ALLERGAN INC
Form 4
February 18, 2010

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

(Print or Type Responses)

1. Name and Address of Reporting Person *
INGRAM ROBERT ALEXANDER

(Last) (First) (Middle)

2525 DUPONT DRIVE

(Street)

IRVINE, CA 92612

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
ALLERGAN INC [AGN]

3. Date of Earliest Transaction (Month/Day/Year)
02/17/2010

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Pric Deriva Securi (Instr.

	Derivative Security			(A) or Disposed of (D) (Instr. 3, 4, and 5)								
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares	
Phantom Stock Units	(1)	02/17/2010		A		16.74 (2)		(3)	(3)	Common Stock	16.74	$ 59

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
INGRAM ROBERT ALEXANDER 2525 DUPONT DRIVE IRVINE, CA 92612	X			

Signatures

/s/ Matthew J. Maletta, Attorney-in-Fact for Robert A. Ingram	02/18/2010
**Signature of Reporting Person	Date

Explanation of Responses:

***** If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

****** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Converts to common stock on a 1-for-1 basis.

(2) Phantom stock units acquired under the Allergan, Inc. Deferred Directors' Fee Program in lieu of cash for meeting fees.

(3) Phantom stock units are to be settled 100% in stock upon the reporting person's retirement as an Allergan, Inc. director.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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Payments relating to sales in prior years

(28,241

)

(29,926

)

(16,545

)

(74,712

)

Hyperion acquisition on May 7, 2015

244

—

9,548

9,792

Balance at December 31, 2015

$

21,112

$

114,201

$

48,456

$

183,769

Cost of Goods Sold

We recognize cost of goods sold in connection with our sales of each of our distributed medicines. Cost of goods sold includes all costs directly related to the acquisition of our medicines from our third-party manufacturers, including freight charges and other direct expenses such as insurance, distribution service fees, supply chain costs, amortization of intellectual property as described in the intangible assets and goodwill accounting policy below, amortization of stepped up inventory, royalty payments to third parties or royalty accretion expense, and any changes in estimate associated with the contingent royalty liability as described in the accrued contingent royalty accounting policy below.

Intangible Assets

Definite-lived intangible assets are amortized over their estimated useful lives. We review our intangible assets when events or circumstances may indicate that the carrying value of these assets exceeds their fair value. We measure fair value based on the estimated future discounted cash flows associated with our assets in addition to other assumptions and projections that we deem to be reasonable and supportable. The estimated useful lives for all identified intangible assets that are subject to amortization were as follows as of December 31, 2015:

Intangible Asset	Estimated Useful Life
ACTIMMUNE developed technology	13 years
BUPHENYL developed technology	7 years
Customer relationships	10 years
LODOTRA and RAYOS developed technology	12 years
PENNSAID 2% developed technology	6 years
RAVICTI developed technology	11 years
VIMOVO developed technology	5 years

Indefinite-lived intangible assets consist of capitalized in-process research and development, or IPR&D. IPR&D assets represent capitalized incomplete research projects that we acquired through business combinations. Such assets are initially measured at their acquisition date fair values and are tested for impairment, until completion or abandonment of research and development efforts associated with the projects. An IPR&D asset is considered abandoned when research and development efforts associated with the asset have ceased, and there are no plans to sell or license the asset or derive value from the asset. At that point, the asset is considered to be disposed of and is written off. Upon successful completion of each project, we will make a determination about the then remaining useful life of the intangible asset and begin amortization. We test our indefinite-lived intangibles, including IPR&D assets, for impairment annually during the fourth quarter and more frequently if events or changes in circumstances indicate that it is more likely than not that the asset is impaired. We determined that no impairment existed as of December 31, 2015.

Goodwill

Goodwill represents the excess of the purchase price of acquired businesses over the estimated fair value of the identifiable net assets acquired. Goodwill is not amortized but is tested for impairment at least annually at the reporting unit level or more frequently if events or changes in circumstances indicate that the asset might be impaired. Impairment loss, if any, is recognized based on a comparison of the fair value of the asset to its carrying value, without consideration of any recoverability. We test goodwill for impairment annually during the fourth quarter and whenever indicators of impairment exist by first assessing qualitative factors to determine whether it is more likely than not that the fair value is less than its carrying amount. If we conclude it is more likely than not that the fair value of a reporting unit is less than its carrying amount, a quantitative impairment test is performed. Based upon our most recent annual impairment test performed in the fourth quarter of 2015, we concluded goodwill was not impaired.

Business Combinations

We account for business combinations in accordance with the pronouncement guidance in ASC 805, Business Combinations, in which acquired assets and liabilities are measured at their respective estimated fair values as of the acquisition date. We may be required, as in the case of intangible assets or contingent royalties, to determine the fair

value associated with these amounts by estimating the fair value using an income approach under the discounted cash flow method, which may include revenue projections and other assumptions made by us to determine the fair value. During the year ended December 31, 2014 we recorded a bargain purchase gain of $22.2 million in connection with the Vidara Merger, representing the excess of the estimated fair value of net assets acquired over the acquisition consideration paid, and during the year ended December 31, 2015 we recorded goodwill of $253.8 million in connection with the acquisition of Hyperion.

Provision for Income Taxes

We account 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 a valuation allowance 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 year that the change is enacted. We also account for the uncertainty in income taxes by utilizing a comprehensive model for the recognition, measurement, presentation and disclosure in financial statements of any uncertain tax positions that have been taken or are expected to be taken on an income tax return.

Stock-Based Compensation

We account for employee stock-based compensation by measuring and recognizing compensation expense for all stock-based payments based on estimated grant date fair values. We use the straight-line method to allocate compensation cost to reporting periods over each optionee’s requisite service period, which is generally the vesting period.

Accrued Contingent Royalties

Our accrued contingent royalties consist of the contingent royalty obligations assumed by us related to our acquisitions of the U.S. rights to VIMOVO, Vidara (related to ACTIMMUNE) and Hyperion (related to RAVICTI and BUPHENYL). At the time of each acquisition, we assigned a fair value to the liability for royalties. The royalty liability was based on anticipated revenue streams utilizing the income approach under the discounted cash flow method. The estimated liability for royalties is increased over time to reflect the change in its present value, and accretion expense is recorded as part of cost of goods sold. We evaluate the adequacy of the estimated contingent royalty liability at least annually, or whenever events or changes in circumstances indicate that an evaluation of the estimate is necessary. As part of any evaluation, we adjust the carrying value of the liability to the present value of the revised estimated cash flows using the original discount rate.

Any decrease or increase to the liability is recorded as an increase or reduction in cost of goods sold. The royalty liability is included in current and long-term accrued royalties on the consolidated balance sheets.

During the year ended December 31, 2015, based on higher sales of ACTIMMUNE and VIMOVO versus our previous expectations and expectations for future ACTIMMUNE and VIMOVO sales, we recorded a total charge of $21.5 million to cost of goods sold ($16.7 million related to VIMOVO and $4.8 million related to ACTIMMUNE). We also recorded a reduction of $0.3 million in cost of goods sold related to RAVICTI as a result of an adjustment to the carrying value of the contingent royalties to reflect updated estimates of future RAVICTI sales.

Fair Value of Financial Instruments

The carrying amounts of our financial instruments, including cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued expenses, approximate their fair values due to their short maturities.

At December 31, 2013 and at the final measurement on June 27, 2014, the estimated fair value of our derivative liability related to the convertible portion of our Convertible Senior Notes was derived utilizing the binomial lattice approach for the valuation of convertible instruments. Assumptions used in the calculation included, among others,

determining the appropriate credit spread using benchmarking analysis and solving for the implied credit spread, calculating the fair value of the stock component using a discounted risk free rate and borrowing cost and calculating the fair value of the note component using a discounted credit adjusted discount rate. Based on the assumptions used to determine the fair value of the derivative liability associated with the Convertible Senior Notes, we concluded that these inputs were Level 3 inputs.

New Accounting Pronouncements Impacting Critical Accounting Policies

Refer to Note 2, “Summary of Significant Accounting Policies,” in the notes to our consolidated financial statements included in this report, which includes a discussion of the new accounting pronouncements impacting critical accounting policies.

Item 7A. 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 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 Ireland 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 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 year ended December 31, 2015, our top five customers, McKesson Corporation, Rochester Drug Company, American Specialty Pharmacy, Inc., Cardinal Health, Inc., and AmerisourceBergen accounted for approximately 88% of total consolidated gross sales. For the year ended December 31, 2014, our same top five customers accounted for approximately 86% of total consolidated gross sales. For the year ended December 31, 2013, our top five customers, AmerisourceBergen, Cardinal Health, Inc., McKesson Corporation, Mundipharma and Rochester Drug Company, accounted for approximately 89% of total consolidated gross sales.

In addition, these same top five customers accounted for approximately 95% and 80% of our total outstanding accounts receivable balances as of December 31, 2015 and December 31, 2014, respectively. As of December 31, 2013, AmerisourceBergen, Cardinal Health, Inc., Halsted Pharmacy, McKesson Corporation and Rochester Drug Company, accounted for approximately 85% of our total outstanding accounts receivable balances.

Item 8. Financial Statements and Supplementary Data

The financial information required by Item 8 is contained in Part IV, Item 15 of this Annual Report on Form 10-K.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of our “disclosure controls and procedures” (as defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended, or the Exchange Act), have concluded that, as of December 31, 2015, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer’s management, including its principal executive officer or officers and principal financial officer or officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Management Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control system was designed to provide reasonable assurance to management and our board of directors regarding the preparation and fair presentation of published financial statements. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2015. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control – Integrated Framework (2013). Management’s assessment included an evaluation of the design of our internal control over financial reporting and testing of the operational effectiveness of our internal control over financial reporting. Based on management’s assessment, management believes that, as of December 31, 2015, our internal control over financial reporting was effective based on those criteria.

The effectiveness of our internal control over financial reporting as of December 31, 2015 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

Changes in Internal Control Over Financial Reporting

During the quarter ended December 31, 2015, 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.

Item 9B. Other Information

None

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item is incorporated herein by reference from our definitive Proxy Statement to be filed in connection with our 2016 Annual General Meeting of Shareholders, or our 2016 Proxy Statement, which will be filed with the Securities and Exchange Commission within 120 days after December 31, 2015.

Item 11. Executive Compensation

The information required by this item is incorporated herein by reference from our 2016 Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item is incorporated herein by reference from our 2016 Proxy Statement.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item is incorporated herein by reference from our 2016 Proxy Statement.

Item 14. Principal Accounting Fees and Services

The information required by this item is incorporated herein by reference from our 2016 Proxy Statement.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) Documents filed as part of this report.

1. Financial Statements
The financial statements listed on the Index to Financial Statements F-1 to F-56 are filed as part of this Annual Report on Form 10-K.

2. Financial Statement Schedules
Schedule II – Valuation and Qualifying Accounts and Reserves for each of the three fiscal years ended December 31, 2015, 2014 and 2013. Other financial statement schedules have been omitted because the required information is included in the consolidated financial statements or notes thereto or because they are not applicable or not required.

3. Exhibits
The exhibits listed on the Index to Exhibits are filed as part of this Annual Report on Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HORIZON PHARMA PLC

Dated: February 29, 2016 By: /s/ Timothy P. Walbert
Timothy P. Walbert

President, Chief Executive Officer and

Chairman of the Board

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Timothy P. Walbert and Paul W. Hoelscher, and each of them, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or either of them, or their or his substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ TIMOTHY P. WALBERT Timothy P. Walbert	President, Chief Executive Officer and Chairman of the Board (Principal Executive Officer)	February 29, 2016
/s/ PAUL W. HOELSCHER Paul W. Hoelscher	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 29, 2016
/s/ MILES W. MCHUGH Miles W. McHugh	Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)	February 29, 2016
/s/ MICHAEL GREY Michael Grey	Director	February 29, 2016

/s/ LIAM DANIEL Liam Daniel	Director	February 29, 2016
/s/ JEFF HIMAWAN Jeff Himawan, Ph.D.	Director	February 29, 2016
/s/ VIRINDER NOHRIA Virinder Nohria, M.D., Ph.D.	Director	February 29, 2016
/s/ RONALD PAULI Ronald Pauli	Director	February 29, 2016
/s/ GINO SANTINI Gino Santini	Director	February 29, 2016
/s/ H. THOMAS WATKINS H. Thomas Watkins	Director	February 29, 2016

Explanation of Responses:

HORIZON PHARMA PLC

Index to Consolidated Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Horizon Pharma plc

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(1) present fairly, in all material respects, the financial position of Horizon Pharma plc and its subsidiaries at December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for the classification of deferred income tax balances in 2015 and 2014.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Chicago, Illinois
February 29, 2016

Explanation of Responses:

HORIZON PHARMA PLC

CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)

	As of December 31, 2015	As of December 31, 2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$859,616	$218,807
Restricted cash	1,860	738
Accounts receivable, net	210,437	73,915
Inventories, net	18,376	16,865
Prepaid expenses and other current assets	15,858	14,370
Total current assets	1,106,147	324,695
Property and equipment, net	14,020	7,241
Developed technology, net	1,609,049	696,963
In-process research and development	66,000	66,000
Other intangible assets, net	7,061	7,870
Goodwill	253,811	—
Deferred tax assets, net, non-current	2,278	—
Other assets	8,581	11,564
TOTAL ASSETS	$3,066,947	$1,114,333
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Convertible debt, net	$—	$48,334
Long-term debt—current portion	4,000	—
Accounts payable	16,590	21,011
Accrued expenses	100,046	46,625
Accrued trade discounts and rebates	183,769	76,115
Accrued royalties—current portion	51,700	25,325
Deferred revenues—current portion	1,447	1,261
Total current liabilities	357,552	218,671
LONG-TERM LIABILITIES:		
Exchangeable notes, net	$283,675	$—
Long-term debt, net, net of current	857,440	297,169
Accrued royalties, net of current	123,519	48,887
Deferred revenues, net of current	8,785	8,144
Deferred tax liabilities, net, non-current	113,400	—
Other long-term liabilities	9,431	1,258
Total long-term liabilities	1,396,250	355,458
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
	16	13

Ordinary shares, $0.0001 nominal value; 300,000,000 shares authorized; 160,069,067 and 124,425,853 shares issued at December 31, 2015 and December 31, 2014, respectively, and 159,684,701 and 124,041,487 shares outstanding at December 31, 2015 and December 31, 2014, respectively		
Treasury stock, 384,366 ordinary shares at December 31, 2015 and December 31, 2014	(4,585)	(4,585)
Additional paid-in capital	2,001,552	1,269,858
Accumulated other comprehensive loss	(2,651)	(4,363)
Accumulated deficit	(681,187)	(720,719)
Total shareholders' equity	1,313,145	540,204
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$3,066,947	$1,114,333

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

HORIZON PHARMA PLC

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands, except share data)

	For the Years Ended December 31,		
	2015	2014	2013
Net sales	$757,044	$296,955	$74,016
Cost of goods sold	219,502	78,753	14,625
Gross profit	537,542	218,202	59,391
OPERATING EXPENSES:			
Research and development	41,865	17,460	10,084
Sales and marketing	220,444	120,276	68,595
General and administrative	219,861	88,957	23,566
Total operating expenses	482,170	226,693	102,245
Operating income (loss)	55,372	(8,491)	(42,854)
OTHER (EXPENSE) INCOME, NET:			
Interest expense, net	(69,900)	(23,826)	(12,774)
Foreign exchange (loss) gain	(1,237)	(3,905)	1,206
Bargain purchase gain	—	22,171	—
Loss on derivative fair value	—	(214,995)	(69,300)
Loss on induced conversion of debt and debt extinguishment	(77,624)	(29,390)	(26,404)
Loss on sale of long-term investments	(29,032)	—	—
Other expense, net	(10,291)	(11,251)	—
Total other expense, net	(188,084)	(261,196)	(107,272)
Loss before benefit for income taxes	(132,712)	(269,687)	(150,126)
BENEFIT FOR INCOME TAXES	(172,244)	(6,084)	(1,121)
NET INCOME (LOSS)	$39,532	$(263,603)	$(149,005)
NET INCOME (LOSS) PER ORDINARY SHARE—Basic	$0.27	$(3.15)	$(2.34)
WEIGHTED AVERAGE ORDINARY SHARES OUTSTANDING—Basic	148,788,020	83,751,129	63,657,924
NET INCOME (LOSS) PER ORDINARY SHARE—Diluted	$0.25	$(3.15)	$(2.34)
WEIGHTED AVERAGE ORDINARY SHARES OUTSTANDING—Diluted	155,923,251	83,751,129	63,657,924
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX			
Foreign currency translation adjustments	1,712	(1,960)	969
Other comprehensive income (loss)	1,712	(1,960)	969
COMPREHENSIVE INCOME (LOSS)	$41,244	$(265,563)	$(148,036)

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

Explanation of Responses:

F-4

Explanation of Responses:

HORIZON PHARMA PLC

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)

(In thousands, except share data)

	Ordinary Shares		Treasury Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount				
Balances at December 31, 2012	61,722,247	$ 6	—	$—	$417,455	$ (3,372)	$ (308,111)	$ 105,978
Issuance of ordinary shares in conjunction with ATM equity financing offerings, net of issuance costs	2,448,575	1	—	—	5,997	—	—	5,998
Issuance of ordinary shares in conjunction with vesting of restricted stock units and stock option exercises	340,029	—	—	—	161	—	—	161
Issuance of ordinary shares in conjunction with ESPP purchases	225,820	—	—	—	478	—	—	478
Share-based compensation	—	—	—	—	5,014	—	—	5,014
Issuance of ordinary shares in conjunction with warrant exercises	1,360,746	—	—	—	—	—	—	—
Purchase of capped calls	—	—	—	—	(18,675)	—	—	(18,675)
Currency translation adjustment	—	—	—	—	—	969	—	969
Net loss	—	—	—	—	—	—	(149,005)	(149,005)
Balances at December 31, 2013	66,097,417	$ 7	—	$—	$410,430	$ (2,403)	$ (457,116)	$ (49,082)
Issuance of ordinary shares in connection with	31,350,000	3	—	—	387,796	—	—	387,799

Vidara merger								
Issuance of ordinary shares in conjunction with inducement of convertible notes	16,594,793	2	—	—	78,437	—	—	78,439
Reclassification of derivative liability	—	—	—	—	324,405	—	—	324,405
Issuance of ordinary shares in conjunction with vesting of restricted stock units and stock option exercises	864,780	—	—	—	2,506	—	—	2,506
Ordinary shares withheld for payment of employees' withholding tax liability	—	—	—	—	(894)	—	—	(894)
Issuance of ordinary shares in conjunction with ESPP purchases	536,543	—	—	—	1,674	—	—	1,674
Share-based compensation	—	—	—	—	13,197	—	—	13,197
Issuance of ordinary shares in conjunction with warrant exercises	8,990,120	1	—	—	38,460	—	—	38,461
Proceeds from capped call transactions	—	—	384,366	(4,585)	13,970	—	—	9,385
Treasury stock purchase	—	—	7,800	(123)	—	—	—	(123)
Treasury stock retirement	(7,800)	—	(7,800)	123	(123)	—	—	—
Currency translation adjustment	—	—	—	—	—	(1,960)	—	(1,960)
Net loss	—	—	—	—	—	—	(263,603)	(263,603)
Balances at December 31, 2014	124,425,853	$ 13	384,366	$(4,585)	$1,269,858	$ (4,363)	$(720,719)	$ 540,204
Issuance of ordinary shares	17,652,500	2	—	—	475,683	—	—	475,685
Issuance of ordinary shares in conjunction with vesting of restricted stock units and	1,157,807	—	—	—	5,217	—	—	5,217

Explanation of Responses:

stock option exercises								
Ordinary shares withheld for payment of employees' withholding tax liability	—	—	—	—	(3,024)	—	—	(3,024)
Issuance of ordinary shares in conjunction with inducement of convertible notes	11,368,921	1	—	—	57,543	—	—	57,544
Issuance of ordinary shares in conjunction with ESPP purchases	591,277	—	—	—	4,452	—	—	4,452
Share-based compensation	—	—	—	—	83,553	—	—	83,553
Issuance of ordinary shares in conjunction with warrant exercises	4,872,709	—	—	—	18,124	—	—	18,124
Issuance of Exchangeable Senior Notes	—	—	—	—	119,080	—	—	119,080
Deferred tax on Exchangeable Senior Notes	—	—	—	—	(29,770)	—	—	(29,770)
Deferred tax on capped call transactions	—	—	—	—	836	—	—	836
Currency translation adjustment	—	—	—	—	—	1,712	—	1,712
Net income	—	—	—	—	—	—	39,532	39,532
Balances at December 31, 2015	160,069,067	$ 16	384,366	$(4,585)	$2,001,552	$ (2,651)	$(681,187)	$1,313,145

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

HORIZON PHARMA PLC

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	For the Years Ended December 31,		
	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$39,532	$(263,603)	$(149,005)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization expense	138,343	34,009	9,310
Share-based compensation	83,553	13,198	5,014
Royalty accretion	20,088	9,020	—
Royalty liability remeasurement	21,151	10,660	—
Bargain purchase gain	—	(22,171)	—
Loss on derivative revaluation	—	214,995	69,300
Paid-in-kind interest expense	—	—	2,225
Loss on induced conversions of debt and debt extinguishment	21,581	11,709	12,881
Amortization of debt discount and deferred financing costs	18,810	9,273	4,364
Loss on sale of long-term investments	29,032	—	—
Foreign exchange loss	1,237	3,905	(1,206)
Other	258	11	—
Changes in operating assets and liabilities:			
Accounts receivable	(124,766)	(46,183)	(12,491)
Inventories	12,216	7,173	(3,426)
Prepaid expenses and other current assets	1,014	(9,208)	(1,240)
Accounts payable	(8,362)	9,383	3,908
Accrued trade discounts and rebates	94,046	54,090	6,962
Accrued expenses and accrued royalties	20,169	(1,270)	980
Deferred revenues	1,693	(562)	(1,145)
Deferred income taxes	(180,549)	(7,516)	(1,186)
Payment of original issue discount upon repayment of 2014 Term Loan Facility	(3,000)	—	—
Other non-current assets and liabilities	8,120	636	468
Net cash provided by (used in) operating activities	194,166	27,549	(54,287)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for acquisitions, net of cash acquired	(1,022,361)	(224,220)	(35,000)
Proceeds from liquidation of available-for-sale investments	64,623	—	—
Purchases of long-term investments	(71,813)	—	—
Proceeds from sale of long-term investments	42,781	—	—
Purchases of property and equipment	(7,156)	(3,500)	(1,198)
Change in restricted cash	(1,122)	—	63
Net cash used in investing activities	(995,048)	(227,720)	(36,135)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net proceeds from issuance of Exchangeable Senior Notes	387,181	—	—

Net proceeds from issuance of 2023 Senior Notes	462,340	—	—
Net proceeds from the 2015 Term Loan Facility	391,506	—	—
Repayment of the 2015 Term Loan Facility	(2,000)	—	—
Repayment of notes payable	—	—	(64,844)
Purchase of capped calls	—	—	(18,675)
Net proceeds from issuance of ordinary shares	475,685	—	5,998
Proceeds from the settlement of capped call transactions	—	9,385	—
Proceeds from the issuance of ordinary shares in connection with warrant exercises	18,124	38,461	—
Proceeds from the issuance of ordinary shares through ESPP programs	4,452	1,674	639
Proceeds from the issuance of ordinary shares in connection with stock option exercises	5,217	2,693	—
Payment of employee withholding taxes relating to share-based awards	(3,024)	(894)	—
Net proceeds from the 2014 Term Loan Facility	—	286,966	143,598
Repayment of the 2014 Term Loan Facility	(297,000)	—	—
Net cash provided by financing activities	1,442,481	338,285	66,716
Effect of foreign exchange rate changes on cash	(790)	213	99
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	640,809	138,327	(23,607)
CASH AND CASH EQUIVALENTS, beginning of the year	218,807	80,480	104,087
CASH AND CASH EQUIVALENTS, end of the year	$859,616	$218,807	$80,480
Supplemental cash flow information:			
Cash paid for interest	$42,021	$14,109	$8,573
Cash paid for income taxes	$1,880	$37	$44
Fees paid for debt commitments	$9,000	$8,222	$—
Cash paid for induced conversions	$10,005	$16,690	$12,152
Cash paid for debt extinguishment	$45,367	$—	$—
Supplemental non-cash flow information:			
Conversion of Convertible Senior Notes to ordinary shares	$60,985	$89,015	$—
Goodwill and other intangible assets acquired in acquisitions	$1,303,765	$679,100	$67,705
Contingent liabilities assumed in acquisitions	$89,800	$33,600	$32,992
Accrued capital expenditures	$4,940	$1,463	$—

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

HORIZON PHARMA PLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015, 2014 and 2013

NOTE 1 – BASIS OF PRESENTATION

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 (“New Horizon” or the “Company”). Upon the consummation of the Vidara Merger, the historical financial statements of HPI became the Company’s historical financial statements. Accordingly, the historical financial statements of HPI are included in the comparative prior periods. The 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.

Unless otherwise indicated or the context otherwise requires, references to the “Company”, “New Horizon”, “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 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.

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. The consolidated financial statements presented herein include the results of operations of the acquired business from the date of acquisition. See Note 4 for further details of business acquisitions.

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 MIGERGOT as a result of the acquisition of Crealta Holdings LLC (“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 that participate in the Company’s patient access programs, such as its HorizonCares patient access program.

On January 13, 2016, the Company completed its acquisition of Crealta for approximately $510 million in cash. Crealta is a specialty pharmaceutical company focused on innovative therapeutics designed to improve patient outcomes, and marketed KRYSTEXXA and MIGERGOT.

The Company

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.

The Company markets its medicines in the United States through a combined field sales force, which numbered approximately 395 representatives as of December 31, 2015. The Company's strategy is to use the commercial strength and infrastructure it has established in creating a global biopharmaceutical company to continue the successful commercialization of its 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with the accounting principles generally accepted in the United States of America ("GAAP") and in accordance with the instructions for Form 10-K and Article 3 of Regulation S-X. The consolidated financial statements include the accounts of the Company and its wholly-owned consolidated subsidiaries.

Principles of Consolidation

The consolidated financial statements include the Company's accounts and those of its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated. Additionally, certain reclassifications have been made to prior period financial statements to conform to the current period presentation.

Segment Information

The Company operates as one segment. Management does not segment its business for internal reporting.

Use of Estimates

The preparation of the accompanying consolidated financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Foreign Currency Translation and Transactions

The reporting currency of the Company and its subsidiaries is the U.S. dollar.

The U.S. dollar is the functional currency for the Company's U.S. based businesses and the majority of its subsidiaries. Other foreign subsidiaries have the following functional currencies: Euro, Israeli New Shekel and the British Pound. Foreign currency-denominated assets and liabilities of these subsidiaries are translated into U.S. dollars based on exchange rates prevailing at the end of the period, revenues and expenses are translated at average exchange rates prevailing during the corresponding period, and shareholders' equity (deficit) accounts are translated at historical exchange rates as of the date of any equity transaction. The effects of foreign exchange gains and losses arising from the translation of assets and liabilities of those entities where the functional currency is not the U.S. dollar are included as a component of accumulated other comprehensive income (loss).

Gains and losses resulting from foreign currency transactions are reflected within the Company's results of operations. During the year ended December 31, 2015, the Company recorded a foreign exchange loss of $1.2 million, compared to a foreign exchange loss during the year ended December 31, 2014 of $3.9 million. The Company does not currently utilize and has not in the past utilized any foreign currency hedging strategies to mitigate the effect of its foreign currency exposure.

Revenue Recognition

Revenue is recognized when all of the following criteria are met: persuasive evidence of an arrangement exists; delivery has occurred or services have been rendered; the price is fixed or determinable; and collectability is reasonably assured. Some of the Company's agreements contain multiple elements and in accordance with these agreements, the Company may be eligible for upfront license fees, marketing or commercial milestones and payment for product deliveries.

Revenue From Medicine Deliveries

The Company recognizes revenue from the sale of its products when delivery has occurred, title has transferred, the selling price is fixed or determinable, collectability is reasonably assured and the Company has no further performance obligations. In addition, revenue is only recognized when the right of return no longer exists (which is the earlier of the product being dispensed through patient prescriptions or the expiration of the right of return) or when product returns can be reasonably estimated. Due to the Company's ability to reasonably estimate and determine allowances for co-pay and other patient assistance, product returns, rebates and discounts based on its own internal data for DUEXIS and RAYOS or data relating to prior sales of its acquired products which was received in connection with the acquisition of those medicines, the Company recognizes revenue at the point of sale to wholesale pharmaceutical distributors and retail chains for all currently distributed products.

Revenue From Upfront License Fees

The Company recognizes revenues from the receipt of non-refundable, upfront license fees. In situations where the licensee is able to obtain stand-alone value from the license and no further performance obligations exist on the Company's part, revenues are recognized on the earlier of when payments are received or collection is reasonably assured. Where continuing involvement by the Company is required in the form of technology transfer, product manufacturing or technical support, revenues are deferred and recognized over the term of the agreement.

Revenue From Milestone Receipts

Milestone payments are recognized as revenue based on achievement of the associated milestones, as defined in the relevant agreements. Revenue from a milestone achievement is recognized when earned, as evidenced by acknowledgment from the Company's partner, provided that (1) the milestone event is substantive and its achievability was not reasonably assured at the inception of the agreement, (2) the milestone represents the culmination of an earnings process and (3) the milestone payment is non-refundable. If any of these criteria are not met, revenue from the milestone achievement is recognized over the remaining minimum period of the Company's performance obligations under the agreement. As of December 31, 2015 and 2014, deferred revenues related to milestone and upfront payments received were $10.2 million and $9.4 million, respectively.

Product Sales Discounts and Allowances

The Company records allowances for product returns, rebates and discounts at the time of sale to wholesale pharmaceutical distributors and retail chains. The Company is required to make significant judgments and estimates in determining some of these allowances. If actual results differ from its estimates, the Company will be required to make adjustments to these allowances in the future.

Product Launch Discounts

The Company has offered additional discounts to wholesale distributors for product purchased at the time of product launch. The Company has recorded these discounts as an allowance against accounts receivable and a reduction of revenue when the sale is recorded.

Commercial Rebates

The Company participates in certain commercial rebate programs. Under these rebate programs, the Company pays a rebate to the commercial entity or third-party administrator of the program. The Company accrues estimated rebates based on contract prices, estimated percentages of product sold to qualified patients and estimated levels of inventory in the distribution channel and records the rebate as a reduction of revenue.

Distribution Service Fees

The Company includes distribution service fees paid to its wholesalers for distribution and inventory management services as a reduction to revenue. The Company accrues estimated fees based on contractually determined amounts, typically as a percentage of revenue, as a reduction of revenue.

Patient Access Programs

The Company offers discount card and other programs such as its HorizonCares program to patients under which the patient receives a discount on his or her prescription. In certain circumstances when a patient's prescription is rejected by a managed care vendor, the Company will pay for the full cost of the prescription. The Company reimburses pharmacies for this discount through third-party vendors. The Company reduces gross sales by the amount of actual co-pay and other patient assistance in the period based on the invoices received. The Company also records an accrual to reduce gross sales for estimated co-pay and other patient assistance on units sold to distributors that have not yet been prescribed/dispensed to a patient. The estimate is based on contract prices, estimated percentages of product that will be prescribed to qualified patients, average assistance paid based on reporting from the third-party vendors and estimated levels of inventory in the distribution channel. Patient assistance programs include both co-pay assistance and fully bought down prescriptions.

Sales Returns

Consistent with industry practice, the Company maintains a return policy that allows customers to return product within a specified period prior to and subsequent to the product expiration date. Generally, product may be returned for a period beginning six months prior to its expiration date and up to one year after its expiration date. The right of return expires on the earlier of one year after the product expiration date or the time that the product is dispensed to the patient. The majority of product returns result from product dating, which falls within the range set by the Company's policy, and are settled through the issuance of a credit to the customer. The estimate of the provision for returns is based upon the Company's historical experience with actual returns, which is applied to the level of sales for the period that corresponds to the period during which the customer may return product. This period is known to the Company based on the shelf life of products at the time of shipment. The Company records sales returns as an allowance against accounts receivable and a reduction of revenue.

Prompt Pay Discounts

As an incentive for prompt payment, the Company offers a 2% cash discount to customers. The Company expects that all customers will comply with the contractual terms to earn the discount. The Company records the discount as an allowance against accounts receivable and a reduction of revenue.

Government Rebates

The Company participates in certain federal government rebate programs, such as Medicare and Medicaid. The Company accrues estimated rebates based on percentages of product sold to qualified patients, estimated rebate percentages and estimated levels of inventory in the distribution channel that will be sold to qualified patients and records the rebates as a reduction of revenue.

Government Chargebacks

The Company provides discounts to federal government qualified entities with whom the Company has contracted. These federal entities purchase products from the wholesale pharmaceutical distributors at a discounted price, and the

wholesale pharmaceutical distributors then charge back to the Company the difference between the current retail price and the contracted price that the federal entities paid for the products. The Company accrues estimated chargebacks based on contract prices and sell-through sales data obtained from third party information and records the chargeback as a reduction of revenue.

Bad Debt Expense

The Company’s medicines are sold to wholesale pharmaceutical distributors and retail chains. The Company monitors its accounts receivable balances to determine the impact, if any, of such factors as changes in customer concentration, credit risk and the realizability of its accounts receivable, and records a bad debt reserve when applicable. The Company had established an immaterial reserve for bad debt expense for the year ended December 31, 2015. For the years ended December 31, 2014 and 2013, the Company did not record a bad debt expense related to its accounts receivable balances.

Cost of Goods Sold

The Company recognizes cost of goods sold in connection with its sales of each of its distributed medicines. Cost of goods sold includes all costs directly related to the acquisition of the Company’s medicines from its third-party manufacturers, including freight charges and other direct expenses such as insurance, distribution service fees, supply chain costs, amortization of intellectual property as described in the intangible assets and goodwill accounting policy below, amortization of stepped up inventory, royalty payments to third parties or royalty accretion expense, and any changes in estimate associated with the contingent royalty liability as described in the accrued contingent royalty accounting policy below.

Inventories

Inventories are stated at the lower of cost or market value, using the first-in, first-out convention. 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. As of December 31, 2015 and 2014, the Company had inventories of $18.4 million and $16.9 million, respectively.

Inventories exclude medicine sample inventory, which is included in other current assets and is expensed as a component of sales and marketing expense when shipped to sales representatives. As of December 31, 2015 and 2014, the Company had medicine sample inventory of $4.7 million and $4.0 million, respectively.

Preclinical Studies and Clinical Trial Accruals

The Company’s preclinical studies and clinical trials have historically been conducted by third-party contract research organizations and other vendors. Preclinical study and clinical trial expenses are based on the services received from these contract research organizations and vendors. Payments depend on factors such as the milestones accomplished, successful enrollment of certain numbers of patients and site initiation. In accruing service fees, the Company estimates the time period over which services will be performed and the level of effort to be expended in each period. If the actual timing of the performance of services or the level of effort varies from the estimate, the Company adjusts the accrual accordingly. To date, the Company has had no significant adjustments to accrued clinical expenses. As of December 31, 2015 and December 31, 2014, the Company had preclinical study and clinical trial accruals of $4.7 million and $0.6 million, respectively.

Net Income (Loss) Per Share

Basic net income (loss) per share is computed by dividing net income (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.

Cash and Cash Equivalents

We consider all highly liquid investments, readily convertible to cash, that mature within three months or less from date of purchase to be cash equivalents. Cash and cash equivalents primarily consist of cash balances and money market funds. Cash and cash equivalents were $859.6 million and $218.8 million as of December 31, 2015 and 2014, respectively. The Company generally invests excess cash in money market funds and other financial instruments with short-term durations, based upon operating requirements.

Restricted Cash

Restricted cash consists primarily of balances in interest-bearing money market accounts required by a vendor for the Company's sponsored employee business credit card program. As of December 31, 2015 and 2014, the Company had restricted cash of $1.9 million and $0.7 million, respectively.

Fair Value of Financial Instruments

The carrying amounts of the Company's financial instruments, including cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued expenses, approximate their fair values due to their short maturities.

At December 31, 2013 and at the final measurement date of June 27, 2014, the estimated fair value of the Company's derivative liability related to the convertible portion of the 5.00% Convertible Senior Notes due 2018 (the "Convertible Senior Notes") was derived utilizing the binomial lattice approach for the valuation of convertible instruments. Assumptions used in the calculation included, among others, determining the appropriate credit spread using benchmarking analysis and solving for the implied credit spread, calculating the fair value of the stock component using a discounted risk free rate and borrowing cost and calculating the fair value of the note component using a discounted credit adjusted discount rate. Based on the assumptions used to determine the fair value of the derivative liability associated with the Convertible Senior Notes, the Company concluded that these inputs were Level 3 inputs.

Business Combinations

The Company accounts for business combinations in accordance with the pronouncement guidance in ASC 805, Business Combinations, in which acquired assets and liabilities are measured at their respective estimated fair values as of the acquisition date. The Company may be required, as in the case of intangible assets, contingent royalties or derivatives, to determine the fair value associated with these amounts by estimating the fair value using an income approach under the discounted cash flow method, which may include revenue projections and other assumptions made by the Company to determine the fair value.

Property and Equipment, Net

Property and equipment are stated at cost less accumulated depreciation. Depreciation is recognized using the straight-line method over the estimated useful lives of the related assets for financial reporting purposes and an accelerated method for income tax reporting purposes. Upon retirement or sale of an asset, the cost and related accumulated depreciation and amortization are removed from the balance sheet and the resulting gain or loss is reflected in operations. Repair and maintenance costs are charged to expenses as incurred and improvements are capitalized.

Leasehold improvements are amortized on a straight-line basis over the term of the applicable lease, or the useful life of the assets, whichever is shorter.

Depreciation and amortization periods for the Company's property and equipment are as follows:

Machinery and equipment	5-7 years
Furniture and fixtures	3-5 years
Computer equipment	3 years

Software	3 years
Trade show equipment	3 years

The Company capitalizes software 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 includes internal-use software acquired and modified to meet the Company's internal requirements. Amortization commences when the software is ready for its intended use.

Intangible Assets

Definite-lived intangible assets are amortized over their estimated useful lives. The Company reviews its intangible assets when events or circumstances may indicate that the carrying value of these assets exceeds their fair value. The Company measures fair value based on the estimated future discounted cash flows associated with these assets in addition to other assumptions and projections that the Company deems to be reasonable and supportable. The estimated useful lives for all identified intangible assets that are subject to amortization are as follows:

Intangible Asset	Estimated Useful Life
ACTIMMUNE developed technology	13 years
BUPHENYL developed technology	7 years
Customer relationships	10 years
LODOTRA and RAYOS developed technology	12 years
PENNSAID 2% developed technology	6 years
RAVICTI developed technology	11 years
VIMOVO developed technology	5 years

Indefinite-lived intangible assets consist of capitalized in-process research and development (“IPR&D”). IPR&D assets represent capitalized incomplete research projects that the Company acquired through business combinations. Such assets are initially measured at their acquisition date fair values and are tested for impairment, until completion or abandonment of research and development efforts associated with the projects. An IPR&D asset is considered abandoned when research and development efforts associated with the asset have ceased, and there are no plans to sell or license the asset or derive value from the asset. At that point, the asset is considered to be disposed of and is written off. Upon successful completion of each project, the Company will make a determination about the then-remaining useful life of the intangible asset and begin amortization. The Company tests IPR&D assets for impairment annually during the fourth quarter and whenever indicators of impairment exist. The Company determined that no impairment existed as of December 31, 2015.

Goodwill

Goodwill represents the excess of the purchase price of acquired businesses over the estimated fair value of the identifiable net assets acquired. Goodwill is not amortized but is tested for impairment at least annually at the reporting unit level or more frequently if events or changes in circumstances indicate that the asset might be impaired. Impairment loss, if any, is recognized based on a comparison of the fair value of the asset to its carrying value, without consideration of any recoverability. The Company tests goodwill for impairment annually during the fourth quarter and whenever indicators of impairment exist by first assessing qualitative factors to determine whether it is more likely than not that the fair value is less than its carrying amount. If the Company concludes it is more likely than not that the fair value of a reporting unit is less than its carrying amount, a quantitative impairment test is performed. Based upon the Company’s most recent annual impairment test performed in the fourth quarter of 2015, the Company concluded goodwill was not impaired.

Research and Development Expenses

Research and development expenses include, but are not limited to, payroll and other personnel expenses, consultant expenses, expenses incurred under agreements with contract research organizations to conduct clinical trials and expenses incurred to manufacture clinical trial materials.

Sales and Marketing Expenses

Sales and marketing expenses consist principally of payroll of sales representatives and marketing and support staff, travel and other personnel-related expenses, marketing materials and distributed sample inventories. In addition, sales and marketing expenses include the Company's medical affairs expenses, which consist of expenses related to scientific publications, health outcomes, biostatistics, medical education and information, and medical communications.

Deferred Financing Costs

Costs incurred in connection with debt financings have been capitalized to "Other assets" in our consolidated balance sheets as deferred financing costs, and are charged to interest expense using the effective interest method over the terms of the related debt agreements. These costs include document preparation costs, commissions, fees and expenses of investment bankers and underwriters, and accounting and legal fees.

Concentration of Credit Risk and Other Risks and Uncertainties

Financial instruments that may potentially subject the Company to significant concentrations of credit risk consist of cash and cash equivalents. The Company's cash and cash equivalents are invested in deposits with various banks in the United States, Ireland, Bermuda, Switzerland, Luxembourg and Germany that management believes are creditworthy. At times, deposits in these banks may exceed the amount of insurance provided on such deposits. To date, the Company has not experienced any losses on its deposits of cash and cash equivalents.

The purchase cost of ACTIMMUNE under a contract with Boehringer Ingelheim RCV GmbH & Co. KG ("Boehringer Ingelheim") as well as sales contracts relating to LODOTRA are principally denominated in Euros and are subject to foreign currency risk. The Company also incurs certain operating expenses in currencies other than the U.S. dollar in relation to its Ireland operations and other foreign subsidiaries, including Horizon Pharma Switzerland GmbH; therefore, the Company is subject to volatility in cash flows due to fluctuations in foreign currency exchange rates, particularly changes in the Euro. To date, the Company has not entered into any hedging contracts since exchange rate fluctuations have had minimal impact on its results of operations and cash flows.

Historically, the Company's 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 year ended December 31, 2015, the Company's top five customers, McKesson Corporation, Rochester Drug Company, American Specialty Pharmacy, Inc., Cardinal Health, Inc., and AmerisourceBergen accounted for approximately 88% of total consolidated gross sales. For the year ended December 31, 2014, the Company's same top five customers accounted for approximately 86% of total consolidated gross sales. In addition, these same top five customers accounted for approximately 95% and 80% of the Company's total outstanding accounts receivable balances as of December 31, 2015 and December 31, 2014, respectively.

For the year ended December 31, 2013, the Company's top five customers, AmerisourceBergen, Cardinal Health, Inc., McKesson Corporation, Mundipharma and Rochester Drug Company, accounted for approximately 89% of total consolidated gross sales. As of December 31, 2013, AmerisourceBergen, Cardinal Health, Inc., Halsted Pharmacy, McKesson Corporation and Rochester Drug Company, accounted for approximately 85% of the Company's total outstanding accounts receivable balances.

We depend on single source suppliers and manufacturers for certain of our medicines, medicine candidates and their active pharmaceutical ingredients.

Comprehensive Income (Loss)

Comprehensive income (loss) is composed of net income (loss) and other comprehensive income (loss) ("OCI"). OCI includes certain changes in shareholders' equity that are excluded from net income (loss), which consist of foreign currency translation adjustments. The Company reports the effect of significant reclassifications out of accumulated OCI on the respective line items in net income if the amount being reclassified is required under GAAP to be reclassified in its entirety to net income. For other amounts that are not required under GAAP to be reclassified in their entirety to net income in the same reporting period, the Company cross-references other disclosures required under GAAP that provide additional detail about those amounts. As of December 31, 2015 and 2014, accumulated other comprehensive loss was $2.7 million and $4.4 million, respectively.

Share-Based Compensation

The Company accounts for employee share-based compensation by measuring and recognizing compensation expense for all share-based payments based on estimated grant date fair values. The Company uses the straight-line method to allocate compensation cost to reporting periods over each awardee's requisite service period, which is generally the vesting period.

Accrued Contingent Royalties

The Company's accrued contingent royalties consist of the contingent royalty obligations assumed by the Company related to the Company's acquisitions of rights to VIMOVO, ACTIMMUNE, RAVICTI and BUPHENYL. At the time of each acquisition, the Company assigned an estimated fair value to its contingent liability for royalties. The estimated royalty liability is based on anticipated revenue streams utilizing the income approach under the discounted cash flow method. The estimated liability for royalties is increased over time to reflect the change in its present value and accretion expense is recorded as part of cost of goods sold. The Company evaluates the adequacy of the estimated contingent royalty liability at least annually, or whenever events or changes in circumstances indicate that an evaluation of the estimate is necessary. As part of any evaluation, the Company adjusts the carrying value of the liability to the present value of the revised estimated cash flows using the original discount rate. Any decrease or increase to the liability is recorded as an increase or reduction in cost of goods sold. The royalty liability is included in current and long-term accrued royalties on the consolidated balance sheets.

During the year ended December 31, 2015, based on higher sales of ACTIMMUNE and VIMOVO versus the Company's previous expectations and expectations for future ACTIMMUNE and VIMOVO sales, the Company recorded a total charge of $21.5 million to cost of goods sold ($16.7 million related to VIMOVO and $4.8 million related to ACTIMMUNE). The Company also recorded a reduction of $0.3 million in cost of goods sold related to RAVICTI as a result of an adjustment to carrying value of the contingent royalties to reflect updated estimates of future RAVICTI sales.

Contingencies

From time to time, the Company may become involved in claims and other legal matters arising in the ordinary course of business. The Company records accruals for loss contingencies to the extent that it concludes that it is probable that a liability has been incurred and the amount of the related loss can be reasonably estimated. Legal fees and other expenses related to litigation are expensed as incurred and included in selling, general and administrative expenses.

New 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. On July 9, 2015, the FASB agreed to delay the effective date by one year. In accordance with the agreed upon delay, the new standard is 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 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. 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 currently in the process of evaluating the impact of adoption of ASU No. 2014-15 to its consolidated financial statements and related disclosures.

On April 7, 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. The amendments in this ASU are effective for the financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within the fiscal years beginning after December 15, 2016. Early adoption is permitted for financial statements that have not been previously issued. This guidance is not expected to have a material impact on the Company's balance sheet or statement of consolidated income, and for the year ended December 31, 2015, the impact of this guidance on the Company's financial statements would be a reclassification of $8.4 million of deferred financing costs from other assets to long-term debt, net, net of current.

On April 15, 2015, the FASB issued ASU 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. Early adoption is permitted. The Company is currently in the process of evaluating the impact of adoption of ASU No. 2015-05 to its 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 currently in the process of evaluating the impact of adoption of ASU No. 2015-11 to its 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. Earlier application is permitted for financial statements that have not been previously issued. The Company is currently in the process of evaluating the impact of adoption of ASC 805 to its consolidated financial statements and related disclosures.

In November 2015, the FASB issued ASU No. 2015-17, Balance Sheet Classification of Deferred Taxes. This accounting standard requires deferred tax assets and liabilities, along with related valuation allowances, to be classified as non-current in a classified statement of financial position. As a result, each tax jurisdiction will now only have one net non-current deferred tax asset or liability. The new guidance does not change the existing requirement that prohibits offsetting deferred tax liabilities from one jurisdiction against deferred tax assets of another jurisdiction. During the fourth quarter of 2015, the Company elected to early-adopt this guidance retrospectively. 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, 2014		
	As Filed	Reclassification	As Adjusted (1)
Deferred tax assets, current	$1,530	$ (1,530)	$—
Deferred tax assets, net, non-current	18,761	1,530	20,291
Deferred tax liabilities, net	(721)	721	—
Deferred tax liabilities, net, non-current	(19,570)	(721)	(20,291)

(1) Amounts have been netted in the consolidated balance sheet as of December 31, 2014, as presented.

NOTE 3 – NET INCOME (LOSS) PER SHARE

The following table presents basic net income (loss) per share for the years ended December 31, 2015, 2014 and 2013 (in thousands, except share and per share data):

	For the Years Ended December 31,		
	2015	2014	2013
Basic earnings per share calculation:			
Net income (loss)	$39,532	$(263,603)	$(149,005)
Weighted average of ordinary shares outstanding	148,788,020	83,751,129	63,657,924
Basic net income (loss) per share	$0.27	$(3.15)	$(2.34)

The following table presents diluted net income (loss) per share for the years ended December 31, 2015, 2014 and 2013 (in thousands, except share and per share data):

	For the Years Ended December 31,		
	2015	2014	2013
Diluted earnings per share calculation:			
Net income (loss)	$39,532	$(263,603)	$(149,005)
Weighted average of ordinary shares outstanding	155,923,251	83,751,129	63,657,924
Diluted net income (loss) per share	$0.25	$(3.15)	$(2.34)

Basic net income (loss) per share is computed by dividing net income (loss) by the weighted-average number of ordinary shares outstanding during the period. Diluted 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 our earnings.

The outstanding securities listed in the table below were excluded from the computation of diluted loss per share for the years ended December 31, 2015, 2014 and 2013 due to being anti-dilutive:

	For the Years Ended December 31,		
	2015	2014	2013
Stock options	2,853,821	7,027,683	4,411,080
Restricted stock units	817,168	1,618,502	934,005
Performance stock units	1,074	—	—
Employee stock purchase plans	1,046,275	—	—
Warrants	2,416,894	6,683,811	16,114,746
Convertible Senior Notes	—	11,369,398	13,164,951
	$7,135,232	$26,699,394	$34,624,782

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 year ended December 31, 2015.

NOTE 4 – BUSINESS ACQUISITIONS

Crealta Acquisition

On January 13, 2016, the Company completed its acquisition of Crealta for approximately $510.0 million in cash. Crealta is a specialty pharmaceutical company focused on innovative therapeutics designed to improve patient outcomes, and marketed KRYSTEXXA and MIGERGOT. In connection with the Crealta acquisition, the Company incurred $1.9 million of transaction fees for legal, advisory and other fees during the year ended December 31, 2015. The final determination of the purchase price allocation is expected to be completed as soon as practicable. Due to the limited time between the acquisition date and the filing of this Annual Report on Form 10-K, it is not practicable for the Company to disclose: (i) the allocation of purchase price to assets acquired and liabilities assumed as of the date of close, and (ii) pro forma revenues and earnings of the combined company for the year ended December 31, 2015.

Hyperion Acquisition

On March 29, 2015, the Company, Ghrian Acquisition Inc. (“Purchaser”), a Delaware corporation and a wholly-owned subsidiary of the Company, and Hyperion entered into a definitive Agreement and Plan of Merger providing for the acquisition by the Company of all the issued and outstanding shares of Hyperion’s common stock for $46.00 per share. The acquisition was completed on May 7, 2015. 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):

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 year ended December 31, 2015, the Company incurred $53.7 million in Hyperion acquisition-related costs including advisory, legal, accounting, valuation, severance, retention bonuses, and other professional and consulting fees and $40.6 million, $10.0 million and $3.1 million were accounted for as “General and administrative”, “Other, net” and “Research and development” expenses, respectively, in the consolidated statement of comprehensive income (loss). No further significant acquisition-related costs are expected to be incurred in relation to the Hyperion acquisition, and the Company anticipates that the significant amount of acquisition-related cash payments will be complete by the end of the second quarter of 2016.

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.

During the year ended December 31, 2015, the Company recorded measurement period adjustments related to deferred tax liabilities, other liabilities, accrued trade discounts and rebates, accounts receivable and inventory, which resulted in a net reduction in goodwill of $5.8 million. The measurement period adjustments were the result of a review of balance sheet accruals and estimates, and the alignment of Hyperion revenue recognition policies to those of the Company.

The following table summarizes the preliminary fair values assigned to the assets acquired and the liabilities assumed by the Company, along with the resulting goodwill before and after the measurement period adjustments (in thousands):

(Liabilities assumed) and assets acquired:	Before	Adjustments	After
Deferred tax liability, net	$(264,866)	$ 2,134	$(262,732)
Other liabilities	(502)	502	—
Accounts payable	(2,439)		(2,439)
Accrued trade discounts and rebates	(13,178)	3,386	(9,792)
Accrued expenses	(7,566)		(7,566)
Contingent royalties	(86,800)		(86,800)
Cash and cash equivalents	53,037		53,037
Short-term investments	39,049		39,049
Long-term investments	25,574		25,574
Accounts receivable, net	11,683	175	11,858
Inventory	13,941	(443)	13,498
Prepaid expenses and other current assets	2,533		2,533
Property and equipment	1,044		1,044
Other non-current assets	123		123
Developed technology	1,044,200		1,044,200
Goodwill	259,565	(5,754)	253,811
Fair value of consideration paid	$1,075,398		$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. During the year ended December 31, 2015, the Company amortized $6.6 million and $1.8 million, respectively, of RAVICTI and BUPHENYL inventory step-up. Finished goods at December 31, 2015 included $0.3 million of stepped-up BUPHENYL inventory. RAVICTI step-up had been fully recognized in the consolidated statement of comprehensive income (loss) during the year ended December 31, 2015.

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. (“Brusilow”). See Note 16 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. See Note 2 for details of the Company’s accounting policies for accrued contingent royalties.

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, ("ASC 740") 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 consolidated balance sheet as of the acquisition date. We do not expect any portion of this goodwill to be deductible for tax purposes.

PENNSAID 2% Acquisition

On October 17, 2014, the Company acquired the U.S. rights to PENNSAID 2% from Nuvo for $45.0 million in cash. PENNSAID 2% is approved in the United States for the treatment of the pain of osteoarthritis of the knee. The Company began marketing PENNSAID 2% in January 2015, and as such no sales or cost of goods sold were recognized in 2014.

As part of the acquisition, the Company entered into an exclusive supply agreement with Nuvo, which was amended in February 2016, 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.

Pursuant to ASC 805, the Company accounted for the acquisition of the U.S. rights to PENNSAID 2% under the acquisition method of accounting, in which the Company recognized and accounted for the acquisition of the U.S. rights to PENNSAID 2% as a business combination. Using this methodology, the Company allocated the entire purchase price of $45.0 million to a developed technology intangible asset. The valuation of the developed technology intangible asset was based on management's estimates, forecasted financial information and reasonable and supportable assumptions. The allocation was generally based on the Company's estimated fair value of the rights to payments with respect to U.S. revenue associated with PENNSAID 2% which were acquired in the transaction. This

estimated fair value was determined using the income approach under the discounted cash flow method. Significant assumptions used in valuing the developed technology intangible asset included revenue projections through 2021 based on assumptions relating to pricing and reimbursement rates, market size and market penetration rates and cost of goods sold based on current manufacturing experience, general and administrative expenses, sales and marketing expenses, and research and development expenses for clinical and regulatory support. The calculated value of the PENNSAID 2% developed technology intangible asset is amortized using the straight-line method over an estimated useful life of six years, which is the period in which the majority of the benefits from such developed technology will be recognized.

Vidara Acquisition

On March 18, 2014, HPI, Vidara Therapeutics Holdings LLC, a Delaware limited liability company ("Vidara Holdings"), Vidara, Hamilton Holdings (USA), Inc., a Delaware corporation and an indirect wholly-owned subsidiary of Vidara ("U.S. HoldCo") and Hamilton Merger Sub, Inc., a Delaware corporation and a wholly-owned subsidiary of U.S. HoldCo ("Merger Sub"), entered into a Transaction Agreement and Plan of Merger (the "Merger Agreement"). The Merger Agreement provided for the merger of Merger Sub with and into HPI, with HPI continuing as the surviving corporation and as a wholly-owned, indirect subsidiary of Vidara, with Vidara converting to a public limited company and changing its name to Horizon Pharma plc.

At the effective time of the Vidara Merger on September 19, 2014 (the "Effective Time"), (i) each share of HPI's common stock issued and outstanding was converted into one ordinary share of New Horizon; (ii) each equity plan of HPI was assumed by New Horizon and each outstanding option under HPI's equity plans was converted into an option to acquire the number of ordinary shares of New Horizon equal to the number of common stock underlying such option immediately prior to the Effective Time at the same exercise price per share as such option of HPI, and each other stock award that was outstanding under HPI's equity plans was converted into a right to receive, on substantially the same terms and conditions as were applicable to such equity award before the Effective Time, the number of ordinary shares of New Horizon equal to the number of shares of HPI's common stock subject to such stock award immediately prior to the Effective Time; (iii) each warrant to acquire HPI's common stock outstanding immediately prior to the Effective Time and not terminated as of the Effective Time was converted into a warrant to acquire, on substantially the same terms and conditions as were applicable under such warrant before the Effective Time, the number of ordinary shares of New Horizon equal to the number of shares of HPI's common stock underlying such warrant immediately prior to the Effective Time; and (iv) the Convertible Senior Notes of HPI remained outstanding and, pursuant to a supplemental indenture entered into effective as of the Effective Time, became convertible into the same number of ordinary shares of New Horizon at the same conversion rate in effect immediately prior to the Effective Time. Vidara Holdings retained ownership of 31,350,000 ordinary shares of New Horizon at the Effective Time. Upon consummation of the Vidara Merger (the "Closing"), the security holders of HPI (excluding the holders of HPI's Convertible Senior Notes) owned approximately 74% of New Horizon and Vidara Holdings owned approximately 26% of New Horizon. At the Closing, New Horizon made a cash payment of $210.9 million to Vidara Holdings and $2.7 million to Citibank N.A. as escrow agent under an escrow agreement associated with the Vidara Merger.

The total consideration for the acquisition of Vidara was $601.4 million, representing the $387.8 million market value of the 31,350,000 New Horizon ordinary shares that were held by prior Vidara shareholders immediately following the Closing plus the cash consideration of $213.6 million. The value of the New Horizon ordinary shares of $387.8 million was based on the September 18, 2014 closing stock price of HPI common stock of $12.37, the last closing price prior to the Effective Time.

Pursuant to ASC 805, the Company accounted for the Vidara Merger as a reverse acquisition under the acquisition method of accounting, with HPI treated as the acquiring company for accounting purposes. Identifiable assets and liabilities of Vidara, including identifiable intangible assets, were recorded based on their estimated fair values as of the date of the Closing. The excess of the fair value of the net assets acquired over the value of consideration was recorded as a bargain purchase gain. The following table summarizes the fair values assigned to the assets acquired and the liabilities assumed by the Company pursuant to the Vidara Merger, along with the resulting bargain purchase gain (in thousands):

	Allocation
Cash and cash equivalents	$ 34,401
Accounts receivable, net	11,838
Inventories	15,422
Other receivable—net working capital adjustment	195
Prepaid expenses	138
Property and equipment	289
Deferred tax assets	2,907
Customer relationships	8,100
In-process research and development	66,000
Developed technology	560,000
Accounts payable	(1,781)
Accrued expenses and other current liabilities	(32,372)
Contingent royalties	(33,600)
Other liabilities	(775)
Deferred tax liabilities	(7,170)
Bargain purchase gain	(22,171)
Fair value of consideration paid	$ 601,421

The fair value of the developed technology, IPR&D, customer relationships and contingent royalties, along with any associated deferred tax assets or liabilities, represent final valuations performed with assistance by an independent appraisal firm.

Inventories acquired included raw materials and finished goods. Fair value of finished goods was determined based on the estimated selling price, net of selling costs and a margin on the selling costs. Fair value of raw materials was estimated to equal the replacement cost. A step up in the value of inventory of $14.2 million was recorded in connection with the Vidara Merger, $11.0 million of which was recognized in the consolidated statement of comprehensive income (loss) in the fourth quarter of 2014. In the first quarter of 2015, the Company recognized the remaining $3.2 million of ACTIMMUNE inventory step-up in its consolidated statement of comprehensive income (loss).

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

Identifiable intangible assets and liabilities acquired included developed technology, IPR&D and customer relationships. The fair value of intangible assets is based on management’s estimates, forecasted financial information and reasonable and supportable assumptions. Estimated useful lives are based on the time periods during which the intangibles are expected to result in incremental cash flows.

Developed technology intangible assets reflect the estimated value of Vidara's rights to the marketed ACTIMMUNE medicine as of the acquisition date. 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 sales projections and estimated direct costs for ACTIMMUNE. Indications of value are developed by discounting these benefits to their present value at a discount rate of 15% that reflects the return requirements of the market. The fair value of developed technology was recorded as an intangible asset as of the acquisition date and subsequently amortized over an estimated remaining life of 13 years.

IPR&D is related to one research and development project for the application of ACTIMMUNE in the treatment of Friedreich's ataxia ("FA"), which was incomplete at the time of the Vidara Merger. IPR&D is considered separable from the business as the project could be sold to a third-party. The fair value of IPR&D 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 sales projections and estimated direct costs. Indications of value are developed by discounting these benefits to their present value at a discount rate of 33% that reflects the return requirements of the market. The fair value of the IPR&D was recorded as an indefinite-lived intangible asset and will be tested for impairment until completion or abandonment of research and development efforts associated with the project. In June 2015, the Company initiated the Phase 3 Safety, Tolerability and Efficacy of ACTIMMUNE Dose Escalation in Friedreich's Ataxia Study of ACTIMMUNE for the treatment of people with FA. Approximately 90 patients will be enrolled at four sites in the United States. The Company expects to complete enrollment in the second quarter of 2016, with top-line data anticipated to become available by the end of 2016. Assuming positive data from the trial, the Company would plan to submit a supplemental biologics license application in the first quarter of 2017, and given the fast-track designation of ACTIMMUNE for this potential indication, the Company would request priority review, which, if awarded, would allow the Company to potentially receive a decision from the U.S. Food and Drug Administration (the " FDA") within six months of submission, in the third quarter of 2017.

Customer relationships intangible assets reflect the estimated value of Vidara's customer base for ACTIMMUNE. Vidara's customers as of the acquisition date were predominantly a small group of retail pharmacies with demand for ACTIMMUNE. As such, a significant portion of revenue growth was expected to be generated from existing customers as of the acquisition date. Management assessed the historical customer trends to identify the anticipated attrition. The fair value of customer relationships was recorded as an intangible asset as of the acquisition date and is subsequently being amortized over an estimated remaining life of 10 years.

The Company has assigned a fair value to a contingent liability for royalties potentially payable under previously existing royalty and licensing agreements related to ACTIMMUNE. The royalties are payable under the terms of a license agreement with Genentech Inc. ("Genentech"), which was the original developer of ACTIMMUNE and under the terms of its agreement, as amended, with Connetics Corporation (who was the predecessor parent company to InterMune Pharmaceuticals Inc. and is now part of GlaxoSmithKline) ("Connetics"). See Note 16 for details of the percentages payable under both license agreements. The initial fair value of this liability of $33.6 million was determined using a discounted cash flow analysis incorporating the estimated future cash flows of royalty payments resulting from future sales. The discount rates used were the same as for the fair value of the intangible assets. The estimated liability for royalties will be increased over time to reflect the change in its present value and accretion expense will be recorded as part of cost of goods sold. The estimated liability will be periodically assessed based on events and circumstances and any change will be recorded in the Company's consolidated statement of comprehensive income (loss). During the year ended December 31, 2015, based on fluctuating sales of ACTIMMUNE versus the Company's previous expectations and the Company's adjusted expectations for future ACTIMMUNE sales, the Company recorded a charge of $4.8 million to cost of goods sold to increase the carrying value of the contingent royalties to reflect the updated estimates.

Deferred tax assets and liabilities arise from acquisition accounting 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 (United States or Bermuda). Customer relationships intangible assets are located in the United States where a U.S. tax rate of 37.9% is being utilized and a deferred tax liability is recorded. Developed technology and IPR&D assets are located in Bermuda which does not levy corporate income taxes; accordingly, no

deferred tax liabilities were recorded related to these intangible assets.

The excess of the estimated fair values of net assets acquired over the acquisition consideration paid was recorded as a bargain purchase gain in the consolidated statement of comprehensive income (loss) during the year ended December 31, 2014. As previously stated, the total consideration included a fixed number of New Horizon ordinary shares. The bargain purchase gain of $22.2 million was primarily the result of the decrease in the market value of our ordinary shares from the time that the Merger Agreement was signed to the Effective Time of the Vidara Merger.

Pro Forma Information

The following table represents the consolidated financial information for the Company on a pro forma basis, assuming that the Vidara Merger and the Hyperion acquisition occurred as of January 1, 2014. The Vidara Merger has already been reflected in the as reported figures for the full year ended December 31, 2015 and for the period from September 19, 2014 to December 31, 2014, as the Vidara Merger was completed in September 2014. The results of Hyperion from May 7, 2015 to December 31, 2015 are also included in the 2015 as reported figures. The historical financial information has been adjusted to give effect to pro forma items that are directly attributable to the Vidara Merger and the Hyperion acquisition, 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. 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, except per share data):

	For the Year Ended December 31,					
	2015			2014		
	As reported	Pro-forma adjustments (Unaudited)	Pro-forma (Unaudited)	As reported	Pro-forma adjustments (Unaudited)	Pro-forma (Unaudited)
Net sales	$757,044	$ 39,473	$ 796,517	$296,955	$ 164,149	$ 461,104
Net income (loss)	39,532	(25,703)	13,829	(263,603)	(70,803)	(334,406)
Basic net income (loss) per share	$0.27	$ (0.18)	$ 0.09	$(3.15)	$ (0.15)	$ 3.30
Diluted net income (loss) per share	$0.25	$ (0.16)	$ 0.09	$(3.15)	$ (0.15)	$ 3.30

The Company’s consolidated statements of comprehensive income for the year ended December 31, 2015 include RAVICTI and BUPHENYL net sales as a result of the acquisition of Hyperion in May 2015 of $86.9 million and $13.5 million, respectively. The Company’s consolidated statements of comprehensive income also include net sales of ACTIMMUNE of $107.4 million for the year ended December 31, 2015 and $25.3 million for the year ended December 31, 2014 following the Vidara Merger on September 19, 2014. Hyperion and Vidara 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.

The 2014 pro forma information excludes the PENNSAID 2% acquisition as it was impracticable to include because it would require significant estimates of third-party sales amounts. In addition, prior to the Company’s acquisition of PENNSAID 2%, PENNSAID 2% did not have a significant amount of sales in 2014.

NOTE 5 – 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 December 31, 2015 and 2014 consisted of the following (in thousands):

	As of December 31,	
	2015	2014
Raw materials	$6,232	$1,184
Work-in-process	631	389
Finished goods	11,513	15,292
Inventories, net	$18,376	$16,865

Finished goods at December 31, 2014 included $3.2 million of stepped-up ACTIMMUNE inventory which was fully amortized in January 2015.

Finished goods at December 31, 2015 included $0.3 million of stepped-up BUPHENYL inventory. During the year ended December 31, 2015, the Company amortized $8.4 million of RAVICTI and BUPHENYL inventory step-up.

NOTE 6 – PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets as of December 31, 2015 and 2014 consisted of the following (in thousands):

	As of December 31,	
	2015	2014
Medicine samples inventory	$4,697	$4,014
Prepaid co-pay expenses	1,881	6,718
Prepaid software license fees	1,638	1,128
Other prepaid expenses	7,642	2,510
Prepaid expenses and other current assets	$15,858	$14,370

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2015 and 2014 consisted of the following (in thousands):

	As of December 31,	
	2015	2014
Machinery and equipment	$2,946	$3,288
Furniture and fixtures	57	576
Computer equipment	2,514	2,040
Software	1,360	1,481
Trade show equipment	219	392
Leasehold improvements	1,966	3,412
	9,062	11,189
Less accumulated depreciation	(3,791)	(3,948)
Construction in process	3,492	—
Software implementation in process	5,257	—
Property and equipment, net	$14,020	$7,241

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 at December 31, 2015 is related to new enterprise resource planning software license being implemented by the Company. The software did not enter service until January 2016 and as such, depreciation had not

yet begun as of December 31, 2015.

Depreciation expense for the years ended December 31, 2015, 2014 and 2013 was $5.4 million, $1.7 million and $1.2 million, respectively.

NOTE 8 – GOODWILL AND INTANGIBLE ASSETS

Goodwill

The gross carrying amount of goodwill as of December 31, 2015 was as follows (in thousands):

Balance at December 31, 2014	$—
Acquired during period	253,811
Balance at December 31, 2015	$253,811

In May 2015, the Company recognized goodwill with a preliminary value of $259.6 million in connection with the Hyperion acquisition, which represented the excess of the purchase price over the fair value of the net assets acquired. During the year ended December 31, 2015, the Company recorded measurement period adjustments that resulted in a net reduction in goodwill of $5.8 million, resulting in goodwill after the measurement period adjustments of $253.8 million (see Note 4 for details). As of December 31, 2015, 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 and BUPHENYL in the United States, and LODOTRA and AMMONAPS in Europe, as well as IPR&D and customer relationships for ACTIMMUNE.

On September 19, 2014, in connection with the Vidara Merger, the Company capitalized $560.0 million of developed technology, $66.0 million of IPR&D and $8.1 million of customer relationships related to ACTIMMUNE.

On October 17, 2014, in connection with the Company's acquisition of the U.S. rights to PENNSAID 2%, the Company capitalized $45.0 million for the U.S. rights to developed technology of PENNSAID 2%.

On May 7, 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.

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 December 31, 2015 or December 31, 2014.

As of December 31, 2015 and December 31, 2014, amortizable intangible assets consisted of the following (in thousands):

	December 31, 2015				2014			
	Cost Basis	Accumulated Amortization	Currency Translation	Net Book Value	Cost Basis	Accumulated Amortization	Currency Translation	Net Book Value
Developed technology	$1,792,495	$(183,446)	$—	$1,609,049	$757,484	$(51,331)	$(9,190)	$696,963
Customer relationships	8,100	(1,039)	—	7,061	8,100	(230)	—	7,870
Amortizable intangible assets	$1,800,595	$(184,485)	$—	$1,616,110	$765,584	$(51,561)	$(9,190)	$704,833

Amortization expense for the years ended December 31, 2015, 2014 and 2013 was $132.9 million, $32.3 million and $8.1 million, respectively. As of December 31, 2015, estimated future amortization expense was as follows (in thousands):

2016	$166,826
2017	166,826
2018	166,826
2019	153,833
2020	153,615

Thereafter	808,184
Total	$1,616,110

NOTE 9 – OTHER ASSETS

Other assets as of December 31, 2015 and December 31, 2014 consisted of the following (in thousands):

	As of December 31,	
	2015	2014
Deferred financing costs	$8,359	$11,491
Other	222	73
Other assets	$8,581	$11,564

NOTE 10 – ACCRUED TRADE DISCOUNTS AND REBATES

Accrued trade discounts and rebates as of December 31, 2015 and December 31, 2014 consisted of the following (in thousands):

	As of December 31,	
	2015	2014
Accrued wholesaler fees and commercial rebates	$21,112	$30,748
Accrued co-pay and other patient assistance	114,201	24,930
Accrued government rebates and chargebacks	48,456	20,437
Accrued trade discounts and rebates	$183,769	$76,115
Invoiced wholesaler fees and commercial rebates, co-pay and other patient assistance, and government rebates and chargebacks in accounts payable	—	5,221
Total customer-related accruals and allowances	$183,769	$81,336

The following table summarizes changes in the Company's customer-related accruals and allowances from December 31, 2014 to December 31, 2015 (in thousands):

	Wholesaler Fees and Commercial Rebates	Co-Pay and Other Patient Assistance	Government Rebates and Chargebacks	Total
Balance at December 31, 2013	$4,459	$2,257	$ 1,407	$8,123
Current provisions relating to sales in the year ended December 31, 2014	103,539	138,552	45,301	287,392
Adjustments relating to prior year sales	(1,576)	(194)	—	(1,770)
Payments relating to sales in in the year ended December 31, 2014	(73,263)	(108,505)	(38,492)	(220,260)
Payments relating to sales in prior years	(2,779)	(2,063)	(1,307)	(6,149)
Vidara Merger on September 19, 2014	472	—	13,528	14,000
Balance at December 31, 2014	$30,852	$30,047	$ 20,437	$81,336
Current provisions relating to sales in the year ended December 31, 2015	67,762	1,020,327	162,157	1,250,246
Adjustments relating to prior year sales	(1,657)	(121)	(3,842)	(5,620)
Payments relating to sales in the year ended December 31, 2015	(47,848)	(906,126)	(123,299)	(1,077,273)
Payments relating to sales in prior years	(28,241)	(29,926)	(16,545)	(74,712)
Hyperion acquisition on May 7, 2015	244	—	9,548	9,792
Balance at December 31, 2015	$21,112	$114,201	$ 48,456	$183,769

NOTE 11 – ACCRUED EXPENSES

Accrued expenses as of December 31, 2015 and 2014 consisted of the following (in thousands):

	As of December 31	
	2015	2014
Payroll-related expenses	$47,205	$20,933
Consulting and professional services	17,160	4,421
Accrued interest	10,637	1,260
Accrued other	25,044	8,768
Accrued excise tax	—	11,243
Accrued expenses	$100,046	$46,625

Accrued payroll-related expenses at December 31, 2015 include $8.5 million of severance and related employee costs as a result of the Hyperion acquisition. The Company anticipates that the significant amount of Hyperion acquisition-related cash payments will be completed by the end of the second quarter of 2016.

NOTE 12 – ACCRUED ROYALTIES

Changes in the liability for royalties during the years ended December 31, 2015 and 2014 consisted of the following (in thousands):

Balance as of December 31, 2013	$32,992
Assumed ACTIMMUNE accrued royalty	3,429
Assumed ACTIMMUNE contingent royalty liabilities	33,600
Remeasurement of royalty liabilities	10,660
Royalty payments	(15,489)
Accretion expense	9,020
Balance as of December 31, 2014	$74,212
Assumed RAVICTI and BUPHENYL contingent royalty liabilities	86,800
Assumed RAVICTI and BUPHENYL accrued royalties	579
Remeasurement of royalty liabilities	21,151
Royalty payments	(27,611)
Accretion expense	20,088
Balance as of December 31, 2015	175,219
Less: Current portion	51,700
Accrued royalties, net of current	$123,519

During the year ended December 31, 2015, based on higher sales of ACTIMMUNE and VIMOVO versus the Company's previous expectations and expectations for future ACTIMMUNE and VIMOVO sales, the Company recorded a total charge of $21.5 million to cost of goods sold ($16.7 million related to VIMOVO and $4.8 million related to ACTIMMUNE). The Company also recorded a release of $0.3 million to cost of goods sold related to RAVICTI to adjust the carrying value of the contingent royalties to reflect updated estimates of future RAVICTI sales.

During the year ended December 31, 2014, the Company recorded a net charge of $10.7 million to cost of goods sold ($9.4 million related to VIMOVO and $1.3 million related to ACTIMMUNE) to increase the amount of the contingent royalty liability.

NOTE 13 – LONG-TERM INVESTMENTS

During the third quarter of 2015, the Company purchased 2,250,000 shares of common stock of Depomed, Inc. ("Depomed"), representing 3.75% of Depomed's then outstanding common stock. The shares were acquired at a cost of

$71.8 million. Unrealized losses of $29.4 million were recorded in accumulated other comprehensive loss relating to this investment during the third quarter of 2015, following an evaluation of the near-term prospects of Depomed. During the fourth quarter of 2015, following the Company's decision to withdraw its offer to acquire Depomed, the Company sold all of its shares in Depomed, receiving sales proceeds of $42.8 million and the Company recognized a realized loss of $29.0 million in the consolidated statement of comprehensive income (loss).

There were no gains or losses on long-term investments during the years ended December 31, 2014 and 2013.

NOTE 14 – SEGMENT AND OTHER INFORMATION

The Company has determined that it operates in one business segment, which is the identification, development, acquisition and commercialization of differentiated and accessible medicines that address unmet medical needs. The Company's operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision maker or, CODM. The Company's CODM has been identified as its chief executive officer.

The following table presents a summary of total net revenues by medicine (in thousands):

	Year Ended December 31,		
	2015	2014	2013
DUEXIS	$190,357	$83,243	$58,972
VIMOVO	166,672	162,954	966
PENNSAID 2%	147,010	—	—
ACTIMMUNE	107,444	25,251	—
RAVICTI	86,875	—	—
RAYOS	40,329	19,020	5,841
BUPHENYL	13,458	—	—
LODOTRA	4,899	6,487	8,237
Total net revenues	$757,044	$296,955	$74,016

The following table presents a summary of total net revenues by geography (in thousands):

	Year Ended December 31,		
	2015	2014	2013
United States	$744,036	$290,396	$65,779
Rest of world	13,008	6,559	8,237
Total net revenues	$757,044	$296,955	$74,016

The following table presents total tangible long-lived assets by location (in thousands):

	As of December 31,	
	2015	2014
United States	$11,734	$6,025
Ireland	1,985	666
Switzerland	250	513
Other	51	37
Total long-lived assets	$14,020	$7,241

NOTE 15 – FAIR VALUE MEASUREMENTS

Explanation of Responses:

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.

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 December 31, 2015, 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 2015 or in 2014.

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 December 31, 2015 and December 31, 2014 (in thousands):

	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

	December 31, 2014			
	Level 1	Level 2	Level 3	Total
Assets:				
Money market funds	$111,581	$ —	$ —	$111,581
Total assets at fair value	$111,581	$ —	$ —	$111,581

In accordance with the pronouncement guidance in ASC Topic 815 "Derivatives and Hedging", the conversion option included within the Convertible Senior Notes was deemed to include an embedded derivative, which required the Company to bifurcate and separately account for the embedded derivative as a separate liability on its consolidated balance sheets. The estimated fair value was derived utilizing the binomial lattice approach for the valuation of convertible instruments. Assumptions used in the calculation included, among others, determining the appropriate credit spread using benchmarking analysis and solving for the implied credit spread, calculating the fair value of the stock component using a discounted risk free rate and borrowing cost and calculating the fair value of the note component using a discounted credit adjusted discount rate. Based on the assumptions used to determine the fair value of the derivative liability associated with the Convertible Senior Notes, the Company concluded that these inputs were Level 3 inputs.

The following table presents the assumptions used by the Company to determine the fair value of the conversion option embedded in the Convertible Senior Notes as of June 27, 2014, the date the HPI stockholders approved the issuance of in excess of 13,164,951 shares of HPI's common stock upon conversion of the Convertible Senior Notes:

	June 27, 2014
Stock price	$15.96
Risk free rate	1.43 %
Borrowing cost	3.75 %
Weights	—
Credit spread (in basis points)	900
Volatility	40.00%
Initial conversion price	$5.36
Remaining time to maturity (in years)	4.4

On June 27, 2014, the Company conducted a fair value assessment to reflect the market value adjustments for the embedded derivative due to the increase in HPI's common stock value and for changes in the fair value assumptions, and the Company recorded a $215.0 million loss in its results of operations for the three and six months ended June 30, 2014, respectively. The entire fair value of the derivative liability of $324.4 million was reclassified to additional paid-in capital on June 27, 2014.

NOTE 16 – 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 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. The first lease, 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, and began occupying the premises in Lake Forest, 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.

The Company recognizes rent expense on a monthly basis over the lease term based on a straight-line method. Rent expense was $2.5 million, $0.6 million and $0.5 million for the years ended December 31, 2015, 2014 and 2013, respectively.

As of December 31, 2015, minimum future cash payments due under lease obligations were as follows (in thousands):

	2016	2017	2018	2019	2020	2021 & Thereafter	Total
Operating lease obligations	$4,047	$5,343	$4,961	$4,119	$3,415	$ 18,378	$40,263

Annual 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 2015 the agreement automatically renewed, therefore the earliest the

agreement can expire according to this advance notice procedure is April 15, 2018, and the minimum purchase commitment is in force until April 2018. At December 31, 2015, the minimum purchase commitment based on tablet pricing in effect under the agreement was $3.0 million through April 2018.

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 December 31, 2015, the Company had a binding purchase commitment to Sanofi-Aventis U.S. for DUEXIS of $8.3 million, which is to be delivered through March 2016.

In July 2013, Vidara and 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 December 31, 2015, the minimum binding purchase commitment to Boehringer Ingelheim was $19.2 million (converted using a Dollar-to-Euro exchange rate of 1.0861) 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 December 31, 2015, the Company had a binding purchase commitment with Patheon for VIMOVO of $2.9 million through April 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. Under the supply agreement, Nuvo is obligated to manufacture and supply PENNSAID 2% to the Company. The initial term of the supply agreement is through December 31, 2022, 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 December 31, 2015, the Company had a binding purchase commitment with Nuvo for PENNSAID 2% of $5.6 million through April 2016.

Purchase orders relating to the manufacture of RAVICTI and BUPHENYL of $1.8 million were outstanding at December 31, 2015. 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.

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 sum and milestone payments.

VIMOVO

The Company entered into a license agreement with Pozen Inc. (“Pozen”) who subsequently entered into a business combination with Tribute Pharmaceuticals Canada Inc. to become known as Aralez Pharmaceuticals Inc. Under this agreement, the Company is required to pay Pozen 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 NSAIDs, subject to minimum annual royalty obligations of $7.5 million. These minimum royalty obligations will continue for each year during which one of Pozen’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 Pozen 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, 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 Saul W. Brusilow, M.D. and 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 FDA-approved labeled age range for RAVICTI.

KRYSTEXXA

Under the terms of a license agreement with Duke University ("Duke") and Mountain View Pharmaceuticals ("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 for VIMOVO, ACTIMMUNE, RAVICTI and BUPHENYL are included in accrued royalties on the Company's consolidated balance sheets.

Total royalty-related expense (including royalty accretion expense and royalty liability remeasurement expense) recognized in cost of goods sold for the year ended December 31, 2015 and 2014 was $45.5 million and $21.4 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.

On November 9, 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. 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 assistance 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 assistance programs 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 have also entered into separate indemnification agreements with HPI prior to the Vidara Merger.

NOTE 17 – 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 and the U.S. Department of Justice for review. The parties have submitted the Actavis Settlement Agreement to the U.S. Federal Trade Commission and the U.S. Department of Justice 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 Actavis FL advising that Actavis FL had filed an ANDA with the FDA for a generic version of PENNSAID 2%. Actavis FL has not advised the Company as to the timing or status of the FDA's review of its filing. On December 23, 2014, the Company filed suit in the United States District Court for the District of New Jersey against Actavis FL., Actavis, Inc., and Actavis plc (collectively "Actavis") seeking an injunction to prevent the approval 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 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.

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 Limited and Lupin Pharmaceuticals Inc. (collectively, "Lupin"); (iii) Mylan Pharmaceuticals Inc., Mylan Laboratories Limited, and Mylan Inc. (collectively, "Mylan"); and (iv) Watson Laboratories, Inc.—Florida, known as Actavis Laboratories FL, Inc. 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 Pozen 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 Pozen patents licensed to the Company under the amended and restated collaboration and license agreement for the United States with Pozen.

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.

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, and 8,865,190 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 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 and February 9, 2015; the Actavis Pharma notice letters were dated March 29, 2013 November 5, 2013 and October 9, 2015; 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 denied such Petition for IPR.

On May 21, 2015, the Coalition for Affordable Drugs VII LLC ("Coalition for Affordable Drugs") filed an IPR Petition 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 United States Patent and Trademark Office 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 United States Patent and Trademark Office 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 United States Patent and Trademark office 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. The Patent Trial and Appeal Board has not yet issued a decision with regard to whether such IPR will be instituted.

On August 19, 2015, Lupin filed Petitions for IPRs 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. The Patent Trial and Appeal Board has not yet issued decisions with regard to whether or not such IPRs will be instituted.

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 (the "Taro Settlement Agreement"), with Taro relating to our on-going patent infringement litigation. In accordance with legal requirements, the Horizon Subsidiaries and Taro have agreed to submit the Taro Settlement Agreement to the U.S. Federal Trade Commission and the U.S. Department of Justice for review. The Horizon Subsidiaries and Taro have also agreed to file 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%. Lupin Limited has not advised the Company as to the timing or status of the FDA's review of its filing. On April 30, 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 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. 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%.

The Company received from IGI Laboratories, Inc. ("IGI") 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 IGI had filed an ANDA with the FDA for a generic version of PENNSAID 2%. IGI has not advised the Company as to the timing or status of the FDA's review of its filing. On May 21, 2015, the Company filed suit in the United States District Court for the District of New Jersey against IGI seeking an injunction to prevent the approval of the ANDA. The lawsuit alleges that IGI 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. The commencement of the patent infringement lawsuit stays, or bars, FDA approval of IGI'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 IGI action.

On June 30, 2015, the Company filed suit in the United States District Court for the District of New Jersey against IGI 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 IGI 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 IGI 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%.

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%. Amneal has not advised the Company as to the timing or status of the FDA's review of its filing. 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 FDA's 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 March 17, 2014, Hyperion received notice from Par Pharmaceutical, Inc. (“Par”) 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’s manufacture, use or sale of the medicine for which the ANDA was submitted. Par 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 United States Patent and Trademark Office 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 on April 23, 2014 seeking an injunction to prevent the approval of Par’s ANDA and/or to prevent Par 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 that it had filed a Paragraph IV Patent Certification alleging that U.S. Patent No. 9,095,559 is invalid and/or will not be infringed by Par’s manufacture, use or sale of the medicine for which the ANDA was submitted.

On April 29, 2015, Par filed Petitions for IPRs of the ’215 patent and the ’012 patent. The Patent Trial and Appeal Board issued decisions instituting such IPRs on November 4, 2015.

The Company received from Lupin Limited a Paragraph IV Patent Certification dated September 4, 2015 against Orange Book listed U.S. Patent Nos. 8,404,215 and 8,642,012 advising that Lupin had filed an ANDA with the FDA for a generic version of RAVICTI. 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 U.S. Patent Nos. 8,404,215, 8,642,012, and 9,095,559 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 FDA’s 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 August 3, 2015, HPI filed a lawsuit in the Superior Court of the State of California, County of Santa Clara, naming as defendants 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 the Depomed and the Depomed Board. The Superior Court has scheduled a Case Management Conference for March 25, 2016 for the purpose setting a discovery schedule and trial date.

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. The Company denies Depomed's allegations, and will continue defending Depomed's claims. The Superior Court has scheduled a Case Management Conference for March 25, 2016 for the purpose setting a discovery schedule and trial date.

On November 9, 2015, Express Scripts, Inc. 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.

NOTE 18 – DEBT AGREEMENTS

The Company's outstanding debt balances as of December 31, 2015 and 2014 consisted of the following (in thousands):

	As of December 31	
	2015	2014
2015 Term Loan Facility due 2021	$398,000	$—
2023 Senior Notes	475,000	—
Exchangeable Senior Notes due 2022	400,000	—
2014 Term Loan Facility	—	300,000
Convertible Senior Notes	—	60,985
Total face value	1,273,000	360,985
Debt discount	(127,885)	(15,482)
Total long-term debt	1,145,115	345,503
Less: current maturities	4,000	48,334

Long-term debt, net of current maturities	$1,141,115	$297,169

Scheduled maturities with respect to the Company’s long-term debt are as follows (in thousands):

2016	$4,000
2017	4,000
2018	4,000
2019	4,000
2020	4,000
Thereafter	1,253,000
Total	$1,273,000

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 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 (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.

The Company used the net proceeds from its April 2015 underwritten public offering of 17,652,500 of its ordinary shares at a price to the public of $28.25 per share (the "2015 Offering"), the offering of the 2023 Senior Notes, borrowings under the 2015 Term Loan Facility and existing cash to fund its acquisition of Hyperion, repay the outstanding amounts under the 2014 Term Loan Facility, and pay any prepayment premiums, fees and expenses in connection with the foregoing.

As of December 31, 2015, the fair value of the 2015 Term Loan Facility was approximately $376.1 million, categorized as a Level 2 instrument, as defined in Note 15.

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 (discussed 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 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 December 31, 2015, the fair value of the 2023 Senior Notes was approximately $420.4 million, categorized as a Level 2 instrument, as defined in Note 15.

Exchangeable Senior Notes

On March 13, 2015, Horizon Investment completed a private placement of $400.0 million aggregate principal amount of 2.50% Exchangeable Senior Notes due 2022 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 December 31, 2015, 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 ratably over the life of the Exchangeable Senior Notes.

As of December 31, 2015, the fair value of the Exchangeable Senior Notes was approximately $399.2 million, categorized as a Level 2 instrument, as defined in Note 15.

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”). The 2014 Senior Secured Credit Facility provided for (i) the committed five-year $300.0 million 2014 Term Loan Facility with a portion of the proceeds used to effect the Vidara Merger and to pay fees and expenses in connection therewith, and with the balance being used for general corporate purposes; (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 initial borrower under the 2014 Term Loan Facility was U.S. HoldCo (renamed Horizon Pharma Holdings USA, Inc.). The credit agreement allowed for the Company and other subsidiaries of the Company to become borrowers under the accordion facility. Loans under the 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. The Company paid a ticking fee to the applicable lenders of $3.2 million covering the period beginning on the date that was 31 days following the effective date of the 2014 Senior Secured Credit Facility and continued through the closing of the Vidara Merger.

On May 7, 2015, the Company repaid the entire $300 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 Convertible Senior Notes and received net proceeds of $143.6 million, after deducting fees and expenses of $6.4 million.

Pursuant to a number of factors outlined in ASC Topic 815, Derivatives and Hedging, the conversion option in the Convertible Senior Notes was deemed to include an embedded derivative that required bifurcation and separate accounting. As such, the Company ascertained the value of the conversion option as if separate from the convertible issuance and appropriately recorded that value as a derivative liability. On November 22, 2013, a derivative liability and a corresponding debt discount in the amount of $40.1 million were recorded. The debt discount is being charged to interest expense ratably over the life of the convertible debt. The effective interest rate computed on the Convertible Senior Notes was 11.22%.

The derivative liability was subject to revaluation on a quarterly basis to reflect the market value change of the embedded conversion option. On June 27, 2014, HPI’s stockholders approved the issuance of shares of HPI’s common stock in excess of 13,164,951 shares upon conversion of the Convertible Senior Notes. As such, on the date of approval, the derivative liability was re-measured to a final fair value and the entire fair value of the derivative liability of $324.4 million was reclassified to additional paid-in capital and the Company recorded a $215.0 million loss in its results of operations from remeasurement of the derivative liability.

In the fourth quarter of 2014, the Company entered into separate, privately-negotiated conversion agreements with certain holders of the Convertible Senior Notes. Under the conversion agreements, the holders agreed to convert an aggregate principal amount of $89.0 million of Convertible Senior Notes held by them and the Company agreed to settle such conversions by issuing 16,594,793 ordinary shares. In addition, pursuant to the conversion agreements, the Company made an aggregate cash payment of $16.7 million to the holders for additional exchange consideration and $1.7 million of accrued and unpaid interest, and recognized a non-cash charge of $11.7 million related to the extinguishment of debt as a result of the note conversions.

In the first and second quarters of 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 19 – SHAREHOLDERS' EQUITY

On April 21, 2015, the Company closed the 2015 Offering of 17,652,500 of its ordinary shares at a price to the public of $28.25 per share. The net proceeds to the Company from the 2015 Offering were approximately $475.7 million, after deducting underwriting discounts and other offering expenses payable by the Company.

During the year ended December 31, 2015, the Company issued an aggregate of 3,985,150 ordinary shares upon the cash exercise of warrants and the Company received proceeds of $18.1 million representing the aggregate exercise price for such warrants. In addition, warrants to purchase an aggregate of 1,090,952 ordinary shares of the Company were exercised in cashless exercises, resulting in the issuance of 887,559 ordinary shares.

During the year ended December 31, 2015, the Company issued an aggregate of 846,022 ordinary shares in connection with the exercise of stock options and received $5.2 million in proceeds

During the year ended December 31, 2015, in connection with the Convertible Senior Notes conversions, the Company issued an aggregate of 11,368,921 ordinary shares.

During the year ended December 31, 2015, the Company issued an aggregate of 591,277 ordinary shares pursuant to employee stock purchase plans and received $4.5 million in proceeds.

During the year ended December 31, 2015, the Company issued an aggregate of 311,612 ordinary shares in net settlement of vested restricted stock units.

NOTE 20 – EQUITY INCENTIVE PLANS

Employee Stock Purchase Plans

2011 Employee Stock Purchase Plan. In July 2010, HPI's board of directors adopted the 2011 Employee Stock Purchase Plan (the "2011 ESPP"). In June 2011, HPI's stockholders approved the 2011 ESPP, and it became effective upon the signing of the underwriting agreement related to HPI's initial public offering in July 2011. Upon consummation of the Vidara Merger, the Company assumed the 2011 ESPP, and upon the effectiveness of the 2014 ESPP, no additional offerings were or will be commenced and no additional purchase rights were or will be granted under the 2011 ESPP, although all purchase rights outstanding under any offering that commenced under the 2011 ESPP prior to the Vidara Merger remain outstanding pursuant to their existing terms. On December 1, 2015, the final purchase of shares was made under the 2011 ESPP, and no active offerings remain outstanding.

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, which serves as the successor to the 2011 ESPP.

As of December 31, 2015, an aggregate of 9,338,059 ordinary shares were authorized and available for future issuance under the 2014 ESPP.

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 14,000,000 shares. On May 6, 2015, the shareholders of the Company approved the 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 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 December 31, 2015, an aggregate of 1,490,123 and 2,251,207 ordinary shares were authorized and available for future grants under the 2014 EIP and 2014 Non-Employee Equity Plan, respectively.

Stock Options

The following table summarizes stock option activity during the year ended December 31, 2015:

	Options	Weighted Average Exercise Price	Maximum Contractual Term	Aggregate Intrinsic Value (in thousands)
Outstanding as of December 31, 2014	7,027,683	$ 8.95		
Granted	8,010,638	$ 23.92		
Exercised	(846,022)	$ 6.26		
Forfeited	(767,585)	$ 14.91		
Expired	(38,923)	$ 13.41		
Outstanding as of December 31, 2015	13,385,791	$ 17.73	9.91	$ 77,378
Exercisable and fully vested as of December 31, 2015	3,640,965	$ 9.36	9.35	$ 46,964

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Explanation of Responses:

The following table summarizes the Company's outstanding stock options at December 31, 2015:

	Options Outstanding			Options Exercisable and Fully Vested		
Exercise Price Ranges	Number of options outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Number Exercisable	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term
$1.36 - $3.97	1,159,310	$ 2.62	7.03	776,737	$ 2.62	6.96
$4.10 - $7.55	885,422	$ 5.46	5.73	822,594	$ 5.36	5.56
$7.61 - $11.93	1,625,325	$ 8.67	7.76	803,343	$ 8.72	7.18
$12.15 - $17.22	2,143,633	$ 13.78	8.03	980,762	$ 13.51	7.04
$18.57 - $21.30	915,615	$ 19.27	9.26	5,265	$ 20.78	4.98
$22.14 - $27.43	3,930,450	$ 22.30	9.24	—	$ N/A	N/A
$28.53 - $35.17	2,726,036	$ 29.53	8.87	252,264	$ 28.79	3.67
	13,385,791	$ 17.73	8.37	3,640,965	$ 9.36	6.48

During the years ended December 31, 2015, 2014 and 2013, the Company granted stock options to purchase an aggregate of 8,010,638, 3,902,836 and 2,158,950 ordinary shares (or prior to the Vidara Merger, shares of HPI common stock), respectively, with a weighted average grant date fair value of $23.92, $10.71 and $2.23, respectively.

The total intrinsic value of the options exercised during the years ended December 31, 2015, 2014 and 2013 was $15.6 million, $3.9 million, and $0.04 million, respectively. The total fair value of stock options vested during the years ended December 31, 2015, 2014 and 2013 was $11.4 million, $8.2 million, and $0.04 million, respectively.

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 years ended December 31, 2015, 2014 and 2013, and assumptions used to value stock options, are as follows:

	For the Years Ended December 31,		
	2015	2014	2013
Dividend yield	—	—	—
Risk-free interest rate	1.3% - 2.2%	1.6% - 2.1 %	1.8% - 1.9 %
Weighted average volatility	77.1%	83.1 %	86.7 %
Expected life (in years)	6.07	6.11	5.98
Weighted average grant date fair value per share of options granted	$16.07	$8.88	$2.82

Dividend yields

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 18 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 consolidated statements of comprehensive income (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 year ended December 31, 2015:

	Number of Units	Weighted Average Grant-Date Fair Value Per Units
Outstanding as of December 31, 2014	1,593,502	$ 8.60
Granted	2,361,948	$ 23.36
Vested	(468,304)	$ 7.84
Forfeited	(125,400)	$ 18.43
Outstanding as of December 31, 2015	3,361,746	$ 18.71

During the years ended December 31, 2015, 2014 and 2013, the Company granted 2,361,948, 1,312,722 and 730,000 restricted stock units to acquire shares of the Company's ordinary shares (or prior to the Vidara Merger, shares of HPI common stock) to its employees, respectively, with a weighted average grant date fair value of $23.36, $10.55 and $6.87, respectively. The restricted stock units vest over a four-year period on each anniversary of the vesting commencement date. The Company accounts for the restricted stock units as equity-settled awards in accordance with ASC 718. The total fair value of restricted stock units vested during the years ended December 31, 2015, 2014 and 2013 was $9.0 million, $3.4 million and $1.0 million, respectively.

Performance Stock Unit Awards

The following table summarizes performance stock unit awards ("PSUs") activity for the year ended December 31, 2015:

	Weighted Average Grant-Date	Average	Recorded Weighted Average

	Number of Units	Fair Value Per Unit	Illiquidity Discount	Fair Value Per Unit
Outstanding as of December 31, 2014	25,000	$ 12.36	N/A	N/A
Granted	13,376,000	$ 14.85	14.6%	$ 12.68
Vested	—	N/A	N/A	N/A
Forfeited	(372,000)	$ 14.39	7.3%	$ 13.34
Outstanding as of December 31, 2015	13,029,000			

In March 2015, the compensation committee of the Company's board of directors (the "Committee") approved the grant of 10,604,000 PSUs to certain members of the Company's executive committee, senior leadership team and other key employees. 7,998,000 of these PSUs were granted subject to shareholder approval of certain amendments of the 2014 EIP, which occurred on May 6, 2015. In May 2015, the Committee granted 1,264,000 PSUs to new and promoted key employees. In the third quarter of 2015, the Committee granted 1,120,000 PSUs to a new member of the Company's executive committee and key employees. The Committee granted a further 388,000 PSUs in the fourth quarter of 2015 to non-executive committee members.

The PSUs will 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

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

	Recorded

	Number of Units	Weighted Average Fair Value Per Unit	Average Illiquidity Discount	Weighted Average Fair Value Per Unit
Executive committee members	9,872,000	$ 15.12	17.1 %	$ 12.54
Non-executive committee members	3,132,000	$ 14.06	7.3 %	$ 13.04
	13,004,000	$ 14.87	14.8 %	$ 12.66

For the year ended December 31, 2015, the Company recorded $37.7 million of expense related to PSUs.

Cash Long-Term Incentive Program

On November 5, 2014, the Committee 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 December 31, 2015 and December 31, 2014, the estimated fair value was $6.0 million and $1.6 million, respectively. For the years ended December 31, 2015 and 2014, the Company recorded $2.2 million and $0.1 million, respectively, of expense related to the Cash Bonus Program. The most significant valuation assumptions used as of December 31, 2015 include:

- Valuation Date Stock Price - $21.67.
- Expected Volatility - The expected volatility assumption of 74.83% is based on the Company's historical volatility over the 1.84 year period ending December 31, 2015, based upon daily stock price observations.
- Risk Free Rate – 1.00%, which is based upon the yield on U.S. Treasury Separate Trading of Registered Interest and Principal Securities with a remaining term of 1.84 years as of December 31, 2015.

Share-Based Compensation Expense

The following table summarizes share-based compensation expense included in the Company's consolidated statements of operations for the years ended December 31, 2015, 2014 and 2013 (in thousands):

	For the Years Ended December 31,		
	2015	2014	2013
Share-based compensation expense:			
Research and development	$6,590	$1,515	$1,054
Sales and marketing	23,062	4,174	1,465
General and administrative	56,134	7,509	2,495
Total share-based compensation expense	$85,786	$13,198	$5,014

For the year ended December 31, 2015, no income tax benefit was recognized relating to share-based compensation expense. As of December 31, 2015, the Company estimates that pre-tax unrecognized compensation expense of $298.2 million for all unvested share-based awards, including both stock options and restricted stock units, will be recognized through the third quarter of 2019. 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 21 – INCOME TAXES

The Company's (loss) income before benefit for income taxes by jurisdiction for the years ended December 31, 2015, 2014 and 2013 is as follows (in thousands):

	For the Years Ended December 31,		
	2015	2014	2013
Ireland	$(10,746)	$22,164	$—
United States	(198,442)	(275,080)	(139,347)
Other foreign	76,476	(16,771)	(10,779)
(Loss) income before benefit for income taxes	$(132,712)	$(269,687)	$(150,126)

The components of the (benefit) provision for income taxes were as follows for the years ended December 31, 2015, 2014 and 2013 (in thousands):

	For the Years Ended December 31,		
	2015	2014	2013
Current provision			
Ireland	$1,924	$—	$—
U.S. - Federal and State	6,355	815	4
Other foreign	328	55	43
Total current provision	8,607	870	47
Deferred benefit			
Ireland	$(5,623)	$—	$—
U.S. - Federal and State	(175,228)	(3,860)	—
Other foreign	—	(3,094)	(1,168)
Total deferred benefit	(180,851)	(6,954)	(1,168)
Total (benefit) provision for income taxes	$(172,244)	$(6,084)	$(1,121)

Total benefit for income taxes was $172.2 million, $6.1 million and $1.1 million for the years ended December 31, 2015, 2014 and 2013, respectively. The current tax provision of $8.6 million for the year ended December 31, 2015 was primarily attributable to U.S. state income tax liabilities, provisions for uncertain tax positions and the U.S. Federal alternative minimum tax. The deferred tax benefit of $180.9 million for the year ended December 31, 2015 resulted primarily from the release of valuation allowances in the United States in the second quarter of 2015 following the Company's acquisition of Hyperion. In connection with that acquisition, the Company recorded significant purchase accounting deferred tax liabilities in the United States related to certain acquired intangible assets. These acquisition deferred tax liabilities exceeded the historical deferred tax asset position of the Company, which resulted in the release of the majority of the Company's U.S. valuation allowances. Other drivers of the tax benefit were the foreign rate differential of pre-tax book income and permanent tax differences as well as the benefit realized on the notional interest deduction.

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A reconciliation between the Irish rate for 2015 and 2014 and the U.S. federal statutory income tax rate for 2013, respectively, and the Company's effective tax is as follows (in thousands):

	For the Years Ended December 31,		
	2015	2014	2013
Irish income tax statutory rate (12.5%)	$(16,586)	$(33,711)	$—
U.S. federal income tax at statutory rate (35.0%)	—	—	(52,543)
Bargain purchase gain	—	(5,542)	—
Transaction costs	3,109	5,402	—
Excise tax	—	3,911	—
Share-based compensation	3,776	1,460	1,107
Foreign tax rate differential	(30,348)	(64,675)	2,019
Change in valuation allowance	(106,834)	7,360	23,921
Derivative liability	—	75,248	24,255
Notional interest deduction	(22,848)	(2,149)	—
Interest expense on convertible debt inducements	(1,218)	(4,789)	—
Book loss on debt extinguishment	6,396	10,286	—
Uncertain tax positions	3,012	(491)	—
Change in U.S. state effective tax rate	(9,061)	—	—
Disallowed interest	2,139	—	—
Disqualified compensation expense	3,949	30	—
Tax charges on intragroup profit	(9,955)	—	—
U.S. state income taxes	1,002	272	—
Other, net	1,223	1,304	120
Benefit for income taxes	$(172,244)	$(6,084)	$(1,121)
Effective income tax rate	129.8%	2.3%	0.7%

The overall effective tax rate benefit for 2015 of 129.8% was a higher benefit rate than the Irish statutory rate of 12.5% primarily due to the release of valuation allowances in the United States, the benefit realized on the foreign rate differential and the change in the notional interest deduction. During the year ended December 31, 2014, the Company released a portion of its valuation allowances as a result of the Vidara Merger. In connection with the Vidara Merger, the Company recorded additional deferred tax liabilities related to certain acquired assets. Accordingly, the Company recorded a net benefit for income taxes of $3.0 million for the release of its valuation allowances during the third quarter of 2014. In addition, the Company eliminated its deferred tax liability of $3.0 million at its Swiss subsidiary related to the intercompany sale of intellectual property in the fourth quarter of 2014. The increase in the effective tax rate benefit in 2015 compared to 2014 was largely attributable to the 2015 release of valuation allowances in the United States and the benefit realized on losses tax affected at a higher statutory rate than the Irish statutory rate of 12.5%.

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 future deductible temporary differences and operating loss and tax credit carryforwards. Deferred tax liabilities are recognized for future taxable temporary differences. Deferred tax assets are reduced by a valuation allowance 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.

In November 2015, the FASB issued ASU No. 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes. The new guidance requires that all deferred tax assets and liabilities, along with any related valuation allowance, be classified as non-current on the balance sheet. The guidance is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2016, with early adoption permitted. The new guidance has been adopted on a retrospective basis by the Company for the year ended December 31, 2015, as described in Note 2.

The tax effects of the temporary differences and net operating losses that give rise to significant portions of deferred tax assets and liabilities, before jurisdictional netting, are as follows (in thousands):

	As of December 31,	
	2015	2014
Deferred tax assets:		
Net operating loss carryforwards	$95,401	$103,378
Capital loss carryforwards	14,843	1,804
Alternative minimum tax credit	3,157	820
U.S. federal and state credits	25,739	—
Accrued compensation	39,951	6,397
Accruals and reserves	5,829	4,952
Contingent royalties	41,544	14,495
Intercompany interest	51,919	—
Other	3,813	—
Total deferred tax assets	282,196	131,846
Valuation allowance	(31,310)	(111,555)
Deferred tax assets, net of valuation allowance	250,886	20,291
Deferred tax liabilities:		
Acquisition liabilities	$—	$3,068
Debt discount	26,424	4,791
Interest expense on convertible debt inducements	—	3,306
Intangible assets	335,584	7,137
Other	—	1,989
Total deferred tax liabilities	362,008	20,291
Net deferred income tax liability	$111,122	$—

As of December 31, 2015, the Company had net operating loss carryforwards of approximately $200.8 million for U.S. federal, $274.9 million for various states and $96.6 million for non-U.S. losses. These are available to reduce future taxable income, if any, in the jurisdiction in which the net operating losses have been generated. Net operating loss carryforwards for U.S. federal income tax purposes have a 20-year carryforward life and the earliest layers will begin to expire in 2031. U.S. state net operating losses will begin to expire starting in 2016 for the earliest net operating loss layers. Swiss net operating loss carryovers have a 7-year carryforward life and the earliest layers will begin to expire in 2016 absent sufficient taxable income to fully utilize the losses carried forward. Irish net operating losses are carried forward indefinitely and therefore have no expiration. Utilization of the net operating loss carryforwards may be subject to annual limitations as prescribed by U.S. federal and state statutory provisions. The imposition of the annual limitations may result in the expiration of net operating loss carryforwards in acceleration of the carryforward period allowed under statute.

Utilization of certain net operating loss carryforwards in the United States is subject to an annual limitation due to ownership change limitations provided by Sections 382 and 383 of the Internal Revenue Code. The Company continues to carry forward the annual limitation established from the ownership change date of September 19, 2014 resulting from the Vidara Merger. The Company estimates an annual limitation of $89.5 million from the year 2016 until 2031. The Company also continues to be limited under the annual limitation of $19.6 million for 2016, $14.7 million for 2017 and $7.7 million from the year 2018 until 2028 on certain net operating losses generated before an August 2, 2012 ownership change date. The U.S. federal net operating loss carryforward limitation is cumulative such

that any use of the carryforwards below the limitation in a particular tax year will result in a corresponding increase in the limitation for the subsequent tax year.

At December 31, 2015, the Company had $32.4 million and $1.6 million of U.S. federal and state income tax credits, respectively, to reduce future tax liabilities. The federal income tax credits consisted primarily of orphan drug credits, research and development credits and alternative minimum tax credits. The U.S. state income tax credits consisted primarily of California research and development credits and the Illinois Economic Development for a Growing Economy (“EDGE”) tax credit. Both the U.S. federal orphan drug credits and research and development credits have a 20-year carryforward life. The U.S. federal orphan drug credits will begin to expire in 2029 and the U.S. federal research and development credits will begin to expire in 2027. The U.S. federal alternative minimum tax credit and California research and development credits have indefinite lives and therefore are not subject to expiration. The Illinois EDGE credit has a 5-year carryforward life following the year of generation and will therefore begin to expire in 2019.

For the year ended December 31, 2015, the Company had $19.0 million of excess tax benefits from share-based compensation. Under the with-and-without approach, there is no benefit recognized as a result of share-based compensation deductions and the tax benefit of the $19.0 million of excess tax benefit is not recognized in the balance sheet.

A reconciliation of the beginning and ending amounts of valuation allowances for the years ended December 31, 2015, 2014 and 2013 is as follows (in thousands):

Valuation allowances at December 31, 2012	$(95,970)
Increase for 2013 activity	(32,452)
Valuation allowances at December 31, 2013	$(128,422)
Decrease for 2014 activity	17,166
Release of valuation allowances	6,478
Additions to valuation allowances due to acquisitions	(6,777)
Valuation allowances at December 31, 2014	$(111,555)
Increase for 2015 activity	(37,569)
Release of valuation allowances	117,814
Valuation allowances at December 31, 2015	$(31,310)

Deferred tax valuation allowances decreased by $80.2 million and $16.9 million during the years ended December 31, 2015 and 2014, respectively, and increased by $32.5 million during the year ended December 31, 2013. For the year ended December 31, 2015, the increase in valuation allowances resulted from capital loss carryforwards generated by the restructure of the Company’s Swiss subsidiary, and a capital loss recognized on the sale of long-term investments. As capital losses can only be offset by capital gains, and capital losses can only be carried forward for 5 years, the Company believes that the benefit of the capital losses may not be realized in the foreseeable future. The Company released valuation allowances as a result of the Hyperion acquisition in the second quarter of 2015, as discussed above.

No provision has been made for income taxes on undistributed earnings of subsidiaries because it is the Company’s intention to indefinitely reinvest undistributed earnings of its subsidiaries. In the event of the distribution of those earnings in the form of dividends, a sale of the subsidiaries, or certain other transactions, the Company may be liable for income taxes. The unremitted earnings of the Company as of December 31, 2015 were $279.6 million, and the Company estimates tax on unremitted earnings to be $48.0 million.

The Company is required to recognize the financial statement effects of a tax position when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. The Company accounts for the uncertainty in income taxes by utilizing a comprehensive model for the recognition, measurement, presentation and disclosure in financial statements of any uncertain tax positions that have been taken, or are expected to be taken, on an income tax return. The changes in the Company's uncertain income tax positions for the years ended December 31, 2015, 2014 and 2013, excluding interest and penalties, consisted of the following (in thousands):

	For the Years Ended December 31,

	2015	2014
Beginning balance – uncertain tax positions	$775	$491
Tax positions in the year:		
Additions	2,604	—
Acquired uncertain tax positions	6,433	775
Tax positions related to prior years:		
Reductions	—	(491)
Ending balance – uncertain tax positions	$9,812	$775

For the year ended December 31, 2015, the acquired uncertain tax positions were a result of the Hyperion acquisition. The additions to uncertain tax positions primarily resulted from the uncertainty around the utilization of Irish net operating losses. In the Company's consolidated balance sheet, uncertain tax positions of $5.1 million were included in other long-term liabilities and an additional $5.1 million was offset against deferred tax assets, net, in accordance with ASC 740-10-25-16.

Penalties of $0.1 million and interest of $0.3 million are included in the balance of the uncertain tax positions at December 31, 2015, and there were no penalties or interest included in the balance of uncertain tax positions at December 31, 2014. The Company classifies interest and penalties with respect to income tax liabilities as a component of income tax expense. The Company assessed that its liability for uncertain tax positions will not significantly change within the next twelve months. If these uncertain tax positions are released, the impact on the Company's tax provision would be a benefit of $10.2 million, including interest and penalties.

The Company files income tax returns in Ireland, in the United States for federal and various states, as well as in certain other non-U.S. jurisdictions. At December 31, 2015, all open tax years in U.S. federal and certain state jurisdictions date back to 2005 due to the taxing authorities' ability to adjust operating loss carryforwards. In Ireland the statute of limitations expires 5 years from the end of the tax year or 4 years from the time a tax return is filed, whichever is later. Therefore the earliest open year subject to examination is 2011 with the lapse of statute occurring in 2016. No changes in settled tax years have occurred to date. The Company is not currently under any income tax examinations.

NOTE 22 – EMPLOYEE BENEFIT PLANS

The Company sponsors a defined contribution 401(k) retirement savings plan covering all of its U.S. employees, whereby an eligible employee may elect to contribute a portion of his or her salary on a pre-tax basis, subject to applicable federal limitations. The Company is not required to make any discretionary matching of employee contributions. Beginning in 2014, the Company made a matching contribution generally equal to 50% of each employee's elective contribution to the plan of up to six percent of the employee's eligible pay with a 20% graded vesting over five years. For the years ended December 31, 2015 and 2014, the Company recorded defined contribution expense of $2.1 million and $0.8 million, respectively. The Company did not record any expense under the plan for the year ended December 31, 2013.

The Company's wholly-owned subsidiary, Horizon Pharma Switzerland GmbH, sponsors a defined benefit savings plan covering all of its employees in Switzerland. The Company's wholly-owned subsidiary, Horizon Pharma GmbH, sponsors a defined contribution plan for its employees in Germany. For the years ended December 31, 2015, 2014 and 2013, the Company recognized expenses of $0.1 million each year, under these plans.

The Company's wholly-owned subsidiary, Horizon Pharma Services Limited, sponsors a defined contribution plan covering all of its employees in Ireland. For the year ended December 31, 2015, the Company recognized expenses of $0.2 million, under this plan. No expense was recorded in 2014 and 2013, as the entity became part of the consolidated group as a result of the Vidara Merger in September 2014.

The Company has a non-qualified deferred compensation plan for executives, which was established in April 2015. The deferred compensation plan obligations are payable in cash upon retirement, termination of employment and/or certain other times in a lump-sum distribution or in installments, as elected by the participant in accordance with the plan. As of December 31, 2015, the deferred compensation plan liabilities totaled $0.8 million and are included in "other long-term liabilities" in the consolidated balance sheet. The Company held funds of approximately $0.8 million in an irrevocable grantor's rabbi trust as of December 31, 2015, related to this plan. Rabbi trust assets are classified as available-for-sale marketable securities and are included in "other current assets" in the consolidated balance sheets. Unrealized gains and losses on these marketable securities are included in "other income" in the consolidated statements of comprehensive income (loss).

Explanation of Responses:

NOTE 23 – SELECTED QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The following table provides a summary of selected financial results of operations by quarter for the years ended December 31, 2015 and 2014 (in thousands, except per share data):

2015	First	Second	Third	Fourth
Net sales	$113,141	$172,821	$226,544	$244,538
Gross profit	84,288	110,995	165,294	176,965
Operating income (loss)	4,764	(33,173)	45,732	38,049
Net (loss) income	(19,553)	31,814	3,277	23,994
Net (loss) income per ordinary share - basic	$(0.16)	$0.21	$0.02	$0.15
Net (loss) income per ordinary share - diluted	$(0.16)	$0.20	$0.02	$0.15

2014	First	Second	Third	Fourth
Net sales	$51,926	$66,062	$75,126	$103,841
Gross profit	44,307	41,252	61,482	71,161
Operating income (loss)	1,587	(7,100)	(11,961)	8,983
Net (loss) income	(206,250)	(27,769)	2,063	(31,647)
Net (loss) income per ordinary share - basic and diluted	$(3.07)	$(0.38)	$0.03	$(0.27)

NOTE 24 – SUBSEQUENT EVENTS

On January 13, 2016, the Company completed its acquisition of Crealta for approximately $510 million in cash. Crealta is a specialty pharmaceutical company focused on innovative therapeutics designed to improve patient outcomes, and marketed KRYSTEXXA and MIGERGOT. In connection with the Crealta acquisition, the Company incurred $1.9 million of transaction fees for legal, advisory and other fees during the year ended December 31, 2015. The final determination of the purchase price allocation is expected to be completed as soon as practicable. Due to the limited time between the acquisition date and the filing of this Annual Report on Form 10-K, it is not practicable for the Company to disclose: (i) the allocation of purchase price to assets acquired and liabilities assumed as of the date of close, and (ii) pro forma revenues and earnings of the combined company for the year ended December 31, 2015.

HORIZON PHARMA PLC

SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS

For Each of the Three Fiscal Years Ended December 31, 2015, 2014 and 2013:

Valuation and Qualifying Accounts (in thousands)	Balance at beginning of period	Acquisitions	Additions Charged to costs and expenses	Deductions from reserves	Balance at end of period
Year ended December 31, 2015:					
Allowance for discounts and returns	$4,483	$236	$55,702	$(45,457)	$14,964
Allowance for slow moving and obsolete inventory	842	—	1,189	(1,030)	1,001
Deferred tax asset valuation allowances	111,555	—	37,569	(117,814)	31,310
Year ended December 31, 2014:					
Allowance for discounts and returns	431	—	18,254	(14,202)	4,483
Allowance for slow moving and obsolete inventory	365	—	1,195	(718)	842
Deferred tax asset valuation allowances	128,422	6,777	—	(23,644)	111,555
Year ended December 31, 2013:					
Allowance for discounts and returns	77	—	3,270	(2,916)	431
Allowance for slow moving and obsolete inventory	333	—	512	(480)	365
Deferred tax asset valuation allowances	95,970	—	32,452	—	128,422

INDEX TO EXHIBITS

Exhibit Number	Description of Document
2.1[15]	Transaction Agreement and Plan of Merger, dated March 18, 2014, by and among Horizon Pharma, Inc., Vidara Therapeutics Holdings LLC, Vidara Therapeutics International Ltd. (now known as Horizon Pharma Public Limited Company), Hamilton Holdings (USA), Inc. and Hamilton Merger Sub, Inc.†
2.2[17]	First Amendment to Transaction Agreement and Plan of Merger, dated June 12, 2014, by and between Horizon Pharma, Inc. and Vidara Therapeutics Holdings LLC.
2.3[25]	Agreement and Plan of Merger, dated March 29, 2015, by and among Horizon Pharma, Inc., Ghrian Acquisition Inc. and Hyperion Therapeutics, Inc.†
2.4**	Agreement and Plan of Merger, dated December 10, 2015, by and among Horizon Pharma USA, Inc., HZNP Limited, Criostail LLC, Crealta Holdings LLC and the other parties thereto.††
3.1[20]	Memorandum and Articles of Association of Horizon Pharma Public Limited Company.
4.1[3]***	Form of Warrant issued by Horizon Pharma, Inc. pursuant to the Securities Purchase Agreement, dated February 28, 2012, by and among Horizon Pharma, Inc. and the Purchasers and Warrant Holders listed therein.
4.2[6]***	Form of Warrant issued by Horizon Pharma, Inc. in Public Offering of Units.
4.3[24]	Indenture, dated March 13, 2015, by and among Horizon Pharma Public Limited Company, Horizon Pharma Investment Limited and U.S. Bank National Association.
4.4[24]	Form of 2.50% Exchangeable Senior Note due 2022 (included in Exhibit 4.3).
4.5[19]	Indenture, dated April 29, 2015, by and between Horizon Pharma Financing Inc. and U.S. Bank National Association.
4.6[19]	Form of 6.625% Senior Note due 2023 (included in Exhibit 4.5).
4.7[18]	First Supplemental Indenture, dated May 7, 2015, by and among Horizon Pharma Public Limited Company, certain subsidiaries of Horizon Pharma Public Limited Company and U.S. Bank National Association.
10.1[20]	Form of Indemnification Agreement entered into by and between Horizon Pharma Public Limited Company and certain of its directors, officers and employees.
10.2[20]	

	Form of Indemnification Agreement entered into by and between Horizon Pharma, Inc. and certain directors, officers and employees of Horizon Pharma Public Limited Company.
10.3+	Horizon Pharma Public Limited Company Non-Employee Director Compensation Policy, as amended.
10.4+(1)***	Horizon Pharma, Inc. 2005 Stock Plan and Form of Stock Option Agreement thereunder.
10.5+(11)***	Horizon Pharma, Inc. 2011 Equity Incentive Plan, as amended, and Form of Option Agreement and Form of Stock Option Grant Notice thereunder.
10.6+(1)***	Horizon Pharma, Inc. 2011 Employee Stock Purchase Plan and Form of Offering Document thereunder.
10.7+(7)	Horizon Pharma Public Limited Company Amended and Restated 2014 Equity Incentive Plan and Form of Option Agreement, Form of Stock Option Grant Notice, Form of Restricted Stock Unit Agreement and Form of Restricted Stock Unit Grant Notice thereunder.
10.8+(21)	Horizon Pharma Public Limited Company 2014 Non-Employee Equity Plan and Form of Option Agreement, Form of Stock Option Grant Notice, Form of Restricted Stock Unit Agreement and Form of Restricted Stock Unit Grant Notice thereunder.
10.9+(21)	Horizon Pharma Public Limited Company 2014 Employee Share Purchase Plan.
10.10*(1)	Development and License Agreement, dated August 20, 2004, by and among Horizon Pharma Switzerland GmbH (formerly known as Horizon Pharma AG), Jagotec AG and SkyePharma AG.

Exhibit Number	Description of Document
10.11*(1)	Amendment to Development and License Agreement, dated August 3, 2007, by and among Horizon Pharma Switzerland GmbH (formerly known as Horizon Pharma AG), Jagotec AG and SkyePharma AG.
10.12*(1)	Manufacturing and Supply Agreement, dated August 3, 2007, by and between Horizon Pharma Switzerland GmbH (formerly known as Horizon Pharma AG) and Jagotec AG.
10.13+(1)	Form of Employee Proprietary Information and Inventions Agreement.
10.14+(1)	Amended and Restated Executive Employment Agreement, dated July 27, 2010, by and between Horizon Pharma, Inc., Horizon Pharma USA, Inc. and Timothy P. Walbert.
10.15+(1)	Amended and Restated Executive Employment Agreement, dated July 27, 2010, by and between Horizon Pharma, Inc., Horizon Pharma USA, Inc. and Jeffrey W. Sherman, M.D. FACP.
10.16*(1)	Amendment to Manufacturing and Supply Agreement, dated March 4, 2011, by and between Horizon Pharma Switzerland GmbH (formerly known as Horizon Pharma AG) and Jagotec AG.
10.17*(1)	Manufacturing and Supply Agreement, dated May 25, 2011, by and between Horizon Pharma USA, Inc. and Sanofi-Aventis U.S. LLC.
10.18*(1)	Sales Contract, dated July 1, 2010, by and between Horizon Pharma USA, Inc. and BASF Corporation.
10.19*(10)	Amendment to Manufacturing and Supply Agreement, effective as of September 25, 2013, by and between Horizon Pharma USA, Inc. and Sanofi-Aventis U.S. LLC.
10.20+(5)	Amended and Restated Severance Benefit Plan Dated March 1, 2012.
10.21*(10)	License Agreement, dated August 21, 2013, by and among Horizon Pharma, Inc., Horizon Pharma USA, Inc., Par Pharmaceutical Companies, Inc. and Par Pharmaceutical, Inc.
10.22*(16)	License Agreement, dated November 22, 2013, by and between Horizon Pharma USA, Inc. and AstraZeneca AB.
10.23*(16)	Amended and Restated Collaboration and License Agreement for the United States, dated November 18, 2013, by and between Horizon Pharma USA, Inc. and POZEN Inc.
10.24*(14)	Amendment No. 1 to Amended and Restated Collaboration and License Agreement for the United States, dated November 18, 2013, by and between Horizon Pharma USA, Inc. and POZEN Inc.
10.25*(14)	Letter Agreement, dated November 18, 2013, by and among Horizon Pharma USA, Inc., AstraZeneca AB and POZEN Inc.
10.26*(16)	Master Manufacturing Services Agreement, dated October 31, 2013, by and between Horizon Pharma, Inc. and Patheon Pharmaceuticals, Inc.

10.27+(13)	First Amendment to Amended and Restated Executive Employment Agreement, dated January 16, 2014, by and among Horizon Pharma, Inc., Horizon Pharma USA, Inc. and Timothy P. Walbert.
10.28+(13)	First Amendment to Amended and Restated Executive Employment Agreement, dated January 16, 2014, by and among Horizon Pharma, Inc., Horizon Pharma USA, Inc. and Jeffrey W. Sherman, M.D., FACP.
10.29+(14)	Executive Employment Agreement, effective March 5, 2014, by and among Horizon Pharma, Inc., Horizon Pharma USA, Inc. and Robert F. Carey.
10.30+(17)	Executive Employment Agreement, effective June 23, 2014, by and among Horizon Pharma, Inc., Horizon Pharma USA, Inc. and Paul W. Hoelscher.
10.31*(23)	Supply Agreement, dated October 17, 2014, by and between Horizon Pharma Ireland Limited and Nuvo Research Inc.
10.32(22)	Lease, dated November 4, 2014, by and among Horizon Pharma Public Limited Company, Horizon Pharma Services Limited and John Ronan and Castle Cove Property Developments Limited.