to decline in 2017 due to a number of factors including competitive pressures associated with the Company's product portfolio. However, the Company expects to continue to generate positive cash flows from operations that will be used as a source of liquidity for its operations. The Company incurred a loss from operations for the three months ended March 31, 2017 of $79 million and had a shareholders' deficiency of $439 million. Cash flows from operating activities were $86 million in the first quarter of 2017.

Since inception, the Company has expanded significantly through acquisitions to become an international specialty pharmaceutical company with a large portfolio of products in the North American, United Kingdom and other international markets with a total of approximately $3.7 billion of long-term debt. The Company's long-term debt arrangements, as described in Note 14, are not currently subject to financial maintenance covenants. The Company currently has up to $60 million available under its revolving credit facility before it is subject to financial maintenance covenants. Principal payments of approximately $34 million are due in October 2017 on the maturity of the Company's equity bridge loan and a total of approximately $43 million of mandatory term loan facilities payments are due over the next twelve months through the required quarterly principal payments. No other principal payments are required through to maturity on the Company's extended bridge facility, unsecured notes and secured notes. The long term debt arrangements reach maturity during the period commencing October 21, 2021 for the term loan facilities through to April 21, 2023 for the Company's other debt arrangements: extended bridge facility (October 2022) and three senior notes (April 2022 for the Secured Notes (as defined herein), October 2022 for the October 2015 Notes (as defined herein) and April 2023 for the Covis Notes (as defined herein)) (refer to Notes 14 and 20).

In October 2016, the Company determined it was important to improve its liquidity position to provide more capital to support its business and to increase its cash reserves. Accordingly, the Company issued $350 million of Secured Notes on October 13, 2016 (refer to Note 14 (e)). These cash resources provided the Company with additional liquidity as it manages the challenges imposed by the decline in its operating performance, interest costs associated with being highly leveraged, foreign exchange risks and business environment challenges in both the North American and international markets. Cash flows from ongoing operations, cash on hand and a portion of the proceeds from the Secured Notes offering were used to fund cash earn-out payments of approximately $206.5 million (GBP 144 million) to the Vendors (as defined herein) of Amdipharm Mercury Limited, whereby one half of the earn-out was settled in December 2016 and the other half was paid in February 2017 along with accrued interest.

Given the declining performance of the Concordia North America segment, the Company now has significantly greater reliance on the Concordia International segment's cash flows to fund its long-term debt interest and principal payments which exposes the Company to significant currency risk (refer to Note 20). The majority of the Company's long-term debt of approximately $3.7 billion is denominated in US dollars other than the GBP term loan, which as at March 31, 2017 had an outstanding balance of £492 million. To mitigate the risk of GBP/USD fluctuations, the Company entered into cross currency swaps as economic hedges of certain cash flows from its Concordia International segment denominated in GBP which will be used to fund certain interest and principal payments denominated in USD. As described in Note 13, these cross currency swaps have terms through to 2022 and 2023 and fix certain interest and principal payments over their term.

As described in the Company's annual financial statements for the year ended December 31, 2016, the Company evaluates whether material uncertainties exist relating to the above events or conditions and has considered the following, including more recent developments during the period ended March 31, 2017:

(a) The Company's current operating budget and cash flows from operating activities in 2017 are expected to decline compared with 2016, however, the Company believes it will continue to generate positive cash flow from operations, which, when combined with its estimated cash and cash equivalents, the Company believes will provide liquidity that is in excess of required interest and principal payments due on its long-term debt for at least, but not limited to, the next twelve months. During the first quarter of 2017 the Company generated cash flow from operations of $86 million (2016 - $92 million), and paid the remaining earn-out payments related to the Concordia International Acquisition (as defined herein) and the Products Acquisition (as defined herein) totaling £79 million and, as at March 31, 2017, the Company had $336 million of cash and cash equivalents. In addition, $60 million is currently available to the Company under the Company's revolving credit facility before the Company is subject to financial maintenance covenants on its long-term debt arrangements. During the next twelve months, the Company is required to make an estimated $290 million in interest repayments on its long-term debt, $77 million of principal repayments on its long-term debt (which includes a $34 million equity bridge loan repayment) and $2 million of purchase consideration payments. The Company believes it will have sufficient liquidity to service its obligations over the next twelve months, with cash flows from operations expected to service a significant portion of its financing obligations with excess funded through cash on hand where required.

(b) The Company's business faces certain significant risks and uncertainties which may impact its ability to achieve its 2017 operating budget. In addition to currency risk exposures referred to above and in Note 20, the Company continues to monitor the implementation of the recently enacted UK Health Service Medical Supplies (Costs) Act 2017 for impacts to its business and has certain ongoing investigations being conducted by the UK Competition and Markets Authority (CMA), the outcomes of which may impact pricing practices in its International segment, as well as impose penalties on the Company. The Company is also incurring legal costs to defend the class action proceedings which were commenced against the Company (refer to Note 19). While the outcome of these legal matters are unknown at this time, Management recognizes that these matters impose certain risks and uncertainties on the Company's operations and cash flows, which may, in turn, impact its operating budget in 2017 and beyond. The Company believes that as at March 31, 2017, these developments are not expected to result in a material uncertainty with respect to its cash requirements for at least, but not limited to, the next 12 months.

(c) If the Company does not generate sufficient cash to service its long-term debt obligations, it may be required to refinance or restructure its long-term debt arrangements, sell assets or seek to raise additional capital, which may be at less favourable terms. The Company's first significant long-term debt maturities are not until October 2021. Notwithstanding the above factors, the Company is highly levered at the present time, and cannot currently provide any assurance with respect to its ability to refinance its long-term debt obligations when they become due in 2021 and beyond. The Company believes that based on current market conditions it will have adequate liquidity over the next twelve months to operate its business and meet its cash requirements, but that a reduction in the amount of its long-term debt may be necessary prior to October 2021. However, the Company believes that the need to refinance or restructure the Company's long-term debt at some point in the future does not constitute a material uncertainty at this time.

3. Significant Accounting Policies

(a) Basis of Presentation

These condensed interim consolidated financial statements for the three month period ended March 31, 2017 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. The condensed interim consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments

that are measured at fair values. 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, 2016.

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, 2016, prepared in accordance with IFRS. The presentation of these condensed interim consolidated financial statements is consistent with the presentation of the annual consolidated financial statements. See Note 4 for a discussion of the change in estimate relating to the amortization of certain intangible assets.

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) Comparative Financial Information

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

(c) Recent Accounting Pronouncements

The International Accounting Standards Board ("**IASB**") has not issued any significant new accounting standards that impact the Company that are not described in the Company's annual financial statements for the year ended December 31, 2016.

(i) Recent accounting pronouncements not yet adopted

The following pronouncements that may be significant to the Company were issued by the IASB or the IFRS Interpretations Committee. Those pronouncements that are not applicable or do not have a significant impact to the Company have been excluded from the summary below.

The following pronouncements have not yet been adopted by the Company and are being evaluated to determine the resultant impact, as summarized below.

Revenue Recognition

IFRS 15, "Revenue from Contracts with Customers" ("**IFRS 15**"), provides a comprehensive five-step revenue recognition model for all contracts with customers. The IFRS 15 revenue recognition model requires management to exercise significant judgment and make estimates that affect revenue recognition. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Company is currently evaluating the impact of adopting this standard on the consolidated financial statements. The Company has not finalized its evaluation of the impact of adopting the standard, but anticipates certain areas of impact, which it will disclose in more detail when its evaluation is finalized in the subsequent interim periods.

Leases

IFRS 16, "Leases" ("**IFRS 16**"), sets out the principles for the recognition, measurement and disclosure of leases. IFRS 16 provides revised guidance on identifying a lease and for separating lease and non-lease components of a contract. IFRS 16 introduces a single accounting model for all lessees and requires a lessee to recognize right-of-use assets and lease liabilities for leases with terms of more than 12-months, unless the underlying asset is of low value. Under IFRS 16, lessor accounting for operating and finance leases will remain substantially unchanged. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15. The Company is currently evaluating

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

the impact of adopting this standard on the consolidated financial statements, however it does not expect the standard to have a significant impact due to the limited volume and magnitude of leases entered into by the Company.

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

The preparation of the interim consolidated 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 judgments made by management in applying the group policies and the key sources of estimation uncertainty were the same as those applied to the consolidated annual financial statements for the year ended December 31, 2016.

Change in estimate

During the first quarter of 2017, the Company assessed the use of the straight line amortization method for certain intangible assets and determined that, based on recent developments and historical patterns of economic consumption, these assets should be amortized based on a declining balance model. Specifically, the Company determined that this method of amortization better reflects the pattern in which the assets future economic benefits are expected to be consumed by the Company, and that based on recent historical experience and knowledge about its intangible assets, this pattern can be determined reliably.

This change in estimate resulted in an increase in amortization expense of approximately $18.8 million for the period ended March 31, 2017, which is estimated to approximate the impact to future quarters in 2017.

5. Acquisitions

Products Acquisition

On June 1, 2016, the Company, through wholly owned subsidiaries, completed the acquisition of four generic products and their associated global rights (the "**Products Acquisition**"). The products acquired included Sodium Feredetate oral solution for the treatment of anemia, Trazadone oral solution for the treatment of depression, and antihistamine Alimemazine oral solution and tablets. The Company paid £21 million, funded through cash on hand on closing of the Products Acquisition. In addition, £7 million in earn-out payments based on certain performance and supply targets were paid on February 6, 2017.

The purchase price allocation for the Products Acquisition is not final as the Company is in the process of concluding on its valuation of intangible assets.

Fair Value of Consideration Transferred

Cash purchase consideration paid	30,677
Purchase consideration payable	9,691
Total Consideration	**40,368**

Assets Acquired

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 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	Measurement period adjustments [(c)]	Amounts Recognized as of Mar 31, 2017
Acquired product rights [(a)]	37,011	73	37,084
Inventory [(b)]	3,357	(73)	3,284
Total fair value of consideration transferred	40,368	—	40,368

(a) Acquired product rights have expected useful lives of 7 years.

(b) Includes a non cash fair value increase to inventory of $3,080, of which $2,769 has been recorded in cost of sales during the year ended December 31, 2016 and $311 was recorded in cost of sales during the three month period ended March 31, 2017.

(c) 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. During the measurement period, the Company recorded certain adjustments to the purchase price allocation including an increase to intangible assets of $73 and a decrease to acquired inventory of $73.

6. Accounts Receivable

As at	Mar 31, 2017	Dec 31, 2016
Accounts receivable	166,983	185,414
Allowance for doubtful accounts	(4,503)	(2,922)
Total	162,480	182,492

An aging of accounts receivable balances past due but not impaired is as follows:

As at	Mar 31, 2017	Dec 31, 2016
Amounts past due (net of provision)		
Past due 1 - 30 days	3,838	8,288
Past due 31 - 60 days	1,898	2,413
Past due 61 - 120 days	2,978	3,175
Past due more than 120 days	2,515	1,712
Total	11,229	15,588

Amounts past due represent accounts receivable past due based on the customer's contractual terms. The net amounts past due of approximately $11 million, which is equivalent to 7% of the net accounts receivable balance as at March 31, 2017, has been assessed for recoverability by the Company. The majority of this balance relates to customers with a long trading history with the Company, whereby no issues of collection are expected.

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

7. Inventory

As at	Mar 31, 2017	Dec 31, 2016
Finished goods	72,463	73,325
Raw materials	23,119	25,639
Work in process	14,081	14,429
Obsolescence reserve	(18,327)	(20,586)
Total	91,336	92,807

Inventory costs charged to cost of sales during the three month period ended March 31, 2017 were $37,626 (2016 - $40,087), which includes $311 (2016 - $18,643) of non-cash fair value adjustments related to inventories acquired through acquisitions. The Company decreased its reserve for obsolete inventory by $2,259 during the three month period ended March 31, 2017. There were no other inventory write-downs charged to cost of sales during the three month period ended March 31, 2017 (2016 - $nil).

8. Intangible Assets

	Acquired Product Rights and manufacturing processes	Intellectual Property	Distribution Contracts	Supplier Contracts	In-Process Research and Development ("IPR&D")	All Other Intangibles	Total
Balances, January 1, 2017	2,084,594	27,825	20,684	85,187	59,600	1,830	2,279,720
Additions	—	—	—	—	227	198	425
Transfer from IPR&D	220	—	—	—	(220)	—	—
Amortization	(49,237)	(410)	(1,355)	(5,547)	—	(168)	(56,717)
Impact of foreign exchange	21,164	—	305	1,248	1,153	36	23,906
Balances, March 31, 2017	2,056,741	27,415	19,634	80,888	60,760	1,896	2,247,334

During the first quarter of 2017, the Company assessed the use of the straight line amortization method for certain intangible assets and determined that, based on recent developments and historical patterns of economic consumption, these assets should be amortized based on a declining balance model. See Note 4 for a discussion of the change in estimate relating to the amortization of certain intangible assets.

9. Goodwill

	Total
Balance, January 1, 2017	707,930
Impact of foreign exchange	10,167
Balance, March 31, 2017	718,097

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

10. Accounts payable and accrued liabilities

As at	Mar 31, 2017	Dec 31, 2016
Trade payables	37,133	35,021
Accrued liabilities	64,289	69,855
Interest payable on long-term debt	65,746	44,280
Interest payable on cross currency swap contracts	38,640	20,337
Total	205,808	169,493

11. Provisions

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

	Chargebacks /Rebates/ Co-pay	Returns	Inventory management	Prompt pay	**Total**
Balance, January 1, 2017	14,716	8,326	3,392	800	27,234
Additions	21,287	7,797	5,439	1,245	35,768
Utilization	(22,741)	(8,694)	(4,771)	(1,521)	(37,727)
Balance, March 31, 2017	13,262	7,429	4,060	524	25,275

The closing balance relates to provisions made to estimate the liabilities arising from chargebacks, rebates, returns and other price adjustments recorded as a reduction of revenue. 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.

12. Income Taxes

There have been no material changes to tax matters in connection with reporting periods subsequent to the filing of the Company's year ended December 31, 2016 financial statements. Refer to Note 12 in the Company's year ended December 31, 2016 financial statements for a full description of the Company's tax matters.

The Company is subject to income tax in numerous jurisdictions with varying tax rates. During the current period ended 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.

Although tax rates may not have changed materially, except if noted above, the Company's organic growth and other natural shifts in revenue sources may result in a redistribution of income for tax purposes amongst taxing jurisdictions.

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.

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

13. Derivative Financial Instruments

The Company's derivative financial instruments consist of cross currency swap contracts (the "**Currency Swaps**") entered into to reduce the Company's exposure to exchange rate fluctuations between Great British Pounds ("**GBP**") and United States Dollars ("**USD**").

The Company has entered into the Currency Swaps as economic hedges of certain cash flows from its Concordia International segment denominated in GBP and long term debt repayments denominated mainly in USD. The Company determines for each derivative contract entered into whether hedge accounting will be applied at inception, which is based on the facts and circumstances of each contract. The application of hedge accounting requires valuation techniques using market data that also consider movements in credit ratings and spreads. On the first derivative contract further described in (a) below, the Company applied hedge accounting on inception of the contract. As a result of volatility in market credit risk factors subsequently, the Company opted to not apply hedge accounting on the second derivative contract (further described below in (b)) and during the fourth quarter of 2016 further movements in credit ratings and spreads caused the first derivative contract to become ineffective under hedge accounting. Management believes that despite the Company's inability to apply and maintain hedge accounting, the derivative contracts are designed to continue to mitigate the Company's foreign currency risk and fix certain payments related to its long-term debt commitments.

Payments and contractual obligations under the Currency Swaps are with the same counterparty, however are settled on a gross basis. Therefore, the fair value of the pay and receive portions along with interest payable and receivable have been presented on a gross basis within the consolidated statement of loss and comprehensive loss and balance sheet.

The Currency Swaps reduce the Company's exposure to exchange rate fluctuations between GBP and USD, by converting certain GBP cash flows to USD over the terms of the Currency Swaps, thus fixing the interest rate and exchange on GBP cash flows used to fund the interest and principal payments on the related debt obligations.

The terms of the Currency Swaps are as follows:

Derivative Financial Instrument	Effective Date	Maturity Date	Principal Amount Receivable	Interest Rate Receivable	Principal Amount Payable	Interest Rate Payable	Implicit Rate of Foreign Exchange (USD per GBP)
August 2016 Currency Swap [(a)]	Aug 17, 2016	Apr 15, 2023	$ 382,000	10.65%	£ 296,930	10.29%	1.2865
November 2016 Currency Swap [(b)]	Nov 3, 2016	Apr 1, 2022	$ 350,000	9.00%	£ 286,580	9.95%	1.2213

(a) The Company's cross currency swap contract that has an effective date of August 17, 2016 (the "**August 2016 Currency Swap**") has the following additional terms:

- Semi-annual receipts of $20,681
- Semi-annual payments of £15,538
- Contractual repricing on October 13, 2020

The Company had applied hedge accounting at the inception of the contract for the August 2016 Currency Swap. However, hedge accounting has been discontinued subsequent to September 30, 2016 due to increased hedge ineffectiveness, which has resulted in the hedge no longer qualifying for hedge accounting. Refer to Note 13 of the Company's consolidated annual financial statements for the year ended December 31, 2016, for a description and the sources of hedge ineffectiveness.

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

The payments and receipts associated with the August 2016 Currency Swap have been reflected in the consolidated statement of loss for the period ended March 31, 2017 within interest and accretion expense and interest income, respectively. During the three month period ended March 31, 2017, the Company recorded interest income of $10,171 (2016 – $nil) and recorded an interest expense of $9,469 (2016 – $nil) related to the August 2016 Currency Swap.

(b) The Company's cross currency swap contract that has an effective date of November 3, 2016 (the "**November 2016 Currency Swap**") has the following additional terms:

- Semi-annual receipts of $15,750
- Semi-annual payments of £14,257
- Contractual repricing on October 1, 2020

The Company has not applied hedge accounting for the November 2016 Currency Swap.

The payments and receipts associated with the November 2016 Currency Swap have been reflected in the consolidated statement of loss for the period ended March 31, 2017 within interest and accretion expense and interest income, respectively. During the three month period ended March 31, 2017, the Company recorded interest income of $7,875 (2016 – $nil) and recorded an interest expense of $8,834 (2016 – $nil) related to the November 2016 Currency Swap.

Fair values of derivative financial instruments

The fair values of the Currency Swaps and their classification in the consolidated balance sheet are as follows:

As at	Balance Sheet Classification	Mar 31, 2017	Dec 31, 2016
August 2016 Currency Swap	Derivative financial instruments asset	4,716	23,555
November 2016 Currency Swap	Derivative financial instruments liability	(36,630)	(27,854)
Total derivatives		(31,914)	(4,299)

Cash flow hedge gains (losses) in accumulated other comprehensive loss

	August 2016 Currency Swap
Balance, January 1, 2017	(1,561)
Transfers to (income) loss:	
Discontinuation of hedge accounting due to hedge ineffectiveness	61
Balance, March 31, 2017	(1,500)

Losses recognized on derivative financial instruments in the unaudited condensed interim consolidated statement of loss

		Three months ended	
	Statement of Loss Classification	Mar 31, 2017	Mar 31, 2016
August 2016 Currency Swap	Fair value loss on derivative financial instruments	(18,839)	—
November 2016 Currency Swap	Fair value loss on derivative financial instruments	(8,776)	—
Total		(27,615)	—

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

Interest income on cash and cash equivalents

Included within interest income on the unaudited condensed interim consolidated statement of loss is interest income for the three month period ended March 31, 2017 of $433 (2016 – $nil) earned on deposits held with major financial institutions, which deposits have been classified as cash equivalents within the unaudited condensed interim consolidated balance sheet.

14. Long-term Debt

As at	Mar 31, 2017	Dec 31, 2016
Term Loan Facilities [(a)]		
- USD term loan	1,082,125	1,089,000
- GBP term loan	614,347	609,099
- Revolver	—	—
Bridge Facilities [(b)]	134,444	134,444
9.5% Senior Notes [(c)]	790,000	790,000
7% Senior Notes [(d)]	735,000	735,000
9% Senior Secured Notes [(e)]	350,000	350,000
Balance outstanding	3,705,916	3,707,543
Less: deferred financing costs	(154,373)	(161,766)
Total long-term debt	3,551,543	3,545,777
Less: current portion	(76,722)	(76,492)
Long-term portion	3,474,821	3,469,285

(a) On October 21, 2015 (the "**Closing Date**") the Company, through a wholly owned subsidiary, completed the acquisition of 100% of the outstanding shares of Amdipharm Mercury Limited (the "**Concordia International Acquisition**") from Cinven, a European private equity firm, and certain other sellers (collectively the "**Vendors**"). To finance the Concordia International Acquisition, the Company entered into a credit agreement (the "**Concordia International 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 Concordia International Credit Agreement provides for, and made available to the Company, a secured revolving loan of 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. During the first quarter of 2017, the Company made principal payments of $6,875 and £3,125 on the USD Term Loan and GBP Term Loan, respectively. In addition commencing in 2017, the Term Loans may require certain principal repayments calculated by reference to the Company's excess cash flow as defined in the Concordia International Credit Agreement, calculated annually in respect of the prior year. No payments were required to be made in 2017 with respect to 2016. 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, 2017 was $23,489 (2016 - $25,465). Commencing in 2017 the quarterly principal repayments on the Term Loans increased from a rate of 0.25% to 0.625%, and in 2019 increase to 1.25%.

(b) On the 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,

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

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 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 December 2015 the Company made a principal payment of $45,000 on the Bridge Facilities which was allocated pro rata between the outstanding principal of the Bridge Facilities. Interest expense on the Bridge Facilities was $3,193 for the three month period ended March 31, 2017 (2016 - $3,235). As at March 31, 2017 and December 31, 2016, the Equity Bridge Loans with a principal balance of $33,611 have been presented as current portion of long-term debt, as they mature during the fourth quarter of 2017.

(c) On the 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 was $18,505 for the three month period ended March 31, 2017 (2016 - $18,971).

(d) In connection with the acquisition of a portfolio of products from Covis Pharma S.à R.L. and Covis Injectables S.à R.L. on April 21, 2015 (the "**Covis Acquisition**") 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 expense on the Covis Notes was $12,792 for the three month period ended March 31, 2017 (2016 - $12,792).

(e) On October 13, 2016, the Company issued at par $350 million 9.00% senior secured first lien notes due April 1, 2022 (the "**Secured Notes**"). The Secured Notes require no payment of principal throughout their term. Interest on the Secured Notes is payable semi-annually on April 1st and October 1st of each year. Interest expense on the Secured Notes was $7,767 for the three month period ended March 31, 2017 (2016 - $nil).

The Company is currently not subject to the financial maintenance covenants under the Concordia International Credit Agreement. These financial maintenance covenants are applicable only in the event that the aggregate principal amount of outstanding revolving loans under the Concordia International Credit Agreement is greater than 30 percent of the aggregate amount, or $60 million, of the available revolving facility. The Company has not drawn on the revolving facility to date. Notwithstanding the aforementioned, the Company is required to comply with customary non-financial covenants and each agreement that governs the Company's long-term debt contains cross default provisions in the event of non-compliance.

The fair value of long-term debt as at March 31, 2017 was $1.9 billion (December 31, 2016 - $2.2 billion).

The following table describes movements in the Company's long-term debt balance:

Balance, January 1, 2017	3,545,777
Repayments	(10,778)
Accretion of deferred financing fees	7,393
Impact of foreign exchange	9,151
Balance, March 31, 2017	**3,551,543**

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

Interest expense

	Three months ended	
	Mar 31, 2017	**Mar 31, 2016**
Interest expense payable in cash	65,746	60,463
Interest expense on Currency Swaps (Note 13)	18,303	—
Non-cash items:		
Accretion of deferred financing fees	7,461	7,571
Other non-cash interest	781	307
Interest and accretion expense	92,291	68,341

15. Share Capital

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

	Number of Common Shares	**$**
Balances, January 1, 2017	51,089,556	1,277,175
Vesting of RSUs	226	5
Balances, March 31, 2017	51,089,782	1,277,180

The Company did not declare any dividends during the three month period ended March 31, 2017 (2016 - $3,826). On August 12, 2016, the Company announced the suspension of its annual dividend payments.

16. Loss Per Share

	Three months ended	
	Mar 31, 2017	**Mar 31, 2016**
Net loss from continuing operations for the period attributable to shareholders	(78,824)	(4,801)
Weighted average number of common shares in issue	51,089,556	51,009,511
Adjustments for:		
Dilutive stock options	1,732	490,030
Dilutive unvested shares	1,598,902	262,840
Weighted average number of fully diluted shares	52,690,190	51,762,381
Loss per share, from continuing operations		
Basic loss per share	(1.54)	(0.09)
Diluted loss per share	(1.54)	(0.09)
Loss per share, including discontinuing operations		
Basic loss per share	(1.54)	(0.10)
Diluted loss per share	(1.54)	(0.10)

For the periods noted above, the computation of diluted loss per share is equal to the basic loss per share due to the anti-dilutive effect of the stock options and unvested shares.

17. 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. The maximum number of common shares which may be reserved for issue under the stock option plan cannot exceed 10% of the issued and outstanding common shares of the Company on a non-diluted basis (which maximum number is inclusive of any common shares reserved for issuance pursuant to the Company's LTIP (as defined below)). The exercise price at which any option may be exercised to acquire a common share of the Company must be not less than the lesser of (i) the closing trading price of the common shares on the date of grant and (ii) the volume-weighted average price of the common shares on the TSX for the five trading days immediately preceding the date of grant.

As at March 31, 2017, 268,266 stock options (December 31, 2016 – 728,266) were available for grant under the stock option plan. During the three months ended March 31, 2017, the Company reallocated 700,000 of its share reserve from the stock option plan to the LTIP.

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

Information with respect to stock option transactions for the period ended March 31, 2017 is as follows:

	Number of Stock Options		Weighted Average Exercise Price
Balance, January 1, 2017	2,134,685	$	32.73
Forfeited during the year	(240,000)		44.84
Balance, March 31, 2017	1,894,685	$	31.20
Weighted-average exercise price of options exercisable as at March 31, 2017		$	21.89

For the three month period ended March 31, 2017, the total compensation charged against income with respect to all stock options outstanding was $1,283 (2016 – $6,248).

As at March 31, 2017 outstanding stock options were as follows:

Year of Expiry	Exercise Price	Number of Stock Options	Exercisable
2022	35.66	911,500	299,667
2023	2.02 - 26.43	285,000	125,834
2024	5.88 - 31.50	459,000	434,000
2025	32.99 - 78.36	239,185	85,981
		1,894,685	945,482

Long-Term Incentive Plan

The Company has a long-term incentive plan ("**LTIP**"). Under the terms of the LTIP, the Board of Directors may grant units ("**Units**"), which may be either restricted share units ("**RSUs**") or deferred share units ("**DSUs**") 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 three month period ended March 31, 2017, the Company authorized for issuance under the LTIP a total of 1,438,047 RSUs with a market price of $1.89 vesting over 3 years.

During the three month period ended March 31, 2017, the Company authorized for issuance under the LTIP a total of 23,089 DSUs to the Board of Directors with a market price of $1.89. All of these DSUs remaining outstanding as at March 31, 2017.

For the three month period ended March 31, 2017, the Company recorded share based compensation expense of $1,672 (2016 - $2,109) related to the RSUs and DSUs accounted for on the basis that they will be equity-settled, with a corresponding credit to shareholders' equity.

Certain performance based RSUs are subject to non-market based performance conditions. As at March 31, 2017 the Company assessed the actual and forecasted performance underlying these outstanding performance based RSUs, and based on that assessment, no vesting or expense has been recorded with respect to these performance based RSUs during the year.

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

The Company's outstanding RSUs are as follows:

	Number of RSUs
Balance, January 1, 2017	1,264,162
Issued during the period	1,438,047
Cancelled during the period	(39,850)
Vested during the period	(226)
Balance, March 31, 2017	2,662,133

18. Related Party Transactions

The Company had the following related party transactions during the three month period ended March 31, 2017 and 2016:

	Three months ended	
	Mar 31, 2017	Mar 31, 2016
Legal fees paid or payable to a firm affiliated with a director	—	30
Total	—	30

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.

Certain current employees of the Concordia International segment had an equity interest in the Concordia International segment at the time of its sale to the Company. As a result, pursuant to the share purchase agreement entered into by the Company in connection with the Concordia International Acquisition, these employees received a portion of the consideration paid by the Company to the Vendors of the Concordia International segment (including the earnout consideration paid in December 2016 and February 2017, respectively).

19. 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.

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

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

	Minimum Lease Payments
2017	3,149
2018	3,848
2019	3,067
2020	1,493
2021	642
Thereafter	299
	12,498

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 holds 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 the purchaser's payment and indemnification obligations under the asset purchase agreement and each ancillary agreement entered into by the purchaser in connection therewith that contained payment or indemnification obligations. Pursuant to the asset purchase agreement entered into in connection with the Covis Acquisition (the "**Covis Purchase Agreement**") the Company guaranteed the purchaser's obligations under the Covis Purchase Agreement. Pursuant to the share purchase agreement entered into by the Company in connection with the Concordia International Acquisition, the Company guaranteed the obligations of the purchaser under the share purchase agreement and related transaction documents.

Litigation and Arbitration

From time to time, the Company becomes involved in various legal and administrative proceedings, which include product liability, intellectual property, securities, commercial, antitrust, government and regulatory investigations, related private litigation and ordinary course employment-related issues. From time to time, the Company also initiates actions or files counterclaims. The Company could be subject to counterclaims or other suits in response to actions it may initiate. The Company believes that the prosecution of these actions and counterclaims is important to preserve and protect the Company, its reputation and its assets. Certain of these proceedings and actions are described below.

Unless otherwise indicated the Company cannot reasonably predict the outcome of these legal proceedings, nor can it estimate the amount of loss, or range of loss, if any, that may result from these proceedings. An adverse outcome in certain of these proceedings could have a material adverse effect on the Company's business, financial condition and results of operations, and could cause the market value of its common shares and/or debt securities to decline.

The Company, and certain of its former and current executive officers are the subject of various class action complaints relating to the Company's August 12, 2016 press release, whereby the Company revised its 2016 guidance. The complaints allege that the Company issued false and misleading statements to investors and/or failed to disclose that: the Company was experiencing a substantial increase in market competition against its drug Donnatal®, and other products; as a result, Concordia's financial results would suffer, and Concordia would be forced to suspend its dividend; and as a result Concordia's statements about its business, operations and prospects were materially false and misleading and/or lacked a reasonable basis at all relevant times. The class action lawsuits have been consolidated into a single case and a motion to dismiss this action was filed by the Company on February 20, 2017. On March 21, 2017, the plaintiffs in this action filed a response to the motion to dismiss, and on April 5, 2017 the Company filed a reply to plaintiffs' response.

The Company and certain of its former and current executive officers are also subject to a class action complaint alleging that the Company made false and/or misleading statements, as well as, failed to disclose material adverse facts about the Company's business operations and prospects, in the Company's Registration Statement, Prospectus and Supplemental Prospectus issued in connection with the Company's secondary offering on September 30, 2015. Specifically, the claim alleges that the statements were false and/or misleading and/or failed to disclose that: (i) the Company was experiencing a substantial increase in market competition against Donnatal®, and other products; (ii) consequently the Company's financial results would suffer and the Company would be forced to suspend its dividends; and (iii) as a result of the foregoing, the defendant's statements about the Company's business operations and prospects were false and misleading and/or lacked a reasonable basis. The Company has filed a motion to have this matter transferred to the Federal court hearing the class actions described immediately above.

The Company and certain of its former and current executive officers and certain members of the Board of Directors of the Company are subject to a securities class action filed in Quebec, Canada. The amended statement of claim alleges that the Company failed to disclose adverse material facts relating to, and misrepresented, among other things, the Company's business model, growth platforms, proforma revenues and dividend payments in certain disclosures from March 23, 2016 to August 11, 2016. This class action has not yet been certified nor has leave to bring a statutory claim under securities legislation yet been granted.

In all of the above class actions, the Company has retained counsel and intends to vigorously defend itself.

On October 25, 2016, the Company announced that the UK Competition and Markets Authority (CMA) commenced an investigation into various issues in relation to the UK pharmaceutical sector, and that the Concordia International segment was part of the inquiry. The CMA's investigation includes matters that pre-date Concordia's ownership of the Concordia International segment and relates to the Company's pricing of certain products. The Company is fully cooperating with the investigation and the CMA has not reached a view as to whether or not it may proceed with its investigation to any finding of a competition law violation.

On March 3, 2017, the Company announced that the CMA issued a statement of objections to a third party and one of the Company's subsidiaries in relation to the supply of 10mg hydrocortisone tablets in the UK between 2013 and 2016. A statement of objections is a formal statement by the CMA that it considers that a competition infringement may have occurred. The Company intends to respond in detail to the statement of objections and continues to cooperate fully with the CMA in the investigation. This investigation includes matters that pre-date the Company's ownership of the Concordia International segment.

During the first quarter of 2016, the Company became aware that a third party had notified wholesalers, through listing services, of its intent to distribute and sell in certain US regions a non-FDA approved copy of Donnatal®. On January 6, 2016, the Company commenced a lawsuit against the third party and its principal owner claiming damages from such conduct, and on April 29, 2016 and May 3, 2016 commenced proceedings against two listing services for the continued listing of the products in their database. In May 2016, this non-FDA approved product was introduced into certain US regions. On October 4, 2016 and November 16, 2016, the Company dismissed its claims against the listing services on a without prejudice basis, respectively. On

March 15, 2017, the Court ruled on the third party's motion to dismiss the Company's claim, denying such motion in part and granting it in part. On March 29, 2017, the third party filed its answer and counter claim in response to the Company's claim. The Company continues to pursue this lawsuit vigorously. Donnatal® is one phenobarbital and belladonna alkyloid product that has a right to a DESI hearing and we believe has distinct legal rights to be actively marketed. In a similar lawsuit commenced against Method Pharmaceuticals, LLC ("**Method**") and its principal owner, the Company received a favorable jury verdict on April 21, 2016 and was awarded damages in the amount of approximately $733. On March 2, 2017, the United States District Court - Western District of Virginia, Charlottesville Division, granted the Company's motion for enhanced damages in part, to amend the judgment against Method and its principal owner to reflect an award of damages in the total amount of approximately $2.2 million. On March 30, 2017, Method filed a motion to reconsider the order on enhanced damages. On April 13, 2017, the Company filed an opposition to Method's motion to reconsider. The motion is still pending.

During the second quarter of 2016, the Company agreed to settle a previously disclosed arbitration proceeding commenced by a former financial advisor to the Company, whereby the financial advisor had claimed it was owed approximately $12.3 million in connection with the Covis Acquisition and $26 million in connection with the Concordia International Acquisition, plus accrued interest on such amounts. As part of the settlement, the financial advisor released all claims against the Company and the Company agreed to pay a settlement amount of $12.5 million, which has been recorded in litigation settlement along with $0.96 million associated legal costs.

On September 16, 2016, the Company announced the introduction of a bill into the U.K. House of Commons to amend and extend existing provisions of the National Health Service Act 2006 to enable the Secretary of State to help manage the cost of health service medicines. On April 27 2017, the U.K. government accorded Royal Assent to the Act. See Note 2 for additional information on the potential impact of the Act on the Company. The Act introduces provisions in connection with controlling the cost of health service medicines and other medical supplies. The Act also introduces provisions in connection with the provision of pricing and other information by manufacturers, distributors and suppliers of those medicines and medical supplies. The Company continues to monitor the implementation of the Act. While the effects of the Act are unknown at this time, the Act could impose certain risks and uncertainties on the Company's operations and cash flows.

20. Financial Risk Management

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

The unaudited condensed interim consolidated financial statements do not include all financial risk management information and disclosures required in the annual consolidated financial statements, and therefore should be read in conjunction with the Company's annual consolidated financial statements as at and for the year ended December 31, 2016.

Currency Risk

The Company operates primarily in USD, GBP 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 net monetary assets (liabilities) in currencies other than the functional currency of the Company.

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

As at Amounts in USD	Mar 31, 2017	Dec 31, 2016
GBP	103,453	95,943
Euro	11,894	13,024
Indian Rupees	10,207	9,600
Canadian Dollars	6,191	(4,183)
Other	33,324	30,583
Total	165,069	144,967

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 certain long-term debt 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, 2017	Mar 31, 2016
Impact of a 1% increase in interest rates for contingent purchase consideration payable on net loss	(137)	(2,740)
Impact of a 1% decrease in interest rates for contingent purchase consideration payable on net loss	146	2,858
Impact of a 1% increase in interest rates above LIBOR floor for long-term debt on net loss	(4,255)	(4,592)

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, 2017, the allowance for doubtful accounts was $4,503 (December 31, 2016 – $2,922).

Concentrations of credit risk

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

The Company evaluates the recoverability of its accounts receivable on an on-going basis. As of March 31, 2017 the Company's three largest U.S. wholesale customers account for approximately 23% or $37 million of net trade receivables and 20% or $32 million of total revenue. The Company does not consider there to be additional concentration risk within the Concordia International segment.

Liquidity Risk

The Company has a planning and budgeting process in place to determine 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.

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

The following tables summarize the Company's significant contractual undiscounted cash flows as at March 31, 2017:

As at							Mar 31, 2017
Financial Instruments	**< 3 months**	**3 to 6 months**	**6 months to 1 year**	**1 to 2 years**	**2 to 5 years**	**Thereafter**	**Total**
Trade payables and accrued liabilities	101,422	—	—	—	—	—	101,422
Provisions	17,787	3,285	1,984	940	1,279	—	25,275
Long-term debt [(a)]	10,778	10,778	55,167	58,525	1,594,792	1,975,876	3,705,916
Interest on long-term debt	53,179	106,055	130,950	261,411	723,614	151,941	1,427,150
Purchase consideration payable	818	—	1,511	1,511	5,295	8,377	17,512
Derivative financial instruments[(b)]	(1,680)	—	2,471	8,169	13,188	—	22,148
	182,304	120,118	192,083	330,556	2,338,168	2,136,194	5,299,423

(a) Long-term debt cash flows include an estimate of the minimum required annual excess cash flow sweep (refer to Note 14 (a)).
(b) Derivative financial instruments reflect the interest income, interest expense and principal amounts payable to and receivable from the counterparty under the contracts.

21. 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 and cash equivalents	- approximates to the carrying amount;
Long-term debt	- based on quoted price, or by reference to observable quoted prices for similar long-term debt;
Receivables and payables	- approximates to the carrying amount

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

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

As at				**Mar 31, 2017**
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value through profit or loss				
Derivative financial instrument	—	4,716	—	4,716
	—	4,716	—	4,716
Financial liabilities measured at fair value through profit or loss				
Purchase consideration	—	4,182	4,806	8,988
Derivative financial instrument	—	36,630	—	36,630
	—	40,812	4,806	45,618

As at				**Dec 31, 2016**
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss				
Derivative financial instrument	—	23,555	—	23,555
	—	23,555	—	23,555
Financial liabilities measured at fair value through profit or loss				
Purchase consideration	—	92,182	19,362	111,544
Derivative financial instrument	—	27,854	—	27,854
	—	120,036	19,362	139,398

The current portion of purchase consideration as at March 31, 2017 is $2,361 (December 31, 2016 - $104,039).

Measurement of fair values

Purchase Consideration	**Valuation Technique**	**Fair Value Hierarchy**	**Discount Rate**	**Purchase Consideration as at Mar 31, 2017**
Pinnacle earn-out [(a)]	Discounted cash flows	Level 3	19%	3,397
Pinnacle annual payments [(b)]	Present value	Level 2	19%	3,868
Boucher & Muir [(c)]	Discounted cash flows	Level 3	19%	818
Primegen [(d)]	Discounted cash flows	Level 3	19%	905
Total purchase consideration				8,988
Less: current portion				(2,361)
Long-term portion				6,627

The valuation techniques used in measuring Level 2 and Level 3 fair values associated with purchase consideration and derivative financial instruments, as well as the significant unobservable inputs used are outlined below.

(a) As part of the consideration for the acquisition of Pinnacle Biologics Inc. ("**Pinnacle**"), the Company has recorded a contingent consideration liability for its obligation to make additional payments to the former owners of Pinnacle. The liability represents the fair value of earn-out payments calculated as 15% of worldwide sales of Photofrin® in excess of $25,000 over the 10 calendar years following the Company's acquisition of Pinnacle. The expected payment is determined by considering the possible scenarios of sales thresholds and the amount to be paid under such scenario and the probability of such scenario. The estimated fair value of the contingent consideration would decrease if the annual gross profit growth rates were lower and would also decrease if the market representative interest rate was lower.

(b) 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. The estimated fair value would increase if the market representative interest rate was higher.

(c) On the acquisition of Concordia International, the Company assumed the Boucher & Muir purchase contingent consideration. The valuation of the purchase consideration liability is dependent on earning thresholds for the 12 months ending June 2017 and June 2016, subject to a cap of Australian Dollar 3 million. The expected payment is determined by considering the possible scenarios of earnings threshold, the amount to be paid under each scenario and the probability of each scenario. The estimated fair value of the contingent consideration would decrease if the earnings amount was lower and would also decrease if the market representative interest rate was lower.

(d) On the acquisition of Concordia International, the Company assumed the Primegen Limited purchase contingent consideration. The valuation of the purchase consideration liability is dependent on revenue share on Nefopam equal to 25% of all sales achieved above £2.5 million for each of the first 3 years after launch of the product. The expected payment is determined by considering the possible scenarios of revenue growth rates, the amount to be paid under each scenario and the probability of each scenario. Purchase consideration of £1 million was paid in the first quarter of 2017 for meeting certain revenue targets, which reduced the fair value of the purchase consideration liability. The estimated fair value of the contingent consideration would decrease if the annual revenue growth rates were lower, and similarly the fair value would also decrease if the market representative interest rate was lower.

The Company entered into the August 2016 Currency Swap, with an obligation to pay £296,930 over the term of the contract maturing on April 15, 2023, at an interest rate of 10.294%. The Company will receive USD $382,000 over the term of the contract maturing on April 15, 2023, at an interest rate of 10.650%. The valuation method used for the derivative financial instrument was a discounted cash flow regression model, which considers USD forward rates relative to GBP, interest rates, credit spreads and credit default rates, as well as other market factors. The USD to GBP exchange rate at inception of the contract on August 17, 2016 was 1.2865. The USD to GBP exchange rate at March 31, 2017 was 1.2489. The estimated fair value would increase or decrease if the market representative interest rate was lower or higher, respectively. The estimated fair value would increase or decrease if the USD to GBP exchange rate was higher or lower, respectively.

The Company entered into the November 2016 Currency Swap, with an obligation to pay £286,580 over the term of the contract maturing on April 1, 2022, at an interest rate of 9.95%. The Company will receive USD $350,000 over the term of the contract maturing on April 1, 2022, at an interest rate of 9.00%. The valuation method used for the derivative financial instrument was a discounted cash flow regression model, which considers USD forward rates relative to GBP, interest rates, credit spreads and credit default rates, as well as other market factors. The USD to GBP exchange rate at inception of the contract on November 3, 2016 was 1.2213. The USD to GBP exchange rate at March 31, 2017 was 1.2489. The estimated fair value would increase or decrease if the market representative interest rate was lower or higher, respectively. The estimated fair value would increase or decrease if the USD to GBP exchange rate was higher or lower, respectively.

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

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, January 1, 2017	19,362
Paid during the period [(a)]	(13,838)
Recognized in consolidated statement of loss	(718)
Balance, March 31, 2017	4,806

(a) The amount paid during the period does not include the final earn-out payment of $92,038 paid to the Vendors of Concordia International on February 1, 2017 as this fair value measurement was transferred to Level 2 in the fourth quarter of 2016. The total purchase consideration payments made, including the amount paid to the Vendors of Concordia International, amounted to $105,876 during the three month period ended March 31, 2017.

There were no transfers between Level 2 and Level 3 during the period.

There were no changes in valuation techniques during the period.

22. 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' deficit in the definition of capital.

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

As at	Mar 31, 2017	Dec 31, 2016
Long-term debt (Note 14)	3,705,916	3,707,543
Shareholders' Deficit	(439,060)	(377,573)
	3,266,856	3,329,970

23. Segmented Reporting

Operating Segments

During the first quarter of 2017 the Company changed the composition of its reportable segments, as further described in Note 1. The Company now has two reportable segments: Concordia North America and Concordia International, as well as a Corporate cost centre. The Company has reflected this change to its segment reporting retrospectively to the comparative first quarter of 2016 presented below. A brief description of each is as follows:

Concordia North America

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; Plaquenil® for the treatment of lupus and rheumatoid arthritis; and Photofrin® for the treatment of lung cancer. Concordia North America's product portfolio consists of branded-products and authorized generic

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

contracts. The segment's products are manufactured and sold through an out-sourced production and distribution network in the United States, except for distribution of Photofrin® in the United States territory, which distribution is completed by an affiliate of the Company.

Concordia International

Concordia International is comprised of the Concordia International 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 90 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 200 products 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.

Corporate

The Corporate cost centre 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 tables set forth operating income (loss), goodwill, total assets and total liabilities by reportable operating segment for the three month period ended March 31, 2017 and 2016.

	Concordia North America	Concordia International	Corporate	**Three month period ended Mar 31, 2017**
Revenue	41,828	118,729	—	160,557
Cost of sales	7,641	37,501	—	45,142
Gross profit	34,187	81,228	—	115,415
Operating expenses				
General and administrative	1,548	6,562	5,638	13,748
Selling and marketing	3,763	5,989	—	9,752
Research and development	2,237	5,747	—	7,984
Acquisition related, restructuring and other	6	3,731	1,479	5,216
Share based compensation	2	—	2,950	2,952
Amortization of intangible assets	29,544	27,161	12	56,717
Depreciation expense	26	401	61	488
Change in fair value of purchase consideration	(582)	178	596	192
Total operating expenses	36,544	49,769	10,736	97,049
Operating income (loss)	(2,357)	31,459	(10,736)	18,366

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

	Concordia North America	Concordia International	Corporate	**Three month period ended Mar 31, 2016**
Revenue	88,622	139,913	—	228,535
Cost of sales	12,015	56,668	—	68,683
Gross profit	76,607	83,245	—	159,852
Operating expenses				
General and administrative	3,064	6,210	6,193	15,467
Selling and marketing	5,865	7,448	—	13,313
Research and development	2,909	5,958	—	8,867
Acquisition related, restructuring and other	—	3,333	215	3,548
Share based compensation	(59)	—	8,416	8,357
Amortization of intangible assets	15,342	31,253	—	46,595
Depreciation expense	11	377	42	430
Change in fair value of purchase consideration	1,450	3,007	3,868	8,325
Total operating expenses	28,582	57,586	18,734	104,902
Operating income (loss), continuing operations	48,025	25,659	(18,734)	54,950

Income (loss) from continuing operations before tax includes the total Operating income (loss) from continuing operations above plus other income and expense which do not form part of any reportable operating segment.

	Concordia North America	Concordia International	Corporate	Total
As at				**Mar 31, 2017**
Goodwill	27,966	690,131	—	718,097
Total assets	784,859	2,606,807	227,999	3,619,665
Total liabilities	50,661	381,095	3,626,969	4,058,725
As at				**Dec 31, 2016**
Goodwill, continuing operations	27,966	679,964	—	707,930
Total assets, continuing operations	827,758	2,585,654	318,162	3,731,574
Total liabilities, continuing operations	57,015	454,394	3,597,738	4,109,147

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

Geographic Information

The Company has major operations in Barbados, Canada, the United States and the United Kingdom. The following table sets forth revenue by geographic location based on contracted entity (excluding inter-company transactions):

For the three month period ended						**Mar 31, 2017**
	Barbados	United States	United Kingdom & Jersey	Ireland	All other countries	**Total**
Revenue	38,938	2,890	86,564	3,230	28,935	160,557

For the three month period ended						**Mar 31, 2016**
	Barbados	United States	United Kingdom & Jersey	Ireland	All other countries	Total
Revenue	85,948	2,674	99,095	3,440	37,378	228,535

Product Revenue by Category

Concordia North America

	Three months ended	
	Mar 31, 2017	**Mar 31, 2016**
Branded	30,647	60,753
Authorised Generics and other	11,181	27,869
Total	41,828	88,622

Concordia International

	Three months ended	
	Mar 31, 2017	**Mar 31, 2016**
Branded	47,149	51,768
Generics	71,580	88,145
Total	118,729	139,913

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

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

As at							**Mar 31, 2017**
	Barbados	Canada	United States	United Kingdom & Jersey	Ireland	All other countries	**Total**
Current assets	106,521	227,343	12,441	153,046	99,771	43,664	642,786
Non-current assets	651,809	656	14,088	2,101,658	81,339	127,329	2,976,879
Total assets, continuing operations	758,330	227,999	26,529	2,254,704	181,110	170,993	3,619,665
Current liabilities	41,033	153,542	1,652	118,016	35,784	8,414	358,441
Non-current liabilities	7,973	3,473,427	3	192,479	-	26,402	3,700,284
Total liabilities, continuing operations	49,006	3,626,969	1,655	310,495	35,784	34,816	4,058,725

As at							**Dec 31, 2016**
	Barbados	Canada	United States	United Kingdom & Jersey	Ireland	All other countries	**Total**
Current assets	118,957	317,473	13,269	106,710	93,274	64,341	714,024
Non-current assets	681,304	689	14,228	1,816,920	641	503,768	3,017,550
Total assets, continuing operations	800,261	318,162	27,497	1,923,630	93,915	568,109	3,731,574
Current liabilities	44,523	129,139	2,293	207,619	31,651	7,834	423,059
Non-current liabilities	10,199	3,468,599	—	155,511	—	51,779	3,686,088
Total liabilities, continuing operations	54,722	3,597,738	2,293	363,130	31,651	59,613	4,109,147

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

24. Directors and key management compensation

Compensation, consisting of salaries, bonuses, other benefits, severance and director fees to key management personnel and directors for the three month period ended March 31, 2017 amounted to $1,315 (2016 – $1,240).

Share based compensation expense recorded for key management and directors, for the three month period ended March 31, 2017 amounted to $1,883 (2016 – $3,337).

25. Nature of expenses

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

	Three months ended	
	Mar 31, 2017	**Mar 31, 2016**
Production, manufacturing and distribution costs	45,142	68,683
Salaries, bonus and benefits	11,941	11,059
Sales and marketing expenses	6,588	10,501
Research and development expenses	5,967	6,833
Share-based compensation	2,952	8,357
Amortization and depreciation	57,205	47,025
Change in fair value of purchase consideration	192	8,325
Professional fees including acquisition and restructuring	7,981	7,859
Travel expenses	695	2,498
Rent and facilities	659	616
Other expenses	2,869	1,829
Total	142,191	173,585

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

26. Non-cash working capital

Changes in non-cash working capital is comprised of:

	Three months ended	
	Mar 31, 2017	**Mar 31, 2016**
Accounts receivable	18,430	(40,350)
Inventory	1,160	(3,303)
Prepaid expenses and other current assets	2,029	1,958
Trade payables and accrued liabilities	(4,131)	1,628
Provisions	(1,959)	(1,869)
Other liabilities	(11)	(74)
Changes in non-cash working capital	15,518	(42,010)