Horizon Pharma plc
Form 10-Q
May 09, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(MARK ONE)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2016

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number 001-35238

HORIZON PHARMA PUBLIC LIMITED COMPANY

(Exact name of registrant as specified in its charter)

Ireland (State or other jurisdiction of incorporation or organization)	Not Applicable (I.R.S. Employer Identification No.)
Connaught House, 1st Floor 1 Burlington Road, Dublin 4, D04 C5Y6, Ireland	Not Applicable

(Address of principal executive offices) (Zip Code)

011 353 1 772 2100

(Registrant's telephone number, including area code)

Not applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer	x	Accelerated filer	o
Non-accelerated filer	o (Do not check if a smaller reporting company)	Smaller reporting company	o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

Number of registrant's ordinary shares, nominal value $0.0001, outstanding as of April 29, 2016: 160,356,705.

HORIZON PHARMA PLC

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

HORIZON PHARMA PLC

CONDENSED CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

(In thousands, except share data)

	As of March 31, 2016	As of December 31, 2015
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$385,853	$859,616
Restricted cash	2,778	1,860
Accounts receivable, net	290,289	210,437
Inventories, net	180,202	18,376
Prepaid expenses and other current assets	17,482	15,858
Total current assets	876,604	1,106,147
Property and equipment, net	18,581	14,020
Developed technology, net	1,976,902	1,609,049
In-process research and development	66,000	66,000
Other intangible assets, net	6,858	7,061
Goodwill	255,602	253,811
Deferred tax assets, net	4,347	2,278
Other assets	600	222
TOTAL ASSETS	$3,205,494	$3,058,588
LIABILITIES AND SHAREHOLDERS’ EQUITY		
CURRENT LIABILITIES:		
Long-term debt—current portion	$4,000	$4,000
Accounts payable	69,671	16,590
Accrued expenses	89,140	100,046
Accrued trade discounts and rebates	224,370	183,769
Accrued royalties—current portion	54,588	51,700
Deferred revenues—current portion	1,155	1,447
Total current liabilities	442,924	357,552
LONG-TERM LIABILITIES:		
Exchangeable notes, net	$286,558	$282,889

Long-term debt, net, net of current	849,622	849,867
Accrued royalties, net of current	172,445	123,519
Deferred revenues, net of current	8,579	8,785
Deferred tax liabilities, net	133,648	113,400
Other long-term liabilities	19,749	9,431
Total long-term liabilities	1,470,601	1,387,891
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Ordinary shares, $0.0001 nominal value; 300,000,000 shares authorized; 160,634,955 and 160,069,067 shares issued at March 31, 2016 and December 31, 2015, respectively, and 160,250,589 and 159,684,701 shares outstanding at March 31, 2016 and December 31, 2015, respectively	$16	$16
Treasury stock, 384,366 ordinary shares at March 31, 2016 and December 31, 2015	(4,585)	(4,585)
Additional paid-in capital	2,026,029	2,001,552
Accumulated other comprehensive loss	(2,898)	(2,651)
Accumulated deficit	(726,593)	(681,187)
Total shareholders' equity	1,291,969	1,313,145
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$3,205,494	$3,058,588

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

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HORIZON PHARMA PLC

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(UNAUDITED)

(In thousands, except share and per share data)

	For the Three Months Ended March 31,	
	2016	2015
Net sales	$204,690	$113,141
Cost of goods sold	77,233	28,853
Gross profit	127,457	84,288
OPERATING EXPENSES:		
Research and development	12,722	6,181
Sales and marketing	75,544	47,063
General and administrative	66,395	26,280
Total operating expenses	154,661	79,524
Operating (loss) income	(27,204)	4,764
OTHER EXPENSE, NET:		
Interest expense, net	(19,458)	(10,032)
Foreign exchange loss	(173)	(837)
Loss on induced conversion of debt and debt extinguishment	—	(10,544)
Other expense, net	(14)	(991)
Total other expense, net	(19,645)	(22,404)
Loss before (benefit) expense for income taxes	(46,849)	(17,640)
(BENEFIT) EXPENSE FOR INCOME TAXES	(1,443)	1,913
NET LOSS	$(45,406)	$(19,553)
NET LOSS PER ORDINARY SHARE—Basic and diluted	$(0.28)	$(0.16)
WEIGHTED AVERAGE ORDINARY SHARES OUTSTANDING—Basic and diluted	159,904,416	125,650,593
OTHER COMPREHENSIVE (LOSS) INCOME, NET OF TAX		
Foreign currency translation adjustments	(247)	1,864
Other comprehensive (loss) income	(247)	1,864
COMPREHENSIVE LOSS	$(45,653)	$(17,689)

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

HORIZON PHARMA PLC

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(In thousands)

	For the Three Months Ended March 31,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(45,406)	$(19,553)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	50,642	18,335
Share-based compensation	27,745	6,674
Royalty accretion	9,359	3,044
Loss on induced conversions of debt and debt extinguishment	—	4,848
Amortization of debt discount and deferred financing costs	4,425	2,206
Foreign exchange loss	173	837
Other	—	102
Changes in operating assets and liabilities:		
Accounts receivable	(69,838)	(53,443)
Inventories	7,317	3,088
Prepaid expenses and other current assets	(242)	(34,307)
Accounts payable	52,856	(18)
Accrued trade discounts and rebates	40,601	2,188
Accrued expenses and accrued royalties	(23,521)	(6,022)
Deferred revenues	(498)	(26)
Deferred income taxes	(2,657)	1,356
Other non-current assets and liabilities	3,225	(48)
Net cash provided by (used in) operating activities	54,181	(70,739)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for acquisitions, net of cash acquired	(514,814)	—
Purchases of property and equipment	(7,525)	(1,577)
Change in restricted cash	(918)	138
Net cash used in investing activities	(523,257)	(1,439)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from issuance of Exchangeable Senior Notes	—	388,000
Repayment of the 2015 Term Loan Facility	(1,000)	—
Proceeds from the issuance of ordinary shares in connection with warrant exercises	—	9,924
Proceeds from the issuance of ordinary shares in connection with stock option exercises	919	1,789
Payment of employee withholding taxes relating to share-based awards	(4,185)	(1,215)

Net cash (used in) provided by financing activities	(4,266)	398,498
Effect of foreign exchange rate changes on cash	(421)	(916)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(473,763)	325,404
CASH AND CASH EQUIVALENTS, beginning of the period	859,616	218,807
CASH AND CASH EQUIVALENTS, end of the period	$385,853	$544,211
Supplemental cash flow information:		
Cash paid for interest	$9,534	$7,311
Cash paid for income taxes	2,368	1,239
Cash paid for induced conversions and debt extinguishment	—	5,370
Supplemental non-cash flow information:		
Purchases of property and equipment included in accounts payable and accrued expenses	$2,851	$1,033
Conversion of Convertible Senior Notes to ordinary shares	—	32,546

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

HORIZON PHARMA PLC

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – BASIS OF PRESENTATION AND BUSINESS OVERVIEW

Basis of Presentation

The unaudited condensed consolidated financial statements presented herein have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, the financial statements do not include all of the information and notes required by GAAP for complete financial statements. In the opinion of management, all adjustments, including normal recurring adjustments, considered necessary for a fair statement of the financial statements have been included. Operating results for the three months ended March 31, 2016 are not necessarily indicative of the results that may be expected for the year ending December 31, 2016. The December 31, 2015 condensed consolidated balance sheet was derived from audited financial statements, but does not include all disclosures required by GAAP.

On September 19, 2014, the businesses of Horizon Pharma, Inc. ("HPI") and Vidara Therapeutics International Public Limited Company ("Vidara") were combined in a merger transaction (the "Vidara Merger"), accounted for as a reverse acquisition under the acquisition method of accounting for business combinations, with HPI treated as the acquiring company in the Vidara Merger for accounting purposes. As part of the Vidara Merger, a wholly-owned subsidiary of Vidara merged with and into HPI, with HPI surviving the Vidara Merger as a wholly-owned subsidiary of Vidara. Prior to the Vidara Merger, Vidara changed its name to Horizon Pharma plc (the "Company"). Upon the consummation of the Vidara Merger, the historical financial statements of HPI became the Company's historical financial statements.

On May 7, 2015, the Company completed its acquisition of Hyperion Therapeutics Inc. ("Hyperion") in which the Company acquired all of the issued and outstanding shares of Hyperion's common stock for $46.00 per share in cash or approximately $1.1 billion on a fully-diluted basis. Following the completion of the acquisition, Hyperion became a wholly-owned subsidiary of the Company and was renamed as Horizon Therapeutics, Inc.

On January 13, 2016, the Company completed its acquisition of Crealta Holdings LLC ("Crealta") for approximately $539.7 million, including cash acquired of $24.9 million. Following the completion of the acquisition, Crealta became a wholly-owned subsidiary of the Company and was renamed as Horizon Pharma Rheumatology LLC.

The unaudited condensed consolidated financial statements presented herein include the results of operations of the acquired businesses from the date of acquisition. See Note 3 for further details of business acquisitions.

Unless otherwise indicated or the context otherwise requires, references to the "Company", "we", "us" and "our" refer to Horizon Pharma plc and its consolidated subsidiaries, including its predecessor, HPI. All references to "Vidara" are references to Horizon Pharma plc (formerly known as Vidara Therapeutics International Public Limited Company) and its consolidated subsidiaries prior to the effective time of the Vidara Merger on September 19, 2014.

The unaudited condensed consolidated financial statements presented herein include the accounts of the Company and its wholly-owned subsidiaries. All inter-company transactions and balances have been eliminated.

Business Overview

The Company is a biopharmaceutical company focused on improving patients' lives by identifying, developing, acquiring and commercializing differentiated and accessible medicines that address unmet medical needs. The Company markets nine medicines through its orphan, primary care and rheumatology business units. The Company's marketed medicines are ACTIMMUNE® (interferon gamma-1b), BUPHENYL® (sodium phenylbutyrate) Tablets and Powder, DUEXIS® (ibuprofen/famotidine), KRYSTEXXA® (pegloticase), MIGERGOT® (ergotamine tartrate and caffeine suppositories), PENNSAID® (diclofenac sodium topical solution) 2% w/w ("PENNSAID 2%"), RAVICTI® (glycerol phenylbutyrate) Oral Liquid, RAYOS® (prednisone) delayed-release tablets and VIMOVO® (naproxen/esomeprazole magnesium).

The Company developed DUEXIS and RAYOS, known as LODOTRA® outside the United States, acquired the U.S. rights to VIMOVO from AstraZeneca AB ("AstraZeneca") in November 2013, acquired certain rights to ACTIMMUNE as a result of the Vidara Merger in September 2014, acquired the U.S. rights to PENNSAID 2% from Nuvo Research Inc. ("Nuvo") in October 2014, acquired RAVICTI and BUPHENYL, known as AMMONAPS® in Europe, as a result of the acquisition of Hyperion in May 2015, and acquired KRYSTEXXA and the U.S. rights to MIGERGOT as a result of the acquisition of Crealta in January 2016.

The Company's medicines are distributed by retail and specialty pharmacies. Part of the Company's commercial strategy for its primary care and rheumatology business units is to offer physicians the opportunity to have their patients fill prescriptions through pharmacies participating in the Company's HorizonCares patient access program. This program does not involve the Company in the prescribing of medicines. The purpose of this program is solely to assist in ensuring that, when physicians determine that one of the Company's medicines offers a potential clinical benefit to their patients and prescribe the medicine for an eligible patient, financial assistance may be available to reduce the commercial patient's out-of-pocket costs. In the first three months of 2016, this resulted in approximately 96 percent of commercial patients having co-pay amounts of $10 or less when filling prescriptions for the Company's medicines utilizing its patient access program. For commercial patients who are prescribed the Company's primary care or rheumatology medicines, the HorizonCares program offers co-pay assistance when a third-party payor covers a prescription but requires an eligible patient to pay a co-pay or deductible, and offers full subsidization when a third-party payor rejects coverage for an eligible patient. For patients who are prescribed the Company's orphan medicines, the Company's patient access programs provide reimbursement support, a clinical nurse program, co-pay and other patient assistance. The aggregate commercial value of the Company's patient access programs for the three months ended March 31, 2016 was $388.6 million. All pharmacies that fill prescriptions for the Company's medicines are fully independent, including those that participate in HorizonCares. The Company does not own or possess any option to purchase an ownership stake in any pharmacy that distributes its medicines, and the Company's relationship with each pharmacy is non-exclusive and arm's length. All of the Company's sales are processed through pharmacies independent of its business.

The Company has a compliance program in place to address adherence with various laws and regulations relating to its sales, marketing and manufacturing of its medicines, as well as certain third-party relationships, including pharmacies. Specifically with respect to pharmacies, the compliance program utilizes a variety of methods and tools to monitor and audit pharmacies, including those that participate in the HorizonCares program, to confirm their activities, adjudication and practices are consistent with the Company's compliance policies and guidance.

The Company is a public limited company formed under the laws of Ireland. The Company operates through a number of international and U.S. subsidiaries with principal business purposes to either hold intellectual property assets, perform research and development or manufacturing operations, serve as distributors of the Company's medicines or provide services and financial support to the Company.

Revision of Prior Period Financial Statements

In the course of preparing the Condensed Consolidated Statements of Comprehensive Loss for the three months ended March 31, 2016, the Company determined that there had been an error in the presentation of the line titled "Foreign currency translation adjustments" for the previously reported three months ended March 31, 2015 (the "Affected Financial Statement"). The Affected Financial Statement presented foreign currency translation adjustment of $1,864,000 as a loss rather than income. In evaluating whether the Company's previously issued consolidated financial statements were materially misstated, the Company considered the guidance in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 250, Accounting Changes and Error Corrections, ASC Topic 250-10-S99-1, Assessing Materiality, and ASC Topic 250-10-S99-2, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements. The Company concluded that this misstatement was not material, individually or in the aggregate, to any of the prior reporting periods, and therefore, amendment of the previously filed reports was not required. As such, the revision for this correction is reflected in the financial information for the three months ended March 31, 2015 presented in this Form 10-Q and will be reflected in any future filings containing such financial information. The following are selected line items from the Company's unaudited condensed consolidated statement of comprehensive loss illustrating the effect of the revision (in thousands):

	For the Three Months Ended March 31, 2015	
	As reported	As adjusted
Net loss	$ (19,553)	$ (19,553)
Foreign currency translation adjustments	(1,864)	$ 1,864
Other comprehensive (loss) income	(1,864)	1,864
Comprehensive loss	$ (21,417)	$ (17,689)

Recent Accounting Pronouncements

From time to time, the Company adopts, as of the specified effective date, new accounting pronouncements issued by the FASB or other standard setting bodies. Unless otherwise discussed, the Company believes that the impact of recently issued standards that are not yet effective will not have a material impact on the Company's financial position or results of operations upon adoption.

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Subtopic 606). The new standard aims to achieve a consistent application of revenue recognition within the United States, resulting in a single revenue model to be applied by reporting companies under GAAP. Under the new model, recognition of revenue occurs when a customer obtains control of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, the new standard requires that reporting companies disclose the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The new standard is required to be applied retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying it recognized at the date of initial application. In March 2016 and April 2016, the FASB issued ASU No. 2016-08 and ASU No. 2016-10, respectively, which further clarify the implementation guidance on principal versus agent considerations contained in ASU No. 2014-09. These standards will be effective for the Company beginning in the first quarter of 2018. Early adoption is permitted, but not before the original effective date of the standard. The Company has not yet selected a transition method nor has it determined the impact of the new standard on its consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15, Presentation of Financial Statements — Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern. ASU No. 2014-15 is intended to define management's responsibility to evaluate whether there is substantial doubt about an organization's ability to continue as a going concern and to provide related footnote disclosures. Substantial doubt about an entity's ability to continue as a going concern exists when relevant conditions and events, considered in the aggregate, indicate that it is probable that the entity will be unable to meet its obligations as they become due within one year after the date that the financial statements are issued (or available to be issued). ASU No. 2014-15 provides guidance to an organization's management, with principles and definitions that are intended to reduce diversity in the timing and content of disclosures that are commonly provided by organizations in the financial statement footnotes. ASU No. 2014-15 is effective for annual reporting periods ending after December 15, 2016 and to annual and interim periods thereafter. Early adoption is permitted. The Company is evaluating the effect of adopting ASU No. 2014-15, but does not expect adoption will have a material impact on the consolidated financial statements and related disclosures.

In April 2015, the FASB issued ASU No. 2015-03, Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. The amendments in this ASU require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. In August 2015, the FASB issued ASU No. 2015-15, which further clarifies the implementation guidance of ASU No. 2015-03. The amendments in these ASUs are effective for the financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. The Company adopted ASU No. 2015-03 on January 1, 2016. The following table summarizes the adjustments made to conform prior period classifications as a result of the new guidance (in thousands):

	As of December 31, 2015		
	As filed	Reclassification	As adjusted
Other non-current assets	$8,581	$ (8,359)	$222
Exchangeable notes, net	(283,675)	786	(282,889)
Long-term debt, net, net of current	(857,440)	7,573	(849,867)

In April 2015, the FASB issued ASU No. 2015-05: Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement which provides guidance on a customer's accounting for fees paid in a cloud computing arrangement. Under the new standard, customers will apply the same criteria as vendors to determine whether a cloud computing arrangement contains a software license or is solely a service contract. The amendments in this ASU, which may be applied prospectively or retrospectively, are effective for annual and interim periods beginning after December 15, 2015. The Company adopted ASU No. 2015-05 on January 1, 2016 and the adoption did not have a material impact on the consolidated financial statements and related disclosures.

In July 2015, the FASB issued ASU No. 2015-11, Inventory (Topic 330): Simplifying the Measurement of Inventory. Under this new guidance, entities that measure inventory using any method other than last-in, first-out or the retail inventory method will be required to measure inventory at the lower of cost and net realizable value. The amendments in this ASU, which should be applied prospectively, are effective for annual and interim periods beginning after December 15, 2016. Early adoption is permitted. The Company is evaluating the effect of adopting ASU No. 2015-11, but does not expect adoption will have a material impact on the consolidated financial statements and related disclosures.

In September 2015, the FASB issued ASU No. 2015-16, Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments (“ASC 805”). Under this guidance, an acquirer is required to recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The amendments in this ASU require that the acquirer record, in the same period’s financial statements, the effect on earnings of changes in depreciation, amortization or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. The amendments in this ASU require an entity to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. The amendments in this ASU, which should be applied prospectively, are effective for annual and interim periods beginning after December 15, 2015. The Company adopted ASU No. 2015-16 on January 1, 2016, and the adoption did not have a material impact on the consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). Under ASU No. 2016-02, an entity will be required to recognize right-of-use assets and lease liabilities on its balance sheet and disclose key information about leasing arrangements. ASU No. 2016-02 offers specific accounting guidance for a lessee, a lessor and sale and leaseback transactions. Lessees and lessors are required to disclose qualitative and quantitative information about leasing arrangements to enable a user of the financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. ASU No. 2016-02 is effective for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period, with early adoption permitted. At adoption, this update will be applied using a modified retrospective approach. The Company is currently in the process of evaluating the impact of adoption of ASU No. 2016-02 on its consolidated financial statements and related disclosures.

In March 2016, the FASB Issued ASU No. 2016-09, Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. The updated guidance will change how companies account for certain aspects of share-based payments to employees. Entities will be required to recognize the income tax effects of awards in the statement of income when the awards vest or are settled. The guidance on accounting for an employee’s use of shares to satisfy the statutory income tax withholding obligation and for forfeitures is changing, and the update requires companies to present excess tax benefits as an operating activity on the statement of cash flows rather than as a financing activity. The amendments in this update will be effective for annual periods beginning after December 15, 2016 and interim periods within those annual periods. Early adoption is permitted. The Company is currently in the process of evaluating the impact of adoption of ASU No. 2016-09 on its consolidated financial statements and related disclosures.

NOTE 2 – NET LOSS PER SHARE

The following table presents basic and diluted net loss per share for the three months ended March 31, 2016 and 2015 (in thousands, except share and per share data):

	For the Three Months Ended March 31,	
	2016	2015
Basic and diluted loss per share calculation:		

Net loss	$ (45,406)	$ (19,553)
Weighted average ordinary shares outstanding	159,904,416	125,650,593
Basic and diluted net loss per share	$ (0.28)	$ (0.16)

Basic net loss per share is computed by dividing net loss by the weighted-average number of ordinary shares outstanding during the period. Diluted earnings per share ("EPS") reflects the potential dilution beyond shares for basic EPS that could occur if securities or other contracts to issue ordinary shares were exercised, converted into ordinary shares, or resulted in the issuance of ordinary shares that would have shared in the Company's earnings.

The potentially dilutive impact of the Horizon Pharma Investment Limited ("Horizon Investment"), a wholly-owned subsidiary of the Company, March 2015 private placement of $400.0 million aggregate principal amount of 2.50% Exchangeable Senior Notes due 2022 (the "Exchangeable Senior Notes") is determined using a method similar to the treasury stock method. Under this method, no numerator or denominator adjustments arise from the principal and interest components of the Exchangeable Senior Notes because the Company has the intent and ability to settle the Exchangeable Senior Notes' principal and interest in cash. Instead, the Company is required to increase the diluted EPS denominator by the variable number of shares that would be issued upon conversion if it settled the conversion spread obligation with shares. For diluted EPS purposes, the conversion spread obligation is calculated based on whether the average market price of the Company's ordinary shares over the reporting period is in excess of the exchange price of the Exchangeable Senior Notes. There was no calculated spread added to the denominator for the three months ended March 31, 2016 or 2015.

NOTE 3 – BUSINESS ACQUISITIONS

Crealta Acquisition

On January 13, 2016, the Company completed its acquisition of all the membership interests of Crealta. The acquisition added two medicines, KRYSTEXXA and MIGERGOT, to the Company's medicine portfolio. The Crealta acquisition further diversified the Company's portfolio of medicines and aligned with its focus of acquiring value-enhancing, clinically differentiated, long-life medicines that treat orphan diseases. The total consideration for the acquisition was approximately $539.7 million, including cash acquired of $24.9 million, and was composed of the following (in thousands):

Cash	$536,181
Net settlements on the exercise of stock options and unrestricted units	3,526
Total consideration	$539,707

During the three months ended March 31, 2016, the Company incurred $10.1 million in Crealta acquisition-related costs including advisory, legal, accounting, valuation, severance, retention bonuses and other professional and consulting fees and $10.0 million and $0.1 million were accounted for as "general and administrative" and "costs of goods sold", respectively, in the condensed consolidated statement of comprehensive loss.

Pursuant to ASC 805, the Company accounted for the Crealta acquisition as a business combination using the acquisition method of accounting. Identifiable assets and liabilities of Crealta, including identifiable intangible assets, were recorded based on their estimated fair values as of the date of the closing of the acquisition. The excess of the purchase price over the fair value of the net assets acquired was recorded as goodwill. Significant judgment was required in determining the estimated fair values of developed technology intangible assets, inventories and certain other assets and liabilities. Such preliminary valuation required estimates and assumptions including, but not limited to, estimating future cash flows and direct costs in addition to developing the appropriate discount rates and current market profit margins. The Company's management believes the fair values recognized for the assets acquired and the liabilities assumed are based on reasonable estimates and assumptions. Accordingly, the unaudited purchase price adjustments are preliminary and are subject to further adjustments as additional information becomes available and as additional analyses are performed, and such further adjustments may be material.

The following table summarizes the preliminary fair values assigned to the assets acquired and the liabilities assumed by the Company (in thousands):

(Liabilities assumed) and assets acquired:	Allocation
Accounts payable and accrued expenses	$ (4,543)
Accrued trade discounts and rebates	(1,424)
Deferred tax liability	(20,835)
Other non-current liability	(6,900)
Contingent royalty liabilities	(51,300)
Cash and cash equivalents	24,893

Accounts receivable	10,014
Inventories	169,054
Prepaid expenses and other current assets	1,382
Developed technology	417,300
Other non-current assets	275
Goodwill	1,791
Fair value of consideration paid	$ 539,707

Inventories acquired included raw materials, work in process and finished goods. Inventories were recorded at their preliminary estimated fair values. The fair value of finished goods has been determined based on the estimated selling price, net of selling costs and a margin on the selling costs. The fair value of work in process has been determined based on estimated selling price, net of selling costs and costs to complete the manufacturing, and a margin on the selling and manufacturing costs. The fair value of raw materials was estimated to equal the replacement cost. A step up in the value of inventory of $163.6 million was recorded in connection with the acquisition. During the three months ended March 31, 2016, the Company amortized $7.4 million of KRYSTEXXA and MIGERGOT inventory step-up.

Other tangible assets and liabilities were valued at their respective carrying amounts as management believes that these amounts approximated their acquisition date fair values.

Other non-current liability represents an assumed $6.9 million probable contingent liability. See Note 12 for further details.

Identifiable intangible assets and liabilities acquired include developed technology and contingent royalties. The preliminary estimated fair values of the developed technology and contingent royalties represent preliminary valuations performed with the assistance of an independent appraisal firm based on management's estimates, forecasted financial information and reasonable and supportable assumptions.

Developed technology intangible assets reflect the estimated fair value of Crealta's rights to its currently marketed medicines, KRYSTEXXA and MIGERGOT. The preliminary fair value of developed technology was determined using an income approach. The income approach explicitly recognizes that the fair value of an asset is premised upon the expected receipt of future economic benefits such as earnings and cash inflows based on current sales projections and estimated direct costs for Crealta's medicines. Indications of value were developed by discounting these benefits to their acquisition-date worth at a discount rate of 27% for KRYSTEXXA and 23% for MIGERGOT. The fair value of the KRYSTEXXA and MIGERGOT developed technologies were capitalized as of the Crealta acquisition date and are subsequently being amortized over approximately 12 and 10 years, respectively, which are the periods in which over 90% of the estimated cash flows are expected to be realized.

The Company has assigned a preliminary fair value to a contingent liability for royalties potentially payable under previously existing agreements related to KRYSTEXXA and MIGERGOT. The royalties for KRYSTEXXA are payable under the terms of a license agreement with Duke University ("Duke") and Mountain View Pharmaceuticals ("MVP"). See Note 12 for details of the percentages of royalties payable under such agreements. The initial fair value of this liability was $51.3 million and was determined using a discounted cash flow analysis incorporating the estimated future cash flows of royalty payments resulting from future sales. The discount rate used was the same as for the fair value of the developed technology.

The preliminary deferred tax liability recorded represents deferred tax liabilities assumed as part of the acquisition, net of deferred tax assets, related to net operating tax loss carryforwards of Crealta.

Goodwill represents the excess of the preliminary acquisition consideration over the estimated fair value of net assets acquired and was recorded in the condensed consolidated balance sheet as of the acquisition date. The Company does not expect any portion of this goodwill to be deductible for tax purposes.

Hyperion Acquisition

On May 7, 2015, the Company completed the acquisition of Hyperion in which it acquired all of the issued and outstanding shares of Hyperion's common stock for $46.00 per share. The acquisition added two important medicines, RAVICTI and BUPHENYL, to the Company's medicine portfolio. Through the acquisition, the Company leveraged as well as expanded the existing infrastructure of its orphan disease business. The total consideration for the acquisition was approximately $1.1 billion and was composed of the following (in thousands, except share and per share data):

Fully diluted equity value (21,425,909 shares at $46.00 per share)	$985,592
Net settlements on the exercise of stock options, restricted stock and performance stock units	89,806
Total consideration	$1,075,398

During the three months ended March 31, 2016 and 2015, the Company incurred $0.7 million and $1.9 million, respectively, in Hyperion acquisition-related costs. The costs during the three months ended March 31, 2016 included consulting costs, lease termination charges and other consulting fees, and were accounted for as “general and administrative” expenses in the condensed consolidated statement of comprehensive loss.

Pursuant to ASC 805, the Company accounted for the Hyperion acquisition as a business combination using the acquisition method of accounting. Identifiable assets and liabilities of Hyperion, including identifiable intangible assets, were recorded based on their estimated fair values as of the date of the closing of the acquisition. The excess of the purchase price over the fair value of the net assets acquired was recorded as goodwill. Significant judgment was required in determining the estimated fair values of developed technology intangible assets and certain other assets and liabilities. Such a preliminary valuation required estimates and assumptions including, but not limited to, estimating future cash flows and direct costs in addition to developing the appropriate discount rates and current market profit margins. The Company’s management believes the fair values recognized for the assets acquired and the liabilities assumed are based on reasonable estimates and assumptions. Accordingly, the purchase price adjustments are preliminary and are subject to further adjustments as additional information becomes available and as additional analyses are performed, and such further adjustments may be material.

The following table summarizes the preliminary fair values assigned to the assets acquired and the liabilities assumed by the Company (in thousands):

(Liabilities assumed) and assets acquired:	Allocation
Deferred tax liability, net	$(262,732)
Accounts payable	(2,439)
Accrued trade discounts and rebates	(9,792)
Accrued expenses	(7,566)
Contingent royalties	(86,800)
Cash and cash equivalents	53,037
Short-term investments	39,049
Long-term investments	25,574
Accounts receivable, net	11,858
Inventory	13,498
Prepaid expenses and other current assets	2,533
Property and equipment	1,044
Other non-current assets	123
Developed technology	1,044,200
Goodwill	253,811
Fair value of consideration paid	$1,075,398

Inventories acquired included raw materials and finished goods. Inventories were recorded at their current fair values. The fair value of finished goods has been determined based on the estimated selling price, net of selling costs and a margin on the selling costs. The fair value of raw materials was estimated to equal the replacement cost. A step up in the value of inventory of $8.7 million was recorded in connection with the acquisition and has subsequently been fully recognized in the condensed consolidated statement of comprehensive loss.

Other tangible assets and liabilities were valued at their respective carrying amounts as management believes that these amounts approximated their acquisition date fair values.

Identifiable intangible assets and liabilities acquired include developed technology and contingent royalties. The preliminary fair values of the developed technology and contingent royalties represent preliminary valuations performed with the assistance of an independent appraisal firm based on management’s estimates, forecasted financial information and reasonable and supportable assumptions.

Developed technology intangible assets reflect the estimated value of Hyperion’s rights to its currently marketed medicines, RAVICTI and BUPHENYL. The fair value of developed technology was determined using an income approach. The income approach explicitly recognizes that the fair value of an asset is premised upon the expected receipt of future economic benefits such as earnings and cash inflows based on current sales projections and estimated direct costs for Hyperion’s medicines. Indications of value were developed by discounting these benefits to their acquisition-date worth at a discount rate of 8.5% that reflected the then-current return requirements of the market. The fair value of the RAVICTI and BUPHENYL developed technologies were capitalized as of the Hyperion acquisition date and are subsequently being amortized over 11 and 7 years, respectively, which are the periods in which over 90% of the estimated cash flows are expected to be realized.

The Company has assigned a preliminary fair value to a contingent liability for royalties potentially payable under previously existing agreements related to RAVICTI and BUPHENYL. The royalties are payable under the terms of an asset purchase agreement and an amended and restated collaboration agreement with Ucyclyd Pharma, Inc. (“Ucyclyd”) and a license agreement with Saul W. Brusilow, M.D. and Brusilow Enterprises Inc. (together “Brusilow”). See Note 12 for details of the percentages payable under such agreements. The initial fair value of this liability was $86.8 million and was determined using a discounted cash flow analysis incorporating the estimated future cash flows of royalty payments resulting from future sales. The discount rate used was the same as for the fair value of the developed technology.

Deferred tax assets and liabilities arise from acquisition accounting adjustments where book values of certain assets and liabilities differ from their tax bases. Deferred tax assets and liabilities are recorded at the currently enacted rates which will be in effect at the time when the temporary differences are expected to reverse in the country where the underlying assets and liabilities are located. Hyperion’s developed technology as of the acquisition date was located primarily in the United States where a U.S. tax rate of 39% is being utilized and a significant deferred tax liability is recorded. Upon consummation of the Hyperion acquisition, Hyperion became a member of the Company’s U.S. tax consolidation group. As such, its tax assets and liabilities were considered in determining the appropriate amount (if any) of valuation allowances that should be recognized in assessing the realizability of the group’s deferred tax assets. The Hyperion acquisition adjustments resulted in the recognition of significant net deferred tax liabilities. Per ASC Topic 740, Accounting for Uncertainty in Income Taxes, future reversals of existing taxable temporary differences provide objectively verifiable evidence that should be considered as a source of taxable income to realize a tax benefit for deductible temporary differences and carryforwards. Generally, the existence of sufficient taxable temporary differences will enable the use of the tax benefit of existing deferred tax assets. As of the first quarter of 2015, the Company had significant U.S. federal and state valuation allowances. These valuation allowances were released in the second quarter of 2015 to reflect the recognition of Hyperion’s deferred tax liabilities that will provide taxable temporary differences that will be realized within the carryforward period of the Company’s U.S. tax consolidation group’s available net operating losses and other deferred tax assets. Accordingly, the Company recorded an income tax benefit of $105.1 million in the second quarter of 2015 relating to the release of existing U.S. federal and state valuation allowances.

Short-term and long-term investments included in the table above represent available-for-sale securities that were reported in short-term investments or long-term investments based on maturity dates and whether such assets are reasonably expected to be realized in cash or sold or consumed during the normal cycle of business. Available-for-sale investments were recorded at fair value and were liquidated shortly after the acquisition.

Goodwill represents the excess of the preliminary acquisition consideration over the estimated fair value of net assets acquired and was recorded in the condensed consolidated balance sheet as of the acquisition date. The Company does not expect any portion of this goodwill to be deductible for tax purposes.

Pro Forma Information

The following table represents the condensed consolidated financial information for the Company for the three months ended March 31, 2015 on a pro forma basis, assuming that the Crealta and Hyperion acquisitions occurred as of January 1, 2015. The historical financial information has been adjusted to give effect to pro forma items that are directly attributable to the Crealta and Hyperion acquisitions, and are expected to have a continuing impact on the consolidated results. These items include, among others, adjustments to record the amortization of definite-lived intangible assets, interest expense, debt discount and deferred financing costs associated with the debt in connection with the acquisitions.

The Company does not believe that the pre-acquisition operating results for Crealta during January 2016 are material to the combined entity and as such the Company did not prepare an unaudited pro forma combined statement of operations for the three months ended March 31, 2016.

Additionally, the following table sets forth unaudited financial information and has been compiled from historical financial statements and other information, but is not necessarily indicative of the results that actually would have been achieved had the transactions occurred on the dates indicated or that may be achieved in the future (in thousands):

	For the Three Months Ended March 31, 2015		
	As reported	Pro forma adjustments	Pro forma
Net sales	$113,141	$ 40,613	$153,754
Net loss	$(19,553)	$ (21,013)	$(40,566)

The Company's unaudited condensed consolidated statements of comprehensive loss for the three months ended March 31, 2016 include KRYSTEXXA and MIGERGOT net sales as a result of the acquisition of Crealta of $16.2 million and $0.9 million, respectively, and RAVICTI and BUPHENYL net sales as a result of the acquisition of Hyperion of $37.1 million and $3.7 million, respectively. Hyperion and Crealta have been fully integrated into the Company's business and as a result of these integration efforts, the Company cannot distinguish between these operations and those of the Company's legacy business.

NOTE 4 – INVENTORIES

Inventories are stated at the lower of cost or market value. Inventories consist of raw materials, work-in-process and finished goods. The Company has entered into manufacturing and supply agreements for the manufacture or purchase of raw materials and production supplies. The Company's inventories include the direct purchase cost of materials and supplies and manufacturing overhead costs.

The components of inventories as of March 31, 2016 and December 31, 2015 consisted of the following (in thousands):

	March 31, 2016	December 31, 2015
Raw materials	$ 1,719	$ 6,232
Work-in-process	143,245	631
Finished goods	35,238	11,513
Inventories, net	$ 180,202	$ 18,376

Work-in-progress and finished goods at March 31, 2016 included $135.5 million and $20.7 million, respectively, of stepped-up KRYSTEXXA and MIGERGOT inventory. During the three months ended March 31, 2016, the Company amortized $7.4 million of KRYSTEXXA and MIGERGOT inventory step-up.

NOTE 5 – PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets as of March 31, 2016 and December 31, 2015 consisted of the following (in thousands):

	March 31, 2016	December 31, 2015
Medicine samples inventory	$ 5,154	$ 4,697
Prepaid co-pay expenses	1,949	1,881
Prepaid software license fees	1,217	1,638
Other prepaid expenses	9,162	7,642
Prepaid expenses and other current assets	$ 17,482	$ 15,858

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment as of March 31, 2016 and December 31, 2015 consisted of the following (in thousands):

	March 31, 2016	December 31, 2015
Machinery and equipment	$ 2,834	$ 2,946
Computer equipment	2,797	2,514
Software	7,978	1,360
Leasehold improvements	6,788	1,966
Other	1,634	276
	22,031	9,062
Less accumulated depreciation	(4,693)	(3,791)
Construction in process	160	3,492
Software implementation in process	1,083	5,257
Property and equipment, net	$ 18,581	$ 14,020

The Company capitalizes development costs associated with internal use software, including external direct costs of materials and services and payroll costs for employees devoting time to a software project. Costs incurred during the preliminary project stage, as well as costs for maintenance and training, are expensed as incurred.

Software implementation in process as of March 31, 2016 and December 31, 2015 is related to new enterprise resource planning software being implemented by the Company. The software is being implemented on a phased basis starting January 2016 and depreciation is not recorded on capitalized costs relating to a phase which has not yet entered service. Once a particular phase of the project enters service, associated capitalized costs are moved from “software implementation in process” to “software” in the table above, and depreciation commences.

Depreciation expense was $1.0 million and $0.7 million for the three months ended March 31, 2016 and 2015, respectively.

NOTE 7 – GOODWILL AND INTANGIBLE ASSETS

Goodwill

The gross carrying amount of goodwill as of March 31, 2016 was as follows (in thousands):

Balance at December 31, 2015	$253,811
Acquired during the period	1,791
Balance at March 31, 2016	$255,602

In May 2015, the Company recognized goodwill with a preliminary value of $253.8 million in connection with the Hyperion acquisition, which represented the excess of the purchase price over the fair value of the net assets acquired.

In January 2016, the Company recognized goodwill with a preliminary value of $1.8 million in connection with the Crealta acquisition, which represented the excess of the purchase price over the fair value of the net assets acquired.

As of March 31, 2016, there were no accumulated goodwill impairment losses.

Intangible Assets

The Company's intangible assets consist of developed technology related to ACTIMMUNE, PENNSAID 2%, RAYOS, VIMOVO, RAVICTI, BUPHENYL, KRYSTEXXA and MIGERGOT in the United States, and LODOTRA and AMMONAPS in Europe, as well as in-process research and development ("IPR&D") and customer relationships for ACTIMMUNE.

In May 2015, in connection with the acquisition of Hyperion, the Company capitalized $1,021.6 million of developed technology related to RAVICTI and $22.6 million of developed technology related to BUPHENYL.

In January 2016, in connection with the acquisition of Crealta, the Company capitalized $392.7 million of developed technology related to KRYSTEXXA and $24.6 million of developed technology related to MIGERGOT.

See Note 3 for further details of intangible assets acquired in business acquisitions.

The Company tests its intangible assets for impairment when events or circumstances may indicate that the carrying value of these assets exceeds their fair value. The Company does not believe there have been any circumstances or events that would indicate that the carrying value of any of its intangible assets was impaired at March 31, 2016 or December 31, 2015.

As of March 31, 2016 and December 31, 2015, amortizable intangible assets consisted of the following (in thousands):

	March 31, 2016			December 31, 2015		
	Cost Basis	Accumulated Amortization	Net Book Value	Cost Basis	Accumulated Amortization	Net Book Value
Developed technology	$2,209,795	$ (232,893)	$1,976,902	$1,792,495	$ (183,446)	$1,609,049
Customer relationships	8,100	(1,242)	6,858	8,100	(1,039)	7,061
Total amortizable intangible assets	$2,217,895	$ (234,135)	$1,983,760	$1,800,595	$ (184,485)	$1,616,110

IPR&D is not amortized until successful completion of the project. IPR&D assets represent capitalized incomplete research projects related to ACTIMMUNE that the Company acquired through a business combination.

Amortization expense for the three months ended March 31, 2016 and 2015 was $49.7 million and $17.7 million, respectively. As of March 31, 2016, estimated future amortization expense was as follows (in thousands):

2016 (April to December)	$152,134
2017	202,946
2018	202,946
2019	189,953
2020	189,735
Thereafter	1,046,046
Total	$1,983,760

NOTE 8 – ACCRUED TRADE DISCOUNTS AND REBATES

Accrued trade discounts and rebates as of March 31, 2016 and December 31, 2015 consisted of the following (in thousands):

	March 31, 2016	December 31, 2015
Accrued wholesaler fees and commercial rebates	$24,482	$21,112
Accrued co-pay and other patient assistance	126,255	114,201
Accrued government rebates and chargebacks	73,633	48,456
Accrued trade discounts and rebates	$224,370	$183,769
Invoiced wholesaler fees and commercial rebates, co-pay and other patient assistance, and government rebates and chargebacks in accounts payable	45,263	—
Total customer-related accruals and allowances	$269,633	$183,769

The following table summarizes changes in the Company's customer-related accruals and allowances from December 31, 2015 to March 31, 2016 (in thousands):

	Wholesaler Fees and Commercial Rebates	Co-Pay and Other Patient Assistance	Government Rebates and Chargebacks	Total
Balance at December 31, 2015	$ 21,112	$ 114,201	$ 48,456	$183,769
Current provisions relating to sales in the three months ended March 31, 2016	25,480	388,552	60,286	474,318
Adjustments relating to prior year sales	2,956	—	(2,282)	674
Payments relating to sales in the three months ended March 31, 2016	(7,194)	(224,243)	(17,037)	(248,474)
Payments relating to sales in prior years	(18,334)	(114,189)	(9,555)	(142,078)
Crealta acquisition on January 13, 2016	492	—	932	1,424
Balance at March 31, 2016	$ 24,512	$ 164,321	$ 80,800	$269,633

NOTE 9 – ACCRUED EXPENSES

Accrued expenses as of March 31, 2016 and December 31, 2015 consisted of the following (in thousands):

	March 31, 2016	December 31, 2015
Payroll-related expenses	$33,790	$47,205
Consulting and professional services	12,483	17,160
Accrued interest	16,187	10,637
Accrued other	26,680	25,044
Accrued expenses	$89,140	$100,046

Accrued payroll-related expenses at March 31, 2016 include $5.4 million and $3.2 million relating to severance and related employee costs as a result of the Hyperion and Crealta acquisitions, respectively. The Company anticipates that a significant amount of Hyperion and Crealta acquisition-related accrued expenses will be paid by the end of the second quarter of 2016 and the first quarter of 2017, respectively.

NOTE 10 – ACCRUED ROYALTIES

Changes in the liability for royalties during the three months ended March 31, 2016 consisted of the following (in thousands):

Balance as of December 31, 2015	$175,219
Assumed KRYSTEXXA and MIGERGOT accrued royalties	99
Assumed KRYSTEXXA and MIGERGOT contingent royalty liabilities	51,300
Royalty payments	(8,944)
Accretion expense	9,359
Balance as of March 31, 2016	227,033
Less: Current portion	(54,588)
Accrued royalties, net of current	$172,445

The Company did not record any remeasurements of contingent royalty liabilities during the three months ended March 31, 2016, as there were no triggering events during the period.

NOTE 11 – FAIR VALUE MEASUREMENTS

The following tables and paragraphs set forth the Company’s financial instruments that are measured at fair value on a recurring basis within the fair value hierarchy. Assets and liabilities measured at fair value are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company’s assessment of the significance of a particular input to the fair value measurement in its entirety requires management to make judgments and consider factors specific to the asset or liability. The following describes three levels of inputs that may be used to measure fair value:

Level 1—Observable inputs such as quoted prices in active markets for identical assets or liabilities;

Level 2—Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and

Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Company utilizes the market approach to measure fair value for its money market funds. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

As of March 31, 2016, the Company's restricted cash included bank time deposits which were measured at fair value using Level 2 inputs and their carrying values were approximately equal to their fair values. Level 2 inputs, obtained from various third-party data providers, represent quoted prices for similar assets in active markets, or these inputs were derived from observable market data, or if not directly observable, were derived from or corroborated by other observable market data. There were no transfers between the different levels of the fair value hierarchy in 2016 or 2015.

Assets and liabilities measured at fair value on a recurring basis

The following table sets forth the Company's financial assets and liabilities at fair value on a recurring basis as of March 31, 2016 and December 31, 2015 (in thousands):

	March 31, 2016			
	Level 1	Level 2	Level 3	Total
Assets:				
Bank time deposits	$—	$1,500	$ —	$1,500
Money market funds	210,280	—	—	210,280
Total assets at fair value	$210,280	$1,500	$ —	$211,780

	December 31, 2015			
	Level 1	Level 2	Level 3	Total
Assets:				
Bank time deposits	$—	$1,000	$ —	$1,000
Money market funds	280,053	—	—	280,053
Total assets at fair value	$280,053	$1,000	$ —	$281,053

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Lease Obligations

The Company has the following lease agreements in place for real properties:

Location	Approximate Square Footage	Lease Expiry Date
Dublin, Ireland	18,900	November 4, 2029
Lake Forest, Illinois (1)	160,000	March 31, 2024
Deerfield, Illinois (2)	53,500	June 30, 2018
Brisbane, California (3)	20,100	November 30, 2019
Mannheim, Germany	9,500	December 31, 2016
Chicago, Illinois	6,500	December 31, 2018
Roswell, Georgia	6,200	October 31, 2018
Reinach, Switzerland	3,500	May 31, 2020

(1) In connection with the Lake Forest, Illinois lease, the Company has provided a $2.0 million letter of credit to the landlord, through a commercial bank. The Company has two separate lease agreements in place for this property, one of which, consisting of approximately 15,000 square feet, was assumed by the Company as a result of its acquisition of Crealta in January 2016 and will expire on October 31, 2017.

(2) The Company vacated the premises in Deerfield, Illinois in January 2016.

(3) The Company vacated the premises in Brisbane, California in December 2015 and entered into a sublease agreement for the property with a third party.

Purchase Commitments

In August 2007, the Company entered into a manufacturing and supply agreement with Jagotec AG (“Jagotec”). Under the agreement, Jagotec or its affiliates are required to manufacture and supply RAYOS/LODOTRA exclusively to the Company in bulk. The Company committed to a minimum purchase of RAYOS/LODOTRA tablets from Jagotec for five years from the date of first launch of RAYOS/LODOTRA in a major country, as defined in the agreement, which was April 2009. Thereafter, the agreement automatically renews on a yearly basis until either party provides two years advance written notice of termination. In April 2016 the agreement automatically renewed, therefore the earliest the agreement can expire according to this advance notice procedure is April 15, 2019, and the minimum purchase commitment is in force until April 2019. At March 31, 2016, the minimum purchase commitment based on tablet pricing in effect under the agreement was $2.6 million through April 2019.

In May 2011, the Company entered into a manufacturing and supply agreement with Sanofi-Aventis U.S. LLC (“Sanofi-Aventis U.S.”), and amended the agreement effective as of September 25, 2013. Pursuant to the agreement, as amended, Sanofi-Aventis U.S. is obligated to manufacture and supply DUEXIS to the Company in final, packaged form, and the Company is obligated to purchase DUEXIS exclusively from Sanofi-Aventis U.S. for the commercial requirements of DUEXIS in North America, South America and certain countries and territories in Europe, including the European Union (“EU”) member states and Scandinavia. At March 31, 2016, the Company had a binding purchase commitment to Sanofi-Aventis U.S. for DUEXIS of $8.9 million, which is to be delivered through June 2016.

In July 2013, Vidara and Boehringer Ingelheim RCV GmbH & Co. KG (“Boehringer Ingelheim”) entered into an exclusive supply agreement, which the Company assumed as a result of the Vidara Merger. Under the agreement, Boehringer Ingelheim is required to manufacture and supply interferon gamma-1 b (ACTIMMUNE) to the Company.

The Company is required to purchase minimum quantities of finished medicine per annum through July 2020. As of March 31, 2016, the minimum binding purchase commitment to Boehringer Ingelheim was $15.9 million (converted using a Dollar-to-Euro exchange rate of 1.1381) through July 2020.

In November 2013, the Company entered into a long-term master manufacturing services and product agreement with Patheon Pharmaceuticals Inc. (“Patheon”) pursuant to which Patheon is obligated to manufacture VIMOVO for the Company through December 31, 2019. The Company agreed to purchase a specified percentage of VIMOVO requirements for the United States from Patheon. The Company must pay an agreed price for final, packaged VIMOVO supplied by Patheon as set forth in the Patheon manufacturing agreement, subject to adjustments, including certain unilateral adjustments by Patheon, such as annual adjustments for inflation and adjustments to account for certain increases in the cost of components of VIMOVO other than active materials. The Company issues 12-month forecasts of the volume of VIMOVO that the Company expects to order. The first six months of the forecast are considered binding firm orders. At March 31, 2016, the Company had a binding purchase commitment with Patheon for VIMOVO of $3.7 million through May 2016.

In October 2014, in connection with the acquisition of the U.S. rights to PENNSAID 2% from Nuvo, the Company and Nuvo entered into an exclusive supply agreement, which was amended in February 2016. Under the supply agreement, Nuvo is obligated to manufacture and supply PENNSAID 2% to the Company. The term of the supply agreement is through December 31, 2029, but the agreement may be terminated earlier by either party for any uncured material breach by the other party of its obligations under the supply agreement or upon the bankruptcy or similar proceeding of the other party. At least 90 days prior to the first day of each calendar month during the term of the supply agreement, the Company submits a binding written purchase order to Nuvo for PENNSAID 2% in minimum batch quantities. At March 31, 2016, the Company had a binding purchase commitment with Nuvo for PENNSAID 2% of $9.1 million through June 2016.

Purchase orders relating to the manufacture of RAVICTI and BUPHENYL of $5.0 million were outstanding at March 31, 2016. In addition to these purchase orders, the Company's manufacturing agreement with Lyne Laboratories Inc. in relation to RAVICTI provides for a minimum purchase amount of $0.5 million for 2016.

In March 2007, Savient Pharmaceuticals, Inc. (as predecessor in interest in Crealta), entered into a commercial supply agreement with Bio-Technology General (Israel) Ltd ("BTG Israel) for the production of the bulk KRYSTEXXA medicine ("bulk medicine"). The Company assumed this agreement as part of the Crealta acquisition. Under this agreement, the Company is obligated to purchase at least 80 percent of its annual world-wide bulk medicine requirements from BTG Israel. In December 2015, Crealta received a notice of termination from BTG Israel and as a result the agreement will terminate on December 15, 2018. If the manufacture of the bulk medicine is moved out of Israel, the Company may be required to obtain the approval of the Israeli Office of the Chief Scientist ("OCS") because certain KRYSTEXXA intellectual property was initially developed with a grant funded by the OCS. In addition, if the manufacturing is moved out of Israel, the Company may be required to pay the OCS additional amounts as a repayment for the OCS grant funding. As of the Crealta acquisition date it was probable that the manufacture of the KRYSTEXXA bulk medicine would be moved outside of Israel and the Company may be required to pay additional amounts estimated at approximately $6.9 million. The estimated obligation was recorded as an assumed contingent liability as of the Crealta acquisition date (see Note 3 for further details) and is included in "other long-term liabilities" in the condensed consolidated balance sheet. The Company issues 18-month forecasts of the volume of KRYSTEXXA that the Company expects to order. The first six months of the forecast are considered binding firm orders. At March 31, 2016, the Company had a binding purchase commitment with BTG Israel for KRYSTEXXA of $2.5 million through June 2016.

Royalty Agreements

RAYOS/LODOTRA

In connection with an August 2004 development and license agreement with SkyePharma AG ("SkyePharma") and Jagotec, a wholly-owned subsidiary of SkyePharma, regarding certain proprietary technology and know-how owned by SkyePharma, Jagotec is entitled to receive a single digit percentage royalty on net sales of RAYOS/LODOTRA and on any sub-licensing income, which includes any payments not calculated based on the net sales of RAYOS/LODOTRA, such as license fees, lump sums and milestone payments.

VIMOVO

The Company entered into a license agreement with Pozen Inc., who subsequently entered into a business combination with Tribute Pharmaceuticals Canada Inc. to become known as Aralez Pharmaceuticals Inc. ("Aralez"). Under this agreement, the Company is required to pay Aralez a flat 10% royalty on net sales of VIMOVO and other medicines sold by the Company, its affiliates or sublicensees during the royalty term that contain gastroprotective agents in a single fixed combination oral solid dosage form with nonsteroidal anti-inflammatory drugs, subject to minimum annual royalty obligations of $7.5 million. These minimum royalty obligations will continue for each year during which one of Aralez's patents covers such medicines in the United States and there are no competing medicines in the United States. The royalty rate may be reduced to a mid-single digit royalty rate as a result of loss of market share to competing medicines. The Company's obligation to pay royalties to Aralez will expire upon the later of (a) expiration of the last-to-expire of certain patents covering such medicines in the United States, and (b) ten years after the first commercial sale of such medicines in the United States.

ACTIMMUNE

Under a license agreement, as amended, with Genentech Inc. ("Genentech"), who was the original developer of ACTIMMUNE, the Company is or was obligated to pay royalties to Genentech on its net sales of ACTIMMUNE as follows:

- Through November 25, 2014, a royalty of 45% of the first $3.7 million in net sales achieved in a calendar year, and 10% on all additional net sales in that year;
- For the period from November 26, 2014 through May 5, 2018, a royalty in the 20% to 30% range for the first tier in net sales and in the 1% to 9% range for the second tier; and
- From May 6, 2018 and for so long as the Company continues to commercially sell ACTIMMUNE, an annual royalty in the low single digits as a percentage of annual net sales.

Under the terms of an assignment and option agreement with Connetics, the Company is obligated to pay royalties to Connetics on the Company's net sales of ACTIMMUNE as follows:

- 0.25% of net sales of ACTIMMUNE, rising to 0.5% once cumulative net sales of ACTIMMUNE in the United States surpass $1.0 billion; and in the event the Company develops and receives regulatory approval for ACTIMMUNE in the indication of scleroderma, the Company will be obligated to pay a royalty of 4% on all net sales of ACTIMMUNE recorded for use in that indication.

RAVICTI

Under the terms of an asset purchase agreement with Ucyclyd, the Company is obligated to pay to Ucyclyd tiered mid to high single-digit royalties on its global net sales of RAVICTI. Under the terms of a license agreement with Brusilow, the Company is obligated to pay low single-digit royalties to Brusilow on net sales of RAVICTI that are covered by a valid claim of a licensed patent.

BUPHENYL

Under the terms of an amended and restated collaboration agreement with Ucyclyd, the Company is obligated to pay to Ucyclyd tiered mid to high single-digit royalties on its net sales in the United States of BUPHENYL to urea cycle disorder patients outside of the U.S. Food and Drug Administration ("FDA") approved labeled age range for RAVICTI.

KRYSTEXXA

Under the terms of a license agreement with Duke and MVP, the Company is obligated to pay Duke a mid-single digit royalty on its global net sales of KRYSTEXXA and a low-double digit royalty on any global sublicense revenue. The Company is also obligated to pay MVP a mid-single digit royalty on its net sales of KRYSTEXXA outside of the United States and a low-double digit to royalty on any sublicense revenue outside of the United States.

The royalty obligations described above are included in accrued royalties on the Company's condensed consolidated balance sheets.

Total royalty-related expenses recognized in cost of goods sold for the three months ended March 31, 2016 and 2015 was $10.5 million and $3.6 million, respectively.

Contingencies

The Company is subject to claims and assessments from time to time in the ordinary course of business. The Company's management does not believe that any such matters, individually or in the aggregate, will have a material adverse effect on the Company's business, financial condition, results of operations or cash flows. In addition, the Company from time to time has billing disputes with vendors in which amounts invoiced are not in accordance with the terms of their contracts.

In November 2015, Express Scripts, Inc. ("Express Scripts") filed suit against the Company in Delaware Superior Court, Newcastle County, asserting claims for breach of contract, breach of the implied covenant of good faith and fair dealing, unjust enrichment and declaratory relief arising from the parties' 2012 Preferred Savings Grid Rebate Program Agreement. In its complaint, Express Scripts seeks damages of $139.9 million for alleged unpaid rebates and administrative fees as of October 1, 2015, additional potential rebates and administrative fees through the end of 2015, late fees, interest and attorneys' fees and costs. On January 11, 2016, the Company answered the complaint, denying Express Scripts' claims and denying that it owes Express Scripts any damages or other relief. The Company also filed a counter-claim against Express Scripts for breach of contract, breach of the implied covenant of good faith and fair dealing and declaratory relief arising from Express Scripts' breach of the rebate agreement. On February 1, 2016, Express Scripts filed an answer to the Company's counter-claim. The parties have commenced discovery and a bench trial in the case is currently scheduled for April 2017. Consistent with FAS 5, Accounting for Contingencies, the Company did not establish a reserve in relation to the above suit as the Company currently believes that a loss is not probable nor reasonably estimable.

In November 2015, the Company received a subpoena from the U.S. Attorney's Office for the Southern District of New York requesting documents and information related to its patient access programs and other aspects of its marketing and commercialization activities. The Company is unable to predict how long this investigation will continue or its outcome, but it anticipates that it may incur significant costs in connection with the investigation, regardless of the outcome. The Company may also become subject to similar investigations by other governmental agencies. The investigation by the U.S. Attorney's Office and any additional investigations of the Company's patient access programs and sales and marketing activities may result in damages, fines, penalties or other administrative sanctions against the Company.

Indemnification

In the normal course of business, the Company enters into contracts and agreements that contain a variety of representations and warranties and provide for general indemnifications. The Company's exposure under these agreements is unknown because it involves claims that may be made against the Company in the future, but have not yet been made. To date, the Company has not paid any claims or been required to defend any action related to its indemnification obligations. However, the Company may record charges in the future as a result of these indemnification obligations.

In accordance with its memorandum and articles of association, the Company has indemnification obligations to its officers and directors for certain events or occurrences, subject to certain limits, while they are serving at the Company's request in such capacity. Additionally, the Company has entered, and intends to continue to enter, into separate indemnification agreements with its directors and executive officers. These agreements, among other things, require the Company to indemnify its directors and executive officers for certain expenses, including attorneys' fees, judgments, fines and settlement amounts incurred by a director or executive officer in any action or proceeding arising out of their services as one of the Company's directors or executive officers, or any of the Company's subsidiaries or any other company or enterprise to which the person provides services at the Company's request. There have been no claims to date and the Company has a director and officer insurance policy that enables it to recover a portion of any amounts paid for future potential claims. Certain of the Company's officers and directors had also entered into separate indemnification agreements with HPI prior to the Vidara Merger.

NOTE 13 – LEGAL PROCEEDINGS

On July 15, 2013, the Company received a Paragraph IV Patent Certification from Watson Laboratories, Inc.—Florida, known as Actavis Laboratories FL, Inc. ("Actavis FL"), advising that Actavis FL had filed an Abbreviated New Drug Application ("ANDA") with the FDA for a generic version of RAYOS, containing up to 5 mg of prednisone. On August 26, 2013, the Company, together with Jagotec, filed suit in the United States District Court for the District of New Jersey against Actavis FL, Actavis Pharma, Inc., Andrx Corp., and Actavis, Inc. seeking an injunction to prevent the approval of the ANDA.

On October 1, 2015, the Company's subsidiary Horizon Pharma Switzerland GmbH, as well as Jagotec, entered into a license and settlement agreement (the "Actavis settlement agreement") with Actavis FL relating to the Company's and Jagotec's on-going patent infringement litigation. In accordance with legal requirements, the Company, Jagotec and Actavis FL have agreed to submit the Actavis settlement agreement to the U.S. Federal Trade Commission ("FTC") and the U.S. Department of Justice ("DOJ") for review. The parties have submitted the Actavis settlement agreement to the FTC and DOJ for review and no issues were raised by either. The parties agreed to file stipulations of dismissal with the court regarding the litigation and the court entered the stipulation and closed the case on December 4, 2015. The Actavis settlement agreement provides for a full settlement and release by each party of all claims that relate to the litigation or under the patents with respect to Actavis FL's generic version of RAYOS tablets.

Under the Actavis settlement agreement, the Company and Jagotec granted Actavis FL a non-exclusive license to manufacture and commercialize Actavis FL's generic version of RAYOS tablets in the United States after the generic entry date (as defined below) and to take steps necessary to develop inventory of, and prepare to commercialize, Actavis FL's generic version of RAYOS tablets during certain limited periods prior to the generic entry date. The Company and Jagotec also agreed that during the 180 days after the Generic Entry Date, the license granted to Actavis

FL would be exclusive with respect to any third-party generic version of RAYOS tablets.

Under the Actavis settlement agreement, the generic entry date is December 23, 2022; however, Actavis FL may be able to enter the market earlier under certain circumstances. Such events relate to the resolution of any other third-party RAYOS patent litigation, the entry of other generic versions of RAYOS tablets or certain substantial reductions in RAYOS prescriptions over specified periods of time.

The Company and Jagotec also agreed not to sue or assert any claim against Actavis FL for infringement of any patent or patent application owned or controlled by the Company or Jagotec during the term of the Actavis settlement agreement based on Actavis FL's generic version of RAYOS tablets in the United States. In turn, Actavis FL agreed not to challenge the validity or enforceability of the licensed patents.

If the Company or Jagotec enter into any similar agreements with other parties with respect to generic versions of RAYOS tablets, they agreed to amend the Actavis settlement agreement to provide Actavis FL with terms that are no less favorable than those provided to the other parties with respect to the license terms, generic entry date, permitted pre-market activities and notice provisions.

On November 13, 2014, the Company received a Paragraph IV Patent Certification from Watson Laboratories, Inc. (“Watson Laboratories”) advising that Watson Laboratories had filed an ANDA with the FDA for a generic version of PENNSAID 2%. On December 23, 2014, the Company filed suit in the United States District Court for the District of New Jersey against Watson Laboratories, Actavis, Inc., and Actavis plc (collectively “Actavis”) seeking an injunction to prevent the approval of the ANDA. Since then, Watson Laboratories, Inc. changed its name to Actavis Laboratories UT, Inc., and remains the current holder of the ANDA. The lawsuit alleges that Actavis has infringed U.S. Patent Nos. 8,217,078, 8,252,838, 8,546,450, 8,563,613, 8,618,164, and 8,871,809 by filing an ANDA seeking approval from the FDA to market generic versions of PENNSAID 2% prior to the expiration of the patents. The subject patents are listed in the FDA’s Orange Book (“Orange Book”). The commencement of the patent infringement lawsuit stays, or bars, FDA approval of Actavis’ ANDA for 30 months or until an earlier district court decision that the subject patents are not infringed or are invalid. The court has not yet set a trial date for the Actavis action.

On June 30, 2015, the Company filed suit in the United States District Court for the District of New Jersey against Actavis for patent infringement of U.S. Patent No. 9,066,913. On August 11, 2015, the Company filed suit in the United States District Court for the District of New Jersey against Actavis for patent infringement of U.S. Patent No. 9,101,591. On September 17, 2015, the Company filed suit in the United States District Court for the District of New Jersey against Actavis for patent infringement of U.S. Patent No. 9,132,110. All three patents, U.S. Patent Nos. 9,066,913, 9,101,591, and 9,132,110 are listed in the Orange Book and have claims that cover PENNSAID 2%. These three cases have since been consolidated with the case filed against Actavis on December 23, 2014.

On October 27, 2015, the Company filed suit in the United States District Court for the District of New Jersey against Actavis for patent infringement of U.S. Patent Nos. 9,168,304 and 9,168,305. On February 5, 2016, the Company filed suit in the United States District Court for the District of New Jersey against Actavis for patent infringement of U.S. Patent No. 9,220,784. All three patents, U.S. Patent Nos. 9,168,304, 9,168,305, and 9,220,784 are listed in the Orange Book and have claims that cover PENNSAID 2%.

On December 2, 2014, the Company received a Paragraph IV Patent Certification against Orange Book listed U.S. Patent Nos. 8,217,078, 8,252,838, 8,546,450, 8,563,613, 8,618,164, and 8,741,956 from Paddock Laboratories, LLC (“Paddock”) advising that Paddock had filed an ANDA with the FDA for a generic version of PENNSAID 2%. On January 9, 2015, the Company received from Paddock another Paragraph IV Patent Certification against newly Orange Book listed U.S. Patent No. 8,871,809. On January 13, 2015 and January 14, 2015, the Company filed suits in the United States District Court for the District of New Jersey and the United States District Court for the District of Delaware, respectively, against Paddock seeking an injunction to prevent the approval of the ANDA. The lawsuits alleged that Paddock has infringed U.S. Patent Nos. 8,217,078, 8,252,838, 8,546,450, 8,563,613, 8,618,164, and 8,871,809 by filing an ANDA seeking approval from the FDA to market generic versions of PENNSAID 2% prior to the expiration of the patents.

On May 6, 2015, the Company entered into a settlement and license agreement (the “Perrigo settlement agreement”) with Perrigo Company plc and its subsidiary Paddock (collectively, “Perrigo”), relating to the Company’s on-going patent infringement litigation. The Perrigo settlement agreement provides for a full settlement and release by both the Company and Perrigo of all claims that were or could have been asserted in the litigation and that arise out of the issues that were the subject of the litigation or Perrigo’s generic version of PENNSAID 2%.

Under the Perrigo settlement agreement, the Company granted Perrigo a non-exclusive license to manufacture and commercialize Perrigo’s generic version of PENNSAID 2% in the United States after the license effective date (as defined below) and to take steps necessary to develop inventory of, and prepare to commercialize, Perrigo’s generic version of PENNSAID 2% during certain limited periods prior to the license effective date.

Under the Perrigo settlement agreement, the license effective date is January 10, 2029; however, Perrigo may be able to enter the market earlier under certain circumstances. Such events relate to the resolution of any other third-party PENNSAID 2% patent litigation, the entry of other third-party generic versions of PENNSAID 2% or certain substantial reductions in the Company's PENNSAID 2% shipments over specified periods of time.

Under the Perrigo settlement agreement, the Company also agreed not to sue or assert any claim against Perrigo for infringement of any patent or patent application owned or controlled by the Company during the term of the Perrigo settlement agreement based on the manufacture, use, sale, offer for sale, or importation of Perrigo's generic version of PENNSAID 2% in the United States.

In certain circumstances following the entry of other third-party generic versions of PENNSAID 2%, the Company may be required to supply Perrigo PENNSAID 2% as its authorized distributor of generic PENNSAID 2%, with the Company receiving specified percentages of any net sales by Perrigo. The Company also agreed that if it enters into any similar agreements with other parties with respect to generic versions of PENNSAID 2%, the Company will amend the Perrigo settlement agreement to provide Perrigo with terms that are no less favorable than those provided to the other parties.

On February 2, 2015, the Company received a Paragraph IV Patent Certification against Orange Book listed U.S. Patent Nos. 8,217,078, 8,252,838, 8,546,450, 8,563,613, 8,618,164, 8,741,956, and 8,871,809 from Taro Pharmaceuticals USA, Inc. and Taro Pharmaceutical Industries, Ltd. (collectively, “Taro”) advising that Taro had filed an ANDA with the FDA for a generic version of PENNSAID 2%. On March 13, 2015, the Company filed suit in the United States District Court for the District of New Jersey against Taro seeking an injunction to prevent the approval of the ANDA.

On September 9, 2015, certain subsidiaries of the Company (the “Horizon Subsidiaries”) entered into a settlement and license agreement with Taro (the “Taro settlement agreement”) relating to the Horizon Subsidiaries’ on-going patent infringement litigation. In accordance with legal requirements, the Horizon Subsidiaries and Taro have submitted the Taro settlement agreement to the FTC and DOJ for review. The Horizon Subsidiaries and Taro have also filed stipulations of dismissal with the courts regarding the litigation. The Taro settlement agreement provides for a full settlement and release by both us and Taro of all claims that were or could have been asserted in the Litigation and that arise out of the issues that were subject of the litigation or Taro’s generic version of PENNSAID 2%.

Under the Taro settlement agreement, the Horizon Subsidiaries granted Taro a non-exclusive license to manufacture and commercialize Taro’s generic version of PENNSAID 2% in the United States after the license effective date and to take steps necessary to develop inventory of, and prepare to commercialize, Taro’s generic version of PENNSAID 2% during certain limited periods prior to the license effective date.

Under the Taro settlement agreement, the license effective date is January 10, 2029; however, Taro may be able to enter the market earlier under certain circumstances. Such events relate to the resolution of any other third-party PENNSAID 2% patent litigation, the entry of other third-party generic versions of PENNSAID 2% or certain substantial reductions in Horizon’s PENNSAID 2% shipments over specified periods of time.

Under the Taro settlement agreement, the Horizon Subsidiaries also agreed not to sue or assert any claim against Taro for infringement of any patent or patent application owned or controlled by the Horizon Subsidiaries during the term of the Taro settlement agreement based on the manufacture, use, sale, offer for sale, or importation of Taro’s generic version of PENNSAID 2% in the United States.

The Horizon Subsidiaries also agreed that if they enter into any similar agreements with other parties with respect to generic versions of PENNSAID 2%, they will amend the Taro settlement agreement to provide Taro with terms that are no less favorable than those provided to the other parties.

On March 18, 2015, the Company received a Paragraph IV Patent Certification against Orange Book listed U.S. Patent Nos. 8,217,078, 8,252,838, 8,546,450, 8,563,613, 8,618,164, 8,741,956, and 8,871,809 from Lupin Limited advising that Lupin Limited had filed an ANDA with the FDA for generic version of PENNSAID 2%. On April 30, 2015, the Company filed suit in the United States District Court for the District of New Jersey against Lupin Limited and Lupin Pharmaceuticals Inc. (collectively, “Lupin”), seeking an injunction to prevent the approval of the ANDA. The lawsuit alleges that Lupin has infringed U.S. Patent Nos. 8,217,078, 8,252,838, 8,546,450, 8,563,613, 8,618,164, and 8,871,809 by filing an ANDA seeking approval from the FDA to market generic versions of PENNSAID 2% prior to the expiration of the patents. The subject patents are listed in the Orange Book. The commencement of the patent infringement lawsuit stays, or bars, FDA approval of Lupin’s ANDA for 30 months or until an earlier district court decision that the subject patents are not infringed or are invalid. The court has not yet set a trial date for the Lupin action.

On June 30, 2015, the Company filed suit in the United States District Court for the District of New Jersey against Lupin for patent infringement of U.S. Patent No. 9,066,913. On August 11, 2015, the Company filed an amended complaint in the United States District Court for the District of New Jersey against Lupin that added U.S. Patent No.

9,101,591 to the litigation with respect to U.S. Patent No. 9,066,913. On September 17, 2015, the Company filed suit in the United States District Court for the District of New Jersey against Lupin for patent infringement of U.S. Patent No. 9,132,110. All three patents, U.S. Patent Nos. 9,066,913, 9,101,591, and 9,132,110 are listed in the Orange Book and have claims that cover PENNSAID 2%.

On October 27, 2015, the Company filed suit in the United States District Court for the District of New Jersey against Lupin for patent infringement of U.S. Patent Nos. 9,168,304 and 9,168,305. On February 5, 2016, the Company filed suit in the United States District Court for the District of New Jersey against Lupin for patent infringement of U.S. Patent No. 9,220,784. All three patents, U.S. Patent Nos. 9,168,304, 9,168,305, and 9,220,784 are listed in the Orange Book and have claims that cover PENNSAID 2%.

The Company received from Teligent, Inc., formerly known as IGI Laboratories, Inc. ("Teligent"), a Paragraph IV Patent Certification dated March 24, 2015 against Orange Book listed U.S. Patent Nos. 8,217,078, 8,252,838, 8,546,450, 8,563,613, 8,618,164, 8,741,956, and 8,871,809 advising that Teligent had filed an ANDA with the FDA for a generic version of PENNSAID 2%. On May 21, 2015, the Company filed suit in the United States District Court for the District of New Jersey against Teligent seeking an injunction to prevent the approval of the ANDA. The lawsuit alleges that Teligent has infringed U.S. Patent Nos. 8,217,078, 8,252,838, 8,546,450, 8,563,613, 8,618,164, and 8,871,809 by filing an ANDA seeking approval from the FDA to market generic versions of PENNSAID 2% prior to the expiration of the patents. The subject patents are listed in the Orange Book. The commencement of the patent infringement lawsuit stays, or bars, FDA approval of Teligent's ANDA for 30 months or until an earlier district court decision that the subject patents are not infringed or are invalid. The court has not yet set a trial date for the Teligent action.

On June 30, 2015, the Company filed suit in the United States District Court for the District of New Jersey against Teligent for patent infringement of U.S. Patent No. 9,066,913. On August 11, 2015, the Company filed suit in the United States District Court for the District of New Jersey against Teligent for patent infringement of U.S. Patent No. 9,101,591. On September 17, 2015, the Company filed suit in the United States District Court for the District of New Jersey against Teligent for patent infringement of U.S. Patent No. 9,132,110. All three patents, U.S. Patent Nos. 9,066,913, 9,101,591, and 9,132,110 are listed in the Orange Book and have claims that cover PENNSAID 2%.

On October 27, 2015, the Company filed suit in the United States District Court for the District of New Jersey against Teligent for patent infringement of U.S. Patent Nos. 9,168,304 and 9,168,305. On February 5, 2016, the Company filed suit in the United States District Court for the District of New Jersey against Teligent for patent infringement of U.S. Patent No. 9,220,784. All three patents, U.S. Patent Nos. 9,168,304, 9,168,305, and 9,220,784 are listed in the Orange Book and have claims that cover PENNSAID 2%. On May 2, 2016, our on-going patent infringement litigation with Teligent was dismissed without prejudice after the filing of a joint stipulation of dismissal by the parties.

The Company received from Amneal Pharmaceuticals LLC ("Amneal") a Paragraph IV Patent Certification dated April 2, 2015 against Orange Book listed U.S. Patent Nos. 8,217,078, 8,252,838, 8,546,450, 8,563,613, 8,618,164, 8,741,956, and 8,871,809 advising that Amneal had filed an ANDA with the FDA for a generic version of PENNSAID 2%. On May 15, 2015, the Company filed suit in the United States District Court for the District of New Jersey against Amneal seeking an injunction to prevent the approval of the ANDA. The lawsuit alleges that Amneal has infringed U.S. Patent Nos. 8,217,078, 8,252,838, 8,546,450, 8,563,613, 8,618,164, and 8,871,809 by filing an ANDA seeking approval from the FDA to market generic versions of PENNSAID 2% prior to the expiration of the patents. The subject patents are listed in the Orange Book. The commencement of the patent infringement lawsuit stays, or bars, FDA approval of Amneal's ANDA for 30 months or until an earlier district court decision that the subject patents are not infringed or are invalid. The court has not yet set a trial date for the Amneal action.

On June 30, 2015, the Company filed suit in the United States District Court for the District of New Jersey against Amneal for patent infringement of U.S. Patent No. 9,066,913. On August 11, 2015, the Company filed suit in the United States District Court for the District of New Jersey against Amneal for patent infringement of U.S. Patent No. 9,101,591. On September 17, 2015, the Company filed suit in the United States District Court for the District of New Jersey against Amneal for patent infringement of U.S. Patent No. 9,132,110. All three patents, U.S. Patent Nos. 9,066,913, 9,101,591, and 9,132,110 are listed in the Orange Book and have claims that cover PENNSAID 2%.

On October 27, 2015, the Company filed suit in the United States District Court for the District of New Jersey against Amneal for patent infringement of U.S. Patent Nos. 9,168,304 and 9,168,305. On February 5, 2016, the Company filed suit in the United States District Court for the District of New Jersey against Amneal for patent infringement of U.S. Patent No. 9,220,784. All three patents, U.S. Patent Nos. 9,168,304, 9,168,305, and 9,220,784 are listed in the

Orange Book and have claims that cover PENNSAID 2%.

On April 18, 2016, the Company entered into a settlement and license agreement (the "Amneal settlement agreement") with Amneal relating to the Company's on-going patent infringement litigation. In accordance with legal requirements, the Company and Amneal submitted the Amneal settlement agreement to the FTC and DOJ for review. The Company and Amneal have also agreed to file a stipulation of dismissal with the court regarding the litigation. The Amneal settlement agreement provides for a full settlement and release by both the Company and Amneal of all claims that were or could have been asserted in the litigation and that arise out of the issues that were the subject of the litigation or Amneal's generic version of PENNSAID 2%.

Under the Amneal settlement agreement, the Company granted Amneal a non-exclusive license to manufacture and commercialize Amneal's generic version of PENNSAID 2% in the United States after the license effective date (as defined below) and to take steps necessary to develop inventory of, and prepare to commercialize, Amneal's generic version of PENNSAID 2% during certain limited periods prior to the license effective date.

Under the Amneal settlement agreement, the license effective date is January 10, 2029; however, Amneal may be able to enter the market earlier under certain circumstances. Such events relate to the resolution of any other third-party PENNSAID 2% patent litigation or the entry of other third-party generic versions of PENNSAID 2%.

Under the Amneal settlement agreement, the Company also agreed not to sue or assert any claim against Amneal for infringement of any patent or patent application owned or controlled by the Company during the term of the Amneal settlement agreement based on the manufacture, use, sale, offer for sale, or importation of Amneal's generic version of PENNSAID 2% in the United States.

In certain circumstances following the entry of other third-party generic versions of PENNSAID 2%, the Company may be required to supply Amneal PENNSAID 2% as a non-exclusive, authorized distributor of generic PENNSAID 2%, with the Company receiving specified percentages of any net sales by Amneal. The Company also agreed that if it enters into any similar agreements with other parties with respect to generic versions of PENNSAID 2%, the Company will amend the Amneal settlement agreement to provide Amneal with terms that are no less favorable than those provided to the other parties.

Currently, patent litigation is pending in the United States District Court for the District of New Jersey against four generic companies intending to market VIMOVO before the expiration of patents listed in the Orange Book. These cases are in the United States District Court for the District of New Jersey. They are collectively known as the VIMOVO cases, and involve the following sets of defendants: (i) Dr. Reddy's Laboratories Inc. and Dr. Reddy's Laboratories Ltd. (collectively, "Dr. Reddy's"); (ii) Lupin; (iii) Mylan Pharmaceuticals Inc., Mylan Laboratories Limited, and Mylan Inc. (collectively, "Mylan"); and (iv) Actavis FL and Actavis Pharma, Inc. (collectively, "Actavis Pharma"). Patent litigation in the United States District Court for the District of New Jersey against a fifth generic company, Anchen Pharmaceuticals Inc. ("Anchen"), was dismissed on June 9, 2014 after Anchen recertified under Paragraph III. The Company understands that Dr. Reddy's has entered into a settlement with AstraZeneca with respect to patent rights directed to Nexium for the commercialization of VIMOVO, and that according to the settlement agreement, Dr. Reddy's is now able to commercialize VIMOVO under AstraZeneca's Nexium patent rights. The settlement agreement, however, has no effect on the Aralez VIMOVO patents, which are still the subject of patent litigations. As part of the Company's acquisition of the U.S. rights to VIMOVO, the Company has taken over and is responsible for the patent litigations that include the Aralez patents licensed to the Company under the amended and restated collaboration and license agreement for the United States with Aralez.

The VIMOVO cases were filed on April 21, 2011, July 25, 2011, October 28, 2011, January 4, 2013, May 10, 2013, June 28, 2013, October 23, 2013, May 13, 2015 and November 24, 2015 and collectively include allegations of infringement of U.S. Patent Nos. 6,926,907, 8,557,285, 8,852,636, and 8,858,996. On June 18, 2015, the Company amended the complaints to add a charge of infringement of U.S. Patent No. 8,865,190. On January 7, 2016, Actavis asserted a counterclaim for declaratory judgment of invalidity and non-infringement of U.S. Patent No. 8,945,621. On January 25, 2016, the Company filed a new case against Actavis Pharma including allegations of infringement of U.S. Patent Nos. 9,161,920 and 9,198,888. This case was subsequently consolidated with the Actavis case involving U.S. Patent Nos. 8,852,636, 8,858,996, and 8,865,190. On February 10, 2016, the Company amended the complaints against Dr. Reddy's, Lupin, and Mylan to add charges of infringement of U.S. Patent Nos. 9,161,920 and 9,198,888. On February 19, 2016, Mylan asserted a counterclaim for declaratory judgment of invalidity and non-infringement of U.S. Patent. No. 9,220,698.

The cases asserting U.S. Patent Nos. 8,557,285 and 6,926,907 have been consolidated for discovery. The court has issued a claims construction order for these cases and has set a pretrial schedule, but has not yet set a trial date.

The cases asserting U.S. Patent Nos. 8,852,636, 8,858,996, 8,865,190, 9,161,920 and 9,198,888 have been consolidated for discovery. The court has not issued a claims construction order or set a pretrial schedule.

The Company understands the cases arise from Paragraph IV Patent Certification notice letters providing notice of the filing of ANDAs with the FDA seeking regulatory approval to market generic versions of VIMOVO before the expiration of the patents-in-suit. The Company understands the Dr. Reddy's notice letters were dated March 11, 2011, November 20, 2012 and April 20, 2015; the Lupin notice letters were dated June 10, 2011 and March 12, 2014; the Mylan notice letters were dated May 16, 2013, February 9, 2015, January 26, 2016 and February 26, 2016; the Actavis Pharma notice letters were dated March 29, 2013, November 5, 2013, October 9, 2015, December 10, 2015, March 1, 2016 and April 6, 2016; and the Anchen notice letter was dated September 16, 2011.

On February 24, 2015, Dr. Reddy’s Laboratories, Inc. filed a Petition for inter partes review (“IPR”) of U.S. Patent No. 8,557,285, one of the patents in litigation in the above referenced VIMOVO cases. On October 9, 2015, the United States Patent and Trademark Office (the “U.S. PTO”) denied such Petition for IPR.

On May 21, 2015, the Coalition for Affordable Drugs VII LLC (“Coalition for Affordable Drugs”) filed a Petition for IPR of U.S. Patent No. 6,926,907, one of the patents in litigation in the above referenced VIMOVO cases. On December 8, 2015, the U.S. PTO denied such Petition for IPR.

On June 5, 2015, the Coalition for Affordable Drugs filed another Petition for IPR of U.S. Patent No. 8,858,996, one of the patents in litigation in the above referenced VIMOVO cases. On December 17, 2015, the U.S. PTO denied such Petition for IPR.

On August 7, 2015, the Coalition for Affordable Drugs filed another Petition for IPR of U.S. Patent No. 8,852,636, one of the patents in litigation in the above referenced VIMOVO cases. On February 11, 2016, the U.S. PTO denied such Petition for IPR.

On August 12, 2015, the Coalition for Affordable Drugs filed another Petition for IPR of U.S. Patent No. 8,945,621, one of the patents in litigation in the above referenced VIMOVO cases. On February 22, 2016, the Patent Trial and Appeal Board (the “PTAB”) issued a decision to institute the IPR.

On August 19, 2015, Lupin filed Petitions for IPR of U.S. Patent Nos. 8,858,996, 8,852,636, and 8,865,190, all patents in litigation in the above referenced VIMOVO cases. On March 1, 2016, the PTAB issued decisions to institute the IPRs for U.S. Patent Nos. 8,858,996 and 8,865,190. Also on March 1, 2016, the PTAB denied the Petition for IPR for U.S. Patent No. 8,852,636.

On March 17, 2014, Hyperion received notice from Par Pharmaceutical, Inc. (“Par Pharmaceutical”) that it had filed an ANDA with the FDA seeking approval for a generic version of the Company’s medicine RAVICTI. The ANDA contained a Paragraph IV Patent Certification alleging that two of the patents covering RAVICTI, U.S. Patent No. 8,404,215, titled “Methods of therapeutic monitoring of nitrogen scavenging drugs,” which expires in March 2032 (the “’215 patent”), and U.S. Patent No. 8,642,012, titled “Methods of treatment using ammonia scavenging drugs,” which expires in September 2030 (the “’012 patent”), are invalid and/or will not be infringed by Par Pharmaceutical’s manufacture, use or sale of the medicine for which the ANDA was submitted. Par Pharmaceutical did not challenge the validity, enforceability, or infringement of the Company’s primary composition of matter patent for RAVICTI, U.S. Patent No. 5,968,979 titled “Triglycerides and ethyl esters of phenylalkanoic acid and phenylalkanoic acid useful in treatment of various disorders,” which would have expired on February 7, 2015, but as to which Hyperion was granted an interim term of extension until February 7, 2016 and to which the U.S. PTO has granted a final term extension of 1,267 days. Hyperion filed suit in the United States District Court for the Eastern District of Texas, Marshall Division, against Par Pharmaceutical on April 23, 2014 seeking an injunction to prevent the approval of Par Pharmaceutical’s ANDA and/or to prevent Par Pharmaceutical from selling a generic version of RAVICTI, and the Company has taken over and is responsible for this patent litigation. On September 15, 2015, the Company received notice from Par Pharmaceutical that it had filed a Paragraph IV Patent Certification alleging that U.S. Patent No. 9,095,559 (the “’559 patent”) is invalid and/or will not be infringed by Par Pharmaceutical’s manufacture, use or sale of the medicine for which the ANDA was submitted.

On April 29, 2015, Par Pharmaceutical filed Petitions for IPR of the ’215 patent and the ’012 patent. The PTAB issued decisions instituting such IPRs on November 4, 2015. On December 14, 2015, the District Court Judge Roy Payne issued a stay pending a final written decision from the PTAB with respect to the IPRs of the ’215 patent and the ’012 patent. The PTAB must issue a final written decision on the IPRs of the ’215 patent and the ’012 patent no later than November 4, 2016.

On September 4, 2015, the Company received notice from Lupin of Lupin’s Paragraph IV Patent Certification against the ’215 patent and the ’012 patent, advising that Lupin had filed an ANDA with the FDA for a generic version of RAVICTI. On November 6, 2015, the Company also received Notice of Lupin’s Paragraph IV Patent Certification against the ’559 patent. Lupin has not advised the Company as to the timing or status of the FDA’s review of its filing. On October 19, 2015 the Company filed suit in the United States District Court for the District of New Jersey against Lupin seeking an injunction to prevent the approval of the ANDA. The lawsuit alleges that Lupin has infringed the ’215 patent, the ’012 patent and the ’559 patent by filing an ANDA seeking approval from the FDA to market generic versions of RAVICTI prior to the expiration of the patents. The subject patents are listed in the Orange Book. On April 6, 2016, the Company filed an Amended Complaint in the United States District Court for the District of New Jersey against Lupin alleging that Lupin has infringed the ’559 patent by filing an ANDA seeking approval from the FDA to market generic versions of RAVICTI prior to expiration of the ’559 patent. The commencement of the patent infringement lawsuit stays, or bars, FDA approval of Lupin’s ANDA for 30 months or until an earlier district court decision that the subject patents are not infringed or are invalid. The court has not yet set a trial date for the Lupin action.

On April 1, 2016, Lupin filed a Petition to request an IPR of the ’559 patent. The PTAB will decide whether to institute an IPR on the ’559 patent no later than October 1, 2016.

On August 3, 2015, HPI filed a lawsuit in the Superior Court of the State of California, County of Santa Clara, naming as defendants Depomed, Inc. ("Depomed") and the members of its board of directors (the "Depomed Board"), Vicente J. Anido, Jr., Karen A. Dawes, Louis J. Lavigne, Jr., Samuel R. Saks, James A. Schoeneck, Peter D. Staple and David B. Zenoff. The lawsuit is captioned Horizon Pharma, Inc. v. Vicente J. Anido, Jr., et al., Case Number 1:15-cv-283835. The lawsuit alleges that the adoption by the Depomed Board of the Rights Agreement dated as of July 12, 2015 between Depomed and Continental Stock Transfer & Trust Company, as Rights Agent (the "Depomed Rights Agreement"), and Sections 2(b), 2(c), 2(d), and 5(d) of Depomed's Amended and Restated Bylaws, effective July 12, 2015 (the "Depomed Bylaws"), violates the General Corporation Law of the California Corporations Code, constitutes ultra vires acts and breaches the fiduciary duties of the members of the Depomed Board. The lawsuit seeks, among other things, an order (i) declaring that the Depomed Rights Agreement and Sections 2(b), 2(c), and 2(d) of the Depomed Bylaws are invalid under California law, (ii) declaring that the members of the Depomed Board breached their fiduciary duties by enacting the Depomed Rights Agreement and Sections 2(b), 2(c), 2(d), and 5(d) of the Depomed Bylaws, (iii) enjoining the members of the Depomed Board from relying on, implementing, applying or enforcing either the Depomed Rights Agreement or Sections 2(b), 2(c), 2(d), or 5(d) of the Depomed Bylaws, (iv) enjoining the members of the Depomed Board from taking any improper action designed to impede, or which has the effect of impeding, the proposed combination with Depomed or the Company's efforts to acquire control of Depomed and (v) compelling the members of the Depomed Board to redeem the Depomed Rights Agreement or to render it inapplicable to the Company. On November 20, 2015, following a hearing on HPI's request for a preliminary injunction, the Superior Court denied HPI's request for a preliminary injunction against Depomed and the Depomed Board. On April 22, 2016, HPI and Depomed settled the lawsuit with neither party admitting liability.

On August 3, 2015, Depomed filed a Complaint in the Superior Court of the State of California, County of Santa Clara, against the Company. The lawsuit is captioned Depomed, Inc. v. Horizon Pharma plc and Horizon Pharma, Inc., Case Number 1:15-cv-283834. On September 15, 2015, Depomed filed an Amended Complaint, alleging Depomed obtained the rights to a confidentiality agreement that the Company previously executed with Janssen Pharmaceuticals Inc. ("Janssen") following Depomed's purchase of the U.S. rights to NUCYNTA® from Janssen. Depomed further alleges the Company breached the confidentiality agreement when developing offers for a merger with Depomed, and made fraudulent and materially misleading statements to Depomed's shareholders. The lawsuit seeks, among other relief, an injunction (i) to prevent the Company from continuing its allegedly improper and unlawful use of confidential information relating to NUCYNTA and (ii) to prevent the Company from continuing to make and failing to correct its allegedly false and misleading statements in connection with the proposed combination with Depomed. On January 4, 2016, following a hearing on Depomed's request for a preliminary injunction, the Superior Court entered a preliminary injunction enjoining the Company from making any further attempts to acquire Depomed or take any other action to facilitate taking control of Depomed pending final resolution of the litigation. On April 22, 2016, HPI and Depomed settled the lawsuit with neither party admitting liability.

In November 2015, Express Scripts filed suit against the Company in Delaware Superior Court, Newcastle County, asserting claims for breach of contract, breach of the implied covenant of good faith and fair dealing, unjust enrichment, and declaratory relief arising from the parties' 2012 Preferred Savings Grid Rebate Program Agreement. In its complaint, Express Scripts seeks damages of $139.9 million for alleged unpaid rebates and administrative fees as of October 1, 2015, additional potential rebates and administrative fees through the end of 2015, late fees, interest, and attorneys' fees and costs. On January 11, 2016, the Company answered the complaint, denying Express Scripts' claims and denying that it owes Express Scripts any damages or other relief. The Company also filed a counter-claim against Express Scripts for breach of contract, breach of the implied covenant of good faith and fair dealing, and declaratory relief arising from Express Scripts' breach of the rebate agreement. On February 1, 2016, Express Scripts filed an answer to the Company's counter-claim. The parties have commenced discovery and a bench trial in the case is currently scheduled for April 2017.

Beginning on March 8, 2016, two federal securities class-action lawsuits (captioned Schaffer v. Horizon Pharma plc, et al., Case No. 16-cv-01763-JMF and Banie v. Horizon Pharma plc, et al., Case No. 16-cv-01789-JMF) were filed in the United States District Court for the Southern District of New York against the Company and certain of the Company's current and former officers. The plaintiffs allege that the defendants violated sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, by making false and/or misleading statements about, among other things: (a) the Company's financial performance, (b) the Company's business prospects and drug-pricing practices, and (c) the Company's design, implementation, performance, and risks associated with the Company's Prescriptions-Made-Easy program. The plaintiffs seek, among other things, an award of damages allegedly sustained by plaintiffs and the putative class, including a reasonable allowance for costs and attorneys' fees. On March 24, 2016, the court consolidated the two actions and set a hearing for June 3, 2016 to consider any motions for appointment of lead plaintiff and lead counsel.

NOTE 14 – DEBT AGREEMENTS

The Company’s outstanding debt balances as of March 31, 2016 and December 31, 2015 consisted of the following (in thousands):

	March 31, 2016	December 31, 2015
2015 Term Loan Facility	$397,000	$ 398,000
2023 Senior Notes	475,000	475,000
Exchangeable Senior Notes due 2022	400,000	400,000
Total face value	1,272,000	1,273,000
Debt discount	(123,885)	(127,885)
Deferred financing fees	(7,935)	(8,359)
Total long-term debt	1,140,180	1,136,756
Less: current maturities	4,000	4,000
Long-term debt, net of current maturities	$1,136,180	$ 1,132,756

The Company adopted ASU No. 2015-03, Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs on January 1, 2016. The amendments in this ASU require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. See Note 1 for further details of the impact this adoption has had on the financial statements.

2015 Senior Secured Credit Facility

On May 7, 2015, HPI, the Company and certain of its subsidiaries entered into a credit agreement with Citibank, N.A., as administrative and collateral agent, and the lenders from time to time party thereto (the “credit agreement”) providing for (i) the six-year $400.0 million term loan facility (the “2015 Term Loan Facility”); (ii) an uncommitted accordion facility subject to the satisfaction of certain financial and other conditions; and (iii) one or more uncommitted refinancing loan facilities with respect to loans thereunder (the “2015 Senior Secured Credit Facility”). The initial borrower under the 2015 Term Loan Facility is HPI. The credit agreement allows for the Company and certain other subsidiaries of the Company to become borrowers under the accordion or refinancing facilities. Loans under the 2015 Term Loan Facility bear interest, at each borrower’s option, at a rate equal to either the London Inter-Bank Offer Rate (“LIBOR”), plus an applicable margin of 3.5% per year (subject to a 1.0% LIBOR floor), or the adjusted base rate plus 2.5%. The adjusted base rate is defined as the greater of (a) LIBOR (using one-month interest period) plus 1%, (b) prime rate, (c) fed funds plus ½ of 1%, and (d) 2%. The Company borrowed the full $400.0 million available under the 2015 Term Loan Facility on May 7, 2015 as a LIBOR-based borrowing.

The obligations under the credit agreement and any swap obligations and cash management obligations owing to a lender (or an affiliate of a lender) thereunder are and will be guaranteed by the Company and each of the Company’s existing and subsequently acquired or organized direct and indirect subsidiaries (other than certain immaterial subsidiaries, subsidiaries whose guarantee would result in material adverse tax consequences and subsidiaries whose guarantee is prohibited by applicable law). The obligations under the credit agreement and any such swap and cash management obligations are secured, subject to customary permitted liens and other agreed upon exceptions, by a perfected security interest in (i) all tangible and intangible assets of the borrowers and the guarantors, except for certain customary excluded assets, and (ii) all of the capital stock owned by the borrowers and guarantors thereunder (limited, in the case of the stock of certain non-U.S. subsidiaries of the borrowers, to 65% of the capital stock of such subsidiaries).

The borrowers are permitted to make voluntary prepayments at any time without payment of a premium. HPI is required to make mandatory prepayments of loans under the 2015 Term Loan Facility (without payment of a premium) with (a) net cash proceeds from certain non-ordinary course asset sales (subject to reinvestment rights and other exceptions), (b) casualty proceeds and condemnation awards (subject to reinvestment rights and other exceptions), (c) net cash proceeds from issuances of debt (other than certain permitted debt), and (d) beginning with the fiscal year ending December 31, 2016, 50% of the Company’s excess cash flow (subject to decrease to 25% or 0% if the Company’s first lien leverage ratio is less than 2.25:1 and 1.75:1, respectively). The loans under the 2015 Term Loan Facility will amortize in equal quarterly installments in an aggregate annual amount equal to 1% of the original principal amount thereof, with any remaining balance payable on the final maturity date of the loans under the 2015 Term Loan Facility.

The credit agreement contains customary representations and warranties and customary affirmative and negative covenants, including, among other things, restrictions on indebtedness, liens, investments, mergers, dispositions, prepayment of other indebtedness and dividends and other distributions, and customary events of default.

As of March 31, 2016, the fair value of the 2015 Term Loan Facility was approximately $379.1 million, categorized as a Level 2 instrument, as defined in Note 11.

2023 Senior Notes

On April 29, 2015, Horizon Financing, a wholly-owned subsidiary of the Company, completed a private placement of $475.0 million aggregate principal amount of the Senior Notes (the “2023 Senior Notes”), to certain investment banks acting as initial purchasers who subsequently resold the 2023 Senior Notes to qualified institutional buyers as defined in Rule 144A under the Securities Act of 1933, as amended (the “Securities Act”), and in offshore transactions to non-U.S. persons in reliance on Regulation S under the Securities Act.

In connection with the closing of the Hyperion acquisition on May 7, 2015, Horizon Financing merged with and into HPI and, as a result, the 2023 Senior Notes became HPI’s general unsecured senior obligations and the Company and all of the Company’s direct and indirect subsidiaries that are guarantors under the 2015 Senior Secured Credit Facility fully and unconditionally guaranteed on a senior unsecured basis HPI’s obligations under the 2023 Senior Notes.

The 2023 Senior Notes accrue interest at an annual rate of 6.625% payable semiannually in arrears on May 1 and November 1 of each year, beginning on November 1, 2015. The 2023 Senior Notes will mature on May 1, 2023, unless earlier exchanged, repurchased or redeemed.

Except as described below, the 2023 Senior Notes may not be redeemed before May 1, 2018. Thereafter, some or all of the 2023 Senior Notes may be redeemed at any time at specified redemption prices, plus accrued and unpaid interest to the redemption date. At any time prior to May 1, 2018, some or all of the 2023 Senior Notes may be redeemed at a price equal to 100% of the aggregate principal amount thereof, plus a make-whole premium and accrued and unpaid interest to the redemption date. Also prior to May 1, 2018, up to 35% of the aggregate principal amount of the 2023 Senior Notes may be redeemed at a redemption price of 106.625% of the aggregate principal amount thereof, plus accrued and unpaid interest, with the net proceeds of certain equity offerings. In addition, the 2023 Senior Notes may be redeemed in whole but not in part at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest and additional amounts, if any, to, but excluding, the redemption date, if on the next date on which any amount would be payable in respect of the 2023 Senior Notes, HPI or any guarantor is or would be required to pay additional amounts as a result of certain tax-related events.

If the Company undergoes a change of control, HPI will be required to make an offer to purchase all of the 2023 Senior Notes at a price in cash equal to 101% of the aggregate principal amount thereof plus accrued and unpaid interest to, but not including, the repurchase date. If the Company or certain of its subsidiaries engages in certain asset sales, HPI will be required under certain circumstances to make an offer to purchase the 2023 Senior Notes at 100% of the principal amount thereof, plus accrued and unpaid interest to the repurchase date.

The indenture governing the 2023 Senior Notes contains covenants that limit the ability of the Company and its restricted subsidiaries to, among other things, pay dividends or distributions, repurchase equity, prepay junior debt and make certain investments, incur additional debt and issue certain preferred stock, incur liens on assets, engage in certain asset sales, merge, consolidate with or merge or sell all or substantially all of their assets, enter into transactions with affiliates, designate subsidiaries as unrestricted subsidiaries, and allow to exist certain restrictions on the ability of restricted subsidiaries to pay dividends or make other payments to the Company. Certain of the covenants will be suspended during any period in which the notes receive investment grade ratings. The indenture also includes customary events of default.

As of March 31, 2016, the fair value of the 2023 Senior Notes was approximately $415.6 million, categorized as a Level 2 instrument, as defined in Note 11.

Exchangeable Senior Notes

On March 13, 2015, Horizon Investment completed a private placement of $400.0 million aggregate principal amount of Exchangeable Senior Notes to several investment banks acting as initial purchasers who subsequently resold the Exchangeable Senior Notes to qualified institutional buyers as defined in Rule 144A under the Securities Act. The net proceeds from the offering of the Exchangeable Senior Notes were approximately $387.2 million, after deducting the initial purchasers' discount and offering expenses payable by Horizon Investment.

The Exchangeable Senior Notes are fully and unconditionally guaranteed, on a senior unsecured basis, by the Company (the "Guarantee"). The Exchangeable Senior Notes and the Guarantee are Horizon Investment's and the Company's senior unsecured obligations. The Exchangeable Senior Notes accrue interest at an annual rate of 2.50% payable semiannually in arrears on March 15 and September 15 of each year, beginning on September 15, 2015. The Exchangeable Senior Notes will mature on March 15, 2022, unless earlier exchanged, repurchased or redeemed. The initial exchange rate is 34.8979 ordinary shares of the Company per $1,000 principal amount of the Exchangeable Senior Notes (equivalent to an initial exchange price of approximately $28.66 per ordinary share). The exchange rate will be subject to adjustment in some events but will not be adjusted for any accrued and unpaid interest. In addition, following certain corporate events that occur prior to the maturity date or upon a tax redemption, Horizon Investment will increase the exchange rate for a holder who elects to exchange its Exchangeable Senior Notes in connection with such a corporate event or a tax redemption in certain circumstances.

Other than as described below, the Exchangeable Senior Notes may not be redeemed by the Company.

Issuer Redemptions:

Optional Redemption for Changes in the Tax Laws of a Relevant Taxing Jurisdiction: Horizon Investment may redeem the Exchangeable Senior Notes at its option, prior to March 15, 2022, in whole but not in part, in connection with certain tax-related events.

Provisional Redemption on or After March 20, 2019: On or after March 20, 2019, Horizon Investment may redeem for cash all or a portion of the Exchangeable Senior Notes if the last reported sale price of ordinary shares of the Company has been at least 130% of the exchange price then in effect for at least 20 trading days whether or not consecutive) during any 30 consecutive trading day period ending on, and including, the trading day immediately preceding the date on which Horizon Investment provide written notice of redemption. The redemption price will be equal to 100% of the principal amount of the Exchangeable Senior Notes to be redeemed, plus accrued and unpaid interest to, but not including, the redemption date; provided that if the redemption date occurs after a regular record date and on or prior to the corresponding interest payment date, Horizon Investment will pay the full amount of accrued and unpaid interest due on such interest payment date to the record holder of the Exchangeable Senior Notes on the regular record date corresponding to such interest payment date, and the redemption price payable to the holder who presents an Exchangeable Senior Note for redemption will be equal to 100% of the principal amount of such Exchangeable Senior Note.

Holder Exchange Rights:

Holders may exchange all or any portion of their Exchangeable Senior Notes at their option at any time prior to the close of business on the business day immediately preceding December 15, 2021 only upon satisfaction of one or more of the following conditions:

1. Exchange upon Satisfaction of Sale Price Condition – During any calendar quarter commencing after the calendar quarter ending on June 30, 2015 (and only during such calendar quarter), if the last reported sale price of ordinary shares of the Company for at least 20 trading days (whether or not consecutive) during the period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the applicable exchange price on each applicable trading day.
2. Exchange upon Satisfaction of Trading Price Condition – During the five business day period after any ten consecutive trading day period in which the trading price per $1,000 principal amount of Exchangeable Senior Notes for each trading day of such period was less than 98% of the product of the last reported sale price of ordinary shares of the Company and the applicable exchange rate on such trading day.
3. Exchange upon Notice of Redemption – Prior to the close of business on the business day immediately preceding December 15, 2021, if Horizon Investment provides a notice of redemption, at any time prior to the close of business on the second scheduled trading day immediately preceding the redemption date.

As of March 31, 2016, none of the above conditions had been satisfied and no exchange of Exchangeable Senior Notes had been triggered.

On or after December 15, 2021, a holder may exchange all or any portion of its Exchangeable Senior Notes at any time prior to the close of business on the second scheduled trading day immediately preceding the maturity date regardless of the foregoing conditions.

Upon exchange, Horizon Investment will settle exchanges of the Exchangeable Senior Notes by paying or causing to be delivered, as the case may be, cash, ordinary shares or a combination of cash and ordinary shares, at its election.

The Company recorded the Exchangeable Senior Notes under the guidance in Topic ASC 470-20, Debt with Conversion and Other Options, and separated them into a liability component and equity component. The carrying amount of the liability component of $268.9 million was determined by measuring the fair value of a similar liability that does not have an associated equity component. The carrying amount of the equity component of $119.1 million represented by the embedded conversion option was determined by deducting the fair value of the liability component of $268.9 million from the initial proceeds of $387.2 million ascribed to the convertible debt instrument as a whole. The initial debt discount of $131.1 million is being charged to interest expense over the life of the Exchangeable Senior Notes using the effective interest rate method.

As of March 31, 2016, the fair value of the Exchangeable Senior Notes was approximately $340.8 million, categorized as a Level 2 instrument, as defined in Note 11.

2014 Senior Secured Credit Facility

On June 17, 2014, the Company entered into a credit agreement with a group of lenders and Citibank, N.A., as administrative and collateral agent to provide the Company with $300.0 million in financing through a five-year senior secured credit facility (the "2014 Senior Secured Credit Facility"). Loans under the five-year $300.0 million term loan facility ("2014 Term Loan Facility") bore interest, at each borrower's option, at a rate equal to either the LIBOR, plus an applicable margin of 8.0% per year (subject to a 1.0% LIBOR floor), or the prime lending rate, plus an applicable margin equal to 7.0% per year. The Company borrowed the full $300.0 million available on the 2014 Term Loan Facility on September 19, 2014 as a LIBOR-based borrowing.

On May 7, 2015, the Company repaid the entire $300.0 million outstanding amount under the 2014 Senior Secured Credit Facility in connection with the closing of the Hyperion acquisition and recognized a $56.8 million loss on debt extinguishment as a result of the early repayment.

Convertible Senior Notes

On November 22, 2013, the Company issued $150.0 million aggregate principal amount of 5.00% Convertible Senior Notes due 2018 ("Convertible Senior Notes"), and received net proceeds of $143.6 million, after deducting fees and expenses of $6.4 million.

During 2015, the Company entered into separate, privately-negotiated conversion agreements with certain holders of the Convertible Senior Notes ("2015 Conversions") which were on substantially the same terms as prior conversion agreements entered into by the Company. Under the 2015 Conversions, the applicable holders agreed to convert an aggregate principal amount of $61.0 million of Convertible Senior Notes held by them and the Company agreed to settle such conversions by issuing an aggregate of 11,368,921 ordinary shares. In addition, pursuant to such conversion agreements, the Company made an aggregate cash payment of $10.0 million to the applicable holders for additional exchange consideration and $0.9 million for accrued and unpaid interest, and recognized a non-cash charge of $10.1 million related to the extinguishment of debt as a result of the note conversions. Following the closings under the 2015 Conversions, there were no Convertible Senior Notes remaining outstanding.

NOTE 15 – SHAREHOLDERS' EQUITY

During the three months ended March 31, 2016, the Company issued an aggregate of 123,924 ordinary shares in connection with the exercise of stock options and received $0.9 million in proceeds.

During the three months ended March 31, 2016, the Company issued an aggregate of 469,725 ordinary shares in net settlement of vested restricted stock units.

During the three months ended March 31, 2016, the Company issued an aggregate of 13,584 ordinary shares in net settlement of vested performance stock units.

NOTE 16 – SHARE-BASED INCENTIVE PLANS

Employee Stock Purchase Plan

2014 Employee Stock Purchase Plan. On May 17, 2014, HPI's board of directors adopted the 2014 Employee Stock Purchase Plan (the "2014 ESPP"). On September 18, 2014, at a special meeting of the stockholders of HPI (the "Special Meeting"), HPI's stockholders approved the 2014 ESPP. Upon consummation of the Vidara Merger, the Company assumed the 2014 ESPP.

As of March 31, 2016, an aggregate of 9,338,059 ordinary shares were authorized and available for future issuance under the 2014 ESPP. Refer to the Changes in Shares Authorized for Issuance under Share-Based Incentive Plans section below for further details of ordinary shares available for future issuances under this plan.

Share-Based Compensation Plans

2005 Stock Plan. In October 2005, HPI adopted the 2005 Stock Plan (the "2005 Plan"). Upon the signing of the underwriting agreement related to HPI's initial public offering, on July 28, 2011, no further option grants were made under the 2005 Plan. All stock awards granted under the 2005 Plan prior to July 28, 2011 continue to be governed by the terms of the 2005 Plan. Upon consummation of the Vidara Merger, the Company assumed the 2005 Plan.

2011 Equity Incentive Plan. In July 2010, HPI's board of directors adopted the 2011 Equity Incentive Plan (the "2011 EIP"). In June 2011, HPI's stockholders approved the 2011 EIP, and it became effective upon the signing of the underwriting agreement related to HPI's initial public offering on July 28, 2011. Upon consummation of the Vidara Merger, the Company assumed the 2011 EIP, and upon the effectiveness of the Horizon Pharma Public Limited Company 2014 Equity Incentive Plan (the "2014 EIP"), no additional stock awards were or will be made under the 2011 Plan, although all outstanding stock awards granted under the 2011 Plan continue to be governed by the terms of the 2011 Plan.

2014 Equity Incentive Plan and 2014 Non-Employee Equity Plan. On May 17, 2014, HPI's board of directors adopted the 2014 EIP and the Horizon Pharma Public Limited Company 2014 Non-Employee Equity Plan (the "2014 Non-Employee Equity Plan"). At the Special Meeting, HPI's stockholders approved the 2014 EIP and 2014 Non-Employee Equity Plan. Upon consummation of the Vidara Merger, the Company assumed the 2014 EIP and 2014 Non-Employee Equity Plan, which serve as successors to the 2011 EIP.

The 2014 EIP provides for the grant of incentive and nonstatutory stock options, stock appreciation rights, restricted stock awards, restricted stock unit awards, performance awards and other stock awards that may be settled in cash, shares or other property to the employees of the Company (or a subsidiary company). The number of ordinary shares of the Company that were initially authorized for issuance under the 2014 EIP was no more than 22,052,130, which number consisted of (i) 15,500,000 ordinary shares of the Company; plus (ii) the number of shares available for issuance pursuant to the grant of future awards under the 2011 EIP; plus (iii) any shares subject to outstanding stock awards granted under the 2011 EIP and the 2005 Plan that expire or terminate for any reason prior to exercise or settlement or are forfeited, redeemed or repurchased because of the failure to meet a contingency or condition required to vest such shares; less (iv) 10,000,000 shares, which is the additional number of shares which were previously approved as an increase to the share reserve of the 2011 EIP. On March 23, 2015, the compensation committee of the Company's board of directors approved amending the 2014 EIP subject to shareholder approval to, among other things, increase the aggregate number of shares authorized for issuance under the 2014 EIP by an additional 14,000,000 shares. On May 6, 2015, the shareholders of the Company approved such amendment to the 2014 EIP. The Company's board of directors has authority to suspend or terminate the 2014 EIP at any time.

The 2014 Non-Employee Equity Plan provides for the grant of nonstatutory stock options, stock appreciation rights, restricted stock awards, restricted stock unit awards and other forms of stock awards that may be settled in cash, shares or other property to the non-employee directors and consultants of the Company (or a subsidiary company). The total number of ordinary shares of the Company that were initially authorized for issuance under the 2014 Non-Employee Equity Plan is 2,500,000. The Company's board of directors has authority to suspend or terminate the 2014 Non-Employee Equity Plan at any time.

As of March 31, 2016, an aggregate of 956,119 and 2,251,207 ordinary shares were authorized and available for future grants under the 2014 EIP and 2014 Non-Employee Equity Plan, respectively. Refer to the Changes in Shares Authorized for Issuance under Share-Based Incentive Plans section below for further details of ordinary shares available for future issuances.

Changes in Shares Authorized for Issuance under Share-Based Incentive Plans

Further to the above, on February 25, 2016, the compensation committee of the Company's board of directors approved, subject to shareholder approval, amending the 2014 EIP to, among other things, increase the aggregate number of shares authorized for issuance under the 2014 EIP beyond those remaining available for future grant under the 2014 EIP by an additional 6,000,000 shares and also approved a reduction in the number of shares authorized under our 2014 Non-Employee Equity Plan and 2014 ESPP by 1,000,000 shares and 5,000,000 shares, respectively, contingent on shareholder approval of the amendment to the 2014 EIP. On May 3, 2016, the shareholders of the

Company approved the amendment to the 2014 EIP.

Stock Options

The following table summarizes stock option activity during the three months ended March 31, 2016:

	Options	Weighted Average Exercise Price	Weighted Average Contractual Term Remaining	Aggregate Intrinsic Value (in thousands)
Outstanding as of December 31, 2015	13,385,791	$ 17.73		
Granted	1,471,620	$ 18.55		
Exercised	(123,924)	$ 7.86		
Forfeited	(536,920)	$ 19.28		
Expired	(773)	$ 12.68		
Outstanding as of March 31, 2016	14,195,794	$ 17.84	8.26	$ 42,454
Exercisable as of March 31, 2016	4,931,406	$ 12.16	6.86	$ 30,270

Stock options typically have a contractual term of 10 years from grant date.

The fair value of each stock option award is estimated on the date of grant using the Black-Scholes option pricing model. The determination of the fair value of each stock option is affected by the Company's share price on the date of grant, as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to, the Company's expected share price volatility over the expected life of the awards and actual and projected stock option exercise behavior. The weighted average fair value per share of stock option awards granted during the three months ended March 31, 2016 and 2015, and assumptions used to value stock options, are as follows:

	For the Three Months Ended March 31, 2016	2015
Dividend yield	—	—
Risk-free interest rate	1.3% - 1.8%	1.3% - 1.7%
Weighted average volatility	74.0%	77.4%
Expected life (in years)	6.1	6.0
Weighted average grant date fair value per share of options granted	$ 12.12	$ 14.32

Dividend yield

The Company has never paid dividends and does not anticipate paying any dividends in the near future. Additionally, the 2015 Senior Secured Credit Facility (described in Note 14 above) contains covenants that restrict the Company from issuing dividends.

Risk-Free Interest Rate

The Company determined the risk-free interest rate by using a weighted average assumption equivalent to the expected term based on the U.S. Treasury constant maturity rate as of the date of grant.

Volatility

The Company used an average historical share price volatility of comparable companies to be representative of future share price volatility, as the Company did not have sufficient trading history for its ordinary shares.

Expected Term

Given the Company's limited historical exercise behavior, the expected term of options granted was determined using the "simplified" method since the Company does not have sufficient historical exercise data to provide a reasonable basis upon which to estimate the expected term. Under this approach, the expected term is presumed to be the average of the vesting term and the contractual life of the option.

Forfeitures

As share-based compensation expense recognized in the condensed consolidated statements of comprehensive loss is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures based on actual forfeiture experience, analysis of employee turnover and other factors. ASC Topic 718, Compensation-Stock Compensation ("ASC 718") requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

Restricted Stock Units

The following table summarizes restricted stock unit activity for the three months ended March 31, 2016:

	Number of Units	Weighted Average Grant-Date Fair Value Per Units
Outstanding as of December 31, 2015	3,361,746	$ 18.71
Granted	336,372	$ 17.75
Vested	(697,500)	$ 15.85
Forfeited	(207,390)	$ 19.57
Outstanding as of March 31, 2016	2,793,228	$ 19.24

The grant-date fair value of restricted stock units is the closing price of the Company's shares on the date of grant.

Performance Stock Unit Awards

The following table summarizes performance stock unit awards ("PSUs") activity for the three months ended March 31, 2016:

	Number of Units	Weighted Average Grant-Date Fair Value Per Unit	Average Illiquidity Discount	Recorded Weighted Average Fair Value Per Unit
Outstanding as of December 31, 2015	13,049,000			
Granted	260,000	$ 7.99	8.2 %	$ 7.34
Vested	(20,000)	$ 18.97	0.0 %	$ 18.97
Forfeited	(699,000)	$ 14.39	17.1 %	$ 11.93
Outstanding as of March 31, 2016	12,590,000			

In January 2016, the compensation committee of the Company's board of directors approved the grant of 260,000 PSUs to certain members of the Company's senior leadership team.

In 2014, the Company granted 25,000 PSUs. All other PSUs were granted in 2015 and 2016 and may vest if the Company's total compounded annual shareholder rate of return ("TSR") over three performance measurement periods summarized below equals or exceeds a minimum of 15%.

Vesting Tranche	Percent of Total PSU Award	Beginning of Performance Measurement Period	End of Performance Measurement Period	Length of Performance Measurement Period (Years)
Tranche One	33.3 %	March 23, 2015	December 22, 2017	2.75
Tranche Two	33.3 %	March 23, 2015	March 22, 2018	3.00
Tranche Three	33.3 %	March 23, 2015	June 22, 2018	3.25

These PSUs granted in 2015 and 2016 will vest in amounts ranging from 25% to 100% based on the achievement of the following TSR over the three performance periods:

TSR Achieved	Vesting Amount
15%	25 %
30%	50 %
45%	75 %
60%	100 %

The TSR will be based on the volume weighted average trading price ("VWAP") of the Company's ordinary shares over the 20 trading days ending on the last day of each of the three performance measurement periods versus the VWAP of the Company's ordinary shares over the 20 trading days ended March 23, 2015 of $21.50. These PSUs are subject to a post vesting holding period of one year for 50% of the PSUs and two years for 50% of the PSUs for executive committee members and one year for 50% of the PSUs for non-executive committee members.

The Company accounts for the PSUs as equity-settled awards in accordance with ASC 718. Because the value of the PSUs granted in 2015 and 2016 is dependent upon the attainment of a level of TSR, it requires the impact of the market condition to be considered when estimating the fair value of the PSUs. As a result, the Monte Carlo model is applied and the most significant valuation assumptions used include:

	For the Three Months Ended March 31,	
	2016	2015
Valuation date stock price	$ 17.72 - 21.07	$22.77
Expected volatility	76.8% - 77.6%	67.3 %
Risk free rate	1.0% - 1.2%	1.0 %

The average estimated fair value of each outstanding PSU granted under the 2014 EIP is as follows:

	Number of Units	Weighted Average Fair Value Per Unit	Average Illiquidity Discount	Recorded Weighted Average Fair Value Per Unit
Executive committee members	9,173,000	$ 15.18	18.3 %	$ 12.40
Non-executive committee members	3,392,000	$ 13.60	7.3 %	$ 12.60
	12,565,000	$ 14.75	15.6 %	$ 12.46

For the three months ended March 31, 2016, the Company recorded $12.7 million of expense related to PSUs.

Cash Long-Term Incentive Program

On November 5, 2014, the compensation committee of the Company's board of directors approved a performance cash long-term incentive program for the members of the Company's executive committee and executive leadership team, including its executive officers (the "Cash Bonus Program"). Participants in the Cash Bonus Program will be eligible for a specified cash bonus. The Cash Bonus Program pool funding of approximately $16.5 million was determined based on the Company's actual TSR over the period from November 5, 2014 to May 6, 2015, and the bonus will be earned and payable only if the TSR for the period from November 5, 2014 to November 4, 2017 is greater than 15%. The portion of the total bonus pool payable to individual participants is based on allocations established by the Company's compensation committee. Participants must remain employed by the Company through November 4, 2017 unless a participant's earlier departure from employment is due to death, disability, termination without cause or a change in control transaction. Bonus payments under the Cash Bonus Program, if any, will be made after November 4, 2017.

The Company accounts for the Cash Bonus Program under the liability method in accordance with ASC 718. Because vesting of the bonus pool is dependent upon the attainment of a VWAP of $18.37 or higher over the 20 trading days ending November 4, 2017, the Cash Bonus Program will be considered to be subject to a "market condition" for the purposes of ASC 718. ASC 718 requires the impact of the market condition to be considered when estimating the fair value of the bonus pool. As a result, the Monte Carlo simulation model is applied and the fair value is revalued at each reporting period. As of March 31, 2016 and December 31, 2015, the estimated fair value was $4.7 million and $6.0 million, respectively. For the three months ended March 31, 2016, the Company recorded $0.1 million of a release to the unaudited condensed consolidated statement of comprehensive loss as a result of the decrease in the valuation of the Cash Bonus Program. The most significant valuation assumptions used as of March 31, 2016 include:

- Valuation Date Stock Price - $16.57.
- Expected Volatility - The expected volatility assumption of 72.32% is based on the Company's historical volatility over the 1.6 year period ending March 31, 2016, based upon daily stock price observations.
- Risk Free Rate – 0.67%, which is based upon the yield on U.S. Treasury Separate Trading of Registered Interest and Principal Securities with a remaining term of 1.6 years as of March 31, 2016.

Share-Based Compensation Expense

The following table summarizes share-based compensation expense included in the Company's condensed consolidated statements of operations for the three months ended March 31, 2016 and 2015 (in thousands):

	For the Three Months Ended March 31,	
	2016	2015
Share-based compensation expense:		
Research and development	$2,125	$458
Sales and marketing	5,678	2,801
General and administrative	19,809	3,415
Total share-based compensation expense	$27,612	$6,674

No material income tax benefit has been recognized relating to share-based compensation expense and no tax benefits have been realized from exercised stock options, due to the Company's net loss position. As of March 31, 2016, the Company estimates that pre-tax unrecognized compensation expense of $276.9 million for all unvested share-based awards, including stock options, restricted stock units and PSUs, will be recognized through the first quarter of 2020. The Company expects to satisfy the exercise of stock options and future distribution of shares for restricted stock units and PSUs by issuing new ordinary shares which have been reserved under the 2014 EIP.

NOTE 17 – INCOME TAXES

The Company accounts for income taxes based upon an asset and liability approach. Deferred tax assets and liabilities represent the future tax consequences of the differences between the financial statement carrying amounts of assets and liabilities versus the tax basis of assets and liabilities. Under this method, deferred tax assets are recognized for deductible temporary differences, and operating loss and tax credit carryforwards. Deferred tax liabilities are recognized for taxable temporary differences. Deferred tax assets are reduced by valuation allowances when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. The impact of tax rate changes on deferred tax assets and liabilities is recognized in the period in which the change is enacted.

The following table presents the (benefit) expense for income taxes for the three months ended March 31, 2016 and 2015 (in thousands):

	For the Three Months Ended March 31,	
	2016	2015
Loss before (benefit) expense for income taxes	$(46,849)	$(17,640)
(Benefit) expense for income taxes	(1,443)	1,913
Net loss	$(45,406)	$(19,553)

During the three months ended March 31, 2016, the Company recorded a benefit for income taxes of $1.4 million compared to an expense for income taxes of $1.9 million during the three months ended March 31, 2015. The income tax benefit during the three months ended March 31, 2016 was primarily attributable to losses incurred in higher tax rate jurisdictions during the period. The income tax expense during the three months ended March 31, 2015 was primarily attributable to the inability to recognize the benefit of losses in the United States due to valuation allowances as well as reserving for net operating losses utilized and minimum local jurisdictional tax liabilities realized.

Deferred tax assets and liabilities arise from acquisition accounting adjustments where book values of certain assets and liabilities differ from their tax bases. Deferred tax assets and liabilities are recorded at the currently enacted rates which will be in effect at the time when the temporary differences are expected to reverse in the country where the underlying assets and liabilities are located. During the three months ended March 31, 2016, the Company acquired Crealta and its subsidiaries. The impact of the Crealta acquisition on the Company's net deferred tax liability position was an increase to the net deferred tax liability of $20.8 million.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with our condensed consolidated financial statements and the related notes that appear elsewhere in this report. This discussion contains forward-looking statements reflecting our current expectations that involve risks and uncertainties which are subject to safe harbors under the Securities Act of 1933, as amended, or the Securities Act, and the Securities Exchange Act of 1934, as amended, or the Exchange Act. These forward-looking statements include, but are not limited to, statements concerning our strategy and other aspects of our future operations, future financial position, future revenues, projected costs, expectations regarding demand and acceptance for our medicines, growth opportunities and trends in the market in which we operate, prospects and plans and objectives of management. The words "anticipates", "believes", "estimates", "expects", "intends", "may", "plans", "projects", "will", "would" and similar expressions are intended to identify forward-look statements, although not all forward-looking statements contain these identifying words. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. These forward-looking statements involve risks and uncertainties that could cause our actual results to differ materially from those in the forward-looking statements, including, without limitation, the risks set forth in Part II, Item 1A, "Risk Factors" in this report and in our other filings with the Securities and Exchange Commission, or SEC. We do not assume any obligation to update any forward-looking statements.

OVERVIEW

Unless otherwise indicated or the context otherwise requires, references to the "Company", "we", "us" and "our" refer to Horizon Pharma plc and its consolidated subsidiaries, including its predecessor, Horizon Pharma, Inc., or HPI. All references to "Vidara" are references to Horizon Pharma plc (formerly known as Vidara Therapeutics International Public Limited Company) and its consolidated subsidiaries prior to the effective time of the merger of the businesses of HPI and Vidara on September 19, 2014, or the Vidara Merger. The disclosures in this report relating to the pre-Vidara Merger business of Horizon Pharma plc, unless noted as being the business of Vidara prior to the Vidara Merger, pertain to the business of HPI prior to the Vidara Merger.

OUR BUSINESS

We are a biopharmaceutical company focused on improving patients' lives by identifying, developing, acquiring and commercializing differentiated and accessible medicines that address unmet medical needs. We market nine medicines through our orphan, primary care and rheumatology business units. Our marketed medicines are ACTIMMUNE® (interferon gamma-1b), BUPHENYL® (sodium phenylbutyrate) Tablets and Powder, DUEXIS® (ibuprofen/famotidine), KRYSTEXXA® (pegloticase), MIGERGOT® (ergotamine tartrate & caffeine suppositories), PENNSAID® (diclofenac sodium topical solution) 2% w/w, or PENNSAID 2%, RAVICTI® (glycerol phenylbutyrate) Oral Liquid, RAYOS® (prednisone) delayed-release tablets and VIMOVO® (naproxen/esomeprazole magnesium).

We developed DUEXIS and RAYOS, known as LODOTRA® outside the United States, acquired the U.S. rights to VIMOVO from AstraZeneca AB in November 2013, acquired certain rights to ACTIMMUNE as a result of the Vidara Merger in September 2014, acquired the U.S. rights to PENNSAID 2% from Nuvo Research Inc., or Nuvo, in October 2014, acquired RAVICTI and BUPHENYL, known as AMMONAPS® in Europe, as a result of our acquisition of Hyperion Therapeutics Inc., or Hyperion, in May 2015, and acquired KRYSTEXXA and the U.S. rights to MIGERGOT as a result of our acquisition of Crealta Holdings LLC., or Crealta, in January 2016.

Our medicines are distributed by retail and specialty pharmacies. Part of our commercial strategy for our primary care and rheumatology business units is to offer physicians the opportunity to have their patients fill prescriptions through pharmacies participating in our HorizonCares patient access program. This program does not involve us in the prescribing of medicines. The purpose of this program is solely to assist in ensuring that, when physicians determine one of our medicines offers a potential clinical benefit to their patients and prescribe the medicine for an eligible patient, financial assistance may be available to reduce the commercial patient's out-of-pocket costs. In the first three months of 2016, this resulted in approximately 96 percent of commercial patients having co-pay amounts of $10 or less when filling prescriptions for our medicines utilizing our patient access program. For commercial patients who are prescribed our primary care or rheumatology medicines, the HorizonCares program offers co-pay assistance when a third-party payor covers a prescription but requires an eligible patient to pay a co-pay or deductible, and offers full subsidization when a third-party payor rejects coverage for an eligible patient. For patients who are prescribed our orphan medicines, our patient access programs provide reimbursement support, a clinical nurse program, co-pay and other patient assistance. The aggregate commercial value of our patient access programs for the three months ended March 31, 2016 was $388.6 million. All pharmacies that fill prescriptions for our medicines are fully independent, including those that participate in HorizonCares. We do not own or possess any option to purchase an ownership stake in any pharmacy that distributes our medicines, and our relationship with each pharmacy is non-exclusive and arm's length. All of our sales are processed through pharmacies independent of our business.

We have a compliance program in place to address adherence with various laws and regulations relating to the selling, marketing and manufacturing of our medicines, as well as certain third-party relationships, including pharmacies. Specifically with respect to pharmacies, the compliance program utilizes a variety of methods and tools to monitor and audit pharmacies, including those that participate in our access programs, to confirm their activities, adjudication and practices are consistent with our compliance policies and guidance.

We market our medicines in the United States through our field sales force, which numbered approximately 520 representatives as of March 31, 2016. Our strategy is to use the commercial strength and infrastructure we have established in creating a global biopharmaceutical company to continue the successful commercialization of our existing medicine portfolio while also expanding and leveraging these capabilities by identifying, developing, acquiring and commercializing additional differentiated and accessible medicines that address unmet medical needs.

RESULTS OF OPERATIONS

Comparison of Three Months Ended March 31, 2016 and 2015

The summary of selected financial data table below should be referenced in connection with a review of the following discussion of our results of operations for the three months ended March 31, 2016, compared to the three months ended March 31, 2015.

	For the Three Months Ended		
	March 31,		Increase /
	2016	2015	(Decrease)
	(in thousands)		
Net sales	$204,690	$113,141	$91,549
Cost of goods sold	77,233	28,853	48,380
Gross profit	127,457	84,288	43,169
Operating expenses:			
Research and development	12,722	6,181	6,541
Sales and marketing	75,544	47,063	28,481
General and administrative	66,395	26,280	40,115
Total operating expenses	154,661	79,524	75,137
Operating (loss) income	(27,204)	4,764	(31,968)
Other expense, net:			
Interest expense, net	(19,458)	(10,032)	9,426
Foreign exchange loss	(173)	(837)	(664)
Loss on induced conversion and debt extinguishment	—	(10,544)	(10,544)
Other expense, net	(14)	(991)	(977)
Total other expense, net	(19,645)	(22,404)	(2,759)
Loss before (benefit) expense for income taxes	(46,849)	(17,640)	29,209
(Benefit) expense for income taxes	(1,443)	1,913	3,356
Net loss	$(45,406)	$(19,553)	$25,853

Net sales. Net sales increased $91.6 million, or 81%, to $204.7 million during the three months ended March 31, 2016, from $113.1 million during the three months ended March 31, 2015.

The following tables presents a summary of total net sales attributed to geographic sources for the three months ended March 31, 2016 and 2015 (in thousands):

	Three Months Ended March 31, 2016			Three Months Ended March 31, 2015		
	Amount	% of Total Net Sales		Amount	% of Total Net Sales	
United States	$ 201,650	99	%	$ 111,905	99	%
Rest of world	3,040	1	%	1,236	1	%
Total Net Sales	$ 204,690			$ 113,141		

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The following table reflects the components of net sales for the three months ended March 31, 2016 and 2015:

	Three Months Ended			
	March 31,		Change	Change
	2016	2015	$	%
	(in thousands)			
PENNSAID 2%	$54,993	$18,260	$36,733	201 %
RAVICTI	37,070	—	37,070	*
DUEXIS	29,648	28,874	774	3 %
ACTIMMUNE	25,512	24,797	715	3 %
VIMOVO	25,451	32,968	(7,517)	(23 %)
KRYSTEXXA	16,156	—	16,156	*
RAYOS	10,509	7,205	3,304	46 %
BUPHENYL	3,744	—	3,744	*
MIGERGOT	907	—	907	*
LODOTRA	700	1,037	(337)	(33 %)
Total Net Sales	$204,690	$113,141	$91,549	81 %

*Percentage change is not meaningful.

The increase in net sales during the three months ended March 31, 2016 was primarily due to the growth in net sales of PENNSAID 2%, the recognition of RAVICTI and BUPHENYL sales following the acquisition of Hyperion in May 2015 and the recognition of KRYSTEXXA sales following the acquisition of Crealta in January 2016.

PENNSAID 2%. Net sales increased $36.7 million, or 201%, to $55.0 million during the three months ended March 31, 2016, from $18.3 million during the three months ended March 31, 2015. Net sales increased by approximately $39.3 million resulting from prescription volume growth, offset by a decrease of approximately $2.6 million due to lower net pricing due to higher co-pay and other patient assistance.

RAVICTI. Net sales were $37.1 million during the three months ended March 31, 2016. We began recognizing RAVICTI sales following the acquisition of Hyperion in May 2015.

DUEXIS. Net sales increased $0.8 million, or 3%, to $29.6 million during the three months ended March 31, 2016, from $28.8 million during the three months ended March 31, 2015. Net sales increased by approximately $20.8 million resulting from prescription volume growth, offset by a decrease of approximately $20.0 million due to lower net pricing due to higher co-pay and other patient assistance.

ACTIMMUNE. Net sales increased $0.7 million, or 3%, to $25.5 million during the three months ended March 31, 2016, from $24.8 million during the three months ended March 31, 2015. Net sales increased by approximately $3.6 million due to higher net pricing, offset by a decrease of approximately $2.9 million resulting from prescription volume decreases.

VIMOVO. Net sales decreased $7.5 million, or 23%, to $25.5 million during the three months ended March 31, 2016, from $33.0 million during the three months ended March 31, 2015. Net sales decreased by approximately $21.5 million due to lower net pricing due to higher co-pay and other patient assistance, offset by an increase of approximately $14.0 million resulting from prescription volume growth.

KRYSTEXXA. Net sales were $16.2 million during the three months ended March 31, 2016. We began recognizing KRYSTEXXA sales following the acquisition of Crealta in January 2016.

RAYOS. Net sales increased $3.3 million, or 46%, to $10.5 million during the three months ended March 31, 2016, from $7.2 million during the three months ended March 31, 2015. Net sales increased by approximately $6.8 million resulting from prescription volume growth, offset by a decrease of approximately $3.5 million due to lower net pricing due to higher co-pay and other patient assistance.

BUPHENYL. Net sales were $3.7 million during the three months ended March 31, 2016. We began recognizing BUPHENYL sales following the acquisition of Hyperion in May 2015.

MIGERGOT. Net sales were $0.9 million during the three months ended March 31, 2016. We began recognizing MIGERGOT sales following the acquisition of Crealta in January 2016.

LODOTRA. Net sales decreased $0.3 million, or 33%, to $0.7 million during the three months ended March 31, 2016, from $1.0 million during the three months ended March 31, 2015. The decrease was the result of reduced medicine shipments to our European distribution partner, Mundipharma. LODOTRA shipments to Mundipharma are not linear or directly tied to Mundipharma's in-market sales and can therefore fluctuate significantly from quarter to quarter.

The table below reconciles our gross to net sales for the three months ended March 31, 2016 and 2015 (in millions):

	Three Months Ended March 31, 2016		Three Months Ended March 31, 2015	
	Amount	% of Gross Sales	Amount	% of Gross Sales
Gross sales	$ 692.6	100.0 %	$ 300.2	100.0 %
Adjustments to gross sales:				
Prompt pay discounts	(13.8)	(2.0)%	(5.2)	(1.7)%
Medicine returns	0.9	0.1 %	(3.1)	(1.0)%
Co-pay and other patient assistance	(388.6)	(56.1)%	(144.3)	(48.1)%
Wholesaler fees and commercial rebates	(28.4)	(4.1)%	(13.0)	(4.3)%
Government rebates and chargebacks	(58.0)	(8.4)%	(21.5)	(7.2)%
Total adjustments	(487.9)	(70.4)%	(187.1)	(62.3)%
Net sales	$ 204.7	29.6 %	$ 113.1	37.7 %

During the three months ended March 31, 2016, co-pay and other patient assistance, as a percentage of gross sales, increased to 56.1% from 48.1% during the three months ended March 31, 2015. The increase was primarily due to the rollout of our HorizonCares program to all sales territories which helped ensure patient access to our medicines in the face of increased control by certain pharmacy benefit managers and payors.

Cost of Goods Sold. Cost of goods sold increased $48.4 million to $77.2 million during the three months ended March 31, 2016, from $28.8 million during the three months ended March 31, 2015. As a percentage of net sales, cost of goods sold was 37.7% during the three months ended March 31, 2016 compared to 25.5% during the three months ended March 31, 2015. The increase in cost of goods sold was primarily attributable to an increase in intangible amortization expense of $32.0 million, a $5.9 million increase in medicine costs associated with higher sales, a $4.2 million increase in inventory step-up amortization and higher royalty accretion expense of $6.3 million.

The increase in intangible amortization of $32.0 million during the three months ended March 31, 2016 compared to the prior year period was due to intangible amortization expense of $24.1 million in relation to RAVICTI and BUPHENYL (acquired in May 2015) and $7.9 million in relation to KRYSTEXXA and MIGERGOT (acquired in January 2016).

Research and Development Expenses. Research and development expenses increased $6.5 million to $12.7 million during the three months ended March 31, 2016, from $6.2 million during the three months ended March 31, 2015. The increase in research and development expenses during the three months ended March 31, 2016 was primarily associated with a $2.0 million upfront fee paid for a license of a patent and an increase of $1.7 million in share-based compensation to research and development employees.

Sales and Marketing Expenses. Sales and marketing expenses increased $28.5 million to $75.5 million during three months ended March 31, 2016, from $47.0 million during the three months ended March 31, 2015. The increase in sales and marketing expenses was in line with the significant growth in revenue and an increase in the number of sales representatives over the same period and was primarily attributable to an increase of $14.1 million in employee costs, including $2.9 million related to share-based compensation resulting from increased staffing of our field sales force, an increase of $12.9 million in marketing and commercialization expenses, including $2.3 million in relation to the marketing costs for RAVICTI and KRYSTEXXA, acquired in May 2015 and January 2016, respectively, and an increase of $1.5 million in medicine samples distributed.

General and Administrative Expenses. General and administrative expenses increased $40.1 million to $66.4 million during the three months ended March 31, 2016, from $26.3 million during the three months ended March 31, 2015. The increase was attributable to $16.4 million of share-based compensation expense, an increase of $8.3 million in acquisition-related general and administrative expenses and $15.4 million related to our growth in headcount and operating costs following the Hyperion and Crealta acquisitions.

Interest Expense, Net. Interest expense, net, increased $9.4 million to $19.5 million during the three months ended March 31, 2016, from $10.1 million during the three months ended March 31, 2015. The increased interest expense, net, was primarily due to higher borrowings to fund the acquisition of Hyperion in May 2015, including our $475.0 million aggregate principal amount of 6.625% Senior Notes due 2023, or the 2023 Senior Notes, six-year $400.0 million term loan facility, or the 2015 Term Loan Facility, and the $400.0 million aggregate principal amount of 2.50% Exchangeable Senior Notes due 2022, or the Exchangeable Senior Notes, as compared to our prior year borrowings under our $300.0 million term loan facility, or 2014 Term Loan Facility.

Loss on Induced Conversion and Debt Extinguishment. The loss on induced conversion and debt extinguishment during the three months ended March 31, 2015 of $10.5 million was a result of induced conversions of our 5.00% Convertible Senior Notes due 2018, or Convertible Senior Notes, which consisted of $5.4 million of loss on induced conversion for cash inducement payments, a $4.8 million charge for the extinguishment of debt and $0.3 million of expenses related to the induced debt conversions. As all of the Convertible Senior Notes were converted by the end of the second quarter of 2015, there were no such expenses during the three months ended March 31, 2016.

(Benefit) Expense for Income Taxes. During the three months ended March 31, 2016, we recorded a benefit for income taxes of $1.4 million compared to income tax expense of $1.9 million during the three months ended March 31, 2015. The income tax benefit during the three months ended March 31, 2016 was primarily attributable to losses incurred in higher tax rate jurisdictions during the period. The income tax expense during the three months ended March 31, 2015 was primarily attributable to the inability to recognize the benefit of losses in the United States due to valuation allowances as well as reserving for net operating losses utilized and minimum local jurisdictional tax liabilities realized.

NON-GAAP FINANCIAL MEASURES

To supplement our financial results presented under U.S. generally accepted accounting principles, or GAAP, we have included information about non-GAAP financial measures used by us which may be calculated differently from, and therefore may not be comparable to, non-GAAP measures used by other companies. We include information about earnings before interest, tax, depreciation and amortization, or EBITDA, adjusted EBITDA, adjusted non-GAAP net income and adjusted non-GAAP net income per share as useful operating metrics for the three months ended March 31, 2016 and 2015. We believe that the presentation of these non-GAAP financial measures, when viewed with our results under GAAP and the accompanying reconciliations, provides supplementary information to investors and can enhance an overall understanding of our financial performance. Due to the expanding nature of our business, we use these non-GAAP financial measures in connection with our own planning and forecasting purposes and for measuring our performance. These non-GAAP financial measures should be considered in addition to, and not a substitute for, or superior to, net income or other financial measures calculated in accordance with GAAP. Non-GAAP adjusted net income and non-GAAP adjusted net income per share are not based on any standardized methodology prescribed by GAAP and represent GAAP net loss and GAAP net loss per share adjusted to exclude, as applicable, transaction and integration costs, an upfront fee for the license of a patent, royalty accretion expense, intangible asset amortization, share-based compensation expense, depreciation expense, acquisition accounting inventory fair value step up adjustments, loss on induced conversion and extinguishment of debt, amortization of debt discount and deferred financing costs and adjusts the income tax provision to the estimated amount of taxes payable in cash. In addition, we include in non-GAAP adjusted net income royalties for medicines acquired through business combinations (and the related per share measures).

Reconciliations of reported GAAP net loss to adjusted EBITDA and adjusted non-GAAP net income, and the related per share amounts, are as follows (in thousands, except share and per share amounts):

	For the Three Months Ended March 31, 2016	2015
GAAP net loss	$ (45,406)	$ (19,553)
Depreciation	992	654
Amortization and accretion:		
Intangible amortization expense	49,650	17,681
Amortization of deferred revenue	(206)	(134)
Accretion of royalty liabilities	9,359	3,044
Amortization of inventory step-up adjustment	7,446	3,154
Interest expense, net (including amortization of debt discount and deferred financing costs)	19,458	10,032
(Benefit) expense for income taxes	(1,443)	1,913
EBITDA	39,850	16,791
Non-GAAP adjustments:		
Acquisition-related costs	11,016	3,654
Upfront fee for license of patent	2,000	—
Loss on induced conversion of debt and debt extinguishment	—	10,544
Share-based compensation	27,612	6,674
Royalties for medicines acquired through business combinations (1)	(8,500)	(5,196)
Total of non-GAAP adjustments	32,128	15,676
Adjusted EBITDA	$ 71,978	$ 32,467
GAAP net loss	$ (45,406)	$ (19,553)
Non-GAAP Adjustments:		
Acquisition-related costs	11,016	3,654
Upfront fee for license of patent	2,000	—
Loss on induced conversion of debt and debt extinguishment	—	10,544
Amortization and accretion:		
Intangible amortization expense	49,650	17,681
Amortization of debt discount and deferred financing costs	4,425	2,206
Accretion of royalty liabilities	9,359	3,044
Amortization of inventory step-up adjustment	7,446	3,154
Share-based compensation	27,612	6,674
Depreciation expense	992	654
Royalties for medicines acquired through business combinations (1)	(8,500)	(5,196)
Total of pre-tax non-GAAP adjustments	104,000	42,415
Income tax adjustments (2)	(3,152)	1,629
Total of non-GAAP adjustments	100,848	44,044
Adjusted Non-GAAP Net Income	$ 55,442	$ 24,491
Adjusted non-GAAP earnings per share:		
Weighted average shares – Basic	159,904,416	125,650,593
Adjusted non-GAAP earnings per share – Basic		
GAAP loss per share – Basic	$ (0.28)	$ (0.16)
Non-GAAP adjustments	0.63	0.35

Adjusted non-GAAP earnings per share – Basic	$ 0.35	$ 0.19
Weighted average shares – Diluted		
Weighted average shares – Basic	159,904,416	125,650,593
Ordinary share equivalents	3,756,579	12,524,900
Weighted average shares – Diluted	163,660,995	138,175,493
Adjusted non-GAAP net income – Diluted		
Adjusted non-GAAP net income	$ 55,442	$ 24,491
Add: Convertible debt interest expense, net of taxes	—	714
Adjusted non-GAAP net income – Diluted	$ 55,442	$ 25,205
GAAP loss per share – Diluted	$ (0.28)	$ (0.16)
Non-GAAP adjustments	0.63	0.35
Diluted earnings per share effect of ordinary share equivalents	(0.01)	(0.01)
Adjusted non-GAAP earnings per share – Diluted	$ 0.34	$ 0.18

(1) Royalties for medicines acquired through business combinations relate to VIMOVO, ACTIMMUNE, RAVICTI, BUPHENYL, KRYSTEXXA and MIGERGOT.

(2) Adjustments to convert the income tax (benefit) expense to the estimated amount of taxes that are payable in cash.

LIQUIDITY, FINANCIAL POSITION AND CAPITAL RESOURCES

We have incurred losses since our inception in June 2005 and, as of March 31, 2016, we had an accumulated deficit of $726.6 million. We expect that our sales and marketing expenses will continue to increase as a result of our commercialization of our medicines, but we believe these cost increases will be more than offset by higher net sales and gross profits. We achieved operating profitability in the year ended December 31, 2015, and we expect our current operations to achieve operating profitability in 2016, absent unusual or non-recurring items.

We have financed our operations to date through equity financings, debt financings and the issuance of convertible notes, along with cash flows from operations during the last several quarters. As of March 31, 2016, we had $385.9 million in cash and cash equivalents and total debt with a book value of $1,140.2 million and face value of $1,272.0 million. We believe our existing cash and cash equivalents and our expected cash flows from our operations will be sufficient to fund our business needs for at least the next 12 months. Part of our strategy is to expand and leverage our commercial capabilities by identifying, developing, acquiring and commercializing differentiated and accessible medicines that address unmet medical needs. To the extent we enter into transactions to acquire medicines or businesses in the future, we will most likely need to finance a significant portion of those acquisitions through additional debt, equity or convertible debt financings.

In March 2015, April 2015 and June 2015, we entered into separate, privately-negotiated conversion agreements with certain holders of the Convertible Senior Notes which were on substantially the same terms as prior conversion agreements entered into by us. Under these conversion agreements, the applicable holders agreed to convert an aggregate principal amount of $61.0 million of Convertible Senior Notes held by them and we agreed to settle such conversions by issuing an aggregate of 11,368,921 ordinary shares. In addition, pursuant to such conversion agreements, we made an aggregate cash payment of $10.0 million to the applicable holders for additional exchange consideration and $0.9 million for accrued and unpaid interest. Following these conversions, there were no Convertible Senior Notes remaining outstanding.

On March 13, 2015, Horizon Pharma Investment Limited, a wholly-owned subsidiary of Horizon Pharma plc, or, Horizon Investment, completed a private placement of $400.0 million aggregate principal amount of Exchangeable Senior Notes to several investment banks acting as initial purchasers who subsequently resold the Exchangeable Senior Notes to qualified institutional buyers as defined in Rule 144A under the Securities Act. The net proceeds from the offering of the Exchangeable Senior Notes were approximately $387.2 million, after deducting the initial purchasers' discount and offering expenses payable by Horizon Investment.

We have fully and unconditionally guaranteed the Exchangeable Senior Notes on a senior unsecured basis, or the Guarantee. The Exchangeable Senior Notes and the Guarantee are Horizon Investment's and our senior unsecured obligations. The Exchangeable Senior Notes accrue interest at an annual rate of 2.50% payable semiannually in arrears on March 15 and September 15 of each year, beginning on September 15, 2015. The Exchangeable Senior Notes will mature on March 15, 2022, unless earlier exchanged, repurchased or redeemed. The initial exchange rate is 34.8979 of our ordinary shares per $1,000 principal amount of the Exchangeable Senior Notes (equivalent to an initial exchange price of approximately $28.66 per ordinary share).

On April 21, 2015, we closed an underwritten public offering of 17,652,500 of our ordinary shares at a price to the public of $28.25 per share, or the 2015 Offering. The net proceeds to us from the 2015 Offering were approximately $475.6 million, after deducting underwriting discounts and other offering expenses payable by us.

On April 29, 2015, Horizon Pharma Financing Inc., our then wholly-owned subsidiary, or Horizon Financing, completed a private placement of $475.0 million aggregate principal amount of 2023 Senior Notes to certain investment banks acting as initial purchasers who subsequently resold the 2023 Senior Notes to qualified institutional buyers as defined in Rule 144A under the Securities Act and in offshore transactions to non-U.S. Persons in reliance on Regulation S under the Securities Act. The net proceeds from the 2023 Senior Notes were approximately $462.3 million.

In connection with the closing of the Hyperion acquisition on May 7, 2015, Horizon Financing merged with and into HPI and, as a result, the 2023 Senior Notes became HPI's general unsecured senior obligations and we and all of our direct and indirect subsidiaries that are guarantors under the 2015 Senior Secured Credit Facility (as described below) fully and unconditionally guaranteed on a senior unsecured basis HPI's obligations under the 2023 Senior Notes.

The 2023 Senior Notes accrue interest at an annual rate of 6.625% payable semiannually in arrears on May 1 and November 1 of each year, beginning on November 1, 2015. The 2023 Senior Notes will mature on May 1, 2023, unless earlier exchanged, repurchased or redeemed.

Except as described below, the 2023 Senior Notes may not be redeemed before May 1, 2018. Thereafter, some or all of the 2023 Senior Notes may be redeemed at any time at specified redemption prices, plus accrued and unpaid interest to the redemption date. At any time prior to May 1, 2018, some or all of the 2023 Senior Notes may be redeemed at a price equal to 100% of the aggregate principal amount thereof, plus a make-whole premium and accrued and unpaid interest to, but not including the redemption date. Also prior to May 1, 2018, up to 35% of the aggregate principal amount of the 2023 Senior Notes may be redeemed at a redemption price of 106.625% of the aggregate principal amount thereof, plus accrued and unpaid interest, with the net proceeds of certain equity offerings; provided that: (1) at least 65% of the aggregate principal amount of notes originally issued under the indenture (excluding notes held by the parent and its subsidiaries) remains outstanding immediately after the occurrence of such redemption; and (2) the redemption occurs with 180 days of the date of closing such equity offering. In addition, the 2023 Senior Notes may be redeemed in whole but not in part at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest and additional amounts, if any, to, but excluding, the redemption date, if on the next date on which any amount would be payable in respect of the 2023 Senior Notes, HPI or any guarantor is or would be required to pay additional amounts as a result of certain tax-related events.

If we undergo a change of control, HPI will be required to make an offer to purchase all of the 2023 Senior Notes at a price in cash equal to 101% of the aggregate principal amount thereof plus accrued and unpaid interest to, but not including, the repurchase date. If we or certain of our subsidiaries engage in certain asset sales, HPI will be required under certain circumstances to make an offer to purchase the 2023 Senior Notes at 100% of the principal amount thereof, plus accrued and unpaid interest to the repurchase date.

On May 7, 2015, we, HPI, and certain of our subsidiaries entered into a credit agreement with Citibank N.A., as administrative agent and collateral agent, and the lenders from time to time party thereto, or the credit agreement, providing for (i) the six-year $400.0 million 2015 Term Loan Facility; (ii) an uncommitted accordion facility subject to the satisfaction of certain financial and other conditions; and (iii) one or more uncommitted refinancing loan facilities with respect to loans thereunder, or the 2015 Senior Secured Credit Facility. The initial borrower under the 2015 Term Loan Facility is HPI. The credit agreement allows for us and certain of our other subsidiaries to become borrowers under the accordion or refinancing facilities. Loans under the 2015 Term Loan Facility bear interest, at each borrower's option, at a rate equal to either the London Inter-Bank Offer Rate, or LIBOR, plus an applicable margin of 3.5% per year (subject to a 1.0% LIBOR floor), or the adjusted base rate plus 2.5%. The adjusted base rate is defined as the greater of (a) LIBOR (using one-month interest period) plus 1%, (b) prime rate, (c) fed funds plus ½ of 1% and (d) 2%. We borrowed the full $400.0 million available under the 2015 Term Loan Facility on May 7, 2015 as a LIBOR-based borrowing. The net proceeds from the 2015 Term Loan Facility were approximately $391.5 million.

The obligations under the credit agreement and any swap obligations and cash management obligations owing to a lender (or an affiliate of a lender) thereunder are and will be guaranteed by our and each of our existing and subsequently acquired or organized direct and indirect subsidiaries (other than certain immaterial subsidiaries, subsidiaries whose guarantee would result in material adverse tax consequences and subsidiaries whose guarantee is prohibited by applicable law). The obligations under the credit agreement and any such swap and cash management obligations are secured, subject to customary permitted liens and other agreed upon exceptions, by a perfected security interest in (i) all tangible and intangible assets of the borrowers and the guarantors, except for certain customary excluded assets, and (ii) all of the capital stock owned by the borrowers and guarantors thereunder (limited, in the case of the stock of certain non-U.S. subsidiaries of the borrowers, to 65% of the capital stock of such subsidiaries).

We are permitted to make voluntary prepayments at any time without payment of a premium. We are required to make mandatory prepayments of loans under the 2015 Term Loan Facility (without payment of a premium) with (a) net cash proceeds from certain non-ordinary course asset sales (subject to reinvestment rights and other exceptions), (b) casualty proceeds and condemnation awards (subject to reinvestment rights and other exceptions), (c) net cash proceeds from issuances of debt (other than certain permitted debt), and (d) beginning with the fiscal year ending December 31, 2016, 50% of our excess cash flow (subject to decrease to 25% or 0% if our first lien leverage ratio is less than 2.25:1 and 1.75:1, respectively). The loans under the 2015 Term Loan Facility will amortize in equal quarterly installments in an aggregate annual amount equal to 1% of the original principal amount thereof, with any remaining balance payable on the final maturity date of the loans under the 2015 Term Loan Facility.

We used the net proceeds from the 2015 Offering, the offering of the 2023 Senior Notes, borrowings under the 2015 Term Loan Facility and existing cash to fund our acquisition of Hyperion, repay the $300.0 million outstanding amounts under the 2014 Term Loan Facility plus the related $45.4 million make-whole fee, and pay prepayment premiums, fees and expenses in connection with the foregoing.

We have a significant amount of debt outstanding on a consolidated basis. This substantial level of debt could have important consequences to our business, including, but not limited to: making it more difficult for us to satisfy our obligations; requiring a substantial portion of our cash flows from operations to be dedicated to the payment of principal and interest on our indebtedness, therefore reducing our ability to use our cash flows to fund acquisitions, capital expenditures, and future business opportunities; limiting our ability to obtain additional financing, including borrowing additional funds; increasing our vulnerability to, and reducing our flexibility to respond to, general adverse economic and industry conditions; limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; and placing us at a disadvantage as compared to our competitors, to the extent that they are not as highly leveraged. We may not be able to generate sufficient cash to service all of our indebtedness and may be forced to take other actions to satisfy our obligations under our indebtedness.

In addition, the indenture governing the 2023 Senior Notes and the credit agreement related to the 2015 Senior Secured Credit Facility impose various covenants that limit our ability and/or our restricted subsidiaries' ability to, among other things, pay dividends or distributions, repurchase equity, prepay junior debt and make certain investments, incur additional debt and issue certain preferred stock, incur liens on assets, engage in certain asset sales or merger transactions, enter into transactions with affiliates, designate subsidiaries as unrestricted subsidiaries; and allow to exist certain restrictions on the ability of restricted subsidiaries to pay dividends or make other payments to us.

During the three months ended March 31, 2016, we issued an aggregate of 123,924 ordinary shares in connection with the exercise of stock options and received $0.9 million in proceeds.

During the three months ended March 31, 2016, we issued an aggregate of 469,725 ordinary shares in net settlement of vested restricted stock units and made payments for employee withholding taxes relating to share-based awards of $4.2 million.

During the three months ended March 31, 2016, we issued an aggregate of 13,584 ordinary shares in net settlement of vested performance stock units.

In May 2016, our board of directors authorized a share repurchase program pursuant to which we may repurchase up to 5,000,000 of our ordinary shares. The timing and amount of repurchases, including whether we decide to repurchase any shares pursuant to the authorization, will depend on a variety of factors, including the price of our ordinary shares, alternative investment opportunities, our cash resources, restrictions under our credit agreement, and market conditions.

Sources and Uses of Cash

The following table provides a summary of our cash position and cash flows as of and for the three months ended March 31, 2016 and 2015 (in thousands):

	For the Three Months Ended March 31,	
	2016	2015
Cash and cash equivalents	$ 385,853	$ 544,211
Cash provided by (used in):		
Operating activities	54,181	(70,739)
Investing activities	(523,257)	(1,439)
Financing activities	(4,266)	398,498

Operating Cash Flows

During the three months ended March 31, 2016, net cash provided by operating activities was $54.1 million compared to net cash used in operating activities of $70.7 million during the three months ended March 31, 2015. The increase in net cash provided by operating activities was primarily attributable to higher cash collections from accounts receivable balances as a result of an increase in sales of medicines, partially offset by higher cash outlays for contractual allowances, patient access programs and government rebates and chargebacks. This contrasted with the three months ended March 31, 2015, when net cash used in operating activities was significant, largely due to a full month of outstanding receivables relating to PENNSAID 2% following its launch in January 2015 and a $35.0 million operating cash outflow due to an increase in prepaid co-pays.

Cash provided by operating activities was negatively impacted during the three months ended March 31, 2016 due to cash payments of $11.7 million for costs related to acquisitions, $9.5 million for interest payments made on our 2015 Term Loan Facility and Exchangeable Senior Notes, $2.4 million of cash paid for income taxes and $2.0 million of cash paid for an upfront fee for a license of a patent. During the three months ended March 31, 2015, we made cash payments of $1.8 million for costs related to acquisitions, $7.3 million for interest payments, $5.7 million for induced conversions and debt extinguishment and related expenses, and $1.2 million for income taxes.

Investing Cash Flows

During the three months ended March 31, 2016 and 2015, net cash used in investing activities was $523.3 million and $1.4 million, respectively. The increase in net cash used in investing activities during the three months ended March 31, 2016 was primarily associated with $514.8 million of payments for the acquisition of Crealta, net of cash acquired, and $7.5 million payments for purchases of property and equipment.

Financing Cash Flows

During the three months ended March 31, 2016, net cash used in financing activities was $4.3 million compared to net cash provided by financing activities of $398.5 million during the three months ended March 31, 2015. The decrease in net cash provided by financing activities during the three months ended March 31, 2016 was primarily attributable to the absence of any new financings in the three months ended March 31, 2016. Net cash provided by financing activities during the three months ended March 31, 2015 was attributable to $388.0 million of net proceeds received from borrowings under the Exchangeable Senior Notes and $9.9 million of proceeds in connection with our issuance of an aggregate of 2,749,990 of our ordinary shares upon the exercise of warrants.

Contractual Obligations

During the three months ended March 31, 2016, there were no material changes outside of the ordinary course of business to our contractual obligations as previously disclosed in Part II, Item 7 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in accordance with U.S. GAAP principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses. Certain of these policies are considered critical as these most significantly impact a company’s financial condition and results of operations and require the most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Actual results may vary from these estimates. A summary of our significant accounting policies is included in Note 2 to our Annual Report on Form 10-K for the year ended December 31, 2015. There have been no significant changes in our application of our critical accounting policies during the three months ended March 31, 2016.

OFF-BALANCE SHEET ARRANGEMENTS

Since our inception, we have not engaged in any off-balance sheet arrangements, including the use of structured finance, special purpose entities or variable interest entities, other than the indemnification agreements discussed in Note 12, “Commitments and Contingencies” in the notes to our condensed consolidated financial statements included in this report.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to various market risks, which include potential losses arising from adverse changes in market rates and prices, such as interest rates and foreign exchange fluctuations. We do not enter into derivatives or other financial instruments for trading or speculative purposes.

Interest Rate Risk. We are subject to interest rate fluctuation exposure through our borrowings under the 2015 Term Loan Facility and our investment in money market accounts which bear a variable interest rate. Loans under the 2015 Term Loan Facility bear interest, at our option, at a rate equal to either the LIBOR rate, plus an applicable margin of 3.5% per annum (subject to a 1.00% LIBOR floor), or the adjusted base rate plus 2.5%. The adjusted base rate is defined as the greater of (a) LIBOR (using one-month interest period) plus 1%, (b) prime rate, (c) fed funds plus ½ of 1% and (d) 2%. Since drawing the full $400.0 million available in May 2015, our borrowings have been based on LIBOR. Since current LIBOR rates are below the 1.0% LIBOR floor, the interest rate on our borrowings has been 4.5% per annum. An increase in the LIBOR of 100 basis points above the 1.0% LIBOR floor would increase our interest expense by $4.0 million per year.

The goals of our investment policy are associated with the preservation of capital, fulfillment of liquidity needs and fiduciary control of cash. To achieve our goal of maximizing income without assuming significant market risk, we maintain our excess cash and cash equivalents in money market funds. Because of the short-term maturities of our cash equivalents, we do not believe that a decrease in interest rates would have any material negative impact on the fair value of our cash equivalents.

Foreign Currency Risk. Our purchase cost of ACTIMMUNE under our contract with Boehringer Ingelheim RCV GmbH & Co. KG as well as our sales contracts relating to LODOTRA are principally denominated in Euros and are subject to foreign currency risk. We also incur certain operating expenses in currencies other than the U.S. dollar in relation to our Irish operations and foreign subsidiaries, including Horizon Pharma Switzerland GmbH; therefore, we are subject to volatility in cash flows due to fluctuations in foreign currency exchange rates, particularly changes in the Euro. To date, we have not entered into any hedging contracts since exchange rate fluctuations have had minimal impact on our results of operations and cash flows.

Inflation Risk. We do not believe that inflation has had a material impact on our business or results of operations during the periods for which the condensed consolidated financial statements are presented in this report.

Credit Risk. Historically, our accounts receivable balances have been highly concentrated with a select number of customers, consisting primarily of large wholesale pharmaceutical distributors who, in turn, sell the medicines to pharmacies, hospitals and other customers. For the three months ended March 31, 2016, our top five customers, AmerisourceBergen, Cardinal Health, Inc., McKesson Corporation, Morris and Dickson and Rochester Drug Company accounted for approximately 90% of total consolidated gross sales. For the three months ended March 31, 2015, our top five customers, American Specialty Pharmacy, Inc., AmerisourceBergen, Cardinal Health, Inc., McKesson Corporation and Rochester Drug Company accounted for approximately 85% of total consolidated gross sales.

In addition, five customers, AmerisourceBergen, Cardinal Health, Inc., CVS Caremark, McKesson Corporation and Rochester Drug Company accounted for approximately 93% of our total outstanding accounts receivable balances at March 31, 2016. Five customers, American Specialty Pharmacy, Inc., AmerisourceBergen, Cardinal Health, Inc., McKesson Corporation and Rochester Drug also accounted for approximately 93% of our total outstanding accounts receivable balances at March 31, 2015. Historically, we have not experienced any significant losses related to our accounts receivable balances.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures. As required by paragraph (b) of Rules 13a-15 and 15d-15 promulgated under the Exchange Act, our management, including our Chief Executive Officer and Chief Financial Officer, conducted an evaluation as of the end of the period covered by this report, of the effectiveness of our disclosure controls and procedures as defined in Exchange Act Rules 13a-15(e) and 15d-15(e). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of March 31, 2016, the end of the period covered by this report.

Changes in Internal Control Over Financial Reporting. As discussed above, on January 13, 2016, we completed the Crealta acquisition. The results of operations of the acquired Crealta business are included in our results of operations beginning on January 13, 2016. We are currently in the process of evaluating and integrating Crealta’s historical internal controls over financial reporting with ours.

We are in the process of implementing new enterprise resource planning software, SAP, as part of a plan to integrate and upgrade our systems and processes. The implementation of this global software is scheduled to continue in phases over a number of years. During the first quarter of 2016, we migrated certain areas of our business to SAP, including financial reporting, financial planning and analysis and treasury. As the phased implementation of this system occurs, we are experiencing certain changes to our processes and procedures which, in turn, result in changes to our internal control over financial reporting. While we expect SAP to strengthen our internal financial controls by automating certain manual processes and standardizing business processes and reporting across our organization, management will continue to evaluate and monitor our internal controls as processes and procedures in each of the affected areas evolve.

During the three months ended March 31, 2016, other than continuing changes to our internal control processes resulting from the Crealta acquisition and new enterprise resource planning software, as discussed above, there have been no material changes to our internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f), that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a description of our legal proceedings, see Note 13, Legal Proceedings, of the Notes to Condensed Consolidated Financial Statements, included in Item 1 of this Quarterly Report on Form 10-Q.

ITEM 1A: RISK FACTORS

You should consider carefully the risks described below, together with all of the other information included in this report, and in our other filings with the Securities and Exchange Commission, or SEC, before deciding whether to invest in or continue to hold our ordinary shares. The risks described below are all material risks currently known, expected or reasonably foreseeable by us. If any of these risks actually occurs, our business, financial condition, results of operations or cash flow could be seriously harmed. This could cause the trading price of our ordinary shares to decline, resulting in a loss of all or part of your investment.

The risk factors set forth below with an asterisk (*) next to the title are new risk factors or risk factors containing changes, including any material changes, from the risk factors previously disclosed in Item 1A of our annual report on Form 10-K for the year ended December 31, 2015, as filed with the SEC.

Risks Related to Our Business and Industry

Our ability to generate revenues from our medicines is subject to attaining significant market acceptance among physicians, patients and healthcare payors.*

Our current medicines, and other medicines or medicine candidates that we may develop or acquire, may not attain market acceptance among physicians, patients, healthcare payors or the medical community. We have a limited history of commercializing medicines and most of our medicines have not been on the market for an extensive period of time, which subjects us to numerous risks as we attempt to increase our market share. We believe that the degree of market acceptance and our ability to generate revenues from our medicines will depend on a number of factors, including:

- timing of market introduction of our medicines as well as competitive medicines;
- efficacy and safety of our medicines;
- continued projected growth of the markets in which our medicines compete;
- prevalence and severity of any side effects;
- if and when we are able to obtain regulatory approvals for additional indications for our medicines;
- acceptance by patients, primary care physicians and key specialists, including rheumatologists, orthopedic surgeons, pain specialists and specialists in pediatric immunology, allergy, infectious diseases and hematology/oncology;
- availability of coverage and adequate reimbursement and pricing from government and other third-party payors;
-

potential or perceived advantages or disadvantages of our medicines over alternative treatments, including cost of treatment and relative convenience and ease of administration;

- strength of sales, marketing and distribution support;
- the price of our medicines, both in absolute terms and relative to alternative treatments;
- impact of past and limitation of future medicine price increases;
- our ability to maintain a continuous supply of medicine for commercial sale;
- the effect of current and future healthcare laws;
- the performance of third-party distribution partners, over which we have limited control; and
- medicine labeling or medicine insert requirements of the U.S. Food and Drug Administration, or FDA, or other regulatory authorities.

With respect to DUEXIS and VIMOVO, studies indicate that physicians do not commonly co-prescribe gastrointestinal, or GI, protective agents to high-risk patients taking nonsteroidal anti-inflammatory drugs, or NSAIDs. We believe this is due in part to a lack of awareness among physicians prescribing NSAIDs regarding the risk of NSAID-induced upper GI ulcers, in addition to the inconvenience of prescribing two separate medications and patient compliance issues associated with multiple prescriptions. If physicians remain unaware of, or do not otherwise believe in, the benefits of combining GI protective agents with NSAIDs, our market opportunity for DUEXIS and VIMOVO will be limited. Some physicians may also be reluctant to prescribe DUEXIS or VIMOVO due to the inability to vary the dose of ibuprofen and naproxen, respectively, or if they believe treatment with NSAIDs or GI protective agents other than those contained in DUEXIS and VIMOVO, including those of its competitors, would be more effective for their patients. With respect to each of DUEXIS, PENNSAID 2% w/w, or PENNSAID 2%, RAYOS/LODOTRA, VIMOVO and BUPHENYL, their higher cost compared to the generic or branded forms of their active ingredients alone may limit adoption by physicians, patients and healthcare payors. With respect to ACTIMMUNE, while it is the only FDA-approved treatment for chronic granulomatous disease, or CGD, and severe, malignant osteopetrosis, or SMO, they are very rare conditions and, as a result, our ability to grow ACTIMMUNE sales will depend on our ability to further penetrate this limited market and obtain marketing approval for additional indications. With respect to RAVICTI, which is also approved to treat a very limited patient population, our ability to grow sales will depend in large part on our ability to transition urea cycle disorder, or UCD, patients from BUPHENYL or generic equivalents, which are comparatively much less expensive, to RAVICTI. With respect to KRYSTEXXA, our ability to grow sales will be affected by the success of our sales and marketing strategies and life cycle management, including studies designed to test reduction of immunogenicity in KRYSTEXXA which could expand the patient population and usage of KRYSTEXXA. With respect to MIGERGOT, our ability to sustain sales will depend on the management of inventory levels and the continued awareness of its benefits among physicians. If our current medicines or any other medicine that we may seek approval for or acquire fail to attain market acceptance, we may not be able to generate significant revenue to achieve or sustain profitability, which would have a material adverse effect on our business, results of operations, financial condition and prospects (including, possibly, the value of our ordinary shares).

Our future prospects are highly dependent on our ability to successfully formulate and execute commercialization strategies for each of our medicines. Failure to do so would adversely impact our financial condition and prospects.*

A substantial majority of our resources are focused on the commercialization of our current medicines. Our ability to generate significant medicine revenues and to achieve commercial success in the near-term will initially depend almost entirely on our ability to successfully commercialize these medicines in the United States. While DUEXIS was approved for marketing in the United Kingdom, or U.K., such approval sunset in March 2016. DUEXIS is not approved in any other countries in Europe and we do not expect the opportunity for DUEXIS in Europe to be material. Therefore, we expect that our ability to successfully commercialize DUEXIS will depend on our sales and marketing efforts in the United States. Following our acquisition of the U.S. rights to VIMOVO in November 2013 and PENNSAID 2% in October 2014, our strategy has included bringing both medicines' pricing in-line with DUEXIS and other branded NSAIDs, thereby significantly increasing the value we realize per prescription, and also increasing sales and marketing support to drive volume growth in prescriptions. We cannot guarantee that this strategy will continue to be effective generally, due to negative reactions to price increases or otherwise. Our strategy for RAYOS is to solely focus on the rheumatology indications approved for RAYOS where our Phase 3 clinical trial data supports our commercial plans. Our strategy with respect to ACTIMMUNE includes pursuing label expansion for additional indications, such as Friedreich's ataxia, or FA, and price increases but we cannot be certain that our pricing strategy will not result in downward pressure on sales or that we will be able to successfully complete clinical trials and obtain regulatory approvals in additional indications. Although LODOTRA is approved for marketing in countries outside the United States, to date it has only been marketed in a limited number of countries. While we anticipate that LODOTRA will be marketed in additional countries as our distribution partner, Mundipharma International Corporation Limited, or Mundipharma, formulates its reimbursement strategy, the ability to market LODOTRA in additional countries will depend on Mundipharma's ability to obtain reimbursement approvals in these countries.

Our strategy with respect to RAVICTI includes accelerating the transition of UCD patients from BUPHENYL or generic equivalents to RAVICTI, increasing the diagnosis of UCD and treatment of untreated UCD patients through patient and physician outreach, and increasing the price of the medicine. Part of our success in our strategy will be obtaining favorable results from an on-going study of the use of RAVICTI to treat UCD in patients less than two years of age, the timely submission of a supplemental new drug application and approval of RAVICTI for the treatment in UCD in patients less than two years of age, and we cannot guarantee that any of these events will occur on our anticipated timeline or at all. In November 2015, we received approval of the Committee for Medicinal Products for Human Use of the European Medicines Agency, or EMA, for RAVICTI for use as an adjunctive therapy for chronic management of adult and pediatric UCD patients greater than two months of age. This authorizes us to market RAVICTI in all 28 Member States of the European Union, or EU, and will form the basis for recognition by the Member States of the European Economic Area, namely Norway, Iceland and Liechtenstein, for the medicine to be placed on the market. While we expect to commercially launch RAVICTI in Europe in 2017, we cannot guarantee we will be able to successfully implement our commercial plans for RAVICTI in Europe. Our strategy with respect to KRYSTEXXA includes the expansion of our sales force to approximately 80 rheumatology sales specialists, the planned enhancement of the KRYSTEXXA marketing campaign with improved immunogenicity data, continued volume growth and pricing optimization.

In order to increase adoption and sales of our medicines, we will need to continue developing our commercial organization as well as recruit and retain qualified sales representatives.*

Part of our strategy is to continue to build a biopharmaceutical company to successfully execute the commercialization of our medicines in the U.S. market, and in selected markets in Europe where we have commercial rights. We may not be able to successfully commercialize our medicines in the United States or in any other territories where we have commercial rights. Prior to our commercial launch of DUEXIS in the United States in December 2011, we did not have any experience commercializing medicines on our own. In order to commercialize any approved medicines, we must continue to build our sales, marketing, distribution, managerial and other non-technical capabilities. Although we had expanded our sales force to approximately 520 sales representatives as of March 31, 2016, consisting of approximately 15 orphan disease sales representatives, 405 primary care sales representatives and 100 rheumatology sales specialists, we currently have limited resources compared to some of our competitors, and the continued development of our own commercial organization to market our medicines and any additional medicines we may acquire will be expensive and time-consuming. We also cannot be certain that we will be able to continue to successfully develop this capability.

As a result of the evolving role of various constituents in the prescription decision making process, we adjusted the profile of the sales representatives we hire for our primary care and rheumatology business units from those with traditional pharmaceutical sales experience to those with successful business to business experience. For example, we have faced challenges due to pharmacists increasingly switching a patient's intended prescription from DUEXIS and VIMOVO to a generic or over-the-counter brand of their active ingredients. We have faced similar challenges for RAYOS, BUPHENYL and PENNSAID 2% with respect to generic brands. While we believe the profile of our representatives is better suited for this evolving environment, we cannot be certain that our representatives will be able to successfully protect our market for DUEXIS, PENNSAID 2%, RAYOS, BUPHENYL and VIMOVO or that we will be able to continue attracting and retaining sales representatives with our desired profile and skills. We will also have to compete with other pharmaceutical and biotechnology companies to recruit, hire, train and retain commercial personnel. To the extent we rely on additional third parties to commercialize any approved medicines, we may receive less revenue than if we commercialized these medicines ourselves. In addition, we may have little or no control over the sales efforts of any third parties involved in our commercialization efforts. In the event we are unable to successfully develop and maintain our own commercial organization or collaborate with a third-party sales and marketing organization, we may not be able to commercialize our medicines and medicine candidates and execute on our business plan.

If we are unable to effectively train and equip our sales force, our ability to successfully commercialize our medicines in the United States will be harmed.

As we recently acquired additional medicines through acquisition transactions, the members of our sales force may have limited experience promoting these medicines. To the extent we have retained the sales forces promoting recently-acquired medicines, we may not be successful in continuing to retain these employees and we otherwise have limited experience marketing these medicines under our commercial organization. As a result, we are required to expend significant time and resources to train our sales force to be credible and persuasive in convincing physicians to prescribe and pharmacists to dispense our medicines. In addition, we must train our sales force to ensure that a consistent and appropriate message about our medicines is being delivered to our potential customers. Our sales representatives may also experience challenges promoting multiple medicines when we call on physicians and their office staff. We have experienced, and may continue to experience, turnover of the sales representatives that we hired or will hire, requiring us to train new sales representatives. If we are unable to effectively train our sales force and equip them with effective materials, including medical and sales literature to help them inform and educate physicians about the benefits of our medicines and their proper administration and label indication, as well as our access programs, our efforts to successfully commercialize our medicines could be put in jeopardy, which could have a material adverse effect on our financial condition, share price and operations.

If we cannot successfully implement our patient access programs in the face of increasing pressure to reduce the price of medications, the adoption of our medicines by physicians, patients and payors may decline.*

There continues to be immense pressure from healthcare payors and pharmacy benefit managers, or PBMs, to use less expensive generics or over-the-counter brands instead of branded medicines. For example, two of the largest PBMs have placed DUEXIS and VIMOVO on their formulary exclusion lists. Additional healthcare plans, including those that contract with these PBMs but use different formularies, may also choose to exclude our medicines from their formularies or restrict coverage to situations where a generic or over-the-counter medicine has been tried first. Many payors and PBMs also require patients to make co-payments for branded medicines, including many of our medicines, in order to incentivize the use of generic or other lower-priced alternatives instead. Legislation enacted in most states in the United States allows or, in some instances mandates, that a pharmacist dispense an available generic equivalent when filling a prescription for a branded medicine, in the absence of specific instructions from the prescribing physician. Because our medicines (other than BUPHENYL) do not currently have FDA-approved generic equivalents in the United States, we do not believe our medicines should be subject to mandatory generic substitution laws. However we understand that some pharmacies may attempt to obtain physician authorization to switch prescriptions for DUEXIS or VIMOVO to prescriptions for multiple generic medicines with similar active pharmaceutical ingredients, or APIs, to ensure payment for the medicine if the physician's prescription for the branded medicine is not immediately covered by the payor, despite such substitution being off-label in the case of DUEXIS. If these limitations in coverage and other incentives result in patients refusing to fill prescriptions or being dissatisfied with the out-of-pocket costs of their medications, or if pharmacies otherwise seek and receive physician authorization to switch prescriptions, not only would we lose sales on prescriptions that are ultimately not filled, but physicians may be dissuaded from writing prescriptions for our medicines in the first place in order to avoid potential patient non-compliance or dissatisfaction over medication costs, or to avoid spending the time and effort of responding to pharmacy requests to switch prescriptions.

A part of our commercial strategy to increase adoption and access to our medicines in the face of these incentives to use generic alternatives is to offer physicians to have their patients fill their prescriptions through independent pharmacies participating in our HorizonCares access program. Through HorizonCares, financial assistance may be available to reduce eligible patient's out-of-pocket costs for prescriptions filled. Because of this assistance, the eligible patient's out-of-pocket cost for our medicines when dispensed through HorizonCares may be significantly lower than such costs when our medicines are dispensed outside of the HorizonCares program. However, to the extent physicians do not direct prescriptions currently filled through traditional pharmacies, including those associated with or controlled by PBMs, to pharmacies participating in our HorizonCares program, we may experience a significant decline in DUEXIS, VIMOVO and PENNSAID 2% prescriptions as a result of formulary exclusions, co-payment requirements or other incentives to use cheaper alternatives to our medicines. Our ability to increase utilization of our access programs will depend on physician and patient awareness and comfort with the programs, and we have limited ability to influence whether physicians use our access programs to prescribe our medicines or whether patients will agree to receive our medicines through the HorizonCares program. In addition, the HorizonCares program is not available to federal health care program (such as Medicare and Medicaid) beneficiaries. If we are unable to increase adoption of HorizonCares for filling prescriptions of our medicines, our ability to maintain or increase prescriptions for our medicines could be impaired.

There has been recent negative publicity regarding the use of specialty pharmacies and drug pricing. Our patient access programs are not involved in the prescribing of medicines, and are solely to assist in ensuring that when a physician determines one of our medicines offers a potential clinical benefit to their patients and they prescribe one for an eligible patient, financial assistance may be available to reduce the patient's out-of-pocket costs. In addition, all pharmacies that fill prescriptions for our medicines are fully independent, including those that participate in HorizonCares. We do not own or possess any option to purchase an ownership stake in any pharmacy that distributes our medicines, and our relationship with each pharmacy is non-exclusive and arm's length. All of our sales are processed through pharmacies independent of us. Despite this, the recent negative publicity regarding specialty pharmacies may result in physicians being less willing to participate in our patient access programs and thereby limit our ability to increase patient access and adoption of our medicines.

We may also encounter difficulty in forming and maintaining relationships with pharmacies that participate in our patient access programs. We currently depend on a limited number of pharmacies participating in HorizonCares to fulfill patient prescriptions under the HorizonCares program. If these HorizonCares participating pharmacies are unable to process and fulfill the volume of patient prescriptions directed to them under the HorizonCares program, our ability to maintain or increase prescriptions for our medicines will be impaired. The commercialization of our medicines and our operating results could be affected should any of the HorizonCares participating pharmacies choose not to continue participation in our HorizonCares program or by any adverse events at any of those HorizonCares participating pharmacies. For example, pharmacies that dispense our medicines could lose contracts that they currently maintain with managed care organizations, or MCOs, including PBMs. Pharmacies often enter into agreements with MCOs. They may be required to abide by certain terms and conditions to maintain access to MCO networks, including terms and conditions that could limit their ability to participate in patient access programs like ours. Failure to comply with the terms of their agreements with MCOs could result in a variety of penalties, including termination of their agreement, which could negatively impact the ability of those pharmacies to dispense our medicines and collect reimbursement from MCOs for such medicines.

The HorizonCares program may implicate certain state laws related to, among other things, unlawful schemes to defraud, excessive fees for services, tortious interference with patient contracts and statutory or common law fraud. We have a compliance program in place to address adherence with various laws and regulations relating to the selling, marketing and manufacturing of our medicines, as well as certain third-party relationships, including pharmacies. Specifically with respect to pharmacies, the compliance program utilizes a variety of methods and tools to monitor and audit pharmacies, including those that participate in the HorizonCares program, to confirm their activities, adjudication and practices are consistent with our compliance policies and guidance. Despite our compliance efforts, to the extent the HorizonCares program is found to be inconsistent with applicable laws or the pharmacies that participate in our patient access programs do not comply with applicable laws, we may be required to restructure or discontinue such programs, terminate our relationship with certain pharmacies, or be subject to other significant penalties. In November 2015, we received a subpoena from the U.S. Attorney's Office for the Southern District of New York requesting documents and information related to our patient access programs and other aspects of our marketing and commercialization activities. We are unable to predict how long this investigation will continue or its outcome, but we anticipate that we may incur significant costs in connection with the investigation, regardless of the outcome. We may also become subject to similar investigations by other governmental agencies. The investigation by the U.S. Attorney's Office and any additional investigations of our patient access programs and sales and marketing activities may result in damages, fines, penalties or other administrative sanctions against us.

Even if we are successful in increasing the use our patient access programs, these programs may become too costly for us to maintain if we are unable to maintain or enhance payor reimbursement of our medicines. The aggregate commercial value of our patient access programs for the three months ended March 31, 2016 was $388.6 million. If additional formularies place our medicines on their exclusion lists or increase the co-payments applicable to our medicines, our cost of ensuring that patients have low-cost access to our medicines will increase and our profitability could decline. If the cost of maintaining our patient access programs increases relative to our sales revenues, we could be forced to reduce the amount of patient financial assistance that we offer or otherwise scale back or eliminate such programs, which could in turn have a negative impact on physicians' willingness to prescribe and patients' willingness to fill prescriptions of our medicines.

If we are unable to successfully implement our commercial plans and facilitate adoption by patients and physicians of any approved medicines through our sales, marketing and commercialization efforts then we will not be able to generate sustainable revenues from medicine sales which will have a material adverse effect on our business and prospects.

We are solely dependent on third parties to commercialize certain of our medicines outside the United States. Failure of these third parties or any other third parties to successfully commercialize our medicines and medicine candidates in the applicable jurisdictions could have a material adverse effect on our business.*

We rely on Mundipharma for commercialization of LODOTRA in various European countries and certain Asian, Latin American, Middle Eastern, African and other countries. We rely on other third-party distributors for commercialization of BUPHENYL in certain territories outside the United States for which we currently have rights. We have limited contractual rights to force these third parties to invest significantly in commercialization of LODOTRA or BUPHENYL in our markets. In the event that Mundipharma or our current ex-U.S. distributors for BUPHENYL or any other third-party with any future commercialization rights to any of our medicines or medicine candidates fail to adequately commercialize those medicines or medicine candidates because they lack adequate financial or other resources, decide to focus on other initiatives or otherwise, our ability to successfully commercialize our medicines or medicine candidates in the applicable jurisdictions would be limited, which would adversely affect our business, financial condition, results of operations and prospects. We have had disagreements with Mundipharma under our European agreements and may continue to have disagreements, which could harm commercialization of LODOTRA in Europe or result in the termination of our agreements with Mundipharma. We also rely on

Mundipharma's ability to obtain regulatory approval for LODOTRA in certain Asian, Latin American, Middle Eastern, African and other countries. In addition, our agreements with Mundipharma and our agreements with our current ex-U.S. distributors for BUPHENYL may be terminated by either party in the event of a bankruptcy of the other party or upon an uncured material breach by the other party. If these third parties terminated their agreements, we may not be able to secure an alternative distributor in the applicable territory on a timely basis or at all, in which case our ability to generate revenues from the sale of LODOTRA or BUPHENYL outside the United States would be materially harmed.

Our medicines are subject to extensive regulation, and we may not obtain additional regulatory approvals for our medicines.*

The clinical development, manufacturing, labeling, packaging, storage, recordkeeping, advertising, promotion, export, marketing and distribution and other possible activities relating to our medicines and our medicine candidates are, and will be, subject to extensive regulation by the FDA and other regulatory agencies. Failure to comply with FDA and other applicable regulatory requirements may, either before or after medicine approval, subject us to administrative or judicially imposed sanctions.

To market any drugs or biologics outside of the United States, we and current or future collaborators must comply with numerous and varying regulatory and compliance related requirements of other countries. Approval procedures vary among countries and can involve additional medicine testing and additional administrative review periods, including obtaining reimbursement and pricing approval in select markets. The time required to obtain approval in other countries might differ from that required to obtain FDA approval. The regulatory approval process in other countries may include all of the risks associated with FDA approval as well as additional, presently unanticipated, risks. Regulatory approval in one country does not ensure regulatory approval in another, but a failure or delay in obtaining regulatory approval in one country may negatively impact the regulatory process in others.

Applications for regulatory approval, including a marketing authorization application for marketing new drugs in Europe, must be supported by extensive clinical and preclinical data, as well as extensive information regarding chemistry, manufacturing and controls, or CMC, to demonstrate the safety and effectiveness of the applicable medicine candidate. The number and types of preclinical studies and clinical trials that will be required for regulatory approval varies depending on the medicine candidate, the disease or the condition that the medicine candidate is designed to target and the regulations applicable to any particular medicine candidate. Despite the time and expense associated with preclinical and clinical studies, failure can occur at any stage, and we could encounter problems that cause us to repeat or perform additional preclinical studies, CMC studies or clinical trials. Regulatory authorities could delay, limit or deny approval of a medicine candidate for many reasons, including because they:

- may not deem a medicine candidate to be adequately safe and effective;
- may not find the data from preclinical studies, CMC studies and clinical trials to be sufficient to support a claim of safety and efficacy;
- may interpret data from preclinical studies, CMC studies and clinical trials significantly differently than we do;
- may not approve the manufacturing processes or facilities associated with our medicine candidates;
- may conclude that we have not sufficiently demonstrated long-term stability of the formulation for which we are seeking marketing approval;
- may change approval policies (including with respect to our medicine candidates' class of drugs) or adopt new regulations; or
- may not accept a submission due to, among other reasons, the content or formatting of the submission.

Even if we believe that data collected from our preclinical studies, CMC studies and clinical trials of our medicine candidates are promising and that our information and procedures regarding CMC are sufficient, our data may not be sufficient to support marketing approval by regulatory authorities, or regulatory interpretation of these data and procedures may be unfavorable. Even if approved, medicine candidates may not be approved for all indications requested and such approval may be subject to limitations on the indicated uses for which the medicine may be marketed, restricted distribution methods or other limitations. Our business and reputation may be harmed by any failure or significant delay in obtaining regulatory approval for the sale of any of our medicine candidates. We cannot predict when or whether regulatory approval will be obtained for any medicine candidate we develop.

While we anticipate that LODOTRA will be marketed in additional countries as Mundipharma formulates its reimbursement strategy, the ability to market LODOTRA in additional countries will depend on Mundipharma's ability to obtain regulatory and reimbursement approvals in these countries.

Hyperion Therapeutics Inc., or Hyperion, submitted a New Drug Submission to Health Canada, or HC, for approval to market RAVICTI in Canada. In March 2016, HC issued a Notice of Compliance for RAVICTI for use as an adjunctive therapy for chronic management of adult and pediatric patients two years of age and older with UCDs, and we plan to launch RAVICTI in Canada during 2016. However, if we are unable to obtain any further approvals for RAVICTI outside the United States, Canada and Europe, or determine that commercializing RAVICTI outside the United States, Canada and Europe is not economically viable, the market potential of RAVICTI will be limited.

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Our limited history of commercial operations makes evaluating our business and future prospects difficult, and may increase the risk of any investment in our ordinary shares.

We face considerable risks and difficulties as a company with limited commercial operating history, particularly as a global consolidated entity with operating subsidiaries that also have limited operating histories. If we do not successfully address these risks, our business, prospects, operating results and financial condition will be materially and adversely harmed. Our limited commercial operating history, including our limited history commercializing our current medicines, makes it particularly difficult for us to predict our future operating results and appropriately budget for our expenses. In the event that actual results differ from our estimates or we adjust our estimates in future periods, our operating results and financial position could be materially affected. For example, we may underestimate the resources we will require to successfully integrate recent or future medicine or company acquisitions, or to commercialize our medicines, or not realize the benefits we expect to derive from our recent or future acquisitions. In addition, we have a limited history implementing our commercialization strategy focused on patient access, and cannot guarantee that we will be able to successfully implement this strategy or that it will represent a viable strategy over the long-term.

We have rights to medicines in the United States but have no control over third parties that have rights to commercialize those medicines in other jurisdictions, which could adversely affect our commercialization of these medicines in the United States.*

Boehringer Ingelheim RCV GmbH & Co. KG, or Boehringer Ingelheim, has rights to commercialize ACTIMMUNE, known as IMUKIN, outside the United States, Canada and Japan, and AstraZeneca AB, or AstraZeneca, has retained its existing rights to VIMOVO in territories outside of the United States, including the right to use the VIMOVO name and related trademark. While we have the worldwide rights to BUPHENYL, the marketing and distribution rights are licensed to Swedish Orphan Biovitrum AB, or SOBI, through the end of 2016. Similarly, Nuvo Research Inc., or Nuvo, has retained its rights to PENNSAID 2% in territories outside of the United States and has announced its intention to seek commercialization partners outside the United States. We have little or no control over Boehringer Ingelheim's activities with respect to IMUKIN outside the United States, Canada and Japan, over AstraZeneca's activities with respect to VIMOVO outside of the United States, over SOBI's activities with respect to BUPHENYL in Europe, certain Asian, Latin American, Middle Eastern, North African and other countries or over Nuvo's or its future commercial partners' activities with respect to PENNSAID 2% outside of the United States, even though those activities could impact our ability to successfully commercialize ACTIMMUNE, VIMOVO, BUPHENYL and PENNSAID 2% in the United States. For example, AstraZeneca or its assignees or Nuvo or its assignees can make statements or use promotional materials with respect to VIMOVO or PENNSAID 2%, respectively, outside of the United States that are inconsistent with our positioning of the medicines in the United States, and could sell VIMOVO or PENNSAID 2%, respectively, in foreign countries, including Canada, at prices that are dramatically lower than the prices we charge in the United States. These activities and decisions, while occurring outside of the United States, could harm our commercialization strategy in the United States, in particular because AstraZeneca is continuing to market VIMOVO outside the United States under the same VIMOVO brand name that we are using in the United States. In addition, medicine recalls or safety issues with ACTIMMUNE, VIMOVO, BUPHENYL or PENNSAID 2% outside the United States, even if not related to the commercial medicine we sell in the United States, could result in serious damage to the brand in the United States and impair our ability to successfully market ACTIMMUNE, VIMOVO, BUPHENYL and PENNSAID 2%. We also rely on Boehringer Ingelheim, AstraZeneca, SOBI and Nuvo or their assignees to provide us with timely and accurate safety information regarding the use of ACTIMMUNE, VIMOVO, BUPHENYL or PENNSAID 2%, respectively, outside of the United States (and outside of Canada and Japan with regards to Boehringer Ingelheim), as we have or will have limited access to this information ourselves.

We rely on third parties to manufacture commercial supplies of all of our medicines, and we currently intend to rely on third parties to manufacture commercial supplies of any other approved medicines. The commercialization of any of our medicines could be stopped, delayed or made less profitable if those third parties fail to provide us with sufficient quantities of medicine or fail to do so at acceptable quality levels or prices or fail to maintain or achieve satisfactory regulatory compliance.*

The facilities used by our third-party manufacturers to manufacture our medicines and medicine candidates must be approved by the applicable regulatory authorities. We do not control the manufacturing processes of third-party manufacturers and are currently completely dependent on our third-party manufacturing partners. In addition, we are required to obtain AstraZeneca's consent prior to engaging any third-party manufacturers for esomeprazole, one of the APIs in VIMOVO, other than the third-party manufacturer(s) used by AstraZeneca or its affiliates or licensees. To the extent such manufacturers are unwilling or unable to manufacture esomeprazole for us on commercially acceptable terms, we cannot guarantee that AstraZeneca would consent to our use of alternate sources of supply.

We rely on an exclusive supply agreement with Boehringer Ingelheim for manufacturing and supply of ACTIMMUNE. However, Boehringer Ingelheim also manufactures interferon gamma-1 b to supply its own commercial needs in its licensed territory, and this may lead to capacity allocation issues and supply constraints to our company. Furthermore, ACTIMMUNE is manufactured by starting with cells from working cell bank samples which are derived from a master cell bank. We and Boehringer Ingelheim separately store multiple vials of the master cell bank. In the event of catastrophic loss at our or Boehringer Ingelheim's storage facility, it is possible that we could lose multiple cell banks and have the manufacturing capacity of ACTIMMUNE severely impacted by the need to substitute or replace the cell banks. In addition, a key excipient used in PENNSAID 2% as a penetration enhancer is dimethyl sulfoxide, or DMSO. We and Nuvo, our exclusive supplier of PENNSAID 2%, rely on a sole proprietary form of DMSO for which we maintain a substantial safety stock. However, should this supply become inadequate, damaged, destroyed or unusable, we and Nuvo may not be able to qualify a second source. We rely on NOF Corporation, or NOF, as our exclusive supplier of the PEGylation agent that is a critical raw material in the manufacture of KRYSTEXXA. If NOF failed to supply such PEGylation agent, it may lead to KRYSTEXXA supply constraints.

If any of our third-party manufacturers cannot successfully manufacture material that conforms to our specifications and the applicable regulatory authorities' strict regulatory requirements, or pass regulatory inspection, they will not be able to secure or maintain regulatory approval for the manufacturing facilities. In addition, we have no control over the ability of third-party manufacturers to maintain adequate quality control, quality assurance and qualified personnel. If the FDA or any other applicable regulatory authorities do not approve these facilities for the manufacture of our medicines or if they withdraw any such approval in the future, or if our suppliers or third-party manufacturers decide they no longer want to supply our primary active ingredients or manufacture our medicines, we may need to find alternative manufacturing facilities, which would significantly impact our ability to develop, obtain regulatory approval for or market our medicines. To the extent any third-party manufacturers that we engage with respect to our medicines are different from those currently being used for commercial supply in the United States, the FDA will need to approve the facilities of those third-party manufacturers used in the manufacture of our medicines prior to our sale of any medicine using these facilities.

Although we have entered into supply agreements for the manufacture of our medicines, our manufacturers may not perform as agreed or may terminate their agreements with us. Under our manufacturing and supply agreement with Sanofi-Aventis U.S. LLC, or Sanofi-Aventis U.S., either we or Sanofi-Aventis U.S. may terminate the agreement upon an uncured breach by the other party or without cause upon two years prior written notice. Under our master manufacturing services and medicine agreement with Patheon Pharmaceuticals Inc., or Patheon, for finished VIMOVO medicine, either we or Patheon may terminate the agreement for uncured material breach by the other party or upon the other party's bankruptcy or insolvency, we may terminate the agreement if any regulatory authority takes any action or raises any objection that prevents us from commercializing the VIMOVO medicine and Patheon may terminate the agreement if we assign our rights or obligations under the agreement to a competitor of Patheon or to a party that, in the reasonable opinion of Patheon, is not a credit worthy substitute for us, or in certain other circumstances where we assign the agreement without Patheon's consent. Our manufacturing agreement with Boehringer Ingelheim has a term that runs until July 31, 2020, but the agreement may be terminated earlier by either us or Boehringer Ingelheim for an uncured material breach by the other party or upon the other party's bankruptcy or insolvency. Under our manufacturing and supply agreement with Jagotec AG, or Jagotec, either we or Jagotec may terminate the agreement in the event of an insolvency, liquidation or bankruptcy of the other party or upon an uncured breach by the other party. While we have the right to receive a continuing supply of RAYOS/LODOTRA from Jagotec for a period of 24 months after termination, we would need to move our manufacturing to our alternate supplier of RAYOS/ LODOTRA, Bayer Pharma AG, in such an event and we may have to qualify a new back-up manufacturer. The term of our supply agreement with Nuvo for PENNSAID 2% is through December 31, 2029, but the agreement may be terminated earlier by either party for any uncured material breach by the other party of its obligations under the supply agreement or upon the bankruptcy or similar proceeding of the other party. With respect to BUPHENYL, our supply agreement with Pharmaceutics International, Inc., or PII, is in place until April 1, 2017, however, the agreement may be terminated earlier by either party. The term of our manufacturing agreement with Halo Pharmaceutical, Inc. for RAVICTI runs until July 4, 2018, however, the agreement may be terminated earlier in the case of breach by either party if the other party is in material breach of any provision of the agreement and the other party fails to remedy such a breach within thirty days, or by us at any time for any reason. Our master services agreement with Lyne Laboratories, Inc., or Lyne, for RAVICTI runs until February 1, 2017, with provision for 12 monthly auto renewals thereafter, unless 6 months' written notice is provided by either party. The agreement may be terminated earlier, on 30 days' notice, in case of breach by either party. Our manufacturing and supply agreement with Bio-Technology General (Israel) Ltd., or BTG Israel, for KRYSTEXXA bulk medicine terminates on December 15, 2018, and we are seeking a new manufacturer. Under the terms of the agreement BTG Israel has the obligation to convey all the know-how, licensed improvements, and other information related to the processing of the bulk medicine sufficient to enable us to manufacture the medicine. BTG Israel also has an obligation not to compete against KRYSTEXXA for a period of 30 months subsequent to the termination of the agreement. If we determine to move the manufacture of the bulk medicine out of Israel, we may be required to pay additional costs and to obtain the approval of the Office of the Chief Scientist (Israel), or OCS, because certain KRYSTEXXA intellectual property was developed with a grant funded by OCS. Under the terms of our agreement, BTG Israel must help us obtain such consent, but we can provide no assurance that the OCS will grant us approval to move the manufacturing outside of Israel. If we are unable to obtain such consent and we do not select a different supplier located in Israel, we may be required to pay additional amounts as repayment for the OCS grant funding. We rely on safety stock to mitigate the risk of our current suppliers electing to cease producing bulk drug medicine or ceasing to do so at acceptable prices and quality. However, we can provide no assurance that such safety stocks would be sufficient to avoid supply shortfalls in the event we have to identify and qualify new contract manufacturers.

In addition, we do not have the capability to package any of our medicines for distribution. Under our master manufacturing services agreement with Patheon, we have entered into a medicine agreement for packaging of RAYOS/LODOTRA. Valeant Pharmaceuticals International, Inc. manufactures and supplies DUEXIS to us in final, packaged form for the United States as well as any additional countries as may be agreed to by the parties. Patheon supplies final, packaged VIMOVO medicine pursuant to the master manufacturing services and product agreement we executed in connection with our acquisition of the U.S. rights to VIMOVO. Boehringer Ingelheim supplies final, packaged ACTIMMUNE to us and Nuvo is obligated to supply final, packaged PENNSAID 2% to us, in each case under exclusive supply agreements. We have clinical and commercial supplies of BUPHENYL finished medicine manufactured for us by PII on a purchase order basis. We have clinical and commercial supplies of RAVICTI finished drug medicine manufactured by Lyne under a commercial supply agreement and have an agreement in place with Halo Pharmaceutical, Inc. to serve as a finished drug medicine supplier for RAVICTI in the EU. Sigma Tau PharmaSource Inc. supplies final, packaged KRYSTEXXA to us for the United States. G & W Laboratories, Inc. manufactures and supplies MIGERGOT to us in final, packaged form for the United States.

The manufacture of medicines requires significant expertise and capital investment, including the development of advanced manufacturing techniques and process controls. Manufacturers of medicines often encounter difficulties in production, particularly in scaling up and validating initial production. These problems include difficulties with production costs and yields, quality control, including stability of the medicine, quality assurance testing, shortages of qualified personnel, as well as compliance with strictly enforced federal, state and foreign regulations. Furthermore, if microbial, viral or other contaminations are discovered in the medicines or in the manufacturing facilities in which our medicines are made, such manufacturing facilities may need to be closed for an extended period of time to investigate and remedy the contamination. We cannot assure you that issues relating to the manufacture of any of our medicines will not occur in the future. Additionally, our manufacturers may experience manufacturing difficulties due to resource constraints or as a result of labor disputes or unstable political environments. If our manufacturers were to encounter any of these difficulties, or otherwise fail to comply with their contractual obligations, our ability to commercialize our medicines in the United States or provide any medicine candidates to patients in clinical trials would be jeopardized.

Any delay or interruption in our ability to meet commercial demand for our medicines will result in the loss of potential revenues and could adversely affect our ability to gain market acceptance for these medicines. In addition, any delay or interruption in the supply of clinical trial supplies could delay the completion of clinical trials, increase the costs associated with maintaining clinical trial programs and, depending upon the period of delay, require us to commence new clinical trials at additional expense or terminate clinical trials completely.

Failures or difficulties faced at any level of our supply chain could materially adversely affect our business and delay or impede the development and commercialization of any of our medicines or medicine candidates and could have a material adverse effect on our business, results of operations, financial condition and prospects.

We have experienced recent growth and expanded the size of our organization substantially in connection with our recent acquisition transactions, and we may experience difficulties in managing this growth as well as potential additional growth in connection with future medicine or company acquisitions.*

As of December 31, 2010 and prior to the commercial launch of DUEXIS, we employed approximately 40 full-time employees as a consolidated entity. As of March 31, 2016, we employed approximately 890 full-time employees, including approximately 520 sales representatives, representing a substantial change to the size of our organization over a relatively short period of time. We have also experienced, and may continue to experience, turnover of the sales representatives that we hired or will hire in connection with the commercialization of our medicines, requiring us to hire and train new sales representatives. Our management, personnel, systems and facilities currently in place may not be adequate to support this recent and anticipated growth, and we may not be able to retain or recruit qualified personnel in the future due to competition for personnel among pharmaceutical businesses.

As our commercialization plans and strategies continue to develop, we will need to continue to recruit and train sales and marketing personnel and expect to need to expand the size of our employee base for managerial, operational, financial and other resources as a result of our recent acquisitions. Our ability to manage any future growth effectively may require us to, among other things:

- continue to manage and expand the sales and marketing efforts for our existing medicines;
- enhance our operational, financial and management controls, reporting systems and procedures;
- expand our international resources;
- successfully identify, recruit, hire, train, maintain, motivate and integrate additional employees;
- establish and increase our access to commercial supplies of our medicines and medicine candidates;

- expand our facilities and equipment; and
- manage our internal development efforts effectively while complying with our contractual obligations to licensors, licensees, contractors, collaborators, distributors and other third parties.

In particular, the merger of our business with the business of Vidara Therapeutics International plc, or Vidara, is subject to numerous uncertainties and risks and will continue to require significant efforts and expenditures. For example, we have transitioned from a standalone public Delaware corporation to being part of a combined company organized in Ireland. This combination as well as our other recent acquisitions have resulted in many changes, including significant changes in the corporate business and legal entity structure, the integration of other companies and their personnel with us, and changes in systems. We are currently undertaking numerous complex transition activities associated with our recent acquisitions, and we may encounter unexpected difficulties or incur unexpected costs, including:

- difficulties in achieving growth prospects from combining third party businesses with our business;
- difficulties in the integration of operations and systems;
- difficulties in the assimilation of employees and corporate cultures;
- challenges in preparing financial statements and reporting timely results at both a statutory level for multiple entities and jurisdictions and at a consolidated level for public reporting;
- challenges in keeping existing physician prescribers and patients and increasing adoption of acquired medicines;
- difficulties in achieving anticipated cost savings, synergies, business opportunities and growth prospects from the combination;
- potential unknown liabilities, adverse consequences and unforeseen increased expenses associated with the transaction; and
- challenges in attracting and retaining key personnel.

If any of these factors impair our ability to continue to integrate our operations with those of any companies or businesses we acquire, we may not be able to realize the business opportunities, growth prospects and anticipated tax synergies from combining the businesses. In addition, we may be required to spend additional time or money on integration that otherwise would be spent on the development and expansion of our business.

Our management may also have to divert a disproportionate amount of its attention away from day-to-day activities and toward managing these growth and integration activities. Our future financial performance and our ability to execute on our business plan will depend, in part, on our ability to effectively manage any future growth and our failure to effectively manage growth could have a material adverse effect on our business, results of operations, financial condition and prospects.

We face significant competition from other biotechnology and pharmaceutical companies, including those marketing generic medicines and our operating results will suffer if we fail to compete effectively.*

The biotechnology and pharmaceutical industries are intensely competitive. We have competitors both in the United States and international markets, including major multinational pharmaceutical companies, biotechnology companies and universities and other research institutions. Many of our competitors have substantially greater financial, technical and other resources, such as larger research and development staff, experienced marketing and manufacturing organizations and well-established sales forces. Additional consolidations in the biotechnology and pharmaceutical industries may result in even more resources being concentrated in our competitors and we will have to find new ways to compete and may have to potentially merge with or acquire other businesses to stay competitive. Competition may increase further as a result of advances in the commercial applicability of technologies and greater availability of capital for investment in these industries. Our competitors may succeed in developing, acquiring or in-licensing on an exclusive basis, medicines that are more effective and/or less costly than our medicines.

DUEXIS and VIMOVO face competition from other NSAIDs, including Celebrex® which is marketed by Pfizer Inc., and is also a generic medicine known as celecoxib and marketed by other pharmaceutical companies. DUEXIS and VIMOVO also face significant competition from the separate use of NSAIDs for pain relief and GI protective medications to reduce the risk of NSAID-induced upper GI ulcers. Both NSAIDs and GI protective medications are available in generic form and may be less expensive to use separately than DUEXIS or VIMOVO. PENNSAID 2% faces competition from generic versions of diclofenac sodium topical solutions that are priced significantly less than the price we charge for PENNSAID 2% and Voltaren Gel, marketed by Endo Pharmaceuticals Solutions Inc., which is the market leader in the topical NSAID category. Legislation enacted in most states in the United States allows or, in some instances mandates, that a pharmacist dispense an available generic equivalent when filling a prescription for a branded medicine, in the absence of specific instructions from the prescribing physician. Because pharmacists often have economic and other incentives to prescribe lower-cost generics, if physicians prescribe DUEXIS, PENNSAID 2% or VIMOVO, those prescriptions may not result in sales. If physicians do not complete prescriptions through our HorizonCares program or otherwise provide prescribing instructions prohibiting the substitution of generic ibuprofen and famotidine separately as a substitution for DUEXIS or generic naproxen and branded Nexium® (esomeprazole) as a substitute for VIMOVO or generic diclofenac sodium topical solutions as a substitute for PENNSAID 2%, sales of DUEXIS, PENNSAID 2% and VIMOVO may suffer despite any success we may have in promoting DUEXIS, PENNSAID 2% or VIMOVO to physicians. In addition, other medicine candidates that contain ibuprofen and famotidine in combination or naproxen and esomeprazole in combination, while not currently known or FDA approved, may be developed and compete with DUEXIS or VIMOVO, respectively, in the future. While KRYSTEXXA faces limited direct competition, a number of competitors have drugs in Phase 1 or Phase 2 trials. On December 22, 2015, AstraZeneca secured approva