LASERSCOPE
Form 424B3
October 31, 2011
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Filed Pursuant to Rule 424(b)(3)
File Number 333-177341

PROSPECTUS

ENDO PHARMACEUTICALS HOLDINGS INC.

Offer to exchange $400 million aggregate principal amount of 7.00% Senior Notes Due 2020 (which we refer to as the old 2020 notes) for $400 million aggregate principal amount of 7.00% Senior Notes Due 2020 (which we refer to as the new 2020 notes);

Offer to exchange $500 million aggregate principal amount of 7% Senior Notes Due 2019 (which we refer to as the old 2019 notes) for $500 million aggregate principal amount of 7% Senior Notes Due 2019 (which we refer to as the new 2019 notes); and

Offer to exchange $400 million aggregate principal amount of 7 1/4% Senior Notes Due 2022 (which we refer to as the old 2022 notes, and collectively with the old 2020 notes and the old 2019 notes as the old notes) for $400 million aggregate principal amount of 7 1/4% Senior Notes Due 2022 (which we refer to as the new 2022 notes, and collectively with the new 2020 notes and the new 2019 notes as the new notes);

which have been registered under the Securities Act of 1933, as amended (the Securities Act), and are fully and unconditionally guaranteed by the guarantors listed on page ii of this prospectus.

The exchange offer will expire at 5:00 p.m., New York City time, on November 30, 2011, unless we extend the exchange offer in our sole and absolute discretion.

Terms of the exchange offer:

We will exchange the applicable series of new notes for all outstanding old notes that are validly tendered and not withdrawn prior to the expiration or termination of the exchange offer.

You may withdraw tenders of old notes at any time prior to the expiration or termination of the exchange offer.

The terms of the new notes are substantially identical to those of the outstanding old notes, except that the transfer restrictions and registration rights relating to the old notes do not apply to the new notes.

The exchange of old notes for new notes will not be a taxable transaction for U.S. federal income tax purposes. You should see the discussion under the caption Certain U.S. Federal Income Tax Consequences for more information.

We will not receive any proceeds from the exchange offer.

We issued the old notes in a transaction not requiring registration under the Securities Act, and as a result, their transfer is restricted.

We are making the exchange offer to satisfy your registration rights, as a holder of the old notes.

There is no established trading market for the new notes or the old notes.

Each broker-dealer that receives new notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of such new notes. The accompanying letter of transmittal relating to the exchange offer states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of new notes received in exchange for old notes where such old notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. We have agreed that, for a period of up to 180 days after the completion of the exchange offer, we will make this prospectus available to any broker-dealer for use in connection with any such resale. See Plan of Distribution.

See Risk Factors beginning on page 14 of this prospectus, page 36 of our Annual Report on Form 10-K for the year ended December 31, 2011 and page 84 of our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2011 for a discussion of risks you should consider prior to tendering your outstanding old notes for exchange.

Neither the Securities and Exchange Commission (the Commission), nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is October 31, 2011.

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This prospectus incorporates by reference important business and financial information about us that is not included in or delivered with this document. Copies of this information are available without charge to any person to whom this prospectus is delivered, upon written or oral request. Written requests should be sent to:

Endo Pharmaceuticals Holdings Inc.

100 Endo Boulevard

Chadds Ford, Pennsylvania 19317

Attention: Investor Relations

Oral requests should be made by telephoning (610) 558-9800.

In order to obtain timely delivery, you must request the information no later than November 22, 2011, which is five business days before the expiration date of the exchange offer.

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Guarantors

Endo Pharmaceuticals Inc.

Endo Pharmaceuticals Solutions Inc.

Endo Pharmaceuticals Valera Inc.

Ledgemont Royalty Sub LLC

Generics International (US), Inc.

Generics Bidco I, LLC

Generics Bidco II, LLC

Generics International (US Holdco), Inc.

Generics International (US Midco), Inc.

Generics International (US Parent), Inc.

Moores Mill Properties L.L.C.

Quartz Specialty Pharmaceuticals, LLC

Vintage Pharmaceuticals, LLC

Wood Park Properties LLC

American Medical Systems Holdings, Inc.

American Medical Systems, Inc.

AMS Research Corporation

AMS Sales Corporation

Laserscope

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SUMMARY

This summary does not contain all of the information that you should consider before investing in the new notes. You should read the entire prospectus and the documents incorporated herein carefully, including the matters discussed in the section entitled Risk Factors, below and in the documents incorporated by reference.

In this prospectus, except as otherwise indicated, Endo, the Company, we, our, and us refer to Endo Pharmaceuticals Holdings Inc. and its consolidated subsidiaries. All references to the notes refer to both the old notes and the new notes, except as otherwise indicated. Unless otherwise indicated, historical financial information presented herein reflects the operating results of HealthTronics, Inc. (HeathTronics) from July 2, 2010, Penwest Pharmaceuticals Co. (Penwest) from September 20, 2010, Generics International (US), Inc. (which we refer to herein as Qualitest) from November 30, 2010 and American Medical Systems Holdings, Inc. (AMS) from June 17, 2011.

Our Company

We are a United States-based, specialty healthcare solutions company with a diversified business model, operating in three key business segments branded pharmaceuticals, generics, and devices and services. We deliver an innovative suite of complementary branded and generic drugs, devices, services and clinical data to meet the needs of patients in areas such as pain management, urology, endocrinology and oncology. We believe that recent healthcare reform in the United States places a premium on providing cost-effective healthcare solutions, like those we offer. Over the past two years, we have successfully invested in and reshaped our company through a combination of organic and strategic growth initiatives, creating a vertically integrated company that we believe is positioned to address the changing economics that are driving the transformation of the U.S. healthcare environment.

Over the past two years, we have evolved from a product-driven pharmaceutical company to a healthcare solutions provider with an integrated business model primarily through strategic acquisitions:

In February 2009, we acquired Indevus Pharmaceuticals, Inc. (now, Endo Pharmaceuticals Solutions Inc., which we refer to herein as Indevus), a specialty pharmaceutical company engaged in the acquisition, development and commercialization of products to treat conditions in urology, endocrinology and oncology. The Indevus acquisition helped us expand beyond our legacy pain management business and secure a position in urology.

In July 2010, we completed our acquisition of HealthTronics, a provider of healthcare services and manufacturer of medical devices, primarily for the urology community. The HealthTronics acquisition gave us an established presence in the devices and healthcare services space and added critical mass in urology.

In September 2010, we acquired our partner in Opana® ER, Penwest, which strengthened our pain management franchise by enhancing our flexibility to market our product, Opana® ER, and our tamper resistant formulation of oxymorphone, which is currently under United States Food and Drug Administration (FDA) review.

In November 2010, we completed our acquisition of Qualitest, a leading United States-based, privately-held generics company. Our acquisition of Qualitest enhanced our healthcare solutions platform with the addition of an extensive generics portfolio, adding critical mass to our existing generics business, while also strengthening our pain management franchise offerings.

In addition, in June 2011, we completed our acquisition of AMS, a market leading provider of medical devices and therapies that help restore pelvic health and a technology leader in the development of minimally-invasive and cost-effective solutions serving urologists, gynecologists, urogynecologists and

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colorectal surgeons. We believe our acquisition of AMS will further our stated strategy to respond to the changing economics that drive the United States healthcare environment, bring scale to our devices and services business and Endo as a whole, strengthen our core urology franchise and diversify and boost our revenue and earnings streams.

We have built a diversified business model with three key business segments branded pharmaceuticals, generics and devices and services providing focused solutions primarily in the pain management and urology therapeutic areas with an emerging presence in the oncology and endocrinology space. We believe this business model enables us to strengthen our partnerships with providers, payers and patients by offering multiple products and platforms to deliver healthcare solutions. We have a portfolio of branded pharmaceuticals that includes established brand names such as Lidoderm®, Opana® ER and Opana®, Percocet®, Frova®, Voltaren® Gel, Vantas®, Valstar®, Supprelin® LA and Fortesta® Gel. Our non-branded generic portfolio currently consists of products primarily focused on pain management. We focus on selective generics that we believe have one or more barriers to market entry, such as complex formulation, regulatory or legal challenges or difficulty in raw material sourcing. Additionally, we have a growing devices and services portfolio.

Corporate Information

We were incorporated in Delaware as a holding company on November 18, 1997. Our principal executive offices are located at 100 Endo Boulevard, Chadds Ford, Pennsylvania 19317 and our telephone number is (610) 558-9800.

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SUMMARY DESCRIPTION OF THE EXCHANGE OFFER

On November 23, 2010, we completed the private placement of $400 million aggregate principal amount of 7.00% Senior Notes due 2020. As part of that offering, we entered into a registration rights agreement with the initial purchasers of the old 2020 notes, dated as of November 23, 2010. On June 8, 2011, we completed the private placement of $500 million aggregate principal amount of 7% Senior Notes due 2019 and $400 million aggregate principal amount of 7 1/4% Senior Notes due 2022. As part of that offering, we entered into a registration rights agreement with the initial purchasers of the old 2019 notes and a registration rights agreement with the initial purchasers of the old 2022 notes, each, dated as of June 8, 2011. Pursuant to these registration rights agreements, we agreed, among other things, to deliver this prospectus to you and to use commercially reasonable efforts to complete an exchange offer for the old notes. Below is a summary of the exchange offer.

Old 2020 Notes	7.00% Senior Notes due 2020, which were issued on November 23, 2010
Old 2019 Notes	7% Senior Notes due 2019, which were issued on June 8, 2011
Old 2022 Notes	7 1/4% Senior Notes due 2022, which were issued on June 8, 2011
New 2020 Notes	7.00% Senior Notes due 2020, the issuance of which has been registered under the Securities Act. The form and terms of the new 2020 notes are identical in all material respects to those of the old 2020 notes, except that the transfer restrictions and registration rights relating to the old 2020 notes do not apply to the new 2020 notes.
New 2019 Notes	7% Senior Notes due 2019, the issuance of which has been registered under the Securities Act. The form and terms of the new 2019 notes are identical in all material respects to those of the old 2019 notes, except that the transfer restrictions and registration rights relating to the old 2019 notes do not apply to the new 2019 notes.
New 2022 Notes	7 1/4% Senior Notes due 2022, the issuance of which has been registered under the Securities Act. The form and terms of the new 2022 notes are identical in all material respects to those of the old 2022 notes, except that the transfer restrictions and registration rights relating to the old 2022 notes do not apply to the new 2022 notes.
Exchange Offer for 2020 Notes	We are offering to issue up to $400 million aggregate principal amount of the new 2020 notes in exchange for a like principal amount of the old 2020 notes to satisfy our obligations under the registration rights agreement that was executed when the old 2020 notes were issued in a transaction in reliance upon the exemption from registration provided by Rule 144A and Regulation S of the Securities Act.
Exchange Offer for 2019 Notes	We are offering to issue up to $500 million aggregate principal amount of the new 2019 notes in exchange for a like principal amount of the old 2019 notes to satisfy our obligations under the registration

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	rights agreement that was executed when the old 2019 notes were issued in a transaction in reliance upon the exemption from registration provided by Rule 144A and Regulation S of the Securities Act.
Exchange Offer for 2022 Notes	We are offering to issue up to $400 million aggregate principal amount of the new 2022 notes in exchange for a like principal amount of the old 2022 notes to satisfy our obligations under the registration rights agreement that was executed when the old 2022 notes were issued in a transaction in reliance upon the exemption from registration provided by Rule 144A and Regulation S of the Securities Act.
Expiration Date; Tenders	The exchange offer will expire at 5:00 p.m., New York City time, on November 30, 2011, unless extended in our sole and absolute discretion. By tendering your old notes, you represent to us that: you are not our affiliate, as defined in Rule 405 under the Securities Act; any new notes you receive in the exchange offer are being acquired by you in the ordinary course of your business; neither you nor anyone receiving new notes from you, has any arrangement or understanding with any person to participate in a distribution, as defined in the Securities Act, of the new notes; you are not holding old notes that have, or are reasonably likely to have, the status of an unsold allotment in the initial offering; and if you are a broker-dealer that will receive new notes for your own account in exchange for old notes that were acquired by you as a result of your market-making or other trading activities, you will deliver a prospectus in connection with any resale of the new notes you receive. For further information regarding resales of the new notes by participating broker-dealers, see the discussion under the caption Plan of Distribution.
Withdrawal; Non-Acceptance	You may withdraw any old notes tendered in the exchange offer at any time prior to 5:00 p.m., New York City time, on November 30, 2011. If we decide for any reason not to accept any old notes tendered for exchange, the old notes will be returned to the registered holder at our expense promptly after the expiration or termination of the exchange offer. In the case of the old notes tendered by book-entry transfer into the exchange agent s account at The Depository Trust Company (DTC) any withdrawn or unaccepted old notes will be credited to the tendering holder s account at DTC. For further information regarding the withdrawal of tendered old notes, see The Exchange Offer Terms of the Exchange Offer; Period for Tendering Old Notes and the The Exchange Offer Withdrawal Rights.

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Conditions to the Exchange Offer	The exchange offer is subject to customary conditions, which we may waive. See the discussion below under the caption The Exchange Offer Conditions to the Exchange Offer for more information regarding the conditions to the exchange offer.
Procedures for Tendering the Old Notes	You must do one of the following on or prior to the expiration of the exchange offer to participate in the exchange offer: tender your old notes by sending the certificates for your old notes, in proper form for transfer, a properly completed and duly executed letter of transmittal, with any required signature guarantees, and all other documents required by the letter of transmittal, to Wells Fargo Bank, National Association, as exchange agent, at one of the addresses listed below under the caption The Exchange Offer Exchange Agent; or tender your old notes by using the book-entry transfer procedures described below and transmitting a properly completed and duly executed letter of transmittal, with any required signature guarantees, or an agent s message instead of the letter of transmittal, to the exchange agent. In order for a book-entry transfer to constitute a valid tender of your old notes in the exchange offer, Wells Fargo Bank, National Association, as exchange agent, must receive a confirmation of book-entry transfer of your old notes into the exchange agent s account at DTC prior to the expiration of the exchange offer. For more information regarding the use of book-entry transfer procedures, including a description of the required agent s message, see the discussion below under the caption The Exchange Offer Book-Entry Transfers.
Special Procedures for Beneficial Owners	If you are a beneficial owner whose old notes are registered in the name of the broker, dealer, commercial bank, trust company or other nominee and you wish to tender your old notes in the exchange offer, you should promptly contact the person in whose name the old notes are registered and instruct that person to tender on your behalf. If you wish to tender in the exchange offer on your own behalf, prior to completing and executing the letter of transmittal and delivering your old notes, you must either make appropriate arrangements to register ownership of the old notes in your name or obtain a properly completed bond power from the person in whose name the old notes are registered.
Certain U.S. Federal Income Tax Consequences	The exchange of the old notes for new notes in the exchange offer will not be a taxable transaction for United States federal income tax purposes. See the discussion under the caption Certain U.S. Federal Income Tax Consequences for more information regarding the tax consequences to you of the exchange offer.
Use of Proceeds	We will not receive any proceeds from the exchange offer.

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Exchange Agent

Wells Fargo Bank, National Association is the exchange agent for the exchange offer. You can find the address and telephone number of the exchange agent below under the caption The Exchange Offer Exchange Agent.

Resales

Based on interpretations by the staff of the Commission, as set forth in no-action letters issued to the third parties, we believe that the new notes you receive in the exchange offer may be offered for resale, resold or otherwise transferred without compliance with the registration and prospectus delivery provisions of the Securities Act. However, you will not be able to freely transfer the new notes if:

- you are our affiliate, as defined in Rule 405 under the Securities Act;
- you are not acquiring the new notes in the exchange offer in the ordinary course of your business;
- you are engaged in or intend to engage in or have an arrangement or understanding with any person to participate in the distribution, as defined in the Securities Act, of the new notes, you will receive in the exchange offer; or
- you are holding old notes that have or are reasonably likely to have the status of an unsold allotment in the initial offering.

If you are an affiliate of ours, are engaged in or intend to engage in or have any arrangement or understanding with any person to participate in the distribution of the new notes:

- you cannot rely on the applicable interpretations of the staff of the Commission; and
- you must comply with the registration requirements of the Securities Act in connection with any resale transaction.

Each broker-dealer that receives new notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of such new notes. The accompanying letter of transmittal relating to the exchange offer states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of new notes received in exchange for old notes where such old notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. We have agreed that, for a period of up to 180 days after the completion of the exchange offer, we will make this prospectus available to any broker-dealer for use in connection with any such resale. See Plan of Distribution for more information.

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Furthermore, a broker-dealer that acquired any of its old notes directly from us:

- may not rely on the applicable interpretation of the staff of the Commission s position contained in *Exxon Capital Holdings Corp*., SEC no-action letter (April 13, 1988), *Morgan, Stanley and Co. Inc*., SEC no-action letter (June 5, 1991) and *Shearman & Sterling*, SEC no-action letter (July 2, 1993); and

- must also be named as a selling security holder in connection with the registration and prospectus delivery requirements of the Securities Act relating to any resale transaction.

As a condition to participation in the exchange offer, each holder will be required to represent that it is not our affiliate or a broker-dealer that acquired the old notes directly from us.

Registration Rights Agreements

When the old 2020 notes were issued, we entered into a registration rights agreement with the initial purchasers of the old 2020 notes. When the old 2019 notes and the old 2022 notes were issued, we entered into a registration rights agreement with the initial purchasers of the old 2019 notes and a registration rights agreement with the initial purchasers of the old 2022 notes. Under the terms of these registration rights agreements, we agreed to use our commercially reasonable efforts to file with the Commission and cause to become effective, a registration statement relating to an offer to exchange the old notes for the new notes.

If we do not complete the exchange offer for the old 2020 notes within 270 days of the date of issuance of the old 2020 notes, the interest rate borne by the old 2020 notes will be increased by 0.25% per annum during the 90-day period immediately following such date and shall increase by an additional 0.25% per annum with respect to each subsequent 90-day period (but such aggregate increase shall not exceed 1.00% per annum) until the exchange offer is completed or until the old 2020 notes are freely transferable under Rule 144 of the Securities Act.

If we do not complete the exchange offer for the old 2019 notes and the old 2022 notes within 270 days of the date of issuance of the old 2019 notes and the old 2022 notes, the interest rate borne by the old 2019 notes and the old 2022 notes will be increased by 0.25% per annum during the 90-day period immediately following such date and shall increase by an additional 0.25% per annum with respect to each subsequent 90-day period (but such aggregate increase shall not exceed 1.00% per annum) until the exchange offer is completed or until the old 2019 notes and old 2022 notes are freely transferable under Rule 144 of the Securities Act.

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Under some circumstances set forth in the registration rights agreements, holders of old notes, including holders whose old notes are or were ineligible to be exchanged in the exchange offer, may require us to file and cause to become effective, a shelf registration statement covering resales of the old notes by these holders.

Copies of each of the registration rights agreements are incorporated by reference as exhibits to the registration statement of which this prospectus is a part. See Description of New 2020 Notes Exchange offer; Registration rights and Description of New 2019 Notes and New 2022 Notes Registration Rights.

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CONSEQUENCES OF NOT EXCHANGING OLD NOTES

If you do not exchange your old notes in the exchange offer, your old notes will continue to be subject to the restrictions on transfer described in the legend on the certificate for your old notes. In general, you may offer or sell your old notes only:

- if they are registered under the Securities Act and applicable state securities laws;
- if they are offered or sold under an exemption from registration under the Securities Act and applicable state securities laws; or
- if they are offered or sold in a transaction not subject to the Securities Act and applicable state securities laws.

We do not currently intend to register the old notes under the Securities Act. Under some circumstances, however, holders of the old notes, including holders whose old notes are or were ineligible to be exchanged in the exchange offer, may require us to file and cause to become effective, a shelf registration statement covering resales of old notes by these holders. For more information regarding the consequences of not tendering your old notes and our obligation to file a shelf registration statement, see The Exchange Offer Consequences of Exchanging or Failing to Exchange Old Notes.

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SUMMARY DESCRIPTION OF NEW NOTES

The terms of the new notes and those of the outstanding old notes are substantially identical, except that the transfer restrictions and registration rights relating to the old notes do not apply to the new notes. For a more complete understanding of the new notes, see Description of New 2020 Notes and Description of New 2019 Notes and New 2022 Notes.

Issuer	Endo Pharmaceuticals Holdings Inc.
Securities	Up to $400 million aggregate principal amount of 7.00% Senior Notes due 2020
	Up to $500 million aggregate principal amount of 7% Senior Notes due 2019
	Up to $400 million aggregate principal amount of 7 1/4% Senior Notes due 2022
Maturity Date of New 2020 Notes	December 15, 2020
Maturity Date of New 2019 Notes	July 15, 2019
Maturity Date of New 2022 Notes	January 15, 2022
New 2020 Notes Interest	The new 2020 notes will bear interest at an annual rate of 7.000%. Interest is payable on June 15 and December 15 of each year, beginning on June 15, 2011.
New 2019 Notes Interest	The new 2019 notes will bear interest at an annual rate of 7.000%. Interest is payable on January 15 and July 15 of each year, beginning on January 15, 2012.
New 2022 Notes Interest	The new 2022 notes will bear interest at an annual rate of 7.250%. Interest is payable on January 15 and July 15 of each year, beginning on January 15, 2012.
New 2020 Notes Guarantees	The new notes will be fully and unconditionally guaranteed, jointly and severally on a senior unsecured basis, by our direct and indirect, existing and future, 100% owned domestic restricted subsidiaries that guarantee the Credit Facility (as defined herein) or certain other indebtedness. Our obligations under our Credit Facility are secured by substantially all of our and the guarantors assets. See Description of New 2020 Notes Note guarantees.
New 2019 Notes and New 2022 Notes Guarantees	The new 2019 notes and new 2022 notes will be fully and unconditionally guaranteed, jointly and severally on a senior unsecured basis, by all of our direct and indirect, existing and future subsidiaries that guarantee the Credit Facility and certain other senior indebtedness. See Description of New 2019 Notes and New 2022 Notes Note Guarantees.

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Ranking	The new 2020 notes, new 2019 notes and new 2022 notes and the related guarantees will be unsecured and will rank senior in right of payment to any of our existing and future indebtedness that is, by its terms, expressly subordinated in right of payment to the notes or the guarantees, as the case may be, will rank *pari passu* in right of payment with all of our and the guarantors existing and future senior indebtedness, including the Credit Facility, and will be structurally subordinated to all existing and future indebtedness and other liabilities of our non-guarantor subsidiaries (other than indebtedness and liabilities owed to us or one of the guarantors). The new 2020 notes, new 2019 notes and new 2022 notes will also be effectively subordinated to all of our and the guarantors existing and future secured indebtedness, including borrowings under the Credit Facility, to the extent of the value of our assets securing such indebtedness. Our obligations under the Credit Facility are secured by substantially all of our and the guarantors assets.
Optional Redemption (New 2020 Notes)	On or after December 15, 2015, we may redeem some or all of the new 2020 notes at any time at the redemption prices specified under Description of New 2020 Notes Optional redemption plus accrued and unpaid interest. Before December 15, 2015, we may redeem some or all of the new 2020 notes at a redemption price equal to 100% of the principal amount of each new 2020 note to be redeemed plus a make-whole premium described in Description of New 2020 Notes Optional redemption plus accrued and unpaid interest. In addition, at any time prior to December 15, 2013, we may redeem up to 35% of the new 2020 notes with the net cash proceeds from specified equity offerings at a redemption price equal to 107.0% of the principal amount of each new 2020 note to be redeemed, plus accrued and unpaid interest, if any, to the date of redemption.
Optional Redemption (New 2019 Notes and New 2022 Notes)	On or after July 15, 2015, we may redeem some or all of the new 2019 notes at any time and on or after July 15, 2016, we may redeem some or all of the new 2022 notes at any time, in each case at the redemption prices specified under Description of New 2019 Notes and New 2022 Notes Optional Redemption plus accrued and unpaid interest. Before July 15, 2015, we may redeem some or all of the new 2019 notes and before July 15, 2016, we may redeem some or all of the new 2022 notes, in each case at a redemption price equal to 100% of the principal amount of each note to be redeemed plus a make-whole premium described in Description of New 2019 Notes and New 2022 Notes Optional Redemption plus accrued and unpaid interest. In addition, at any time prior to July 15, 2014, we may redeem up to 35% of the aggregate principal amount of each series of new notes

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with the net cash proceeds from specified equity offerings at the redemption prices specified under Description of New 2019 Notes and New 2022 Notes Optional Redemption, plus accrued and unpaid interest, if any, to the date of redemption.

Mandatory Offer to Repurchase

Upon the occurrence of a change of control repurchase event, we will be required to make an offer to repurchase the new notes at a price equal to 101% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date of purchase. See Description of New 2020 Notes Repurchase at the option of holders Change of control repurchase event and Description of New 2019 Notes and New 2022 Notes Repurchase at the Option of Holders Change of Control Repurchase Event.

If we or any of our restricted subsidiaries sell assets under certain circumstances, we will be required to make an offer to purchase the new notes at their face amount, plus accrued and unpaid interest to the purchase date. See Description of New 2020 Notes Repurchase at the option of holders Asset sales and Description of New 2019 Notes and New 2022 Notes Repurchase at the Option of Holders Asset Sales.

Certain Covenants

The indentures pursuant to which the new notes will be issued restrict our ability and the ability of our restricted subsidiaries to, among other things:

- incur certain additional indebtedness and issue preferred stock;
- make certain dividends, distributions, investments and other restricted payments;
- sell certain assets;
- agree to any restrictions on the ability of restricted subsidiaries to make payments to us;
- create certain liens;
- merge, consolidate or sell substantially all of our assets; and
- enter into certain transactions with affiliates.

These covenants are subject to important exceptions and qualifications. In addition, following any date on which the new notes achieve an investment grade rating, certain covenants will be removed. See Description of New 2020 Notes and Description of New 2019 Notes and New 2022 Notes.

No Prior Market

The new notes generally will be freely transferable but will also be new securities for which there is no established market. Accordingly, a liquid market for the new notes may not develop or be maintained. We have not applied, and do not intend to apply, for the listing of the new notes on any exchange or automated dealer quotation system.

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Risk Factors	Tendering your old notes in the exchange offer involves risks. You should carefully consider the information set forth in this prospectus and, in particular, should evaluate the specific factors set forth in the section entitled Risk Factors for an explanation of certain risks of investing in the new notes before tendering any old notes. For a description of risks related to our industry and business, you should also evaluate the specific risk factors set forth in the section entitled Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2010 (our 2010 Form 10-K) and in our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2011 (our Second Quarter 2011 Form 10-Q).

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RISK FACTORS

Participating in the exchange offer is subject to a number of risks. You should carefully consider the risks and uncertainties set forth below and the risks and uncertainties incorporated by reference in this prospectus, including the information included under Risk Factors in our 2010 Form 10-K and our Second Quarter 2011 Form 10-Q and other documents that we subsequently file with the Commission. Unless otherwise indicated, when we use the term notes in this prospectus, the term includes the old notes and the new notes. Unless otherwise indicated, when we use the term indentures in this prospectus, the term includes the indentures governing the 7.00% Senior Notes due 2020, the 7% Senior Notes due 2019 and the 7 1/4% Senior Notes due 2022.

Risks Related to the Exchange Offer and Holding the New Notes

Holders who fail to exchange their old notes will continue to be subject to restrictions on transfer.

If you do not exchange your old notes for new notes in the exchange offer, you will continue to be subject to the restrictions on transfer of your old notes described in the legend on the certificates for your old notes. The restrictions on transfer of your old notes arise because we issued the old notes under exemptions from, or in transactions not subject to, the registration requirements of the Securities Act and applicable state securities laws. In general, you may only offer or sell the old notes if they are registered under the Securities Act and applicable state securities laws, or offered and sold under an exemption from these requirements. We do not plan to register the old notes under the Securities Act. For further information regarding the consequences of tendering your old notes in the exchange offer, see the discussions below under the captions The Exchange Offer Consequences of Exchanging or Failing to Exchange Old Notes and Certain U.S. Federal Income Tax Consequences.

You must comply with the exchange offer procedures in order to receive freely tradable new notes.

Delivery of new notes in exchange for old notes tendered and accepted for exchange pursuant to the exchange offer will be made only after timely receipt by the exchange agent of the following:

- certificates for old notes or a book-entry confirmation of a book-entry transfer of old notes into the Exchange Agent s account at DTC, New York, New York as depository, including an Agent s Message (as defined herein) if the tendering holder does not deliver a letter of transmittal;
- a completed and signed letter of transmittal (or facsimile thereof), with any required signature guarantees, or an Agent s Message in lieu of the letter of transmittal; and
- any other documents required by the letter of transmittal.

Therefore, holders of old notes who would like to tender old notes in exchange for new notes should be sure to allow enough time for the old notes to be delivered on time. We are not required to notify you of defects or irregularities in tenders of old notes for exchange. Old notes that are not tendered or that are tendered but we do not accept for exchange will, following consummation of the exchange offer, continue to be subject to the existing transfer restrictions under the Securities Act and, upon consummation of the exchange offer, certain registration and other rights under the registration rights agreement will terminate. See The Exchange Offer Procedures for Tendering Old Notes and The Exchange Offer Consequences of Exchanging or Failing to Exchange Old Notes.

Some holders who exchange their old notes may be deemed to be underwriters and these holders will be required to comply with the registration and prospectus delivery requirements in connection with any resale transaction.

If you exchange your old notes in the exchange offer for the purpose of participating in a distribution of the new notes, you may be deemed to have received restricted securities and, if so, will be required to comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction.

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The new notes and the guarantees will be unsecured and effectively subordinated to our and the guarantors existing and future secured indebtedness.

The new notes and the guarantees will be our general unsecured obligations ranking effectively junior in right of payment to all of our existing and future secured indebtedness and that of each guarantor, including indebtedness under our senior secured credit facility (the Credit Facility). Additionally, the indentures pursuant to which the new notes will be issued permits us to incur additional secured indebtedness in the future. In the event that we or a guarantor is declared bankrupt, becomes insolvent or is liquidated or reorganized, any indebtedness that is effectively senior to the new notes and the guarantees will be entitled to be paid in full from our assets or the assets of the guarantor, as applicable, securing such indebtedness before any payment may be made with respect to the notes or the affected guarantees. Holders of the new notes will participate ratably with all holders of our unsecured indebtedness that is deemed to be of the same class as the new notes, and potentially with all of our other general creditors, based upon the respective amounts owed to each holder or creditor, in our remaining assets.

As of June 30, 2011, the notes and the guarantees were effectively subordinated to $2,200.0 million of senior secured indebtedness with respect to the term loan portion of our Credit Facility and up to $500.0 million of undrawn senior secured indebtedness under the revolving credit portion of our Credit Facility on such date, subject to compliance with financial covenants in our Credit Facility.

Claims of noteholders will be structurally subordinated to claims of creditors of our subsidiaries that do not guarantee the notes.

The notes are not guaranteed by our non-U.S. subsidiaries, our subsidiaries that do not guarantee our obligations under the Credit Facility and certain other senior indebtedness and will not be guaranteed by any future subsidiaries that we designate as unrestricted in accordance with the terms of the indentures. Accordingly, claims of holders of the notes will be structurally subordinated to the claims of creditors of these non-guarantor subsidiaries, including trade creditors. All obligations of our non-guarantor subsidiaries will have to be satisfied before any of the assets of these subsidiaries would be available for distribution, upon a liquidation or otherwise, to us or a guarantor of the notes. Although all of our domestic subsidiaries that guarantee our obligations under the Credit Facility and certain other senior indebtedness guarantee the notes, the guarantees are subject to release under certain circumstances and we may have subsidiaries that are not guarantors. In the event of the liquidation, dissolution, reorganization, bankruptcy or similar proceeding of the business of a subsidiary that is not a guarantor, creditors of that subsidiary would generally have the right to be paid in full before any distribution is made to us or the holders of the notes. In any of these events, we may not have sufficient assets to pay amounts due on the notes with respect to the assets of that subsidiary.

Our right to receive any assets of any of our non-guarantor subsidiaries upon their liquidation or reorganization, and therefore the right of the holders of the notes to participate in those assets, will be structurally subordinated to the claims of that subsidiary s creditors, including trade creditors.

Our non-guarantor subsidiaries would have accounted for $107.6 million, or 9.2%, of our total net revenues and net income of approximately $1.0 million, or 0.9%, attributable to Endo Pharmaceuticals Holdings Inc. s consolidated net income for the six months ended June 30, 2011. The non-guarantor subsidiaries would have had assets of $506.8 million and liabilities of $120.0 million as of June 30, 2011.

A guarantee could be voided if it constitutes a fraudulent transfer under U.S. bankruptcy or similar state law, which would prevent the holders of the notes from relying on that subsidiary to satisfy claims.

Under U.S. bankruptcy law and comparable provisions of state fraudulent transfer laws, a guarantee can be voided, or claims under the guarantee may be subordinated to all other debts of that guarantors if, among other things, the guarantor, at the time it incurred the indebtedness evidenced by its guarantee or, in some states, when

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payments become due under the guarantee, received less than reasonably equivalent value or fair consideration for the incurrence of the guarantee and:

- was insolvent or rendered insolvent by reason of such incurrence;
- was engaged in a business or transaction for which the guarantor s remaining assets constituted unreasonably small capital; or
- intended to incur, or believed that it would incur, debts beyond its ability to pay those debts as they mature.

A guarantee may also be voided, without regard to these factors, if a court finds that the guarantor entered into the guarantee with the actual intent to hinder, delay or defraud its creditors. A court would likely find that a guarantor did not receive reasonably equivalent value or fair consideration for its guarantee if the guarantor did not substantially benefit directly or indirectly from the issuance of the guarantees. If a court were to void a guarantee, you would no longer have a claim against the guarantor. Sufficient funds to repay the notes may not be available from other sources, including the remaining guarantors, if any. In addition, the court might direct you to repay any amounts that you already received from the guarantor.

The measures of insolvency for purposes of fraudulent transfer laws vary depending upon the governing law. Generally, a guarantor would be considered insolvent if:

- the sum of its debts, including contingent liabilities, were greater than the fair saleable value of all its assets;
- the present fair saleable value of its assets is less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or
- it could not pay its debts as they become due.

Each guarantee will contain a provision intended to limit the guarantor s liability to the maximum amount that it could incur without causing the incurrence of obligations under its guarantee to be a fraudulent transfer. This provision may not be effective to protect the guarantees from being voided under fraudulent transfer law. In a recent Florida bankruptcy case unrelated to us, the enforceability of this provision was called into question.

Any additional guarantees provided after the new notes are issued could be avoided as preferential transfers.

The indentures pursuant to which the new notes will be issued provide that certain future subsidiaries of ours will guarantee the new notes. Any future guarantee in favor of the noteholders might be avoidable by the grantor (as debtor-in-possession) or by its trustee in bankruptcy or other third parties if certain events or circumstances exist or occur. For instance, if the entity granting the future guarantee were insolvent at the time of the grant and if such grant was made within 90 days before that entity commenced a bankruptcy proceeding (or one year before commencement of a bankruptcy proceeding if the creditor that benefited from the guarantee is an insider under the U.S. Bankruptcy Code), and the granting of the future guarantee enabled the noteholders to receive more than they would if the grantor were liquidated under chapter 7 of the U.S. Bankruptcy Code, then such note guarantee could be avoided as a preferential transfer.

Many of the covenants in the indentures will not apply following any date on which the notes are rated investment grade by both Moody s and Standard & Poor s.

Many of the covenants in the indentures will not apply to us following any date on which the notes are rated investment grade by both Moody s and Standard & Poor s. These include the covenants that restrict, among other things, our ability to pay distributions, incur debt and to enter into certain other transactions. There can be no assurance that the notes will ever be rated investment grade. However, removal of these covenants would allow

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us to engage in certain transactions that would not have been permitted while such covenants were in force. These covenants will not be subsequently reinstated upon the notes falling below investment grade in the future. See Description of New 2020 Notes Certain covenants Fall away of covenants when notes rated investment grade and Description of New 2019 Notes and New 2022 Notes Certain Covenants Fall Away of Covenants When Notes Rated Investment Grade.

Upon a change of control repurchase event, we may not have the ability to raise the funds necessary to finance the change of control offer required by the indentures governing the notes, which would violate the terms of the notes.

Upon the occurrence of a change of control repurchase event, holders of the notes will have the right to require us to purchase all or any part of the notes at a price equal to 101% of the principal amount, plus accrued and unpaid interest, if any, to the date of purchase. We may not have sufficient financial resources available to satisfy all of obligations under the notes in the event of a change in control repurchase event. Further, we will be contractually restricted under the terms of the Credit Facility from repurchasing all of the notes tendered upon a change of control repurchase event. Accordingly, we may be unable to satisfy our obligations to purchase the notes unless we are able to refinance or obtain waivers under the Credit Facility. Our failure to purchase the notes as required under the indentures would result in a default under the indentures and a cross-default under the Credit Facility, each of which could have material adverse consequences for us and the holders of the notes. In addition, the Credit Facility provides that a change of control is a default that permits lenders to accelerate the maturity of borrowings under it. See Description of New 2020 Notes Change of control repurchase event and Description of New 2019 Notes and New 2022 Notes Change of Control Repurchase Event.

If the notes have an investment grade rating, we will not experience a change of control repurchase event requiring us to repurchase all of the notes unless a change of control occurs together with a below investment grade rating event. These terms are defined in the indentures. See Description of New 2020 Notes Repurchase at the option of holders and Description of New 2019 Notes and New 2022 Notes Repurchase at the Option of Holders for additional information. Other series of our outstanding debt securities may require us to offer to repurchase those securities upon the occurrence of a change of control as defined under the terms of those securities, regardless of any change in our rating or the rating of those securities. Accordingly, the terms of those debt securities may require us to offer to repurchase them while, in certain circumstances while the notes have an investment grade rating, the indentures governing the notes may not require us to make a similar offer to repurchase the notes.

There is no established trading market for the new notes and there is no guarantee that an active trading market for the new notes will develop. You may not be able to sell the new notes readily or at all or at or above the price that you paid.

The new notes are a new issue of securities and there is no established trading market for them. We do not intend to apply for the new notes to be listed on any securities exchange or to arrange for quotation on any automated dealer quotation system. You may not be able to sell your new notes at a particular time or at favorable prices. As a result, we cannot assure you as to the liquidity of any trading market for the new notes. Accordingly, you may be required to bear the financial risk of your investment in the new notes indefinitely. If a trading market were to develop, future trading prices of the new notes may be volatile and will depend on many factors, including:

- our operating performance and financial condition;
- the interest of securities dealers in making a market for the new notes; and
- the market for similar securities.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Statements contained or incorporated by reference in this document contain information that includes or is based on forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). These statements, including estimates of future revenues, future expenses, future net income and future net income per share, contained in the section titled Management s Discussion and Analysis of Financial Condition and Results of Operations, included in our Second Quarter 2011 10-Q, which is incorporated by reference herein, are subject to risks and uncertainties. Forward-looking statements include the information concerning our possible or assumed results of operations. Also, statements including words such as believes, expects, anticipates, intends, estimates, plan, will, may or similar expressions are forward-looking statements. We have based these forward-looking statements on our curre expectations and projections about the growth of our business, our financial performance and the development of our industry. Because these statements reflect our current views concerning future events, these forward-looking statements involve risks and uncertainties. Investors should note that many factors, as more fully described under the caption Risk Factors in this document and in our 2010 Form 10-K and our Second Quarter 2011 Form 10-Q and as otherwise enumerated herein and therein, could affect our future financial results and could cause our actual results to differ materially from those expressed in forward-looking statements contained or incorporated by reference in this document. Important factors that could cause our actual results to differ materially from the expectations reflected in the forward-looking statements contained or incorporated by reference in this document include those factors described under the caption Risk Factors in this document and in our 2010 Form 10-K and our Second Quarter 2011 Form 10-Q, including, among others:

- our ability to successfully develop, commercialize and market new products;
- timing and results of pre-clinical or clinical trials on new products;
- our ability to obtain regulatory approval of any of our pipeline products;
- government regulation of the pharmaceutical industry and the effect of healthcare reform on our business;
- competition for the business of our branded and generic pharmaceuticals, our devices and services, and our acquisition of rights to intellectual property assets;
- our ability to sustain our sales and profit on generic pharmaceutical products over time;
- our ability to maintain our manufacturing facilities in compliance with regulatory requirements;
- market acceptance of our future products;
- our dependence on a small number of branded pharmaceuticals products with time-limited exclusivity rights;
- our dependence on outside manufacturers for the manufacture of most of our branded pharmaceuticals products;
- our dependence on third parties to supply raw materials and to provide services for certain core aspects of our business;

new regulatory action or lawsuits relating to our use of narcotics in most of our core products;

our exposure to product liability claims and product recalls and the possibility that we may not be able to adequately insure ourselves;

our ability to protect our proprietary technology;

the successful efforts of manufacturers of branded pharmaceuticals to use litigation and legislative and regulatory efforts to limit the use of generics and certain other products;

our ability to successfully implement our acquisition and in-licensing strategy;

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regulatory or other limits on the availability of controlled substances that constitute the active ingredients of some of our products and products in development;

the availability of third-party reimbursement for our products;

the outcome of any pending or future litigation or claims by third parties or the government, and the performance of indemnitors with respect to claims for which we have the right to be indemnified;

our dependence on sales to a limited number of large pharmacy chains and wholesale drug distributors for a large portion of our total revenues;

significant litigation expenses to defend or assert patent infringement claims;

any interruption or failure by our suppliers, distributors and collaboration partners to meet their obligations pursuant to various agreements with us;

a determination by a regulatory agency that we are engaging or have engaged in inappropriate sales or marketing activities, including promoting the off-label use of our products;

existing suppliers become unavailable or lose their regulatory status as an approved source, causing an inability to obtain required components, raw materials or products on a timely basis or at commercially reasonable prices;

the loss of branded product exclusivity periods and related intellectual property;

our ability to successfully execute our strategy;

disruption of our operations if our information systems fail or if we are unsuccessful in implementing necessary upgrades or new software;

our ability to maintain or expand our business if we are unable to retain or attract key personnel and continue to attract additional professional staff;

our ability to successfully integrate Qualitest and AMS and realize all anticipated benefits of our acquisitions, including the projected synergies of these acquisitions;

HealthTronics s and AMS s ability to establish or maintain relationships with physicians and hospitals;

HealthTronics ability to comply with special risks and requirements related to its medical products manufacturing business;

the risks associated with AMS s reliance on single- or sole-source suppliers for certain raw materials and certain components used in its products; and

the risks associated with our international operations.

We do not undertake any obligation to update our forward-looking statements after the date of this document for any reason, even if new information becomes available or other events occur in the future. You are advised, however, to consult any further disclosures we make on related subjects in our 10-Q, 10-K, and 8-K reports filed with the Commission. Also note that we provide the preceding cautionary discussion of the risks, uncertainties and possibly inaccurate assumptions relevant to our business. These are factors that, individually or in the aggregate, we think could cause our actual results to differ materially from expected and historical results. We note these factors for investors as permitted by Section 27A of the Securities Act and Section 21E of the Exchange Act. You should understand that it is not possible to predict or identify all such factors. Consequently, you should not consider the preceding to be a complete discussion of all potential risks or uncertainties.

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USE OF PROCEEDS

We will not receive any proceeds from the exchange offer. Any old notes that are properly tendered and exchanged pursuant to the exchange offer will be retired and cancelled.

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RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth our ratio of earnings to fixed charges for the six months ended June 30, 2011 and the years ended December 31, 2010, 2009, 2008, 2007 and 2006, respectively:

	Six Months Ended June 30,		Year Ended December 31,			
	2011	2010	2009	2008	2007	2006
			(Dollars in millions)			
Ratio of Earnings to Fixed Charges (1)	5.3x	8.8x	8.9x	19.1x	165.3x	88.6x

(1) For purposes of determining the ratio of earnings to fixed charges, earnings are defined as earnings before income from equity investments plus fixed charges. Fixed charges consist of interest, whether capitalized or expensed, amortization of issuance costs and the estimated interest component of rent expense.

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SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial information for our business should be read along with our audited financial statements, including the related notes thereto, Management s Discussion and Analysis of Financial Condition and Results of Operations included in our Second Quarter 2011 Form 10-Q, and Business, included in our 2010 Form 10-K, in each case, incorporated by reference into this prospectus.

The selected consolidated financial data for Endo Pharmaceuticals Holdings Inc. set forth below is derived from our audited consolidated financial statements for the periods indicated, except that the data for the six months ended June 30, 2011 and 2010 is derived from our unaudited condensed consolidated financial statements. The unaudited historical consolidated financial statements for the six months ended and as of June 30, 2011 and 2010 reflect all adjustments, consisting only of normal, recurring adjustments, which are, in the opinion of management, necessary for a fair presentation of the financial position and the results of operations for the periods presented.

Because of the inherent uncertainties of our business, the historical financial information for such periods may not be indicative of our future results of operations, financial position or cash flows.

	Consolidated Year Ended December 31,					Consolidated Six Months Ended June 30,	
	2006	2007	2008	2009	2010	2010	2011
				(in thousands)			
Statement of Operations Data:							
Total Revenues	$ 909,659	$ 1,085,608	$ 1,260,536	$ 1,460,841	$ 1,716,229	$ 760,936	$ 1,167,637
Costs and Expenses:							
Cost of revenues	208,889	217,369	267,235	375,058	504,757	201,289	468,255
Selling, general and administrative	346,303	411,869	488,063	534,523	547,605	266,586	337,519
Research and development	86,629	138,255	110,211	185,317	144,525	73,824	82,970
Acquisition-related items				(93,081)	18,976	6,325	23,699
Impairment of other intangible assets	31,263	889	8,083	69,000	35,000	13,000	
Purchased in-process research and development	26,046		(530)				
Operating income	210,529	317,226	387,474	390,024	465,366	199,912	255,194
Interest (income) expense, net	(23,205)	(35,426)	(6,107)	37,718	46,601	19,788	44,350
Other (income) expense, net (1)		(598)	1,753	(3,329)	(1,933)	(420)	223
(Gain) loss on extinguishment of debt, net				(4,025)			8,548
Income before income tax	233,734	353,250	391,828	359,660	420,698	180,544	202,073
Income tax	95,895	125,810	136,492	93,324	133,678	68,729	66,226
Consolidated net income	137,839	227,440	255,336	266,336	287,020	111,815	135,847
Less: Net income attributable to noncontrolling interests (2)					28,014		25,477
Net income attributable to Endo Pharmaceuticals Holdings Inc.	$ 137,839	$ 227,440	$ 255,336	$ 266,336	$ 259,006	$ 111,815	$ 110,370
Cash Flow Data:							
Net cash provided by (used in):							
Operating activities	$ 345,334	$ 365,742	$ 355,627	$ 295,406	$ 453,646	$ 176,356	$ 214,313
Investing activities	(66,449)	(614,528)	179,807	(245,509)	(896,323)	154,785	(2,368,594)
Financing activities	(151,756)	(28,974)	(110,066)	(117,128)	200,429	(47,332)	2,309,832
Capital expenditures, net	13,219	20,007	17,428	12,415	19,891	6,166	23,905

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	Consolidated As of December 31,					Consolidated As of June 30,	
	2006	2007	2008	2009	2010	2010	2011
				(in thousands)			
Balance Sheet Data:							
Cash and cash equivalents	$ 628,085	$ 350,325	$ 775,693	$ 708,462	$ 466,214	$ 992,271	$ 621,869
Working capital	697,915	668,489	797,221	808,401	623,706	1,135,665	454,370
Total assets	1,396,689	1,702,638	1,908,733	2,488,803	3,912,389	2,596,197	7,642,822
Long-term debt, less current portion, net			243,150	322,534	1,045,801	331,470	3,428,675
Other long-term obligations, including capitalized leases	17,602	13,390	71,999	196,678	327,431	200,533	841,849
Stockholders equity	1,040,988	1,292,290	1,207,111	1,497,411	1,803,329	1,571,467	1,933,034

(1) The components of other expense (income), net are as follows:

	Consolidated Year Ended December 31,					Consolidated Six Months Ended June 30,	
	2006	2007	2008	2009	2010	2010	2011
				(in thousands)			
Other-than-temporary impairment of auction-rate securities	$	$	$ 26,417	$	$	$	$
Unrealized loss (gain) on trading securities			4,225	(15,222)	(15,420)	(15,420)	
(Gain) loss on auction-rate securities rights			(27,321)	11,662	15,659	15,659	
Other (income) expense		(598)	(1,568)	231	(2,172)	(659)	223
Other (income) expense, net	$	$ (598)	$ 1,753	$ (3,329)	$ (1,933)	$ (420)	$ 223

(2) Through our acquisition of HealthTronics, we acquired investments in partnerships and limited liability companies (LLCs) where we, as the general partner or managing member, exercise effective control. Accordingly, we consolidate various entities where we do not own 100% of the entity in accordance with the accounting consolidation principles. The purpose of this line item is to reduce our consolidated net income by the amount of net income attributable to the interests in these partnerships or LLCs not 100% owned by us.

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THE EXCHANGE OFFER

Terms of the Exchange Offer; Period for Tendering Old Notes

Subject to terms and conditions detailed in this prospectus, we will accept for exchange old notes which are properly tendered on or prior to the expiration date and not withdrawn as permitted below. As used herein, the term *expiration date* means 5:00 p.m., New York City time, on November 30, 2011. We may, however, in our sole discretion, extend the period of time during which the exchange offer is open. The term *expiration date* means the latest time and date to which the exchange offer is extended.

As of the date of this prospectus, $400 million aggregate principal amount of old 2020 notes, $500 million aggregate principal amount of the old 2019 notes and $400 million aggregate principal amount of the old 2022 notes are outstanding. This prospectus, together with the letter of transmittal, is first being sent on or about the date hereof, to all holders of old notes known to us.

We expressly reserve the right, at any time, to extend the period of time during which the exchange offer is open, and delay acceptance for exchange of any old notes, by giving oral or written notice of such extension to the holders thereof as described below. During any such extension, all old notes previously tendered will remain subject to the exchange offer and may be accepted for exchange by us. Any old notes not accepted for exchange for any reason will be returned without expense to the tendering holder as promptly as practicable after the expiration or termination of the exchange offer.

Old notes tendered in the exchange offer must be in denominations of principal amount of $2,000 and integral multiples of $1,000 in excess of $2,000.

We expressly reserve the right to amend or terminate the exchange offer, and not to accept for exchange any old notes, upon the occurrence of any of the conditions of the exchange offer specified under Conditions to the Exchange Offer. We will give oral or written notice of any extension, amendment, non-acceptance or termination to the holders of the old notes as promptly as practicable. Such notice, in the case of any extension, will be issued by means of a press release or other public announcement no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled expiration date.

Procedures for Tendering Old Notes

The tender to us of old notes by you as set forth below and our acceptance of the old notes will constitute a binding agreement between us and you upon the terms and subject to the conditions set forth in this prospectus and in the accompanying letter of transmittal. Except as set forth below, to tender old notes for exchange pursuant to the exchange offer, you must transmit a properly completed and duly executed letter of transmittal, including all other documents required by such letter of transmittal or, in the case of a book-entry transfer, an agent s message in lieu of such letter of transmittal, to Wells Fargo Bank, National Association, as exchange agent, at the address set forth below under Exchange Agent on or prior to the expiration date. In addition, either:

- certificates for such old notes must be received by the exchange agent along with the letter of transmittal; or
- a timely confirmation of a book-entry transfer, which we refer to as a book-entry confirmation, of such old notes, if such procedure is available, into the exchange agent s account at DTC pursuant to the procedure for book-entry transfer must be received by the exchange agent, prior to the expiration date, with the letter of transmittal or an agent s message in lieu of such letter of transmittal.

The term *agent s message* means a message, transmitted by DTC to and received by the exchange agent and forming a part of a book-entry confirmation, which states that DTC has received an express acknowledgment from the tendering participant stating that such participant has received and agrees to be bound by the letter of transmittal and that we may enforce such letter of transmittal against such participant.

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The method of delivery of old notes, letters of transmittal and all other required documents is at your election and risk. If such delivery is by mail, it is recommended that you use registered mail, properly insured, with return receipt requested. In all cases, you should allow sufficient time to assure timely delivery. No letter of transmittal or old notes should be sent to us.

Signatures on a letter of transmittal or a notice of withdrawal, as the case may be, must be guaranteed unless the old notes surrendered for exchange are tendered:

- by a holder of the old notes who has not completed the box entitled Special Issuance Instructions or Special Delivery Instructions on the letter of transmittal, or

- for the account of an eligible institution (as defined below).

In the event that signatures on a letter of transmittal or a notice of withdrawal are required to be guaranteed, such guarantees must be by a firm which is a member of the Securities Transfer Agent Medallion Program, the Stock Exchanges Medallion Program or the New York Stock Exchange Medallion Program (each such entity being hereinafter referred to as an eligible institution). If old notes are registered in the name of a person other than the signer of the letter of transmittal, the old notes surrendered for exchange must be endorsed by, or be accompanied by a written instrument or instruments of transfer or exchange, in satisfactory form as we or the exchange agent determine in our sole discretion, duly executed by the registered holders with the signature thereon guaranteed by an eligible institution.

We or the exchange agent in our sole discretion will make a final and binding determination on all questions as to the validity, form, eligibility (including time of receipt) and acceptance of old notes tendered for exchange. We reserve the absolute right to reject any and all tenders of any particular old note not properly tendered or to not accept any particular old note which acceptance might, in our judgment or our counsel s, be unlawful. We also reserve the absolute right to waive any defects or irregularities or conditions of the exchange offer as to any particular old note either before or after the expiration date (including the right to waive the ineligibility of any holder who seeks to tender old notes in the exchange offer). Our or the exchange agent s interpretation of the term and conditions of the exchange offer as to any particular old note either before or after the expiration date (including the letter of transmittal and the instructions thereto) will be final and binding on all parties. Unless waived, any defects or irregularities in connection with tenders of old notes for exchange must be cured within a reasonable period of time, as we determine. We are not, nor is the exchange agent or any other person, under any duty to notify you of any defect or irregularity with respect to your tender of old notes for exchange, and no one will be liable for failing to provide such notification.

If the letter of transmittal is signed by a person or persons other than the registered holder or holders of old notes, such old notes must be endorsed or accompanied by powers of attorney signed exactly as the name(s) of the registered holder(s) that appear on the old notes and the signatures must be guaranteed by an eligible institution.

If the letter of transmittal or any old notes or powers of attorney are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing. Unless waived by us or the exchange agent, proper evidence satisfactory to us of their authority to so act must be submitted with the letter of transmittal.

By tendering old notes, you represent to us, among other things, that you are not our affiliate, as defined under Rule 405 under the Securities Act, that the new notes acquired pursuant to the exchange offer are being obtained in the ordinary course of business of the person receiving such new notes, whether or not such person is the holder, that neither the holder nor such other person has any arrangement or understanding with any person to participate in the distribution of the new notes, and that you are not holding old notes that have, or are reasonably likely to have, the status of an unsold allotment in the initial offering. In the case of a holder that is not a broker-dealer, that holder, by tendering, will also represent to us that the holder is not engaged in, and does not intend to engage in, a distribution of the new notes.

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However, any purchaser of old notes who is our affiliate who intends to participate in the exchange offer for the purpose of distributing the new notes or a broker-dealer that acquired old notes in a transaction other than as part of its trading or market-making activities and who has arranged or has an understanding with any person to participate in the distribution of the old notes:

- cannot rely on the applicable interpretations of the staff of the Commission;
- will not be entitled to participate in the exchange offer; and
- must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction.

Each broker-dealer that receives new notes for its own account in exchange for old notes, where such old notes were acquired by such broker-dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of such new notes. See Plan of Distribution. The letter of transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act.

Acceptance of Old Notes for Exchange; Delivery of New Notes

Upon satisfaction or waiver of all of the conditions to the exchange offer, we will accept, promptly after the expiration date, all old notes properly tendered and will issue the new notes promptly after acceptance of the old notes. See Conditions to the Exchange Offer. For purposes of the exchange offer, we will be deemed to have accepted properly tendered old notes for exchange if and when we give oral (confirmed in writing) or written notice to the exchange agent.

The holder of each old note accepted for exchange will receive a new note in the amount equal to the surrendered old note. Holders of new notes on the relevant record date for the first interest payment date following the consummation of the exchange offer will receive interest accruing from the most recent date to which interest has been paid on the old notes. Holders of new notes will not receive any payment in respect of accrued interest on old notes otherwise payable on any interest payment date, the record date for which occurs on or after the consummation of the exchange offer.

In all cases, issuance of new notes for old notes that are accepted for exchange will be made only after timely receipt by the exchange agent of:

- a timely book-entry confirmation of such old notes into the exchange agent s account at DTC;
- a properly completed and duly executed letter of transmittal or an agent s message in lieu thereof; and
- all other required documents.

If any tendered old notes are not accepted for any reason set forth in the terms and conditions of the exchange offer or if old notes are submitted for a greater principal amount than the holder desires to exchange, such unaccepted or non-exchanged old notes will be returned without expense to the tendering holder (or, in the case of old notes tendered by book entry transfer into the exchange agent s account at DTC pursuant to the book-entry procedures described below, such non-exchanged old notes will be credited to an account maintained with DTC as promptly as practicable after the expiration or termination of the exchange offer).

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Book-Entry Transfers

For purposes of the exchange offer, the exchange agent will request that an account be established with respect to the old notes at DTC within two business days after the date of this prospectus, unless the exchange agent has already established an account with DTC suitable for the exchange offer. Any financial institution that is a participant in DTC may make book-entry delivery of old notes by causing DTC to transfer such old notes into the exchange agent s account at DTC in accordance with DTC s procedures for transfer. Although delivery of old notes may be effected through book-entry transfer at DTC, the letter of transmittal or facsimile thereof or an agent s message in lieu thereof, with any required signature guarantees and any other required documents, must, in any case, be transmitted to and received by the exchange agent at the address set forth under Exchange Agent on or prior to the expiration date.

Withdrawal Rights

You may withdraw your tender of old notes at any time prior to the expiration date. To be effective, a written notice of withdrawal must be received by the exchange agent at one of the addresses set forth under Exchange Agent. This notice must specify:

the name of the person having tendered the old notes to be withdrawn;

the old notes to be withdrawn (including the principal amount of such old notes); and

where certificates for old notes have been transmitted, the name in which such old notes are registered, if different from that of the withdrawing holder.

If certificates for old notes have been delivered or otherwise identified to the exchange agent, then, prior to the release of such certificates, the withdrawing holder must also submit the serial numbers of the particular certificates to be withdrawn and a signed notice of withdrawal with signatures guaranteed by an eligible institution, unless such holder is an eligible institution. If old notes have been tendered pursuant to the procedure for book-entry transfer described above, any notice of withdrawal must specify the name and number of the account at DTC to be credited with the withdrawn old notes and otherwise comply with the procedures of DTC.

We or the exchange agent will make a final and binding determination on all questions as to the validity, form and eligibility (including time of receipt) of such notices. Any old notes so withdrawn will be deemed not to have been validly tendered for exchange for purposes of the exchange offer. Any old notes tendered for exchange but not exchanged for any reason will be returned to the holder without cost to such holder (or, in the case of old notes tendered by book-entry transfer into the exchange agent s account at DTC pursuant to the book-entry transfer procedures described above, such old notes will be credited to an account maintained with DTC for the old notes as soon as practicable after withdrawal, rejection of tender or termination of the exchange offer). Properly withdrawn old notes may be retendered by following one of the procedures described under Procedures for Tendering Old Notes above at any time on or prior to the expiration date.

Conditions to the Exchange Offer

Notwithstanding any other provision of the exchange offer, we are not required to accept for exchange, or to issue new notes in exchange for, any old notes and may terminate or amend the exchange offer, if any of the following events occur prior to acceptance of such old notes:

(1) the exchange offer violates any applicable law or applicable interpretation of the staff of the Commission;

(2) there is threatened, instituted or pending any action or proceeding before, or any injunction, order or decree has been issued by, any court or governmental agency or other governmental regulatory or administrative agency or commission,

seeking to restrain or prohibit the making or consummation of the exchange offer or any other transaction contemplated by the exchange offer, or assessing or seeking any damages as a result thereof, or

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resulting in a material delay in our ability to accept for exchange or exchange some or all of the old notes pursuant to the exchange offer;

(3) any statute, rule, regulation, order or injunction has been sought, proposed, introduced, enacted, promulgated or deemed applicable to the exchange offer or any of the transactions contemplated by the exchange offer by any government or governmental authority, domestic or foreign, or any action has been taken, proposed or threatened, by any government, governmental authority, agency or court, domestic or foreign, that in our sole judgment might, directly or indirectly, result in any of the consequences referred to in clauses (1) or (2) above or, in our reasonable judgment, might result in the holders of new notes having obligations with respect to resales and transfers of new notes which are greater than those described in the interpretation of the Commission referred to on the cover page of this prospectus, or would otherwise make it inadvisable to proceed with the exchange offer; or

(4) there has occurred:

any general suspension of or general limitation on prices for, or trading in, our securities on any national securities exchange or in the over-the-counter market,

any limitation by a governmental agency or authority which may adversely affect our ability to complete the transactions contemplated by the exchange offer,

a declaration of a banking moratorium or any suspension of payments in respect of banks in the United States or any limitation by any governmental agency or authority which adversely affects the extension of credit, or

a commencement of a war, armed hostilities or other similar international calamity directly or indirectly involving the United States, or, in the case of any of the foregoing existing at the time of the commencement of the exchange offer, a material acceleration or worsening thereof;

which in our reasonable judgment in any case, and regardless of the circumstances (including any action by us) giving rise to any such condition, makes it inadvisable to proceed with the exchange offer and/or with such acceptance for exchange or with such exchange.

The foregoing conditions are for our sole benefit and may be asserted by us regardless of the circumstances giving rise to any condition or may be waived by us in whole or in part at any time in our reasonable discretion. Our failure at any time to exercise any of the foregoing rights will not be deemed a waiver of any such right and each such right will be deemed an ongoing right which may be asserted at any time.

In addition, we will not accept for exchange any old notes tendered, and no new notes will be issued in exchange for any such old notes, if at such time any stop order is threatened or in effect with respect to the registration statement, of which this prospectus constitutes a part, or the qualification of the indentures under the Trust Indenture Act.

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Exchange Agent

We have appointed Wells Fargo Bank, National Association as the exchange agent for the exchange offer. All executed letters of transmittal should be directed to the exchange agent at the address set forth below. Questions and requests for assistance, requests for additional copies of this prospectus or of the letter of transmittal should be directed to the exchange agent addressed as follows:

Wells Fargo Bank, National Association, *Exchange Agent*

By Registered or Certified Mail:

c/o Wells Fargo Bank, N.A.

Corporate Trust Operations

MAC N9303-121

PO Box 1517

Minneapolis, MN 55480

By Regular Mail or Overnight Courier:

c/o Wells Fargo Bank, N.A.

Corporate Trust Operations

MAC N9303-121

Sixth & Marquette Avenue

Minneapolis, MN 55479

By Facsimile:

(For Eligible Institutions only):

(612) 667-6282

Attn. Bondholder Communications

In Person by Hand Only:

c/o Wells Fargo Bank, N.A.

12th Floor Northstar East Building

Corporate Trust Operations

608 Second Avenue South

Minneapolis, MN 5547

For Information or Confirmation by Telephone:

(800) 344-5128, Option 0

Attn. Bondholder Communications

DELIVERY OF THE LETTER OF TRANSMITTAL TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE OR TRANSMISSION OF SUCH LETTER OF TRANSMITTAL VIA FACSIMILE OTHER THAN AS SET FORTH ABOVE DOES NOT CONSTITUTE A VALID DELIVERY OF THE LETTER OF TRANSMITTAL.

Fees and Expenses

The principal solicitation is being made by mail by Wells Fargo Bank, National Association, as exchange agent. We will pay the exchange agent customary fees for its services, reimburse the exchange agent for its reasonable out-of-pocket expenses incurred in connection with the provision of these services and pay other registration expenses, including fees and expenses of the trustee under the indentures relating to the new notes,

filing fees, blue sky fees and printing and distribution expenses. We will not make any payment to brokers, dealers or others soliciting acceptances of the exchange offer.

Additional solicitation may be made by telephone, facsimile or in person by our and our affiliates officers and regular employees and by persons so engaged by the exchange agent.

Accounting Treatment

We will record the new notes at the same carrying value as the old notes, as reflected in our accounting records on the date of the exchange. Accordingly, we will not recognize any gain or loss for accounting purposes. The expenses of the exchange offer will be expensed as incurred.

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Transfer Taxes

Holders who tender their old notes for exchange will not be obligated to pay any related transfer taxes, except that holders who instruct us to register new notes in the name of, or request that old notes not tendered or not accepted in the exchange offer be returned to, a person other than the registered tendering holder will be responsible for the payment of any applicable transfer taxes.

Consequences of Exchanging or Failing to Exchange Old Notes

If you do not exchange your old notes for new notes in the exchange offer, your old notes will continue to be subject to the provisions of the indentures relating to the notes regarding transfer and exchange of the old notes and the restrictions on transfer of the old notes described in the legend on your certificates. These transfer restrictions are required because the old notes were issued under an exemption from, or in transactions not subject to, the registration requirements of the Securities Act and applicable state securities laws. In general, the old notes may not be offered or sold unless registered under the Securities Act, except under an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. We do not plan to register the old notes under the Securities Act. Based on interpretations by the staff of the Commission, as set forth in no-action letters issued to third parties, we believe that the new notes you receive in the exchange offer may be offered for resale, resold or otherwise transferred without compliance with the registration and prospectus delivery provisions of the Securities Act. However, you will not be able to freely transfer the new notes, and, to the extent described below, you will not be entitled to participate in the exchange offer if:

- you are our affiliate, as defined in Rule 405 under the Securities Act;
- you are not acquiring the new notes in the exchange offer in the ordinary course of your business;
- you have an arrangement or understanding with any person to participate in the distribution, as defined in the Securities Act, of the new notes you will receive in the exchange offer; or
- you are holding old notes that have, or are reasonably likely to have, the status of an unsold allotment in the initial offering.

We do not intend to request the Commission to consider, and the Commission has not considered, the exchange offer in the context of a similar no-action letter. As a result, we cannot guarantee that the staff of the Commission would make a similar determination with respect to the exchange offer as in the circumstances described in the no action letters discussed above. Each holder, other than a broker-dealer, must acknowledge that it is not engaged in, and does not intend to engage in, a distribution of new notes and has no arrangement or understanding to participate in a distribution of new notes. If you are our affiliate, are engaged in or intend to engage in a distribution of the new notes or have any arrangement or understanding with respect to the distribution of the new notes you will receive in the exchange offer, you may not rely on the applicable interpretations of the staff of the Commission, you will not be entitled to participate in the exchange offer and you must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction. If you are a participating broker-dealer, you must acknowledge that you will deliver a prospectus in connection with any resale of the new notes. In addition, to comply with state securities laws, you may not offer or sell the new notes in any state unless they have been registered or qualified for sale in that state or an exemption from registration or qualification is available and is complied with. The offer and sale of the new notes to qualified institutional buyers (as defined in Rule 144A of the Securities Act) is generally exempt from registration or qualification under state securities laws. We do not plan to register or qualify the sale of the new notes in any state where an exemption from registration or qualification is required and not available.

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DESCRIPTION OF NEW 2020 NOTES

You can find the definitions of certain terms used in this description under the subheading Certain definitions. In this description, the word Endo refers only to Endo Pharmaceuticals Holdings Inc. and not to any of its Subsidiaries.

Endo will issue the new 2020 notes under the indenture, dated November 23, 2010 (which we refer to in this description as the indenture), among itself, the Guarantors and Wells Fargo Bank, National Association, as trustee. This is the same indenture under which the old notes were issued. The terms of the new 2020 notes will include those stated in the indenture and those made part of the indenture by reference to the Trust Indenture Act of 1939, as amended. When we use the term old notes in this description, the term refers to the old 2020 notes. When we use the term new notes in this description, the term refers to the new 2020 notes. When we use the term notes in this description, the term includes the old notes and the new notes.

The following description is a summary of the material provisions of the indenture. It does not restate the indenture in its entirety. We urge you to read the indenture because it, and not this description, defines your rights as holders of the notes. Copies of the indenture are available as set forth in the section entitled Incorporation of Certain Documents by Reference in this prospectus. Certain defined terms used in this description but not defined below under Certain definitions have the meanings assigned to them in the indenture.

Any old notes that remain outstanding after the completion of the exchange offer, together with the new notes issued in connection with the exchange offer, will be treated as a single class of securities under the indenture.

The registered holder of a note will be treated as the owner of it for all purposes. Only registered holders will have rights under the indenture.

Brief description of the new notes and the note guarantees

The notes

The notes:

- will be general unsecured obligations of Endo;
- will be *pari passu* in right of payment with all existing and future unsecured senior Indebtedness of Endo;
- will be senior in right of payment to any future Indebtedness of Endo that is, by its terms, expressly subordinated in right of payment to the notes; and
- will be fully and unconditionally guaranteed by the Guarantors.

However, the notes will be effectively subordinated to all borrowings under the Credit Facility, which is secured by substantially all of the assets of Endo and the Guarantors. See Risk factors The new notes and the guarantees will be unsecured and effectively subordinated to our and the guarantors existing and future secured indebtedness.

The note guarantees

The notes were initially guaranteed by all Subsidiaries of Endo that were guarantors of Endo s obligations as borrower under the Credit Agreement on the Issue Date. After the Issue Date, certain Subsidiaries of Endo that are not, or were not, Guarantors will be, or have been, required to become Guarantors and the Note Guarantees of a Guarantor will be released, in each case, under certain circumstances. See Certain covenants Additional note guarantees and Note guarantees.

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Each guarantee of the notes:

- will be a general unsecured obligation of the Guarantor;
- will be *pari passu* in right of payment with all existing and future unsecured senior Indebtedness of that Guarantor; and
- will be senior in right of payment to any future Indebtedness of that Guarantor that is, by its terms, expressly subordinated in right of payment to the notes or the guarantee, as the case may be.

The operations of Endo are conducted through its Subsidiaries and, therefore, Endo depends on the cash flow of its Subsidiaries to meet its obligations, including its obligations under the notes. Not all of our Subsidiaries will guarantee the notes. The notes will be effectively subordinated in right of payment to all Indebtedness and other liabilities and commitments (including trade payables and lease obligations) of Endo s non-guarantor Subsidiaries. In the event of a bankruptcy, liquidation or reorganization of any of these non-guarantor Subsidiaries, the non-guarantor Subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to us.

As of the date of this prospectus, all of our Subsidiaries, other than HealthTronics, Inc. and its Subsidiaries, will be Restricted Subsidiaries. However, under the circumstances described below under the caption Certain covenants Designation of restricted and unrestricted subsidiaries, we will be permitted to designate certain of our Subsidiaries as Unrestricted Subsidiaries. Our Unrestricted Subsidiaries will not be subject to many of the restrictive covenants in the indenture. Our Unrestricted Subsidiaries will not guarantee the notes.

Principal, maturity and interest

The old notes were initially issued in an aggregate principal amount of $400 million. Endo may issue additional notes under the indenture from time to time. Any issuance of additional notes is subject to all of the covenants in the indenture, including the covenant described below under the caption Certain covenants Incurrence of indebtedness and issuance of preferred stock. The notes and any additional notes subsequently issued under the indenture will be treated as a single class for all purposes under the indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase. Endo will issue notes in denominations of $2,000 and integral multiples of $1,000 in excess of $2,000. The notes will mature on December 15, 2020. Unless the context requires otherwise, references to notes for all purposes of the indenture and this Description of New 2020 Notes include any additional notes that are actually issued.

Interest on the notes will accrue at the rate of 7.000% per annum and will be payable semi-annually in arrears on June 15 and December 15, commencing on June 15, 2011. Interest on overdue principal, interest and Additional Interest, if any, will accrue at a rate that is 1% higher than the then applicable interest rate on the notes. Endo will make each interest payment to the holders of record on the immediately preceding June 1 and December 1.

Interest on the notes will accrue from the Issue Date or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Methods of receiving payments on the notes

If a holder of notes has given wire transfer instructions to Endo at least five business days prior to the applicable payment date, Endo will pay, or cause to be paid by the paying agent, all principal of, premium on, if any, interest and Additional Interest, if any, on, that holder s notes in accordance with those instructions. All other payments on the notes will be made at the office or agency of the paying agent and registrar within the City and State of New York unless Endo elects to make interest payments by check mailed to the noteholders at their address set forth in the register of holders; provided that all payments of principal, premium, if any, interest and

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Additional Interest with respect to notes represented by one or more global notes registered in the name of or held by DTC or its nominee will be made by wire transfer of immediately available funds to the accounts specified by the holder or holders thereof.

Paying agent and registrar for the notes

The trustee will initially act as paying agent and registrar. Endo may change the paying agent or registrar without notice to the holders of the notes, and Endo or any of its Subsidiaries may act as paying agent or registrar.

Transfer and exchange

A holder may transfer or exchange notes in accordance with the provisions of the indenture. The registrar and the trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents in connection with a transfer of notes. Holders will be required to pay all taxes due on transfer. Endo will not be required to transfer or exchange any note selected for redemption. Also, Endo will not be required to transfer or exchange any note for a period of 15 days before the mailing of a notice of redemption.

Note guarantees

The notes were initially guaranteed by all Subsidiaries of Endo that were guarantors of Endo s obligations as borrower under the Credit Agreement on the Issue Date. Subsequent to the Issue Date, Endo s Subsidiaries, Ledgemont Royalty Sub LLC, Penwest Pharmaceuticals Co., Generics International (US), Inc., Generics Bidco I, LLC, Generics Bidco II, LLC, Generics International (US Holdco), Inc., Generics International (US Midco), Inc., Generics International (US Parent), Inc., Moores Mill Properties L.L.C., Quartz Specialty Pharmaceuticals, LLC, Vintage Pharmaceuticals, LLC, Wood Park Properties LLC, American Medical Systems Holdings, Inc., American Medical Systems, Inc. AMS Research Corporation, AMS Sales Corporation and Laserscope became guarantors of the notes and HealthTronics, Inc. was released as a guarantor of the notes. In addition, Penwest Pharmaceuticals Co. was merged with and into Endo Pharmaceuticals Inc. in August 2011. These Note Guarantees are joint and several obligations of the Guarantors. In addition, if any Subsidiary of Endo becomes a guarantor or obligor in respect of any Triggering Indebtedness, Endo is required to cause such Subsidiary to enter into a supplemental indenture pursuant to which such Subsidiary shall agree to Guarantee the notes, fully and unconditionally and on a senior basis.

The obligations of each Guarantor under its Note Guarantee will be limited to the maximum amount which, after giving effect to all other contingent and fixed liabilities of such Guarantor, and after giving effect to any collections from or payments made by or on behalf of any other Guarantor in respect of the obligations of such other Guarantor under its Note Guarantee or pursuant to its contribution obligations under the indenture, will result in the obligations of such Guarantor under its Note Guarantee not constituting a fraudulent conveyance or fraudulent transfer under Federal or state law. Each Guarantor that makes a payment or distribution under its Note Guarantee will be entitled to a contribution from any other Guarantor in a pro rata amount based on the net assets of each Guarantor determined in accordance with GAAP. See Risk factors A guarantee could be voided if it constitutes a fraudulent transfer under U.S. bankruptcy or similar state law, which would prevent holders of the notes from relying on that subsidiary to satisfy claims. Endo also may, at any time, cause a Subsidiary to become a Guarantor by executing and delivering a supplemental indenture providing for the Guarantee of payment of the notes by such Subsidiary on the basis provided in the indenture.

Pursuant to the indenture, (A) a Guarantor may consolidate with, merge with or into, or transfer all or substantially all its assets to any other Person and (B) the Capital Stock of a Guarantor may be sold or otherwise disposed of to another Person, in each case, to the extent permitted by the covenant described below under the caption Repurchase at the option of holders Assets sales.

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The Note Guarantee of a Guarantor will be released:

(1) in connection with any sale or other disposition of all or substantially all of the assets of that Guarantor, by way of merger, consolidation or otherwise, to a Person that is not (either before or after giving effect to such transaction) Endo or a Restricted Subsidiary of Endo, if the sale or other disposition does not violate the covenant described below under the caption Repurchase at the option of holders Assets sales;

(2) in connection with any sale or other disposition of Capital Stock of that Guarantor to a Person that is not (either before or after giving effect to such transaction) Endo or a Restricted Subsidiary of Endo, if the sale or other disposition does not violate the covenant described below under the caption Repurchase at the option of holders Assets sales and the Guarantor ceases to be a Restricted Subsidiary of Endo as a result of the sale or other disposition;

(3) if Endo designates any Restricted Subsidiary that is a Guarantor to be an Unrestricted Subsidiary in accordance with the applicable provisions of the indenture;

(4) upon legal defeasance, covenant defeasance or satisfaction and discharge of the indenture as provided below under the captions Legal defeasance and covenant defeasance and Satisfaction and discharge; or

(5) upon the release of the Guarantor s guarantee under all applicable Triggering Indebtedness.

Optional redemption

At any time prior to December 15, 2013, Endo may on any one or more occasions redeem up to 35% of the aggregate principal amount of notes issued under the indenture, upon not less than 30 nor more than 60 days notice, at a redemption price equal to 107.0% of the principal amount of the notes redeemed, plus accrued and unpaid interest and Additional Interest, if any, to the date of redemption (subject to the rights of holders of notes on the relevant record date to receive interest due on the relevant interest payment date if the notes have not been redeemed prior to such date), with the net cash proceeds of an Equity Offering by Endo; *provided* that:

(1) at least 65% of the aggregate principal amount of notes originally issued under the indenture (excluding notes held by Endo and its Subsidiaries) remains outstanding immediately after the occurrence of such redemption; and

(2) the redemption occurs within 120 days of the date of the closing of such Equity Offering.

At any time prior to December 15, 2015, Endo may on any one or more occasions redeem all or a part of the notes, upon not less than 30 nor more than 60 days notice, at a redemption price equal to 100% of the principal amount of the notes redeemed, plus the Applicable Premium as of, and accrued and unpaid interest and Additional Interest, if any, to the date of redemption, subject to the rights of holders of notes on the relevant record date to receive interest due on the relevant interest payment date.

Except pursuant to the preceding paragraphs, the notes will not be redeemable at Endo s option prior to December 15, 2015.

On or after December 15, 2015, Endo may on any one or more occasions redeem all or a part of the notes, upon not less than 30 nor more than 60 days notice, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest and Additional Interest, if any, on the notes redeemed, to the applicable date of redemption, if redeemed during the twelve-month period beginning on December 15 of the years indicated below (subject to the rights of holders of notes on the relevant record date to receive interest due on the relevant interest payment date if the notes have not been redeemed prior to such date):

Year	Percentage
2015	103.500%
2016	102.333%
2017	101.167%
2018 and thereafter	100.000%

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Unless Endo defaults in the payment of the redemption price, interest will cease to accrue on the notes or portions thereof called for redemption on the applicable redemption date.

Mandatory redemption

Endo is not required to make mandatory redemption or sinking fund payments with respect to the notes.

Repurchase at the option of holders

Change of control repurchase event

If a Change of Control Repurchase Event occurs, each holder of notes will have the right to require Endo to repurchase all or any part (equal to $2,000 or an integral multiple of $1,000 in excess thereof) of that holder s notes pursuant to a Change of Control offer (a Change of Control Offer) on the terms set forth in the indenture. In the Change of Control Offer, Endo will offer a Change of Control Payment in cash equal to 101% of the aggregate principal amount of notes repurchased, plus accrued and unpaid interest and Additional Interest, if any, on the notes repurchased to the date of purchase (subject to the rights of holders of notes on the relevant record date to receive interest due on the relevant interest payment date if the notes have not been redeemed or repurchased prior to such date). Within 30 days following any Change of Control Repurchase Event, Endo will mail a notice to each holder describing the transaction or transactions that constitute the Change of Control Repurchase Event and offering to repurchase notes on the Change of Control Payment Date specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is mailed, pursuant to the procedures required by the indenture and described in such notice. Endo will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the notes as a result of a Change of Control Repurchase Event. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control Repurchase Event provisions of the indenture, Endo will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control Repurchase Event provisions of the indenture by virtue of such compliance.

On the Change of Control Payment Date, Endo will, to the extent lawful:

(1) accept for payment all notes or portions of notes properly tendered pursuant to the Change of Control Offer;

(2) deposit with the paying agent an amount equal to the Change of Control Payment in respect of all notes or portions of notes properly tendered; and

(3) deliver or cause to be delivered to the trustee the notes properly accepted together with an officers certificate stating the aggregate principal amount of notes or portions of notes being purchased by Endo.

The paying agent will promptly mail to each holder of notes properly tendered the Change of Control Payment for such notes, and the trustee will promptly authenticate and mail (or cause to be transferred by book entry) to each holder a new note equal in principal amount to any unpurchased portion of the notes surrendered, if any. Endo will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

The provisions described above that require Endo to make a Change of Control Offer following a Change of Control Repurchase Event will be applicable whether or not any other provisions of the indenture are applicable. Except as described above with respect to a Change of Control Repurchase Event, the indenture does not contain provisions that permit the holders of the notes to require that Endo repurchase or redeem the notes in the event of a takeover, recapitalization or similar transaction.

Endo will not be required to make a Change of Control Offer upon a Change of Control Repurchase Event if (1) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with

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the requirements set forth in the indenture applicable to a Change of Control Offer made by Endo and purchases all notes properly tendered and not withdrawn under the Change of Control Offer, or (2) notice of redemption has been given pursuant to the indenture as described above under the caption Optional redemption, unless and until there is a default in payment of the applicable redemption price. Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control Repurchase Event, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place for the Change of Control at the time the Change of Control Offer is made.

If a Change of Control Offer is made, Endo may not have available funds sufficient to pay the Change of Control Payment for all of the notes that might be delivered by holders of the notes seeking to accept the Change of Control Offer. Endo s failure to make or consummate the Change of Control Offer or pay the Change of Control Payment when due will give the trustee and the holders of the notes the rights described under Events of Default.

In addition to Endo s obligations under the indenture with respect to the notes in the event of a Change of Control Repurchase Event, the Credit Agreement contains an event of default upon a Change in Control (as defined therein) which obligates Endo to repay amounts outstanding under such indebtedness upon an acceleration of the indebtedness issued thereunder. As a result, Endo may not be able to repurchase the notes and satisfy its obligations under its other indebtedness following a Change of Control Repurchase Event. See Risk factors Upon a change of control repurchase event, we may not have the ability to raise the funds necessary to finance the change of control offer required by the indenture governing the notes, which would violate the terms of the notes.

The existence of a holder s right to require Endo to repurchase such holder s notes upon a Change of Control Repurchase Event may deter a third party from acquiring Endo in a transaction which constitutes a Change of Control.

The provisions of the indenture will not afford holders of the notes the right to require Endo to repurchase the notes in the event of a highly leveraged transaction or certain transactions with Endo s management or Affiliates, including a reorganization, restructuring, merger or similar transaction (including, in certain circumstances, an acquisition of Endo by management or its affiliates) involving Endo that may adversely affect holders of the notes, if such transaction is not a transaction defined as a Change of Control.

The definition of Change of Control includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of all or substantially all of the properties or assets of Endo and its Subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase substantially all, there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of notes to require Endo to repurchase its notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of Endo and its Subsidiaries taken as a whole to another Person or group may be uncertain.

The provisions under the indenture relative to Endo s obligation to make a Change of Control Offer may be waived or modified with the consent of the holders of a majority in principal amount of the notes.

Asset sales

Endo will not, and will not permit any of its Restricted Subsidiaries to, consummate an Asset Sale unless:

(1) Endo (or the Restricted Subsidiary, as the case may be) receives consideration at the time of the Asset Sale at least equal to the Fair Market Value (measured as of the date of the definitive agreement with respect to such Asset Sale) of the assets or shares of Capital Stock of a Restricted Subsidiary issued or sold or otherwise disposed of; and

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(2) at least 75% of the consideration received in the Asset Sale by Endo or such Restricted Subsidiary is in the form of cash or Cash Equivalents. For purposes of this provision, each of the following will be deemed to be cash:

(a) any liabilities, as shown on Endo s or such Restricted Subsidiary s most recent balance sheet or in the footnotes thereto, of Endo or any Restricted Subsidiary (other than liabilities that are by their terms subordinated to the notes or any Note Guarantee) (i) that are assumed by the transferee of any such assets and for which Endo or such Restricted Subsidiary, as the case may be, have been released or indemnified against further liability or (ii) in respect of which neither Endo nor any Restricted Subsidiary following such Asset Sale has any obligation;

(b) any securities, notes or other obligations received by Endo or any Restricted Subsidiary from such transferee that are converted by Endo or such Restricted Subsidiary within 180 days into cash, to the extent of the cash received in that conversion;

(c) any Designated Noncash Consideration having an aggregate Fair Market Value that, when taken together with all other Designated Noncash Consideration previously received and then outstanding, does not exceed at the time of the receipt of such Designated Noncash Consideration (with the Fair Market Value of each item of Designated Noncash Consideration being measured at the time received and without giving effect to subsequent changes in value) the greater of $50.0 million or 1.0% of Total Assets; and

(d) any Investment, stock, asset, property or capital expenditure of the kind referred to in clause (3) of the next paragraph of this covenant.

Within one year from the later of the date of an Asset Sale or the receipt of any Net Proceeds from an Asset Sale, Endo (or the applicable Restricted Subsidiary, as the case may be) may apply such Net Proceeds:

(1) to prepay, repay, redeem or purchase (i) Indebtedness and other Obligations that are secured by a Lien or (ii) Indebtedness (other than any Disqualified Capital Stock) and other Obligations of a Non-Guarantor Subsidiary, and, in each case, if the Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto;

(2) to prepay, repay, redeem or purchase Senior Indebtedness of Endo or any Guarantor; *provided* that, Endo shall (y) apply a pro rata portion (determined and as modified based on the provisions set forth below) of such Net Proceeds to redeem or repurchase the notes (i) as described above under the caption Optional redemption or (ii) through open market purchases at a purchase price not less than 100% of the principal amount thereof, plus accrued but unpaid interest thereon, or (z) make an offer (in accordance with the procedures set forth below) to all holders to purchase their notes at a purchase price not less than 100% of the principal amount thereof, plus accrued but unpaid interest thereon (in each case other than Indebtedness or other Obligations owed to Endo or an Affiliate of Endo); or

(3) to make an Investment in any one or more businesses (*provided* that if such Investment is in the form of the acquisition of Capital Stock of a Person, such acquisition results in such Person becoming a Restricted Subsidiary), to acquire assets or property or to make capital expenditures, in each case (i) used or useful in a Permitted Business or (ii) that replace the properties and assets that are the subject of such Asset Sale;

provided that in the case of clause (3) above, entering into and not abandoning or rejecting a binding commitment to make an investment to satisfy clause (3) above shall be treated as a permitted application of Net Proceeds from the date of such commitment; *provided* that (x) such investment is consummated within 545 days after the later of the receipt of such Net Proceeds or the date of such Asset Sale and (y) if such investment is not consummated within the period set forth in subclause (x), or otherwise applied as set forth in clauses (1) or (2) above, the Net Proceeds not so applied will be deemed to constitute Excess Proceeds under the second succeeding paragraph.

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Pending the final application of any Net Proceeds, Endo (or the applicable Restricted Subsidiary) may temporarily reduce revolving credit borrowings or otherwise invest the Net Proceeds in any manner that is not prohibited by the indenture.

Any Net Proceeds from Asset Sales that are not applied or invested as provided in the second paragraph of this covenant will constitute *Excess Proceeds*. When the aggregate amount of Excess Proceeds exceeds the greater of $50.0 million or 1.0% of Total Assets, within 30 days thereof, Endo will make an offer (an *Asset Sale Offer*) to all holders of notes and all holders of other Senior Indebtedness containing provisions similar to those set forth in the indenture with respect to offers to purchase, prepay or redeem with the proceeds of sales of assets to purchase, prepay or redeem the maximum principal amount of notes and such other Senior Indebtedness (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith) that may be purchased, prepaid or redeemed out of the Excess Proceeds. The offer price in any Asset Sale Offer will be equal to 100% of the principal amount (or accreted value, if less, or such lesser amount as may be provided by the terms of such other Senior Indebtedness), plus accrued and unpaid interest and Additional Interest, if any, to the date of purchase, prepayment or redemption (subject to the rights of holders of notes on the relevant record date to receive interest due on the relevant interest payment date if the notes have not been redeemed or repurchased prior to such date), and will be payable in cash. If any Excess Proceeds remain after consummation of an Asset Sale Offer, Endo may use those Excess Proceeds for any purpose not otherwise prohibited by the indenture. If the aggregate principal amount of notes and other Senior Indebtedness tendered in (or required to be prepaid or redeemed in connection with) such Asset Sale Offer exceeds the amount of Excess Proceeds, the trustee will select the notes and such other Senior Indebtedness to be purchased on a *pro rata* basis, based on the amounts tendered or required to be prepaid or redeemed (with such adjustments as may be deemed appropriate by Endo so that only notes in denominations of $2,000, or an integral multiple of $1,000 in excess thereof, will be purchased). Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero. Endo may satisfy the foregoing obligations with respect to any Net Proceeds prior to the expiration of the relevant one year period or with respect to Excess Proceeds of $50.0 million or less.

Endo will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with each repurchase of notes pursuant to a Change of Control Offer or an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control Repurchase Event or Asset Sale provisions of the indenture, Endo will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control Repurchase Event or Asset Sale provisions of the indenture by virtue of such compliance.

The provisions under the indenture relative to Endo s obligation to make an Asset Sale Offer may be waived or modified with the consent of the holders of a majority in principal amount of the notes.

The agreements governing Endo s other Indebtedness contain, and future agreements may contain, prohibitions of certain events, including events that would constitute a Change of Control Repurchase Event or an Asset Sale and including repurchases of or other prepayments in respect of the notes. The exercise by the holders of notes of their right to require Endo to repurchase the notes upon a Change of Control Repurchase Event or an Asset Sale could cause a default under these other agreements, even if the Change of Control Repurchase Event or Asset Sale itself does not, due to the financial effect of such repurchases on Endo. In the event a Change of Control Repurchase Event or Asset Sale occurs at a time when Endo is prohibited from purchasing notes, Endo could seek the consent of its senior lenders to the purchase of notes or could attempt to refinance the borrowings that contain such prohibition. If Endo does not obtain a consent or repay those borrowings, Endo will remain prohibited from purchasing notes. In that case, Endo s failure to purchase tendered notes would constitute an Event of Default under the indenture which could, in turn, constitute a default under the other indebtedness. Finally, Endo s ability to pay cash to the holders of notes upon a repurchase may be limited by Endo s then existing financial resources. See Risk factors Upon a change of control, we may not have the ability to raise funds necessary to finance the change of control offer required by the indenture governing the notes, which would violate the terms of the notes.

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Selection and notice

If less than all of the notes are to be redeemed at any time, the trustee will select notes for redemption on a *pro rata* basis (or, in the case of notes issued in global form as discussed under Book-Entry, Delivery and Form, based on a method that most nearly approximates a *pro rata* selection as the trustee deems fair and appropriate) unless otherwise required by law or applicable stock exchange or depositary requirements.

No notes of $2,000 or less can be redeemed in part. Notices of redemption will be mailed by first class mail at least 30 but not more than 60 days before the redemption date to each holder of notes to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the notes or a satisfaction and discharge of the indenture. Any notice may, at Endo s discretion, be subject to satisfaction of one or more conditions precedent.

If any note is to be redeemed in part only, the notice of redemption that relates to that note will state the portion of the principal amount of that note that is to be redeemed. A new note in principal amount equal to the unredeemed portion of the original note will be issued in the name of the holder of notes upon cancellation of the original note. Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on notes or portions of notes called for redemption.

Certain covenants

Fall away of covenants when notes rated investment grade

If on any date following the Issue Date, the notes are rated Baa3 or better by Moody s and BBB- or better by S&P (or, if either such entity ceases to rate the notes for reasons outside of the control of Endo, the equivalent investment grade credit rating from any other nationally recognized statistical rating organization within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act selected by Endo as a replacement agency) then, beginning on that day (and notwithstanding the failure subsequently to maintain such ratings) (the Fall Away Date):

(1) the covenants specifically listed under the following captions in this prospectus (collectively, the Fall Away Covenants) shall each no longer be in effect for the remaining term of the notes:

(a) Repurchase at the option of holders Asset sales;

(b) Restricted payments;

(c) Incurrence of indebtedness and issuance of preferred stock;

(d) Dividend and other payment restrictions affecting restricted subsidiaries;

(e) Designation of restricted and unrestricted subsidiaries;

(f) Transactions with affiliates;

(g) clause (4) of the covenant described below under the caption Merger, consolidation or sale of assets; and

(h) clauses (1)(a) and (3) of the covenant described under the caption Limitation on Sale Leaseback Transactions;

(2) the covenant described below under the caption Liens shall be replaced in its entirety with the following covenant:

Endo will not, and will not permit any Restricted Subsidiary to, directly or indirectly, Incur or permit to exist any Lien (the Initial Lien) of any nature whatsoever on any Restricted Property securing any Indebtedness, other than Permitted Liens, without effectively providing that the notes shall be secured equally and ratably with (or prior to) the obligations so secured for so long as such obligations are so secured. Any Lien created for the benefit of the holders of the notes pursuant to the preceding sentence shall provide by its terms that such Lien shall be automatically and unconditionally released and discharged upon the release and discharge of the Initial Lien.

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Notwithstanding the restrictions described above, Endo and its Restricted Subsidiaries may, directly or indirectly, Incur or permit to exist any Lien that would otherwise be subject to the restrictions set forth in the immediately preceding paragraph without effectively providing that the notes shall be secured equally and ratably with (or prior to) the obligations so secured if, at the time of such Incurrence or permission, after giving effect thereto and to the retirement of any Secured Indebtedness which is concurrently being retired, the aggregate principal amount of outstanding Secured Indebtedness which would otherwise be subject to such restrictions (not including Permitted Liens) plus all Attributable Debt of Endo and its Restricted Subsidiaries in respect of Sale Leaseback Transactions with respect to any Restricted Property, does not exceed 15% of Total Assets.

Restricted Property means (a) any manufacturing facility (or portion thereof) owned or leased by Endo or any Restricted Subsidiary and located within the continental United States that, in the good faith opinion of Endo s Board of Directors, is of material importance to Endo s business taken as a whole, but no such manufacturing facility (or portion thereof) shall be deemed of material importance if its gross book value of property, plant and equipment (before deducting accumulated depreciation) is less than 2% of Endo s Total Assets measured as of the end of the most recent quarter for which financial statements are available; or (b) any Capital Stock of any Subsidiary of Endo owning a manufacturing facility (or a portion thereof) covered by clause (a). As used in this definition, manufacturing facility means property, plant and equipment used for actual manufacturing and for activities directly related to manufacturing such as quality assurance, engineering, maintenance, staging areas for work in process administration, employees, eating and comfort facilities and manufacturing administration, and it excludes sales offices, research facilities and facilities used only for warehousing, distribution or general administration; and

(3) the definition of Permitted Liens shall be replaced in its entirety with the following definition:
Permitted Liens means:

(i) Liens existing on the Fall Away Date;

(ii) Liens in favor of Endo or a Restricted Subsidiary;

(iii) Liens on any property existing at the time of the acquisition thereof;

(iv) Liens on any property of a Person or its subsidiaries existing at the time such Person is consolidated with or merged into Endo or a Restricted Subsidiary, or Liens on any property of a Person existing at the time such Person becomes a Restricted Subsidiary;

(v) Liens to secure all or part of the cost of acquisition (including Liens created as a result of an acquisition by way of Capital Lease Obligation), construction, development or improvement of the underlying property, or to secure Indebtedness incurred to provide funds for any such purposes, *provided*, that the commitment of the creditor to extend the credit secured by any such Lien shall have been obtained not later than 18 months after the later of (A) the completion of the acquisition, construction, development or improvement of such property and (B) the placing in operation of such property or of such property as so constructed, developed or improved;

(vi) Liens securing industrial revenue, pollution control or similar bonds; and

(vii) any extension, renewal or replacement (including successive extensions, renewals and replacements), in whole or in part, of any Lien referred to in any of clauses (i), (iii), (iv) or (v) that would not otherwise be permitted pursuant to any of clauses (i) through (vi), to the extent that (A) the principal amount of Indebtedness secured thereby and not otherwise permitted to be secured pursuant to any of clauses (i) through (vi) does not exceed the principal amount of Indebtedness, plus any premium or fee payable in connection with any such extension, renewal or replacement, so secured at the time of any such extension, renewal or replacement and (B) the property that is subject to the Lien serving as an extension, renewal or replacement is limited to some or all of the property that was subject to the Lien so extended, renewed or replaced.

There can be no assurance that the notes will ever achieve or maintain an investment grade rating.

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There can be no assurance that Endo will own any Restricted Property on the Fall Away Date or in the future.

Restricted Payments

Endo will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly:

(1) declare or pay any dividend or make any other payment or distribution on account of Endo s or any of its Restricted Subsidiaries Equity Interests (including, without limitation, any payment in connection with any merger or consolidation involving Endo or any of its Restricted Subsidiaries) or to the direct or indirect holders of Endo s or any of its Restricted Subsidiaries Equity Interests in their capacity as such (other than dividends or distributions payable in Equity Interests (other than Disqualified Stock) of Endo and other than dividends or distributions payable to Endo or a Restricted Subsidiary of Endo);

(2) purchase, redeem or otherwise acquire or retire for value, directly or indirectly, (including, without limitation, in connection with any merger or consolidation involving Endo) any Equity Interests of Endo;

(3) make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Indebtedness of Endo or any Guarantor that is contractually subordinated to the notes or to any Note Guarantee (excluding any intercompany Indebtedness between or among Endo and any of its Restricted Subsidiaries), except a payment of interest or principal at, or within 365 days of, the Stated Maturity thereof; or

(4) make any Restricted Investment

(all such payments and other actions set forth in these clauses (1) through (4) above being collectively referred to as Restricted Payments), unless:

(a) at the time of such Restricted Payment, no Default or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment;

(b) immediately after giving effect to such Restricted Payment, on a pro forma basis as if such Restricted Payment had been made at the beginning of the applicable four-quarter period, Endo would be permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described below under the caption Incurrence of indebtedness and issuance of preferred stock; and

(c) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by Endo and its Restricted Subsidiaries since the Issue Date (including Restricted Payments permitted by clause (1) of the next succeeding paragraph, but excluding all other Restricted Payments permitted by the next succeeding paragraph), is less than the sum, without duplication, of:

(1) 50% of the Consolidated Net Income of Endo for the period (taken as one accounting period) from October 1, 2010 to the end of Endo s most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, less 100% of such deficit); *plus*

(2) 100% of the aggregate Net Cash Proceeds received by Endo since the Issue Date as a contribution to its common equity capital or from the issue or sale of Qualifying Equity Interests of Endo or from the issue or sale of convertible or exchangeable Disqualified Stock of Endo or convertible or exchangeable debt securities of Endo, in each case that have been

converted into or exchanged for Qualifying Equity Interests of Endo (other than Qualifying Equity Interests and convertible or exchangeable Disqualified Stock or debt securities sold to a Subsidiary of Endo); *plus*

(3) 100% of the aggregate amount received in cash and the Fair Market Value of property (other than cash) and marketable securities received by Endo or a Restricted Subsidiary after the Issue Date by means of (i) the sale or other disposition (other than to Endo or a Restricted Subsidiary) of

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Restricted Investments made by Endo or its Restricted Subsidiaries and repurchases and redemptions of such Restricted Investments from Endo or its Restricted Subsidiaries and repayments of loans or advances which constitute Restricted Investments of Endo or its Restricted Subsidiaries, (ii) the sale (other than to Endo or a Restricted Subsidiary) of the Capital Stock of an Unrestricted Subsidiary and (iii) a distribution or dividend from an Unrestricted Subsidiary (other than in each case to the extent such Investment constituted a Permitted Investment), in each case to the extent that such amounts were not otherwise included in the Consolidated Net Income of Endo for such period; *plus*

(4) to the extent that any Restricted Investment that was made after the Issue Date is made in an entity that subsequently becomes a Restricted Subsidiary of Endo, the initial amount of such Restricted Investment (or, if less, the amount of cash received upon repayment or sale); *plus*

(5) to the extent that any Unrestricted Subsidiary of Endo designated as such after the Issue Date is redesignated as a Restricted Subsidiary after the Issue Date, the lesser of (i) the Fair Market Value of the Restricted Investment in such Subsidiary as of the date of such redesignation or (ii) the aggregate amount of the Restricted Investments in such Subsidiary to the extent such Restricted Investments reduced the amount available under this clause (c) and were not previously repaid or otherwise reduced.

The preceding provisions will not prohibit:

(1) the payment of any dividend or the consummation of any irrevocable redemption within 60 days after the date of declaration of the dividend or giving of the redemption notice, as the case may be, if at the date of declaration or notice, the dividend or redemption payment would have complied with the provisions of the indenture;

(2) the making of any Restricted Payment in exchange for, or out of or with the Net Cash Proceeds of the substantially concurrent sale (other than to a Subsidiary of Endo) of, Equity Interests of Endo (other than Disqualified Stock) or from the substantially concurrent contribution of common equity capital to Endo; *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will not be considered to be Net Cash Proceeds of Qualifying Equity Interests for purposes of clause (c)(2) of the preceding paragraph and will not be considered to be net cash proceeds from an Equity Offering for purposes of the Optional redemption provisions of the indenture;

(3) the payment of any dividend (or, in the case of any partnership or limited liability company, any similar distribution) by a Restricted Subsidiary of Endo to the holders of its Equity Interests on a *pro rata* basis;

(4) the repurchase, redemption, defeasance or other acquisition or retirement for value of Indebtedness of Endo or any Guarantor that is contractually subordinated to the notes or to any Note Guarantee with the Net Cash Proceeds from a substantially concurrent incurrence of Permitted Refinancing Indebtedness;

(5) the repurchase, redemption or other acquisition or retirement for value of any Equity Interests of Endo or any Restricted Subsidiary of Endo held by any current or former officer, director or employee of Endo or any of its Restricted Subsidiaries pursuant to any equity subscription agreement, stock option agreement, shareholders agreement or similar agreement; *provided* that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests may not exceed $20.0 million in any calendar year (with any unused amount in any calendar year being carried forward and available in the next succeeding year); *provided, further*, that such amount in any twelve-month period may be increased by an amount not to exceed:

(a) the Net Cash Proceeds from the sale of Qualifying Equity Interests of Endo and, to the extent contributed to Endo as common equity capital, the Net Cash Proceeds from the sale of Qualifying Equity Interests of any of Endo s direct or indirect parent companies, in each case to members of

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management, directors or consultants of Endo, any of its Subsidiaries or any of its direct or indirect parent companies that occurs after the Issue Date to the extent the Net Cash Proceeds from the sale of Qualifying Equity Interests have not otherwise been applied to the making of Restricted Payments pursuant to clause (c) of the preceding paragraph or clause (2) of this paragraph or to an optional redemption of notes pursuant to the Optional redemption provisions of the indenture; *plus*

(b) the cash proceeds of key man life insurance policies received by Endo or its Restricted Subsidiaries after the Issue Date; and in addition, cancellation of Indebtedness owing to Endo from any current or former officer, director or employee (or any permitted transferees thereof) of Endo or any of its Restricted Subsidiaries (or any direct or indirect parent company thereof), in connection with a repurchase of Equity Interests of Endo from such Persons will not be deemed to constitute a Restricted Payment for purposes of this covenant or any other provisions of the indenture;

(6) the repurchase of Equity Interests (i) deemed to occur upon the exercise of stock options to the extent such Equity Interests represent a portion of the exercise price of those stock options and (ii) upon the exercise of stock options in an equal or lesser amount to the amount exercised in order to reduce the dilutive effects of such exercise;

(7) so long as no Default or Event of Default has occurred and is continuing, the declaration and payment of dividends to holders of any class or series of Disqualified Stock of Endo or any Preferred Stock of any Restricted Subsidiary of Endo permitted to be issued under the covenant described below under the caption Incurrence of indebtedness and issuance of preferred stock;

(8) payments of cash, dividends, distributions, advances or other Restricted Payments by Endo or any of its Restricted Subsidiaries to allow the payment of cash in lieu of the issuance of fractional shares upon (i) the exercise of options or warrants or other securities convertible into or exercisable for Capital Stock of any such Person or (ii) the conversion or exchange of Capital Stock of any such Person;

(9) payments of intercompany subordinated Indebtedness, the Incurrence of which was permitted under clause (6) of the second paragraph of the covenant described below under the caption Incurrence of indebtedness and issuance of preferred stock;

(10) the repurchase, redemption or other acquisition or retirement for value of any Indebtedness (other than any Permitted Convertible Indebtedness Call Transaction) of Endo or any Guarantor that is contractually subordinated to the notes or to any Note Guarantee pursuant to provisions similar to those described under the captions Repurchase at the option of holders Change of control repurchase event and Repurchase at the option of holders Asset sales; *provided* that prior to consummating, or concurrently with, any such repurchase, Endo has made any Change of Control Offer or Asset Sale Offer required by the indenture and has repurchased all notes validly tendered for payment in connection with such offers;

(11) the declaration or payment of cash dividends on Endo s common stock in an amount not to exceed $0.20 per share in any fiscal quarter (as adjusted so that the aggregate amount payable pursuant to this clause (11) is not increased or decreased solely as a result of any stock-split, stock dividend or similar reclassification) plus the payment of *pro rata* dividends on shares subject to issuance pursuant to outstanding options;

(12) the distribution, as a dividend or otherwise, of Equity Interests of, or Indebtedness owed to Endo or a Restricted Subsidiary by, Unrestricted Subsidiaries (other than Investments in Capital Stock of or Indebtedness in Permitted Joint Ventures pursuant to clause (19)(b) of the definition of Permitted Investments);

(13) the declaration and payment of dividends or distributions to holders of any class or series of Preferred Stock (other than Disqualified Stock) of Endo or any of its Restricted Subsidiaries issued after the Issue Date; *provided* that, immediately after giving pro forma effect to the issuance of such Preferred Stock (assuming the payment of dividends thereon even if permitted to accrue under the terms thereof), Endo could Incur at least $1.00 of additional Indebtedness pursuant to the first paragraph of the covenant described under the caption Incurrence of indebtedness and issuance of preferred stock;

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(14) the repurchase, redemption, defeasance or other retirement for value of any Permitted Convertible Indebtedness of Endo, including any payments required in connection with a conversion of any Permitted Convertible Indebtedness of Endo;

(15) payments or distributions made in Equity Interests (other than Disqualified Stock) of Endo;

(16) payments made in connection with (including, without limitation, purchases of) any Permitted Bond Hedge Transaction;

(17) payments made (A) to exercise or settle any Permitted Warrant Transaction (a) by delivery of Endo s common stock, (b) by set-off against the related Permitted Bond Hedge Transaction or (c) with cash payments in an aggregate amount not to exceed the aggregate amount of any payments received by Endo or any of its Restricted Subsidiaries pursuant to the exercise or settlement of any related Permitted Bond Hedge Transaction, or (B) to terminate any Permitted Warrant Transaction; and

(18) so long as no Default or Event of Default has occurred and is continuing, other Restricted Payments in an aggregate amount not to exceed the greater of $350.0 million or 5.0% of Total Assets since the Issue Date.

The amount of all Restricted Payments (or transfer or issuance that would constitute Restricted Payments but for the exclusions from the definition thereof) and Permitted Investments (other than cash) will be the Fair Market Value on the date of the transfer or issuance of the asset(s) or securities proposed to be transferred or issued by Endo or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment (or transfer or issuance that would constitute a Restricted Payment but for the exclusions from the definition thereof) or Permitted Investment.

Incurrence of indebtedness and issuance of preferred stock

Endo will not, and will not permit any Restricted Subsidiary to, Incur, directly or indirectly, any Indebtedness, and Endo will not issue any Disqualified Stock and will not permit any of its Restricted Subsidiaries to issue any shares of Preferred Stock; *provided, however*, that Endo will be entitled to Incur Indebtedness or issue Disqualified Stock and any Restricted Subsidiary will be entitled to Incur Indebtedness or issue Preferred Stock if, on the date of such Incurrence or issuance and after giving effect thereto on a *pro forma* basis, the Fixed Charge Coverage Ratio would be at least 2.0 to 1.0.

Notwithstanding the foregoing paragraph, Endo and the Restricted Subsidiaries will be entitled to Incur any or all of the following Indebtedness (collectively, Permitted Debt):

(1) Indebtedness Incurred pursuant to the Credit Agreement; *provided, however*, that, immediately after giving effect to any such Incurrence, the aggregate principal amount of all Indebtedness Incurred under this clause (1) and then outstanding does not exceed $2.0 billion; *provided,* that Endo or its Restricted Subsidiaries can Incur additional Secured Indebtedness under this clause (1) if, after giving pro forma effect to such Incurrence, the Consolidated Senior Secured Debt Ratio would be no greater than 3.5 to 1.0;

(2) Indebtedness owed to and held by Endo or a Restricted Subsidiary; *provided, however*, that (i) any subsequent issuance or transfer of any Capital Stock that results in any such Indebtedness being held by a Person other than Endo or a Restricted Subsidiary and (ii) any subsequent transfer of such Indebtedness (other than to Endo or a Restricted Subsidiary) shall be deemed, in each case, to constitute the Incurrence of such Indebtedness by the obligor thereon that was not permitted by this clause (2);

(3) the notes (including any Note Guarantee but excluding any additional notes);

(4) Indebtedness outstanding on the Issue Date (other than Indebtedness described in clause (1), (2) or (3) of this covenant);

(5) Indebtedness of a Restricted Subsidiary Incurred and outstanding on or prior to the date on which such Subsidiary was acquired by Endo (other than Indebtedness Incurred in connection with, or to provide all or any portion of the funds or credit support utilized to consummate, the transaction or series of

related transactions pursuant to which such Subsidiary became a Subsidiary or was acquired by Endo); *provided, however*, that on the date of such acquisition and after giving effect thereto on a *pro forma* basis, either (i) Endo would be entitled to Incur at least $1.00 of additional Indebtedness pursuant to the first paragraph of this covenant or (ii) the Fixed Charge Coverage Ratio of Endo (A) would be at least 1.75 to 1.0 and (B) would be greater than such Fixed Charge Coverage Ratio immediately prior to such acquisition;

(6) Permitted Refinancing Indebtedness in respect of Indebtedness Incurred pursuant to the first paragraph of this covenant or pursuant to clause (3), (4), (5), (22) or this clause (6);

(7) Hedging Obligations directly related to Indebtedness permitted to be Incurred by Endo and its Restricted Subsidiaries pursuant to the indenture or entered into in the ordinary course of business and not for speculative purposes;

(8) obligations in respect of worker s compensation and self insurance and performance, bid, stay, customs, appeal, replevin and surety bonds and performance and completion guarantees provided by Endo or any Restricted Subsidiary in the ordinary course of business;

(9) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft, credit card, purchase card or similar instrument drawn against insufficient funds in the ordinary course of business or other cash management services in the ordinary course of business; *provided* that (i) such Indebtedness (other than credit or purchase cards) is extinguished within ten business days of notification to Endo of its incurrence and (ii) such Indebtedness in respect of credit or purchase cards is extinguished within 60 days from its Incurrence;

(10) Indebtedness consisting of any Guarantee by (i) Endo or a Guarantor of Indebtedness or other Obligations of Endo or any of the Restricted Subsidiaries, (ii) a Foreign Subsidiary of Indebtedness or other Obligations of another Foreign Subsidiary or (iii) a Non-Guarantor Subsidiary of Indebtedness or other Obligations of another Non-Guarantor Subsidiary, in each case so long as the Incurrence of such guaranteed Indebtedness or other obligations by Endo or such Restricted Subsidiary is permitted under the terms of the indenture; *provided* that if the Indebtedness being guaranteed is subordinated to or *pari passu* with the notes, then the Guarantee must be subordinated or *pari passu*, as applicable, to the same extent as the Indebtedness guaranteed;

(11) (i) Capital Lease Obligations and (ii) Attributable Debt, and Permitted Refinancing Indebtedness in respect thereof, in an aggregate principal amount on the date of Incurrence that, when taken together with the principal amount of all other Indebtedness then outstanding and Incurred pursuant to this clause (11), does not exceed the greater of $50.0 million or 1.0% of Total Assets;

(12) Indebtedness of Foreign Subsidiaries and Non-Guarantor Subsidiaries in an aggregate principal amount on the date of Incurrence that, when taken together with the principal amount of all other Indebtedness then outstanding and Incurred pursuant to this clause (12), does not exceed the greater of $200.0 million or 5.0% of Total Assets;

(13) Indebtedness Incurred after the Issue Date in respect of Purchase Money Indebtedness and Permitted Refinancing Indebtedness in respect thereof, in an aggregate principal amount on the date of Incurrence that, when taken together with the principal amount of all other Indebtedness then outstanding and Incurred pursuant to this clause (13), does not exceed the greater of $125.0 million or 3.0% of Total Assets;

(14) Indebtedness of Endo or any of the Restricted Subsidiaries consisting of (i) the financing of insurance premiums with the providers of such insurance or their affiliates or (i) take-or-pay obligations contained in supply agreements, in each case, in the ordinary course of business;

(15) Indebtedness of Endo or any of its Restricted Subsidiaries supported by a letter of credit issued pursuant to the Credit Agreement in a principal amount not in excess of the stated amount of such letter of credit;

(16) Indebtedness in an aggregate amount not to exceed the foreign currency equivalent of $75.0 million in respect of letters of credit denominated in currencies other than U.S. dollars;

(17) Foreign Jurisdiction Deposits;

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(18) Indebtedness consisting of guarantees of indebtedness or other obligations of joint ventures permitted under clause (19)(a) of the definition of Permitted Investments;

(19) Indebtedness Incurred in connection with judgments, decrees, attachments or awards that do not constitute an Event of Default under clause (6) of the first paragraph of Events of Default;

(20) Indebtedness in the form of (i) guarantees of loans and advances to officers, directors, consultants and employees, in an aggregate amount not to exceed $10.0 million at any one time outstanding, and (ii) reimbursements owed to officers, directors, consultants and employees;

(21) Indebtedness consisting of obligations to make payments to current or former officers, directors and employees, their respective estates, spouses or former spouses with respect to the cancellation, purchase or redemption of Equity Interests of Endo to the extent permitted under clause (5) of the second paragraph of the covenant described under the caption Restricted payments;

(22) Indebtedness of Endo or a Guarantor incurred in connection with or in contemplation of, or to provide all or any portion of the funds or credit support utilized to consummate, the acquisition by Endo or such Guarantor of property used or useful in a Permitted Business (including a Product) (whether through the direct purchase of assets or the purchase of Capital Stock of, or merger or consolidation with, any Person owning such assets); *provided, however*, on the date of such Incurrence and after giving effect thereto on a *pro forma* basis, the Fixed Charge Coverage Ratio (A) would be at least 1.75 to 1.0 and (B) would be greater than such Fixed Charge Coverage Ratio immediately prior to such Incurrence;

(23) Non-Recourse Debt; *provided, however*, that the aggregate principal amount of any such Indebtedness, when taken together with all other Indebtedness Incurred pursuant to this clause (23) and then outstanding, does not exceed $100.0 million;

(24) Indebtedness consisting of obligations under any Permitted Convertible Indebtedness Call Transaction; and

(25) Indebtedness of Endo or of any of its Restricted Subsidiaries in an aggregate principal amount on the date of Incurrence that, when taken together with all other Indebtedness of Endo and its Restricted Subsidiaries then outstanding and Incurred pursuant to this clause (25), does not exceed the greater of $250.0 million or 5.0% of Total Assets.

For purposes of determining compliance with this covenant:

(1) all Indebtedness outstanding under the Credit Agreement on the Issue Date will be treated as Incurred under clause (1) of the immediately preceding paragraph;

(2) in the event that an item of Indebtedness (or any portion thereof) meets the criteria of more than one of the types of Indebtedness described above, Endo, in its sole discretion, will classify such item of Indebtedness (or any portion thereof) at the time of Incurrence and will only be required to include the amount and type of such Indebtedness in one of the above clauses (*provided* that any Indebtedness originally classified as Incurred pursuant to any of clauses (2) through (25) above may later be reclassified as having been Incurred pursuant to the second preceding paragraph or any other of clauses (2) through (25) above to the extent that such reclassified Indebtedness could be Incurred pursuant to such second preceding paragraph or one of clauses (2) through (25) above, as the case may be, if it were Incurred at the time of such reclassification);

(3)

Endo will be entitled to divide and classify an item of Indebtedness in more than one of the types of Indebtedness described above; and

(4) with respect to Indebtedness permitted under clause (4) above in respect of Sale Leaseback Transactions that are not Capital Lease Obligations on the Issue Date, any reclassification of such Sale Leaseback Transactions as Capital Lease Obligations shall not be deemed an Incurrence of Indebtedness for purposes of this covenant.

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For purposes of determining compliance with any U.S. dollar-denominated restriction on the incurrence of Indebtedness, the U.S. dollar-equivalent principal amount of Indebtedness denominated in a foreign currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred, in the case of term debt, or first committed, in the case of revolving credit debt; *provided* that if such Indebtedness is incurred to Refinance other Indebtedness denominated in a foreign currency, and such Refinancing would cause the applicable U.S. dollar denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such Refinancing, such U.S. dollar-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such Permitted Refinancing Indebtedness does not exceed the principal amount of such Indebtedness being Refinanced.

The principal amount of any Indebtedness incurred to Refinance other Indebtedness, if incurred in a different currency from the Indebtedness being Refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such respective Indebtedness is denominated that is in effect on the date of such Refinancing.

The indenture will provide that Endo will not, and will not permit any Guarantor to, directly or indirectly incur any Indebtedness (including Permitted Indebtedness) that is subordinated or junior in right of payment to any Indebtedness of Endo or such Guarantor, as the case may be, unless such Indebtedness is expressly subordinated in right of payment to the notes or the applicable Note Guarantee to the extent and in the same manner as such Indebtedness is subordinated to other Indebtedness of Endo or such Guarantor, as the case may be; *provided* that (i) unsecured Indebtedness shall not be treated as subordinated or junior to any other Indebtedness merely because it is unsecured and (ii) Indebtedness shall not be treated as subordinated or junior in right of payment to other Indebtedness merely because such Indebtedness has a junior priority with respect to any collateral.

Liens

Endo will not, and will not permit any Restricted Subsidiary to, directly or indirectly, Incur or permit to exist any Lien (the Initial Lien) of any nature whatsoever on any of its properties (including Capital Stock of a Restricted Subsidiary), whether owned at the Issue Date or thereafter acquired, securing any Indebtedness, other than Permitted Liens, without effectively providing that the notes shall be secured equally and ratably with (or prior to) the obligations so secured for so long as such obligations are so secured.

Any Lien created for the benefit of the holders of the notes pursuant to the preceding sentence shall provide by its terms that such Lien shall be automatically and unconditionally released and discharged upon the release and discharge of the Initial Lien.

Limitation on Sale Leaseback Transactions

Endo will not, and will not permit any of its Restricted Subsidiaries to, enter into any Sale Leaseback Transaction with respect to any asset; *provided* that Endo or any Restricted Subsidiary may enter into a Sale Leaseback Transaction if:

(1) Endo or that Restricted Subsidiary would be entitled to (a) Incur Indebtedness in an amount equal to the Attributable Debt relating to such Sale Leaseback Transaction under the covenant described above under the caption Incurrence of indebtedness and issuance of preferred stock and (b) create a Lien on such property securing such Attributable Debt without equally and ratably securing the notes pursuant to the covenant described above under the caption Liens;

(2) the gross proceeds received by Endo or any Restricted Subsidiary in connection with such Sale Leaseback Transaction are at least equal to the Fair Market Value of such property; and

(3) Endo applies the proceeds of such transaction in compliance with the covenant described above under the caption Repurchase at the option of holders Asset sales.

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Dividend and other payment restrictions affecting restricted subsidiaries

Endo will not, and will not permit any of its Restricted Subsidiaries, to create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:

(1) pay dividends or make any other distributions on its Capital Stock to Endo or any of its Restricted Subsidiaries or pay any indebtedness owed to Endo or any of its Restricted Subsidiaries;

(2) make loans or advances to Endo or any of its Restricted Subsidiaries; or

(3) sell, lease or transfer any of its properties or assets to Endo or any of its Restricted Subsidiaries.

However, the preceding restrictions will not apply to encumbrances or restrictions existing under or by reason of:

(1) agreements in effect at or entered into on the Issue Date;

(2) the indenture, the notes and the Note Guarantees;

(3) agreements governing other Indebtedness permitted to be incurred under the provisions of the covenant described above under the caption Incurrence of indebtedness and issuance of preferred stock; *provided* that, except with respect to any such Incurrence of Indebtedness under the Credit Agreement, in the judgment of Endo, such incurrence will not materially impair Endo s ability to make payments under the notes when due (as determined in good faith by senior management or the Board of Directors of Endo);

(4) applicable law, rule, regulation or order;

(5) any instrument governing Indebtedness or Capital Stock of a Person acquired by Endo or any of its Restricted Subsidiaries as in effect at the time of such acquisition (except to the extent such Indebtedness or Capital Stock was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired; *provided* that, in the case of Indebtedness, such Indebtedness was permitted by the terms of the indenture to be incurred;

(6) customary non-assignment provisions in contracts and licenses entered into in the ordinary course of business;

(7) Capital Lease Obligations, any agreement governing Purchase Money Indebtedness, security agreements or mortgages securing Indebtedness of a Restricted Subsidiary to the extent such encumbrance or restriction restricts the transfer of the property subject to such Capital Lease Obligations, Purchase Money Indebtedness, security agreements or mortgages;

(8) any agreement in connection with the sale or disposition of all or substantially all the Capital Stock or assets of a Restricted Subsidiary that imposes such encumbrance or restriction pending the closing of such sale or disposition;

(9) Permitted Refinancing Indebtedness; *provided* that the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are not materially more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced;

(10) Liens permitted to be incurred under the provisions of the covenant described above under the caption Liens that limit the right of the debtor to dispose of the assets subject to such Liens;

(11) provisions limiting the disposition or distribution of assets or property in joint venture agreements, asset sale agreements, sale-leaseback agreements, stock sale agreements and other similar agreements (including agreements entered into in connection with a Restricted Investment), which limitation is applicable only to the assets that are the subject of such agreements;

(12) prohibitions, restrictions or conditions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business;

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(13) any agreement relating to any Indebtedness Incurred by a Restricted Subsidiary on or prior to the date on which such Restricted Subsidiary was acquired by Endo (other than Indebtedness Incurred as consideration in, or to provide all or any portion of the funds or credit support utilized to consummate, the transaction or series of related transactions pursuant to which such Restricted Subsidiary became a Restricted Subsidiary or was acquired by Endo) and outstanding on such date;

(14) customary provisions contained in leases, sub-leases, licenses, sub-licenses or similar agreements, including with respect to intellectual property, and other agreements, in each case, entered into in the ordinary course of business;

(15) customary non-assignment provisions in leases governing leasehold interests to the extent such provisions restrict the transfer of the lease or the property leased thereunder; and

(16) any amendment, modification, restatement, renewal, increase, supplement, refunding, replacement or refinancing of an agreement or arrangement referred to in clauses (1) through (15) above; *provided, however*, that such amendment, modification, restatement, renewal, increase, supplement, refunding, replacement or refinancing is not materially more restrictive, as reasonably determined by Endo, with respect to such encumbrances and other restrictions taken as a whole than those prior to such amendment, modification, restatement, renewal, increase, supplement, refunding, replacement or refinancing.

Merger, consolidation or sale of assets

Endo will not: (1) consolidate with or merge with or into another Person (whether or not Endo is the surviving corporation), or (2) directly or indirectly, sell, assign, transfer, convey, lease or otherwise dispose of all or substantially all of the assets of Endo and its Restricted Subsidiaries taken as a whole, in one or more related transactions, to another Person, unless:

(1) either: (a) Endo is the surviving corporation; or (b) the Person formed by or surviving any such consolidation or merger (if other than Endo) or to which such sale, assignment, transfer, conveyance, lease or other disposition has been made is an entity organized or existing under the laws of the United States, any state of the United States or the District of Columbia; and, if such entity is not a corporation, a co-obligor of the notes is a corporation organized or existing under any such laws;

(2) the Person formed by or surviving any such consolidation or merger (if other than Endo) or the Person to which such sale, assignment, transfer, conveyance, lease or other disposition has been made assumes all the obligations of Endo under the notes, the indenture and the registration rights agreement pursuant to agreements reasonably satisfactory to the trustee;

(3) immediately after such transaction, no Default or Event of Default exists;

(4) Endo or the Person formed by or surviving any such consolidation or merger (if other than Endo), or to which such sale, assignment, transfer, conveyance, lease or other disposition has been made would, on the date of such transaction after giving pro forma effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable four-quarter period, (i) be permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described above under the caption Incurrence of indebtedness and issuance of preferred stock or (ii) have had a Fixed Charge Coverage Ratio greater than the actual Fixed Charge Coverage Ratio for Endo for such four-quarter period; and

(5) Endo shall have delivered to the trustee an officers certificate and an opinion of counsel, each stating that such consolidation, merger or transfer and such supplemental indenture (if any) comply with the indenture.

This Merger, consolidation or sale of assets covenant will not apply to any sale, assignment, transfer, conveyance, lease or other disposition of assets between or among Endo and its Restricted Subsidiaries. Clauses (3) and (4) of the first paragraph of this covenant will not apply to any

merger or consolidation of Endo (1) with or into one of its Restricted Subsidiaries for any purpose or (2) with or into an Affiliate solely for the purpose of reincorporating Endo in another jurisdiction.

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The Person formed by or surviving any such consolidation or merger (if other than Endo) or the Person to which such sale, assignment, transfer, conveyance, lease or other disposition has been made will be the successor to Endo and shall succeed to, and be substituted for, and may exercise every right and power of, Endo under the indenture, and Endo, except in the case of a lease, shall be released from the obligation to pay the principal of and interest on the notes.

Transactions with affiliates

Endo will not, and will not permit any of its Restricted Subsidiaries to, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan or advance with, or guarantee for the benefit of, any Affiliate of Endo (each, an Affiliate Transaction) involving aggregate payments or consideration in excess of $10.0 million, unless:

(1) the Affiliate Transaction is on terms that are not materially less favorable to Endo or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by Endo or such Restricted Subsidiary with an unrelated Person; and

(2) Endo delivers to the trustee with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate payments or consideration in excess of $50.0 million, a resolution adopted by the majority of the Board of Directors of Endo approving such Affiliate Transaction and set forth in an officers certificate certifying that such Affiliate Transaction has been approved by a majority of the Board of Directors of Endo and complies with clause (1) above.

The following items will not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions of the prior paragraph:

(1) any employment or consulting agreement, incentive agreement, employee benefit plan, severance agreement, officer or director indemnification agreement or any similar arrangement entered into by Endo or any of its Restricted Subsidiaries in the ordinary course of business or approved by the Board of Directors of Endo and payments pursuant thereto;

(2) transactions between or among Endo and/or its Restricted Subsidiaries;

(3) transactions with any Person that is an Affiliate of Endo solely because Endo owns, directly or through a Restricted Subsidiary, an Equity Interest in, or controls, such Person;

(4) payment of reasonable fees or other reasonable compensation to, provision of customary benefits or indemnification agreements to, and the reimbursements of expenses (pursuant to indemnity arrangements or otherwise) of, officers, directors, employees or consultants of Endo or any of its Restricted Subsidiaries;

(5) any issuance of Equity Interests (other than Disqualified Stock) of Endo;

(6) Restricted Payments (or transfers or issuances that would constitute Restricted Payments but for the exclusions from the definition thereof) that do not violate the provisions of the indenture described above under the caption Restricted payments and Permitted Investments;

(7) loans or advances to employees in the ordinary course of business of Endo or its Restricted Subsidiaries not to exceed $50.0 million in the aggregate at any one time outstanding;

(8) any agreement as in effect on the Issue Date and described in the offering memorandum for the old notes (or described in a document incorporated by reference in such offering memorandum as of the original Issue Date) or any renewals or extensions of any such agreement (so long as such renewals or extensions are not less favorable in any material respect to Endo or the Restricted Subsidiaries) and the transactions evidenced thereby;

(9) transactions in which Endo or any Restricted Subsidiary, as the case may be, delivers to the trustee a letter from an accounting, appraisal or investment banking firm of national standing stating that such transaction meets the requirements of clause (1) of the preceding paragraph;

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(10) transactions with customers, clients, suppliers, or purchasers or sellers of goods or services, in each case in the ordinary course of business and otherwise in compliance with the terms of the indenture which are fair to Endo and the Restricted Subsidiaries, in the reasonable determination of the Board of Directors of Endo or the senior management thereof, or are on terms at least as favorable as might reasonably have been obtained at such time from an unaffiliated party (as determined by the Board of Directors of Endo or the senior management thereof in good faith);

(11) transactions in the ordinary course with (i) Unrestricted Subsidiaries or (ii) joint ventures in which Endo or a Subsidiary of Endo holds or acquires an ownership interest (whether by way of Capital Stock or otherwise) so long as the terms of any such transactions are no less favorable to Endo or any Subsidiary participating in such joint ventures than they are to other joint venture partners;

(12) the existence of, or the performance by Endo or any of its Restricted Subsidiaries of its obligations under the terms of, any limited liability company agreement, limited partnership or other organizational documents or stockholders agreement (including any registration rights agreement or purchase agreement related thereto) to which it is a party as of the Issue Date and any similar agreements which it may enter into thereafter; *provided, however*, that the existence of, or the performance by Endo or any Restricted Subsidiary of obligations under any future amendment to any such existing agreement or under any similar agreement entered into after the Issue Date shall only be permitted by this clause (12) to the extent that the terms of any such amendment or new agreement, taken as a whole, is no less favorable to Endo and its Restricted Subsidiaries than the agreement in effect on the Issue Date (as determined by the Board of Directors of Endo or the senior management thereof in good faith);

(13) the provision of services to directors or officers of Endo or any of its Restricted Subsidiaries of the nature provided by Endo or any of its Restricted Subsidiaries to customers in the ordinary course of business;

(14) transactions undertaken in good faith for the purpose of improving the consolidated tax efficiency of Endo and its Subsidiaries; and

(15) any Incurrence of Indebtedness permitted by the covenant described under the caption Incurrence of indebtedness and issuance of preferred stock.

Additional note guarantees

If any Subsidiary of Endo that is not a Guarantor becomes a guarantor or obligor in respect of any Triggering Indebtedness, within 10 business days of such event Endo will cause such Subsidiary to enter into a supplemental indenture pursuant to which such Subsidiary shall agree to Guarantee Endo s Obligations under the notes, fully and unconditionally and on a senior basis.

Endo also may, at any time, cause a Subsidiary to become a Guarantor by executing and delivering a supplemental indenture providing for the Guarantee of payment of the notes by such Subsidiary on the basis provided in the indenture.

Designation of restricted and unrestricted subsidiaries

Endo may designate after the Issue Date any Subsidiary (including any newly acquired or newly formed Subsidiary) as an Unrestricted Subsidiary under the indenture (a Designation) only if:

(1) no Default or Event of Default has occurred and is continuing after giving effect to such Designation;

(2) the Subsidiary to be so designated and its Subsidiaries do not at the time of Designation own any Capital Stock or Indebtedness of, or own or hold any Lien on any Property of, Endo or any other Subsidiary of Endo that is not a Subsidiary of the Subsidiary so designated;

(3) the Subsidiary to be so designated and its Subsidiaries do not at the time of Designation have and do not thereafter Incur any Indebtedness pursuant to which the lender has recourse to any of the assets of Endo or any of its Restricted Subsidiaries; and

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(4) either (x) the Subsidiary to be so designated has total consolidated assets of $1,000 or less or (y) if such Subsidiary has consolidated assets greater than $1,000, then such Designation would be permitted under the covenant described above under the caption Restricted Payments.

Endo may revoke any Designation of a Subsidiary as an Unrestricted Subsidiary (a Revocation) only if, immediately after giving effect such Revocation:

(1) (x) Endo could Incur at least $1.00 of additional Indebtedness under the first paragraph of the covenant described above under the caption Incurrence of indebtedness and issuance of preferred stock or (y) the Fixed Charge Coverage Ratio of Endo would be greater than immediately prior to such Revocation, in each case on a *pro forma* basis taking into account such Revocation;

(2) all Liens of such Unrestricted Subsidiary outstanding immediately following such Revocation would, if Incurred at such time, have been permitted to be Incurred for all purposes of the indenture; and

(3) no Default or Event of Default has occurred and is continuing after giving effect to such Revocation.

Each Designation and Revocation must be evidenced by promptly delivering to the trustee a board resolution of the Board of Directors of Endo giving effect to such Designation or Revocation, as the case may be, and an officers certificate certifying compliance with the preceding provisions. A Revocation will be deemed to be an Incurrence of Indebtedness by a Restricted Subsidiary of any outstanding Indebtedness of such Unrestricted Subsidiary.

No amendment to subordination provisions

Without the consent of the holders of at least a majority in aggregate principal amount of the notes then outstanding, Endo will not amend, modify or alter the Convertible Senior Subordinated Notes Indenture in any way to:

(1) increase the rate of or change the time for payment of interest on any Convertible Senior Subordinated Notes;

(2) increase the principal of, advance the final maturity date of or shorten the Weighted Average Life to Maturity of any Convertible Senior Subordinated Notes;

(3) alter the redemption provisions or the price or terms at which Endo is required to offer to purchase any Convertible Senior Subordinated Notes; or

(4) amend the provisions of Article 6 of the Convertible Senior Subordinated Notes Indenture (which relate to subordination).

Payments for consent

Endo will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any holder of notes for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the indenture or the notes unless such consideration is paid to all holders of the notes that so consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement.

Reports

Notwithstanding that Endo may not be subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, Endo will file with the Commission and provide the trustee with such annual and quarterly reports and such information, documents and other reports as are specified in Sections 13 and 15(d) of the Exchange Act and applicable to a U.S. corporation subject to such Sections, such information, documents and

reports to be so

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filed and provided at the times specified for the filing of such information, documents and reports under such Sections; *provided, however*, that (a) Endo will not be required to provide the trustee with any such information, documents and reports that are filedt-align: left"> 519,610

	Effect on other reserves	Effect on retained earnings
Opening balance January 1, 2018 - IAS 39	(320,569)	10,718,853
Reclassify investments from HTM to FVOCI	3,126	-
Reclassify investments from FVPL to FVOCI	(352)	352
Opening balance January 1, 2018 - IFRS 9	(317,795)	10,719,205

Since January 1, 2018 the Company classifies its financial instruments in the following measurement categories:

Amortized Cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through other comprehensive income (“FVOCI”): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest. Interest income from these financial assets is included in finance income using the effective interest rate method. Unrealized gains or losses are recorded as a fair value adjustment in the consolidated statement of comprehensive income and transferred to the consolidated income statement when the financial asset is sold. Exchange gains and losses and impairments related to the financial assets are immediately recognized in the consolidated income statement.

Fair value through profit and loss (“FVPL”): Assets that do not meet the criteria for amortized cost or FVOCI. Changes in fair value of financial instruments at FVPL are immediately recognized in the consolidated income statement.

The classification depends on the Company’s business model for managing the financial assets and contractual terms of the cash flows.

IFRS 15, “Revenue from contracts with customers”

The group has adopted IFRS 15 “Revenue from contracts with customers” from January 1 2018, which resulted in changes in accounting policies and adjustments to the amounts recognized in the financial statements. The policy sets out the requirements in accounting for revenue arising from contracts with customers and is based on the principle that revenue is recognized when control of a good or service is transferred to the customer. In accordance with the transition provisions in IFRS 15, the group has adopted the new rules using the modified retrospective approach, meaning that the cumulative impact of the adoption was recognized in retained earnings as of January 1, 2018 and that comparatives were not restated.

The impact of the adoption as of January 1, 2018 on the aggregate of revenues, cost of sales and selling expenses was a decrease of $ 0.7 million net.

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2 Accounting policies and basis of presentation (Cont.)

New and amended standards not yet adopted and relevant for Tenaris

In January 2016, the IASB issued IFRS 16, "Leases". The new standard will result in almost all leases recognized on the balance sheet, as the distinction between operating and finance leases is removed. IFRS 16 must be applied on annual periods beginning on or after January 1, 2019.

This standard was endorsed by the EU.

The Company's management is currently assessing the potential impact that the application of this standard may have on the Company's financial condition or results of operations.

None of the accounting pronouncements issued after December 31, 2017 and as of the date of these Consolidated Condensed Interim Financial Statements has a material effect on the Company’s financial condition or result of operations.

3 Segment information

Reportable operating segment

(All amounts in millions of U.S. dollars)

Six-month period ended June 30, 2018	Tubes	Other	Continuing operations	Discontinued operations
IFRS - Net Sales	3,452	203	3,655	-
Management view - operating income	290	35	325	-
Difference in cost of sales	103	3	106	-
Direct cost and others	97	3	100	-
Absorption	6	-	6	-

Differences in depreciation and amortization	(2)	-	(2)	-
Differences in selling, general and administrative expenses	-	6	6	-
IFRS - operating income	391	44	435	-
Financial income (expense), net			31	-
Income before equity in earnings of non-consolidated companies and income tax			466	-
Equity in earnings of non-consolidated companies			87	-
Income before income tax			553	-
Capital expenditures	194	2	196	-
Depreciation and amortization	274	8	282	-

Six-month period ended June 30, 2017	Tubes	Other	Continuing operations	Discontinued operations
IFRS - Net Sales	2,260	137	2,397	12
Management view - operating income	(28)	12	(16)	3
Difference in cost of sales	92	(1)	91	(1)
Direct cost and others	67	(2)	65	(1)
Absorption	25	1	26	-
Differences in Depreciation and Amortization	(2)	-	(2)	-
Differences in Selling, general and administrative expenses	13	-	13	-
Differences in Other operating income (expenses), net	1	-	1	-
IFRS - operating income	76	11	87	2
Financial income (expense), net			(20)	-
Income before equity in earnings of non-consolidated companies and income tax			67	2
Equity in earnings of non-consolidated companies			65	-
Income before income tax			132	2
Capital expenditures	289	5	294	-
Depreciation and amortization	304	7	311	-

In the six-month period ended June 30, 2018 and 2017, transactions between segments, which were eliminated in consolidation, are mainly related to sales of scrap, energy, surplus raw materials and others from the Other segment to the Tubes segment for $26 and $25 million respectively. In addition to the amounts reconciled above, the main differences in net income arise from the impact of functional currencies on financial result, deferred income taxes as well as the result of investment in non-consolidated companies and changes on the valuation of inventories according

to cost estimation internally defined.

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3 Segment information (Cont.)

Geographical information

(all amounts in thousands of U.S. dollars)	North America	South America	Europe	Middle East & Africa	Asia Pacific	Total continuing operations	Total discontinued operations
Six-month period ended June 30, 2018							
Net sales	1,690,341	679,178	380,838	763,002	141,360	3,654,719	-
Capital expenditures	110,708	40,049	41,613	808	2,553	195,731	-
Depreciation and amortization	166,903	55,277	44,077	5,217	10,729	282,203	-
Six-month period ended June 30, 2017							
Net sales	1,061,010	505,220	257,230	469,841	103,363	2,396,664	11,899
Capital expenditures	238,140	32,445	16,005	5,188	1,883	293,661	145
Depreciation and amortization	179,057	62,745	51,574	6,204	11,486	311,066	-

Allocation of net sales to geographical information is based on customer location. Allocation of depreciation and amortization is based on the geographical location of the underlying assets.

There are no revenues from external customers attributable to the Company's country of incorporation (Luxembourg). For geographical information purposes, "North America" comprises Canada, Mexico and the USA; "South America" comprises principally Argentina, Brazil and Colombia; "Europe" comprises principally Italy and Romania; "Middle East and Africa" comprises principally Egypt, Kazakhstan, Nigeria and Saudi Arabia and; "Asia Pacific" comprises principally China, Japan, Indonesia and Thailand.

4 Cost of sales

	Six-month period ended June 30,	
(all amounts in thousands of U.S. dollars)	2018	2017
	(Unaudited)	
Inventories at the beginning of the period	2,368,304	1,563,889
Plus: Charges of the period		
Raw materials, energy, consumables and other	1,686,567	1,329,052
Services and fees	143,862	115,251

Labor cost	439,051	361,198
Depreciation of property, plant and equipment	217,179	183,741
Amortization of intangible assets	4,770	11,503
Maintenance expenses	100,810	75,540
Allowance for obsolescence	14,921	(8,319)
Taxes	16,497	8,924
Other	70,174	45,029
	2,693,831	2,121,919
Less: Inventories at the end of the period	(2,530,072)	(1,988,820)
From discontinued operations	-	(7,403)
	2,532,063	1,689,585

5 Selling, general and administrative expenses

	Six-month period ended June 30,	
(all amounts in thousands of U.S. dollars)	2018	2017
	(Unaudited)	
Services and fees	64,458	69,476
Labor cost	239,563	221,689
Depreciation of property, plant and equipment	8,430	8,942
Amortization of intangible assets	51,824	106,880
Commissions, freight and other selling expenses	236,131	153,638
Provisions for contingencies	9,395	3,181
Allowances for doubtful accounts	(6,661)	(4,738)
Taxes	33,568	23,424
Other	50,500	41,112
	687,208	623,604
From discontinued operations	-	(2,041)
	687,208	621,563

6 Financial results

(all amounts in thousands of U.S. dollars)	Six-month period ended June 30,	
	2018	2017
	(Unaudited)	
Interest Income	21,208	25,684
Net result on changes in FV of financial assets at FVTPL	(2,226)	(1,698)
Finance Income	18,982	23,986
Finance Cost	(20,596)	(11,958)
Net foreign exchange transactions results (*)	28,070	(33,057)
Foreign exchange derivatives contracts results	4,891	(6,384)
Other	(644)	7,350
Other Financial results	32,317	(32,091)
Net Financial results	30,703	(20,063)
From discontinued operations	-	9
	30,703	(20,054)

(*)The six-month period ended June 2018 includes the positive impact from Euro depreciation against the U.S. dollar on Euro denominated intercompany liabilities in subsidiaries with functional currency U.S. Dollar largely offset by a decrease in currency translation adjustment reserve from an Italian subsidiary. Also includes the positive impact from Argentinian peso depreciation against the U.S. dollar on Peso denominated financial, trade, social and fiscal payables at certain Argentinian subsidiaries which functional currency is the U.S. dollar. The six-month period ended 2017 includes the negative impact from Euro appreciation against the U.S. dollar on Euro denominated intercompany liabilities in subsidiaries with functional currency U.S. Dollar, largely offset by an increase in currency translation adjustment reserve from an Italian subsidiary

7 Dividend distribution

On May 2, 2018, the Company’s Shareholders approved an annual dividend in the amount of $0.41 per share ($0.82 per ADS). The amount approved included the interim dividend previously paid in November 22, 2017 in the amount of $0.13 per share ($0.26 per ADS). The balance, amounting to $0.28 per share ($0.56 per ADS), was paid on May 23, 2018. In the aggregate, the interim dividend paid in November 2017 and the balance paid in May 2018 amounted to approximately $484.0 million.

On May 3, 2017, the Company’s Shareholders approved an annual dividend in the amount of $0.41 per share ($0.82 per ADS). The amount approved included the interim dividend previously paid in November 23, 2016 in the amount of $0.13 per share ($0.26 per ADS). The balance, amounting to $0.28 per share ($0.56 per ADS), was paid on May 24, 2017. In the aggregate, the interim dividend paid in November 2016 and the balance paid in May 2017 amounted to

approximately $484.0 million.

8 Property, plant and equipment, net

(all amounts in thousands of U.S. dollars)	2018 (Unaudited)	2017
Six-month period ended June 30,		
Opening net book amount	6,229,143	6,001,939
Currency translation adjustment	(42,303)	40,807
Additions (*)	177,583	275,690
Disposals	(1,908)	(2,100)
Transfers	2,939	689
Depreciation charge	(225,609)	(192,683)
At June 30,	6,139,845	6,124,342

(*) Mainly due to the progress in the construction of the greenfield seamless facility in Bay City, Texas.

9 Intangible assets, net

(all amounts in thousands of U.S. dollars)	2018 (Unaudited)	2017
Six-month period ended June 30,		
Opening net book amount	1,660,859	1,862,827
Currency translation adjustment	(4,631)	562
Additions	18,148	17,971
Disposals	(800)	(602)
Transfers	(2,939)	(689)
Amortization charge	(56,594)	(118,383)
At June 30,	1,614,043	1,761,686

10 Cash and cash equivalents and other investments

(all amounts in thousands of U.S. dollars)	At June 30, 2018 (Unaudited)	At December 31, 2017
Cash and cash equivalents		
Cash at banks	115,445	150,948
Liquidity funds	216,167	66,033
Short – term investments	96,348	113,240
	427,960	330,221
Other investments - current		
Bonds and other fixed Income	407,995	754,800
Fixed Income (time-deposit, zero coupon bonds, commercial papers)	322,245	437,406
Others	-	100
	730,240	1,192,306
Other investments - non-current		
Bonds and other fixed Income	172,605	123,498
Fixed Income (time-deposit, zero coupon bonds, commercial papers)	20,008	-
Others	4,545	4,837
	197,158	128,335

11 Derivative financial instruments

(all amounts in thousands of U.S. dollars)	At June 30,	At December

	2018	31, 2017
Assets	(Unaudited)	
Derivatives hedging borrowings and investments	862	2,036
Other derivatives	1,622	6,195
	2,484	8,231
Liabilities		
Derivatives hedging borrowings and investments	88,668	34,770
Other derivatives	2,947	5,029
	91,615	39,799

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12 Contingencies, commitments and restrictions to the distribution of profits

Contingencies

Tenaris is from time to time subject to various claims, lawsuits and other legal proceedings, including customer claims, in which third parties are seeking payment for alleged damages, reimbursement for losses, or indemnity. Management with the assistance of legal counsel periodically reviews the status of each significant matter and assesses potential financial exposure.

Some of these claims, lawsuits and other legal proceedings involve highly complex issues, and often these issues are subject to substantial uncertainties and, therefore, the probability of loss and an estimation of damages are difficult to ascertain. Accordingly, with respect to a large portion of such claims, lawsuits and other legal proceedings, Tenaris is unable to make a reliable estimate of the expected financial effect that will result from ultimate resolution of the proceeding. In those cases, Tenaris has not accrued a provision for the potential outcome of these cases.

If a potential loss from a claim, lawsuit or other proceeding is considered probable and the amount can be reasonably estimated, a provision is recorded. Accruals for loss contingencies reflect a reasonable estimate of the losses to be incurred based on information available to management as of the date of preparation of the financial statements and take into consideration litigation and settlement strategies. In a limited number of ongoing cases, Tenaris was able to make a reliable estimate of the expected loss or range of probable loss and has accrued a provision for such loss but believes that publication of this information on a case-by-case basis would seriously prejudice Tenaris's position in the ongoing legal proceedings or in any related settlement discussions. Accordingly, in these cases, the Company has disclosed information with respect to the nature of the contingency but has not disclosed its estimate of the range of potential loss.

The Company believes that the aggregate provisions recorded for potential losses in these Consolidated Condensed Interim Financial Statements are adequate based upon currently available information. However, if management's estimates prove incorrect, current reserves could be inadequate and Tenaris could incur a charge to earnings which could have a material adverse effect on Tenaris's results of operations, financial condition, net worth and cash flows.

Below is a summary description of Tenaris's material legal proceedings which are outstanding as of the date of these Consolidated Condensed Interim Financial Statements. In addition, Tenaris is subject to other legal proceedings, none of which is believed to be material.

§ ***CSN claims relating to the January 2012 acquisition of Usiminas shares***

In 2013, Confab Industrial S.A. ("Confab"), a Brazilian subsidiary of the Company, was notified of a lawsuit filed in Brazil by Companhia Siderúrgica Nacional (CSN) and various entities affiliated with CSN against Confab and the other entities that acquired a participation in Usiminas' control group in January 2012.

The CSN lawsuit alleges that, under applicable Brazilian laws and rules, the acquirers were required to launch a tag-along tender offer to all non-controlling holders of Usiminas' ordinary shares for a price per share equal to 80% of the price per share paid in such acquisition, or BRL28.8, and seeks an order to compel the acquirers to launch an offer at that price plus interest. If so ordered, the offer would need to be made to 182,609,851 ordinary shares of Usiminas not belonging to Usiminas' control group, and Confab would have a 17.9% share in that offer.

On September 23, 2013, the first instance court dismissed the CSN lawsuit, and on February 8, 2017, the court of appeals maintained the understanding of the first instance court. On March 6, 2017, CSN filed a motion for clarification against the decision of the Court of Appeals of São Paulo, which was rejected on July 19, 2017. On August 18, 2017, CSN filed an appeal to the Superior Court of Justice seeking the review and reversal of the decision issued by the Court of Appeals. On March 5, 2018, the court of appeals ruled that CSN's appeal did not meet the requirements for submission to the Superior Court of Justice and rejected the appeal. On May 8, 2018, CSN appealed against such ruling. If CSN's appeal is granted, the Superior Court of Justice will also review admissibility, and, if declared admissible, will then render a decision on the merits. The Superior Court of Justice is restricted to the analysis of alleged violations to federal laws and cannot assess matters of fact.

Tenaris continues to believe that all of CSN's claims and allegations are groundless and without merit, as confirmed by several opinions of Brazilian legal counsel, two decisions issued by the Brazilian securities regulator (CVM) in February 2012 and December 2016, and the first and second instance court decisions referred to above.

12 Contingencies, commitments and restrictions to the distribution of profits (Cont.)

Contingencies (Cont.)

§ ***Veracel celulose accident litigation***

On September 21, 2007, an accident occurred in the premises of Veracel Celulose S.A. ("Veracel") in connection with a rupture in one of the tanks used in an evaporation system manufactured by Confab. The Veracel accident allegedly resulted in material damages to Veracel. Itaú Seguros S.A. ("Itaú"), Veracel's insurer at the time of the Veracel accident, initiated a lawsuit against Confab seeking reimbursement of damages paid to Veracel in connection with the Veracel accident. Veracel initiated a second lawsuit against Confab seeking reimbursement of the amount paid as insurance deductible with respect to the Veracel accident and other amounts not covered by insurance. Itaú and Veracel claim that the Veracel accident was caused by failures and defects attributable to the evaporation system manufactured by Confab. Confab believes that the Veracel accident was caused by the improper handling by Veracel's personnel of the equipment supplied by Confab in violation of Confab's instructions. The two lawsuits have been consolidated and are now being considered by the 6th Civil Court of São Caetano do Sul; however, each lawsuit will be adjudicated through a separate ruling. Evidentiary stage for both proceedings has been closed but such decision has been appealed by Confab as explained below.

On March 10, 2016, a court-appointed expert issued its report on certain technical matters concerning the Veracel accident. Based upon a technical opinion received from a third-party expert, in August 2016, Confab filed its objections to the expert's report. In November 2017, the court appointed expert filed a second report reaffirming its opinion and stating that the opinion of Confab's appointed expert was incorrect. In April and May 2018, the parties filed their observations and/or opinions concerning the expert's second report. On April 17, 2018, the court closed the evidentiary stage, a decision that was appealed by Confab on May 16, 2018. Approximately 54% of the amounts claimed by Itaú and Veracel are attributable to alleged lost profits, and the contract between Confab and Veracel expressly provided that Confab would not be liable for damages arising from loss profits. As of June 30, 2018, the estimated amount of Itaú's claim was approximately BRL86.2 million (approximately $22.4 million), and the estimated amount of Veracel's claim is approximately BRL54.7 million (approximately $14.2 million), for an aggregate amount BRL140.9 million (approximately $36.6 million). The final result of this claim depends largely on the court's evaluation of technical matters arising from the expert's opinion and the objections presented by Confab.

§ ***Ongoing investigation***

The Company has learned that Italian and Swiss authorities are investigating whether certain payments were made from accounts of entities presumably associated with affiliates of the Company to accounts controlled by an individual allegedly related with officers of Petróleo Brasileiro S.A. and whether any such payments were intended to benefit Confab. Any such payments could violate certain applicable laws, including the U.S. Foreign Corrupt Practices Act.

The Company had previously reviewed certain of these matters in connection with an investigation by the Brazilian authorities related to "Operation Lava Jato" and the Audit Committee of the Company's Board of Directors has engaged external counsel in connection with a review of the alleged payments and related matters. In addition, the Company has voluntarily notified the U.S. Securities and Exchange Commission and the U.S. Department of Justice. The Company intends to share the results of this review with the appropriate authorities, and to cooperate with any investigations that may be conducted by such authorities. At this time, the Company cannot predict the outcome of these matters or estimate the range of potential loss or extent of risk, if any, to the Company's business that may result from resolution of these matters.

§ ***Petroamazonas penalties***

On January 22, 2016, Petroamazonas ("PAM"), an Ecuadorian state-owned oil company, imposed penalties to the Company's Uruguayan subsidiary, Tenaris Global Services S.A. ("TGS"), for its alleged failure to comply with delivery terms under a pipe supply agreement. The penalties amount to approximately $22.5 million as of the date hereof. On June 27, 2018, TGS initiated arbitration proceedings against PAM before the Quito Chamber of Commerce Arbitration Center seeking reimbursement of the penalty amounts plus interest. Tenaris believes, based on the advice of counsel, that PAM had no legal basis to impose the penalties and that TGS has meritorious defenses against PAM. However, in light of the prevailing political circumstances in Ecuador, the Company cannot predict the outcome of a claim against a state-owned company and it is not possible to estimate the amount or range of loss in case of an unfavorable outcome.

12 Contingencies, commitments and restrictions to the distribution of profits (Cont.)

Contingencies (Cont.)

§ ***Contractor claim for additional costs***

Tenaris Bay City Inc. ("Tenaris Bay City"), a U.S. subsidiary of the Company, received claims from a contractor for alleged additional costs in the construction of a project located in the Bay City area for a total amount in excess of $90 million. On June 30, 2017, the contractor filed a demand for arbitration of these claims. An arbitral panel was selected and a scheduling order issued. The parties have already submitted statements of claim and responses to the other party's claim. The discovery process is currently underway. The final trial hearing on this matter is scheduled for February 2019. At this stage the Company cannot predict the outcome of the claim or the amount or range of loss in case of an unfavorable outcome.

§ ***Investigation concerning currency exchange declarations***

Siderca S.A.I.C, an Argentine subsidiary of the Company ("Siderca"), and some of its current and former directors and employees, were subject to an administrative criminal proceeding before a criminal court concerning alleged inaccurate information included in 15 currency exchange declarations related to the trading of foreign currency between August and October 2008 in connection with exports of goods for a total amount of $268.8 million. On July 13, 2018, the criminal court acquitted all defendants, including Siderca.

§ ***Claim for differences on gas supply prices***

On July 7, 2016, Siderca was notified of a claim initiated by an Argentine state-owned company for an amount of $25.4 million, allegedly owed as a result of differences in the price paid for gas supplied to Siderca during three months in 2013. Tenaris believes, based on the advice of counsel, that it has meritorious defenses against a substantial part of this claim, although Siderca may be required to pay part of the claimed amount.

§ ***Tax assessment in Mexico***

In August 2017, Tubos de Acero de México S.A ("Tamsa") and Servicios Generales Tenaris Tamsa S.A ("Segeta"), two Mexican subsidiaries of the Company, were informed that the Mexican tax authorities had determined that the tax deductions associated with certain purchases of scrap made by the companies during 2013 failed to comply with

applicable requirements and, accordingly, should be rejected. Tamsa and Segeta filed their respective responses and complaints against the determination and provided additional information evidencing compliance with applicable requirements for the challenged tax deductions. As of June 30, 2018, the estimated exposure under these proceedings, including principal, interest and penalties, amounted to MXN4,117 million (approximately $207.3 million). No final decision has yet been issued on this matter. Tenaris believes, based on the advice of counsel, that it is unlikely that the ultimate resolution of this tax assessment will result in a material obligation.

Commitments and other purchase orders

Set forth is a description of Tenaris's main outstanding commitments:

- A Tenaris company entered into a contract with supplier Voest Alpine Grobblech Gmb pursuant to which it committed to purchase carbon steel for a total amount of approximately $29.7 million to use for manufacturing pipes related to the Zohr gas field project.

- A Tenaris company entered into a contract with Transportadora de Gas del Norte S.A. for the service of natural gas transportation to the facilities of Siderca S.A.I.C., an Argentine subsidiary of Tenaris. As of June 30, 2018, the aggregate commitment to take or pay the committed volumes for a 9-year term totalled approximately $47.4 million.

- Several Tenaris companies entered into a contract with Praxair S.A. for the service of oxygen and nitrogen supply. As of June 30, 2018, the aggregate commitment to take or pay the committed volumes for a 14-year term totalled approximately $55.3 million.

- Several Tenaris companies entered into a contract with Graftech for the supply of graphite electrodes. As of June 30, 2018, the aggregate commitment to take or pay the committed volumes totalled approximately $66.3 million.

12 Contingencies, commitments and restrictions to the distribution of profits (Cont.)

Commitments and other purchase orders (Cont.)

- A Tenaris company entered into a 25-year contract (effective as of December 1, 2016, through December 1, 2041) with Techgen for the supply of 197 MW (which represents 22% of Techgen's capacity). Monthly payments are determined on the basis of capacity charges, operation costs, back-up power charges, and transmission charges. As of the seventh contract year (as long as Techgen's existing or replacing bank facility has been repaid in full), the Tenaris company has the right to suspend or early terminate the contract if the rate payable under the agreement is higher than the rate charged by the Comisión Federal de Electricidad ("CFE") or its successors. The Tenaris company may instruct Techgen to sell to any affiliate, to CFE, or to any other third party all or any part of unused contracted energy under the agreement and the Tenaris company will benefit from the proceeds of such sale.

- A Tenaris company entered into a contract with Vale International S.A. for the supply of iron ore, for which it is committed to purchase at least 70% of its annual iron ore needs, up to 770 thousand tons of pellets annually. The contract expires on December 31, 2020. The aggregate commitment amounts to approximately $229 million.

Restrictions to the distribution of profits and payment of dividends

As of December 31, 2017, equity as defined under Luxembourg law and regulations consisted of:

(all amounts in thousands of U.S. dollars)	
Share capital	1,180,537
Legal reserve	118,054
Share premium	609,733
Retained earnings including net income for the year ended December 31, 2017	16,956,761
Total equity in accordance with Luxembourg law	18,865,085

At least 5% of the Company's net income per year, as calculated in accordance with Luxembourg law and regulations, must be allocated to the creation of a legal reserve equivalent to 10% of the Company's share capital. As of June 30, 2018, this reserve is fully allocated and additional allocations to the reserve are not required under Luxembourg law. Dividends may not be paid out of the legal reserve.

The Company may pay dividends to the extent, among other conditions, that it has distributable retained earnings calculated in accordance with Luxembourg law and regulations.

At December 31, 2017, distributable amount under Luxembourg law totals $17.6 billion, as detailed below:

(all amounts in thousands of U.S. dollars)	
Retained earnings at December 31, 2016 under Luxembourg law	17,493,013
Other income and expenses for the year ended December 31, 2017	(52,232)
Dividends approved	(484,020)
Retained earnings at December 31, 2017 under Luxembourg law	16,956,761
Share premium	609,733
Distributable amount at December 31, 2017 under Luxembourg law	17,566,494

13 Investments in non-consolidated companies

This note supplements and should be read in conjunction with Note 12 to the Company's audited Consolidated Financial Statements for the year ended December 31, 2017.

a) Ternium

Ternium S.A. ("Ternium"), is a steel producer with production facilities in Mexico, Argentina, Brazil, Colombia, United States and Guatemala and is one of Tenaris's main suppliers of round steel bars and flat steel products for its pipes business.

At June 30, 2018, the closing price of Ternium's ADSs as quoted on the New York Stock Exchange was $34.82 per ADS, giving Tenaris's ownership stake a market value of approximately $799.9 million. At June 30, 2018, the carrying value of Tenaris's ownership stake in Ternium, based on Ternium's IFRS financial statements, was approximately $592.6 million.

13 Investments in non-consolidated companies (Cont.)

b) Usiminas

Usiminas is a Brazilian producer of high quality flat steel products used in the energy, automotive and other industries and Tenaris's principal supplier of flat steel in Brazil for its pipes and industrial equipment businesses.

In 2014, a conflict arose between the T/T Group (comprising Confab and Ternium's subsidiaries Ternium Investments, Ternium Argentina and Prosid Investments) and Nippon Steel & Sumitomo Metal Corporation ("NSSMC") with respect to the governance of Usiminas, including with respect to the rules applicable to the appointment of senior managers, the application of the shareholders' agreement in matters involving fiduciary duties, and generally with respect to Usiminas' business strategy.

On February 8, 2018, Ternium Investments resolved the dispute with NSSMC, and on April 10, 2018, the T/T Group entities (including Confab), the NSSMC Group and Previdência Usiminas entered into a new shareholders' agreement for Usiminas, amending and restating the previously existing shareholders agreement (the "New SHA"). Usiminas' control group now holds, in the aggregate, 483.6 million ordinary shares bound to the New SHA, representing approximately 68.6% of Usiminas' voting capital, with the T/T Group holding approximately 47.1% of the total shares held by the control group (39.5% corresponding to the Ternium entities and the other 7.6% corresponding to Confab); the NSSMC Group holding approximately 45.9% of the total shares held by the control group; and Previdência Usiminas holding the remaining 7% of the total shares held by the control group.

The New SHA reflects the agreed-upon corporate governance rules for Usiminas, including, among others, an alternation mechanism for the nomination of each of the chief executive officer and the chairman of the board of directors, as well as a mechanism for the nomination of other members of Usiminas' executive board. The New SHA also incorporates an exit mechanism consisting of a buy-and-sell procedure, exercisable at any time during the term of the New SHA after the fourth-and-a-half-year anniversary from the May 2018 election of Usiminas' executive board. Such exit mechanism shall apply with respect to shares held by the NSSMC Group and the T/T Group, and would allow either Ternium or NSSMC to purchase all or a majority of the Usiminas shares held by the other shareholder group.

In connection with the execution of the New SHA, the Ternium entities and Confab amended and restated their separate shareholders' agreement governing their respective rights and obligations as members of the T/T Group to include provisions relating to the exit mechanism and generally to conform such separate shareholders' agreement to the other provisions of the New SHA.

As of June 30, 2018, the closing price of the Usiminas' ordinary and preferred shares, as quoted on the B3, was BRL11.23 ($2.91) and BRL7.32 ($1.90), respectively, giving Tenaris's ownership stake a market value of approximately $108.8 million. As that date, the carrying value of Tenaris's ownership stake in Usiminas was approximately $64.5 million.

c) Techgen, S.A. de C.V. ("Techgen")

Techgen is a Mexican company that operates a natural gas-fired combined cycle electric power plant in the Pesquería area of the State of Nuevo León, Mexico. The company started producing energy on December 1, 2016 and is fully operational, with a power capacity of 900 megawatts. As of June 30, 2018, Tenaris held 22% of Techgen's share capital, and its affiliates, Ternium and Tecpetrol International S.A. (a wholly-owned subsidiary of San Faustin S.A., the controlling shareholder of both Tenaris and Ternium), held 48% and 30% respectively.

Techgen is a party to transportation capacity agreements for a purchasing capacity of 150,000 MMBtu/Gas per day starting on August 1, 2016 and ending on July 31, 2036, and a party to a contract for the purchase of power generation equipment and other services related to the equipment. As of June 30, 2018, Tenaris's exposure under these agreements amounted to $56.6 million and $1.8 million respectively.

Tenaris issued a corporate guarantee covering 22% of the obligations of Techgen under a syndicated loan agreement between Techgen and several banks. The loan agreement amounted to $680 million and has been used in the construction of the facility. The main covenants under the corporate guarantee are Tenaris's commitment to maintain its participation in Techgen or the right to purchase at least 22% of Techgen's firm energy, and compliance with a maximum permitted leverage ratio. As of June 30, 2018, the loan agreement had been fully disbursed and, as a result, the amount guaranteed by Tenaris was approximately $149.6 million. During 2018 the shareholders of Techgen made additional investments, in Techgen, in form of subordinated loans, which in case of Tenaris amounted to $3.5 million. In the same period, there were repayments of these loans for $5.5 million. As of June 30, 2018, the aggregate outstanding principal amount under these loans was $91.3 million.

14 Discontinued operations

On December 15, 2016, Tenaris entered into an agreement with Nucor Corporation (NC) pursuant to which it has sold to NC the steel electric conduit business in North America, known as Republic Conduit for an amount of $328 million (net of transaction costs). The sale was completed on 19 January 2017, with effect from 20 January 2017. The result of this transaction was an after-tax gain of $89.7 million, calculated as the net proceeds of the sale less the book value of net assets held for sale, the corresponding tax effect and related expenses.

In addition, the financial performance of the conduit business relative to the 19 days of January 2017 showed a gain of $1.8 million.

	2017
Income from discontinued operations	1,848
After tax gain on the sale of Conduit	89,694
Net Income for discontinued operations	91,542

For further information regarding this transaction please refer to Note 28 of our Consolidated Financial Statements as of 31 December 2017.

15 Related party transactions

As of June 30, 2018:

- San Faustin S.A., a Luxembourg *société anonyme* (“San Faustin”), owned 713,605,187 shares in the Company, representing 60.45% of the Company’s capital and voting rights.

- San Faustin owned all of its shares in the Company through its wholly-owned subsidiary Techint Holdings S.à r.l., a Luxembourg *société à responsabilité limitée* (“Techint”), who is the holder of record of the above-mentioned Tenaris shares.

- Rocca & Partners Stichting Administratiekantoor Aandelen San Faustin, a Dutch private foundation (*Stichting*) (“RP STAK”) held voting shares in San Faustin sufficient to control San Faustin.

§ No person or group of persons controls RP STAK.

Based on the information most recently available to the Company, Tenaris's directors and senior management as a group owned 0.08% of the Company's outstanding shares.

Transactions and balances disclosed as with "non-consolidated parties" are those with companies over which Tenaris exerts significant influence or joint control in accordance with IFRS, but does not have control. All other transactions and balances with related parties which are not non-consolidated parties and which are not consolidated are disclosed as "Other".

The following transactions were carried out with related parties:

(all amounts in thousands of U.S. dollars)	Six-month period ended June 30,	
	2018	2017
(i) Transactions	(Unaudited)	
(a) Sales of goods and services		
Sales of goods to non-consolidated parties	13,540	16,251
Sales of goods to other related parties	65,453	18,382
Sales of services to non-consolidated parties	3,886	5,739
Sales of services to other related parties	3,214	1,648
	86,093	42,020
(b) Purchases of goods and services		
Purchases of goods to non-consolidated parties	109,334	106,301
Purchases of goods to other related parties	50,859	6,801
Purchases of services to non-consolidated parties	5,039	5,653
Purchases of services to other related parties	25,020	25,024
	190,252	143,779

15 Related party transactions (Cont.)

(all amounts in thousands of U.S. dollars)	**At June 30,** 2018	**At December 31,** 2017
(ii) Period-end balances	(Unaudited)	
Arising from sales / purchases of goods / services / others		
Receivables from non-consolidated parties	113,696	117,853
Receivables from other related parties	25,891	50,815
Payables to non-consolidated parties	(32,376)	(49,354)
Payables to other related parties	(22,552)	(14,475)
	84,659	104,839

16 Category of financial instruments and classification within the fair value hierarchy

The following table illustrates the three hierarchical levels for valuing financial instruments at fair value and those measured at amortized cost as of June 30, 2018.

		Measurement Categories		At Fair Value		
June 30, 2018	Carrying amount	Amortized Cost	Fair Value	Level 1	Level 2	Level 3
Assets						
Cash and cash equivalents	427,960	211,793	216,167	216,167	-	-
Cash at banks	115,445	115,445	-	-	-	-
Liquidity funds	216,167	-	216,167	216,167	-	-
Short – term investments	96,348	96,348	-	-	-	-
Other investments	730,240	322,245	407,995	361,873	46,122	-
Fixed income (time-deposit, zero coupon bonds, commercial papers)	322,245	322,245	-	-	-	-
Certificates of deposits	201,589	201,589	-	-	-	-
Commercial papers	19,861	19,861	-	-	-	-
Other notes	100,795	100,795	-	-	-	-
Bonds and other fixed income	407,995	-	407,995	361,873	46,122	-
U.S. government securities	23,520	-	23,520	23,520	-	-
Non - U.S. government securities	134,015	-	134,015	134,015	-	-

Corporates securities	204,338	-	204,338	204,338	-	-
Structured notes	46,122	-	46,122	-	46,122	-
Derivative financial instruments	2,484	-	2,484	-	2,484	-
Other Investments Non- current	197,158	20,008	177,150	172,605	-	4,545
Bonds and other fixed income	172,605	-	172,605	172,605	-	-
Fixed income (time-deposit, zero coupon bonds, commercial papers)	20,008	20,008	-	-	-	-
Other investments	4,545	-	4,545	-	-	4,545
Trade receivables	1,536,323	1,536,323	-	-	-	-
Receivables C and NC	298,010	166,043	-	-	-	-
Other receivables	166,043	166,043	-	-	-	-
Other receivables (non-financial)	131,967	-	-	-	-	-
Available for sale assets (*)	21,572	-	21,572	-	-	21,572
Total		2,256,412	825,368	750,645	48,606	26,117
Liabilities						
Borrowings C and NC	840,495	840,495	-	-	-	-
Trade payables	812,972	812,972	-	-	-	-
Derivative financial instruments	91,615	-	91,615	-	91,615	-
Total		1,653,467	91,615	-	91,615	-

(*) For further detail regarding Available for sale assets, see Note 17.

There were no transfers between Levels during the period.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm’s length basis. The quoted market price used for financial assets held by Tenaris is the current bid price. These instruments are included in Level 1 and comprise primarily corporate and sovereign debt securities.

The fair value of financial instruments that are not traded in an active market (such as certain debt securities, certificates of deposits with original maturity of more than three months, forward and interest rate derivative instruments) is determined by using valuation techniques which maximize the use of observable market data when available and rely as little as possible on entity specific estimates. If all significant inputs required to value an instrument are observable, the instrument is included in Level 2. Tenaris values its assets and liabilities included in this level using bid prices, interest rate curves, broker quotations, current exchange rates, forward rates and implied volatilities obtained from market contributors as of the valuation date.

16 Category of financial instruments and classification within the fair value hierarchy (Cont.)

The fair value of all outstanding derivatives is determined using specific pricing models that include inputs that are observable in the market or can be derived from or corroborated by observable data. The fair value of forward foreign exchange contracts is calculated as the net present value of the estimated future cash flows in each currency, based on observable yield curves, converted into U.S. dollars at the spot rate of the valuation date.

If one or more of the significant inputs are not based on observable market data, the instruments are included in Level 3. Tenaris values its assets and liabilities in this level using observable market inputs and management assumptions which reflect the Company’s best estimate on how market participants would price the asset or liability at measurement date. Main balances included in this level correspond to Available for sale assets related to Tenaris’s interest in Venezuelan companies under process of nationalization (see Note 17).

Borrowings are comprised primarily of fixed rate debt and variable rate debt with a short term portion where interest has already been fixed. They are classified under other financial liabilities and measured at their amortized cost. Tenaris estimates that the fair value of its main financial liabilities is approximately 99.2% of its carrying amount including interests accrued as of June 30, 2018 as compare with 99.4% as of December 31, 2017. Fair values were calculated using standard valuation techniques for floating rate instruments and comparable market rates for discounting flows.

17 Nationalization of Venezuelan Subsidiaries

In May 2009, within the framework of Decree Law 6058, Venezuela’s President announced the nationalization of, among other companies, the Company's majority-owned subsidiaries TAVSA - Tubos de Acero de Venezuela S.A. (“Tavsa”) and Matesi Materiales Siderúrgicos S.A (“Matesi”), and Complejo Siderúrgico de Guayana, C.A (“Comsigua”), in which the Company has a non-controlling interest (collectively, the “Venezuelan Companies”). Between August 2011 and July 2012, Tenaris and its wholly-owned subsidiary Talta - Trading e Marketing Sociedade Unipessoal Lda (“Talta”) initiated two arbitration proceedings against Venezuela before the ICSID in Washington D.C., seeking adequate and effective compensation for the expropriation of their investments in the Venezuelan Companies. On January 29, 2016, the tribunal in the first arbitration proceeding released its award upholding Tenaris’s and Talta’s claim that Venezuela had expropriated their investments in Matesi in violation of Venezuelan law as well as the bilateral investment treaties entered into by Venezuela with the Belgium-Luxembourg Economic Union and Portugal. The award granted compensation in the amount of $87.3 million for the breaches and ordered Venezuela to pay an additional amount of $85.5 million in pre-award interest, aggregating to a total award of $172.8 million, payable in full and net of any applicable Venezuelan tax, duty or charge. The tribunal granted Venezuela a grace period of six months from the date of the award to make payment in full of the amount due without incurring post-award interest, and resolved that if no, or no full, payment is made by then, post-award interest will apply at the rate of 9% per annum, which as of June 30, 2018, amounted to $41 million.

On December 12, 2016, the tribunal in the second arbitration proceeding issued its award upholding Tenaris's and Talta's claim that Venezuela had expropriated their investments in Tavsa and Comsigua in violation of the bilateral investment treaties entered into by Venezuela with the Belgium-Luxembourg Economic Union and Portugal. The award granted compensation in the amount of $137 million and ordered Venezuela to reimburse Tenaris and Talta $3.3 million in legal fees and ICSID administrative costs. In addition, Venezuela was ordered to pay interest from April 30, 2008 until the day of effective payment at a rate equivalent to LIBOR + 4% per annum, which as of June 30, 2018, amounted to $94.6 million.

Venezuela submitted requests for annulment of the awards in accordance with the ICSID Convention and Arbitration Rules. Annulment requests are pending final resolution by the ad-hoc committees.

On June 8, 2018, Tenaris and Talta filed two actions in federal court in the District of Columbia to recognize and enforce the awards. Tenaris and Talta are in the process of effecting service on Venezuela in accordance with US law.

For further information on the nationalization of the Venezuelan subsidiaries, see note 31 "Nationalization of Venezuelan Subsidiaries" to our audited consolidated financial statements for the year ended December 31, 2017.

Edgardo Carlos
Chief Financial Officer

Tenaris S.A. Half-year report 2018-Interim management report

Exhibit – Alternative performance measures

EBITDA, Earnings before interest, tax, depreciation and amortization.

EBITDA provides an analysis of the operating results excluding depreciation and amortization and impairments, as they are non-cash variables which can vary substantially from company to company depending on accounting policies and the accounting value of the assets. EBITDA is an approximation to pre-tax operating cash flow and reflects cash generation before working capital variation. EBITDA is widely used by investors when evaluating businesses (multiples valuation), as well as by rating agencies and creditors to evaluate the level of debt, comparing EBITDA with net debt.

EBITDA is calculated in the following manner:

EBITDA = Operating results + Depreciation and amortization + Impairment charges/(reversals).

	Three-month period ended June 30,		Six-month period ended June 30,	
(all amounts in thousands of U.S. dollars)	2018	2017	2018	2017
Operating income (loss)	222,436	51,490	434,633	87,504
Depreciation and amortization	140,401	148,848	282,203	311,066
EBITDA	362,837	200,338	716,836	398,570

Net Cash / (Debt)

This is the net balance of cash and cash equivalents, other current investments and fixed income investments held to maturity less total borrowings. It provides a summary of the financial solvency and liquidity of the company. Net cash / (debt) is widely used by investors and rating agencies and creditors to assess the company’s leverage, financial strength, flexibility and risks.

Net cash/ debt is calculated in the following manner:

Net cash= Cash and cash equivalents + Other investments (Current and Non-Current)+/- Derivatives hedging borrowings and investments– Borrowings (Current and Non-Current).

(all amounts in thousands of U.S. dollars)	At June 30,	
	2018	2017
Cash and cash equivalents	427,960	271,224
Other current investments	730,240	1,431,881
Non-current Investments	192,613	279,232
Derivatives hedging borrowings and investments	(87,806)	38,669
Borrowings – current and non-current	(840,495)	(852,865)
Net cash / (debt)	422,512	1,168,141

Free Cash Flow

Free cash flow is a measure of financial performance, calculated as operating cash flow less capital expenditures. FCF represents the cash that a company is able to generate after spending the money required to maintain or expand its asset base.

Free cash flow is calculated in the following manner:

Free cash flow = Net cash (used in) provided by operating activities - Capital expenditures.

(all amounts in thousands of U.S. dollars)	Six-month period ended June 30,	
	2018	2017
Net cash provided by (used in) operating activities	321,675	(6,696)
Capital expenditures	(195,731)	(293,806)
Free cash flow	125,944	(300,502)

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