ALKERMES PUBLIC LIMITED COMPANY

Directors' Report and Consolidated Financial Statements

For the Year Ended March 31, 2013

ALKERMES PLC
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DIRECTORS' REPORT

For the Year Ended March 31, 2013

The directors present their report and audited consolidated financial statements for the fiscal year ended March 31, 2013.

The directors have elected to prepare the consolidated financial statements in accordance with section 1 of the Companies (Miscellaneous Provisions) Act, 2009, which provides that a true and fair view of the state of affairs and profit or loss may be given by preparing the financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP"), as defined in Section 1(1) of the Companies (Miscellaneous Provisions) Act 2009, to the extent that the use of those principles in the preparation of the financial statements does not contravene any provision of the Companies Acts or of any regulations made thereunder.

Principal Activities

Alkermes plc is a fully integrated, global biopharmaceutical company that applies its scientific expertise and proprietary technologies to develop innovative medicines that improve patient outcomes. We have a diversified portfolio of more than 20 commercial drug products and a clinical pipeline of product candidates that address central nervous system ("CNS") disorders such as addiction, schizophrenia and depression. Headquartered in Dublin, Ireland, we have a research and development ("R&D") center in Waltham, Massachusetts; R&D and manufacturing facilities in Athlone, Ireland; and manufacturing facilities in Gainesville, Georgia and Wilmington, Ohio.

We leverage our formulation expertise and proprietary product platforms to develop, both with partners and on our own, innovative and competitively advantaged medications that can enhance patient outcomes in major therapeutic areas. We enter into select collaborations with pharmaceutical and biotechnology companies to develop significant new product candidates, based on existing drugs and incorporating our proprietary product platforms. In addition, we apply our innovative formulation expertise and drug development capabilities to create our own new, proprietary pharmaceutical products.

On September 16, 2011, the business of Alkermes, Inc. and the drug technologies business ("EDT") of Elan Corporation, plc ("Elan") were combined under Alkermes plc (this combination is referred to as the "Business Combination," the "acquisition of EDT" or the "EDT acquisition"). Use of the terms such as "us," "we," "our," "Alkermes" or the "Company" in this Directors' Report is meant to refer to Alkermes plc and its consolidated subsidiaries, except where the context makes clear that the time period being referenced is prior to September 16, 2011, in which case such terms shall refer to Alkermes, Inc. and its consolidated subsidiaries. Prior to September 16, 2011, Alkermes, Inc. was an independent pharmaceutical company incorporated in the Commonwealth of Pennsylvania and traded on the NASDAQ Global Select Stock Market (the "NASDAQ") under the symbol "ALKS". For a more detailed discussion of the Business Combination, please refer to the notes to our consolidated financial statements, including Note 1, The Company, and Note 3, Acquisitions, in the accompanying consolidated financial statements.

Business Overview

Commercial Products

Our commercial products are described in the table below, including, among other things, the territory in which the marketer has the right to sell the product and the source of revenues for us:

Product	Indication	Technology	Territory	Revenue Source	Marketer
RISPERDAL CONSTA	Schizophrenia Bipolar I Disorder	Extended-release microsphere	Worldwide	Manufacturing and Royalty	Janssen
INVEGA SUSTENNA/ XEPLION	Schizophrenia	NanoCrystal®	U.S. Worldwide	Royalty	Janssen
AMPRYA/ FAMPYRA	Treatment to improve walking in patients with multiple sclerosis (“MS”), as demonstrated by an increase in walking speed	Oral Controlled Release (“OCR”) (MXDAS®)	U.S. Worldwide	Manufacturing and Royalty	Acorda in U.S. Biogen Idec (ex-U.S. under sublicense from Acorda)
BYDUREON	Type 2 diabetes	Extended-release microsphere	Worldwide	Royalty	Bristol-Myers and Astra Zeneca
VIVITROL	Alcohol dependence Opioid dependence	Extended-release microsphere	U.S. Russia and Commonwealth of Independent States (“CIS”)	Product sales Manufacturing and Royalty	Alkermes plc Janssen
TRICOR® *LIPANTHYL®* *LIPIDIL* *SUPRALIP*	Cholesterol lowering	NanoCrystal	Worldwide	Royalty	AbbVie Inc.
ZANAFLEX® CAPSULES® *ZANAFLEX® TABLETS* *TIZANIDINE HYDROCHLORIDE (AB Rated to ZANAFLEX CAPSULES)*	Muscle spasticity	OCR (SODAS®)	U.S.	Manufacturing (capsules only) and Royalty	Acorda; Actavis, Inc. (formerly Watson Pharmaceutical)
AVINZA®	Chronic moderate to severe pain	OCR (SODAS)	U.S.	Manufacturing and Royalty	Pfizer, Inc. (“Pfizer”)
EMEND®	Nausea associated with chemotherapy and surgery	NanoCrystal	Worldwide	Manufacturing and Royalty	Merck & Co. Inc. (“Merck”)
FOCALIN® XR *RITALIN LA®*	Attention Deficit Hyperactivity Disorder	OCR (SODAS)	Worldwide	Manufacturing and Royalty	Novartis AG (“Novartis”)
MEGACE® ES	Anorexia, Cachexia associated with AIDS	NanoCrystal	U.S.	Royalty	Strativa Pharmaceuticals (a business division of Par Pharmaceutical Companies, Inc.)
LUVOX CR®	Obsessive-compulsive disorder	OCR (SODAS)	U.S.	Manufacturing and Royalty	Jazz Pharmaceuticals plc (“Jazz”)
RAPAMUNE®	Prevention of renal transplant rejection	NanoCrystal	Worldwide	Manufacturing	Pfizer
NAPRELAN®	Various mild to moderate pain indications	OCR (IPDAS®)	U.S. Canada	Manufacturing	Shionogi Sunovion Pharmaceuticals Canada, Inc.

Product	Indication	Technology	Territory	Revenue Source	Marketer
VERAPAMIL SR *VERELAN®* *VERELAN® PM* *VERAPAMIL PM* *VERECAPS®* *UNIVER*	Hypertension	OCR (SODAS)	Licensed on country/region basis throughout the world	Manufacturing and Royalty (on select formulations)	UCB Kremers-Urban; Cephalon; Aspen Pharma; Orient Europharma; Actavis, Inc.
DILZEM *DILZEM SR* *DILZEM XL* *DILTELAN* *ACALIX CD* *DINISOR* *TILAZEM CR* *CARDIZEM® CD*	Hypertension and/or Angina	OCR (SODAS)	Licensed on country/region basis throughout the world	Manufacturing and Royalty (for CARDIZEM CD only)	Cephalon; Pfizer; Roemmers; Kun Wha; Orient Europharma; Sanofi-Aventis; Valeant
AFEDitab® CR (AB Rated to Adalat CC®)	Hypertension	OCR (MXDAS®)	U.S.	Manufacturing	Actavis, Inc.
LYXUMIA®	Type 2 diabetes in adults	—	United Kingdom	Royalty	Sanofi-Aventis
ZONEGRAN®	Hypertension	—	EU	Royalty	Eisai Pharmaceuticals

We have five principal commercial products which either currently, or in the future, are expected to contribute meaningfully to our revenues. These five products are discussed below:

RISPERDAL CONSTA and *INVEGA SUSTENNA/XEPLION*

RISPERDAL CONSTA (risperidone long-acting injection) and INVEGA SUSTENNA/XEPLION (paliperidone palmitate extended-release injectable suspension) are long-acting atypical antipsychotics that incorporate our proprietary technologies. They are products of Janssen.

RISPERDAL CONSTA uses our polymer-based microsphere injectable extended-release technology to deliver and maintain therapeutic medication levels in the body through just one injection every two weeks. RISPERDAL CONSTA is exclusively manufactured by us and is marketed and sold by Janssen worldwide. It was first approved for the treatment of schizophrenia in the U.S. in 2003 and in countries in Europe in 2002. The FDA approved RISPERDAL CONSTA as both monotherapy and adjunctive therapy to lithium or valproate in the maintenance treatment of bipolar I disorder in May 2009. RISPERDAL CONSTA is also approved for the maintenance treatment of bipolar I disorder in Canada, Australia and Saudi Arabia.

INVEGA SUSTENNA uses our nanoparticle injectable extended-release technology to increase the rate of dissolution and enable the formulation of an aqueous suspension for once-monthly intramuscular administration. INVEGA SUSTENNA was approved for the acute and maintenance treatment of schizophrenia in adults in the U.S. in 2009. Paliperidone palmitate extended-release for injectable suspension is also approved in the European Union ("EU") and other countries worldwide, and is marketed and sold in the EU under the trade name XEPLION. INVEGA SUSTENNA/XEPLION is manufactured and commercialized worldwide by Janssen.

Revenues from Janssen accounted for approximately 35%, 48% and 83% of our consolidated revenues for the fiscal years ended March 31, 2013, 2012 and 2011, respectively. See "*Collaborative Arrangements*" below for information about our relationship with Janssen.

What is schizophrenia?

Schizophrenia is a chronic, severe and disabling brain disorder. The disease is marked by positive symptoms (hallucinations and delusions) and negative symptoms (depression, blunted emotions and social withdrawal), as well as by disorganized thinking. An estimated 2.4 million Americans have schizophrenia, with men and women affected equally. Worldwide, it is estimated that one person in every 100 develops schizophrenia. Studies have demonstrated that as many as 75% of patients with schizophrenia have difficulty taking their oral medication on a regular basis, which can lead to worsening of symptoms.

What is bipolar I disorder?

Bipolar disorder is a brain disorder that causes unusual shifts in a person's mood, energy and ability to function. It is often characterized by debilitating mood swings, from extreme highs (mania) to extreme lows (depression). Bipolar I disorder is characterized based on the occurrence of at least one manic episode, with or without the occurrence of a major depressive episode. Bipolar disorder is believed to affect approximately 5.7 million American adults, or about 2.6% of the U.S. population aged 18 and older in a given year. The median age of onset for bipolar disorder is 25 years.

AMPYRA/FAMPYRA

Dalfampridine extended-release tablets are marketed and sold in the U.S. under the trade name AMPYRA by Acorda. Prolonged-release fampridine tablets received conditional approval in the EU in July 2011 and are marketed and sold outside the U.S. under the trade name FAMPYRA by Biogen Idec. The FDA approved AMPYRA as a treatment to improve walking in patients with MS as demonstrated by an increase in walking speed in January 2010. Efficacy was shown in people with all four major types of MS (relapsing remitting, secondary progressive, progressive relapsing and primary progressive). It is the first and, currently, only product to be approved for this indication. The product incorporates our OCR technology. AMPYRA and FAMPYRA are manufactured by us.

What is multiple sclerosis?

MS is a chronic, usually progressive disease in which the immune system attacks and degrades the function of nerve fibers in the brain and spinal cord. These nerve fibers consist of long, thin fibers, or axons, surrounded by a myelin sheath, which facilitates the transmission of electrical impulses. In MS, the myelin sheath is damaged by the body's own immune system, causing areas of myelin sheath loss, also known as demyelination. This damage, which can occur at multiple sites in the CNS, blocks or diminishes conduction of electrical impulses. People with MS may suffer impairments in any number of neurological functions. These impairments vary from individual to individual and over the course of time, depending on which parts of the brain and spinal cord are affected, and often include difficulty walking. Individuals vary in the severity of the impairments they suffer on a day-to-day basis, with impairments becoming better or worse depending on the activity of the disease on a given day.

BYDUREON

We collaborated with Amylin Pharmaceuticals, Inc., now a wholly-owned subsidiary of Bristol-Myers, on the development of a once-weekly formulation of exenatide, BYDUREON, which was approved by the FDA in January 2012 and received marketing authorization in the EU in June 2011 for the treatment of type 2 diabetes. BYDUREON, a once-weekly formulation of exenatide, the active ingredient in BYETTA® (exenatide), uses our polymer-based microsphere injectable extended-release technology. Through their diabetes collaboration, Bristol-Myers and AstraZeneca co-develop and market Amylin's portfolio of products, including BYDUREON.

What is type 2 diabetes?

Diabetes is a disease in which the body does not produce or properly use insulin. Diabetes can result in serious health complications, including cardiovascular, kidney and nerve disease. Diabetes is believed to affect nearly 26 million people in the U.S. and an estimated 347 million adults worldwide. Approximately 90-95% of those affected have type 2 diabetes. An estimated 80% of people with type 2 diabetes are overweight or obese. Data indicate that weight loss (even a modest amount) supports patients in their efforts to achieve and sustain glycemic control.

VIVITROL

VIVITROL is the first and only once-monthly injectable medication approved by the FDA for the treatment of alcohol dependence in April 2006 and the prevention of relapse to opioid dependence, following opioid detoxification, in October 2010. The medication uses our polymer-based microsphere injectable extended-release technology to deliver and maintain therapeutic medication levels in the body through just one injection every four weeks. We developed, and currently market and sell, VIVITROL in the U.S., and Cilag sells VIVITROL in Russia and the CIS where it was approved for the treatment of alcohol dependence in 2008 and for opioid dependence in 2011.

What are opioid dependence and alcohol dependence?

Opioid dependence is a serious and chronic brain disease characterized by compulsive, prolonged self-administration of opioid substances that are not used for a medical purpose. According to the 2011 U.S. National Survey on Drug Use and Health, an estimated 1.6 million people aged 18 or older were dependent on pain relievers or heroin in the U.S.

Alcohol dependence is a serious and chronic brain disease characterized by cravings for alcohol, loss of control over drinking, withdrawal symptoms and an increased tolerance for alcohol. Approximately 16 million people aged 18 or older in the U.S. are dependent on or abuse alcohol. Adherence to medication is particularly challenging with this patient population.

Other Commercial Products

We expect revenues from our other commercial products will decrease in the future due to existing and expected competition from generic manufacturers. For a more detailed discussion of current and expected future revenue contributions from such products, please see "Results of Operations" elsewhere in this Directors' Report.

On April 4, 2013, we announced the approval of a restructuring plan pursuant to which we will terminate manufacturing services for certain older products becoming uneconomic to produce due to decreasing demand from our customers resulting from generic competition, and we will implement a corresponding reduction in headcount of up to 130 employees at our Athlone, Ireland manufacturing facility.

Key Development Programs

We leverage our formulation expertise and proprietary product platforms to develop, both with partners and on our own, innovative and competitively advantaged medications that can enhance patient outcomes in major therapeutic areas. As part of our ongoing research and development efforts, we have devoted significant resources to conducting clinical studies to advance the development of new pharmaceutical products. The discussion below highlights our current research and development programs. Drug development involves a high degree of risk and investment, and the status, timing and scope of our development programs are subject to change. Important factors that could adversely affect our drug development efforts are discussed in "Principal Risks".

Aripiprazole Lauroxil

We are studying aripiprazole lauroxil, which we formerly referred to as ALKS 9070, for the treatment of schizophrenia. Aripiprazole lauroxil is designed to provide once-monthly dosing of a medication that converts *in vivo* into aripiprazole, a molecule that is commercially available under the name ABILIFY®. Aripiprazole lauroxil is our first product candidate to leverage our proprietary LinkeRx™ product platform. A phase 3 trial to assess the efficacy, safety and tolerability of aripiprazole lauroxil in approximately 690 patients experiencing acute exacerbation of schizophrenia is currently ongoing, and the clinical data from this study, expected in late calendar-year 2013, is expected to form the basis of a New Drug Application ("NDA") to the FDA for aripiprazole lauroxil for the treatment of schizophrenia.

In April 2013, U.S. Patent 8,431,576, titled "Heterocyclic Compounds for the Treatment of Neurological and Psychological Disorders" Issued. The allowed claims of such patent will cover a class of compounds that includes aripiprazole lauroxil. We expect the patent to issue within the next month and provide a patent term that would expire no earlier than 2030.

ALKS 33

ALKS 33 is an oral opioid modulator characterized by limited hepatic metabolism and durable pharmacologic activity in modulating brain opioid receptors. ALKS 33 has completed a phase 2 study in alcohol dependence and is currently being evaluated as a component of ALKS 5461 and ALKS 3831.

ALKS 5461

ALKS 5461 is a combination of ALKS 33 and buprenorphine that we are developing as a non-addictive, oral, once-daily medicine for the treatment of major depressive disorder ("MDD") in patients who have an inadequate response to standard antidepressant therapies. A phase 2 study evaluating the efficacy and safety of ALKS 5461 when administered once daily for four weeks in 142 patients with MDD who had an inadequate response to standard antidepressant therapies was completed in April 2013. Preliminary topline results from the study showed that ALKS 5461 significantly reduced depressive symptoms across a range of standard measures including the study's primary outcome measure, the Hamilton Depression Rating Scale (HAM-D17), the Montgomery—Åsberg Depression Rating Scale (MADRS) and the Clinical Global Impression—Severity Scale (CGI-S). ALKS 5461 was generally well tolerated. Based on these results, as well as the positive phase 1/2 results previously reported, Alkermes plans to request a meeting with the FDA and to advance ALKS 5461 into a pivotal development program. Data from this phase 2 study will be presented at a scientific meeting in May 2013.

ZOHYDRO ER™

ZOHYDRO ER (hydrocodone bitartrate extended-release capsules) is a novel, oral, single-entity (without acetaminophen), controlled-release formulation of hydrocodone in development by Zogenix, Inc. ("Zogenix") for the U.S. market. ZOHYDRO ER utilizes our oral controlled-release technology, which potentially enables longer-lasting and more consistent pain relief with fewer daily doses than the commercially available formulations of hydrocodone. In December 2012, the FDA Anesthetic and Analgesic Drug Products Advisory Committee ("AADPAC") voted 2-11 (with 1 abstention) against the approval of ZOHYDRO ER. In February 2013, in advance of the March 1, 2013 FDA PDUFA date, Zogenix announced that it was informed by the FDA that it was unlikely to receive an action letter with respect to its ZOHYDRO ER NDA by March 1, 2013 and that such delay would likely be brief. We have also entered into a license and distribution agreement with Paladin Labs Inc. in respect of ZOHYDRO ER in Canada. We will earn manufacturing revenues and a royalty on U.S. and Canadian sales of ZOHYDRO ER, if approved and when commercialized. We have

maintained all rights to the product in territories outside the U.S. and Canada and expect to seek to develop and license the product through commercial partnerships in those territories.

ALKS 3831

In January 2013, we announced positive topline results from a phase 1 study of a new antipsychotic candidate, ALKS 3831, a combination of ALKS 33 and olanzapine, a molecule that is commercially available under the name ZYPREXA®. ALKS 3831 is in development for the treatment of schizophrenia and is designed to attenuate the antipsychotic-related metabolic side effect of weight gain. The multicenter, randomized, double-blind, placebo- and active-controlled study was designed to compare the mean change from baseline in body weight in 106 healthy volunteers following three weeks of once-daily, oral administration of ALKS 3831, compared to olanzapine alone or placebo. Data from the study showed that healthy volunteers administered ALKS 3831 demonstrated significantly less weight gain compared to healthy volunteers taking olanzapine. Weight gain is a common and clinically relevant side effect of atypical antipsychotic medications, and olanzapine has one of the highest incidences and greatest amounts of weight gain among the widely prescribed products in this class of drugs. Based on the positive results of the phase 1 study, we plan to initiate a phase 2 study of ALKS 3831 in mid calendar-year 2013 and meet with the FDA.

Other

A three-month formulation of INVEGA SUSTENNA is in development by Janssen Research & Development, LLC. Two phase 3 studies are expected to enroll approximately 1,800 patients with schizophrenia and will assess the efficacy, safety and tolerability of the three-month injectable formulation. These clinical studies are expected to be completed in the second half of calendar 2014. The investigational product is being developed by Janssen Pharmaceutica, NV, licensee of our proprietary technology for nanoparticles.

Line extensions for BYDUREON are in development by Bristol-Myers. These line extensions include a dual-chamber pen device and weekly and monthly suspension formulations using our proprietary technology for extended-release microspheres. Bristol-Myers is expected to submit data for the dual-chamber pen device for FDA review in mid calendar-year 2013.

In April 2013, Acorda reported positive results from an 83-subject proof-of-concept study of dalfampridine-ER 10 mg in the treatment of post-stroke deficits, as demonstrated by improvement in walking measured by the Timed 25-Foot Walk. Acorda plans to proceed with a clinical development program for this indication. A separate proof-of-concept trial including 24 participants explored the use of dalfampridine-ER 10 mg dosed twice daily in adults with cerebral palsy (“CP”). Efficacy data from the study in adults with CP suggested potential treatment activity on measures of walking and hand strength; however, these data are being analyzed by Acorda to determine if they are sufficiently robust to warrant further clinical studies. Acorda plans to present data from the post-stroke deficits and CP trials in appropriate medical forums following additional analysis of the data.

Our Research and Development Expenditures

We devote significant resources to R&D programs. We focus our R&D efforts on identifying novel therapeutics in areas of high unmet medical need. Please see “Results of Operations” for our R&D expenditures for our prior two fiscal years.

Collaborative Arrangements

Our business strategy includes forming collaborations to develop and commercialize our products and, in so doing, access technological, financial, marketing, manufacturing and other resources. We have entered into several collaborative arrangements, as described below.

Janssen

RISPERDAL CONSTA

Under a product development agreement, we collaborated with Janssen on the development of RISPERDAL CONSTA. Under the development agreement, Janssen provided funding to us for the development of RISPERDAL CONSTA, and Janssen is responsible for securing all necessary regulatory approvals for the product.

Under license agreements, we granted Janssen and an affiliate of Janssen exclusive worldwide licenses to use and sell RISPERDAL CONSTA. Under our license agreements with Janssen, we receive royalty payments equal to 2.5% of Janssen's net sales of RISPERDAL CONSTA in each country where the license is in effect based on the quarter when the product is sold by Janssen. This royalty may be reduced in any country based on lack of patent coverage and significant competition from generic versions of the product. Janssen can terminate the license agreements upon 30 days' prior written notice to us. The licenses granted to Janssen expire on a country-by-country basis upon the later of (i) the expiration of the last patent claiming the product in such country or (ii) fifteen years after the date of the first commercial sale of the product in such country, provided that in no event will the license granted to Janssen expire later than the twentieth anniversary of the first commercial sale of the product in such country, with the exception of certain countries where the fifteen-year limitation shall pertain regardless. After expiration, Janssen retains a non-exclusive, royalty-free license to manufacture, use and sell RISPERDAL CONSTA. We exclusively manufacture RISPERDAL CONSTA for commercial sale. Under our manufacturing and supply agreement with Janssen, we record manufacturing revenues when product is shipped to Janssen, based on 7.5% of Janssen's net unit sales price for RISPERDAL CONSTA for the calendar year.

The manufacturing and supply agreement terminates on expiration of the license agreements. In addition, either party may terminate the manufacturing and supply agreement upon a material breach by the other party, which is not resolved within 60 days after receipt of a written notice specifying the material breach or upon written notice in the event of the other party's insolvency or bankruptcy. Janssen may terminate the agreement upon six months' written notice to us. In the event that Janssen terminates the manufacturing and supply agreement without terminating the license agreements, the royalty rate payable to us on Janssen's net sales of RISPERDAL CONSTA would increase from 2.5% to 5.0%.

INVEGA SUSTENNA/XEPLION

Under our license agreement with Janssen Pharmaceutica N.V., we granted Janssen a worldwide exclusive license under our NanoCrystal technology to develop, commercialize and manufacture INVEGA SUSTENNA/XEPLION and related products.

Under our license agreement, we receive certain development milestone payments from Janssen and aggregate tiered royalty payments between 5% and 9% of INVEGA SUSTENNA net sales in each country where the license is in effect, with the exact royalty percentage determined based on worldwide net sales. The tiered royalty payments consist of a Patent Royalty and a Know How Royalty, both of which are determined on a county-by-country basis. The Patent Royalty, which equals 1.5% of net sales, is payable until the expiration of the last of the patents claiming the product in such country. The Know How Royalty is a tiered royalty of 3.5%, 5.5% and 7.5% on aggregate worldwide net sales of below $250 million, between $250 million and $500 million, and greater than $500 million, respectively. The Know How Royalty is payable for the later of 15 years from first commercial sale of a Product in each individual country or March 31, 2019, subject in each case to the expiry of the license agreement. These royalty payments may be reduced in any country based on lack of patent coverage or patent litigation, or where competing products achieve certain minimum sales thresholds. The license agreement expires upon the later of (i) March 31, 2019 or (ii) the expiration of the last of the patents

subject to the agreement. After expiration, Janssen retains a non-exclusive, royalty-free license to develop, manufacture and commercialize the products.

Janssen may terminate the license agreement in whole or in part upon three months' notice to us. We and Janssen have the right to terminate the agreement upon a material breach of the other party, which is not cured within a certain time period or upon the other party's bankruptcy or insolvency.

Acorda

Under an amended and restated license agreement, we granted Acorda an exclusive worldwide license to use and sell and, solely in accordance with our supply agreement, to make or have made, AMPYRA/FAMPYRA. We receive certain commercial and development milestone payments, license revenues and a royalty of approximately 10% based on sales of AMPYRA/FAMPYRA by Acorda or its sub-licensee, Biogen Idec. This royalty payment may be reduced in any country based on lack of patent coverage, competing products achieving certain minimum sales thresholds, and whether Alkermes manufactures the product.

In June 2009, we entered into an amendment of the amended and restated license agreement and the supply agreement with Acorda and, pursuant to such amendment, consented to the sublicense by Acorda to Biogen Idec of Acorda's rights to use and sell FAMPYRA in certain territories outside of the United States (to the extent that such rights were to be sublicensed to Biogen Idec pursuant to its separate collaboration and license agreement with Acorda). Under this amendment, we agreed to modify certain terms and conditions of the amended and restated license agreement and the supply agreement with Acorda to reflect the sublicense by Acorda to Biogen Idec.

Acorda has the right to terminate the license agreement upon 90 days' written notice. We have the right to terminate the license agreement for countries in which Acorda fails to launch a product within a specified time after obtaining the necessary regulatory approval or fails to file regulatory approvals within a commercially reasonable time after completion and receipt of positive data from all preclinical and clinical studies required for filing a marketing authorization application. If we terminate Acorda's license in any country, we are entitled to a license from Acorda of its patent rights and know-how relating to the product as well as the related data, information and regulatory files, and to market the product in the applicable country, subject to an initial payment equal to Acorda's cost of developing such data, information and regulatory files and to ongoing royalty payments to Acorda. Subject to the termination of the license agreement, licenses granted under the license agreement terminate on a country-by-country basis on the later of (i) September 2018 or (ii) the expiration of the last to expire of our patents or the existence of a threshold level of competition in the marketplace.

Under our commercial manufacturing supply agreement with Acorda, we manufacture and supply AMPYRA/FAMPYRA for Acorda (and its sub-licensees). Under the terms of the agreement, Acorda may obtain up to 25% of its total annual requirements of product from a second-source manufacturer. We receive manufacturing royalties equal to 8% of net selling price for all product manufactured by us and a compensating payment for product manufactured and supplied by a third party. We may terminate the supply agreement upon 12 months' prior written notice to Acorda, and either party may terminate the supply agreement following a material and uncured breach of the supply or license agreement or the entry into bankruptcy or dissolution proceedings of the other party. In addition, subject to early termination of the supply agreement noted above, the supply agreement terminates upon the expiry or termination of the license agreement.

In January 2011, we entered into a development and supplemental agreement to our amended and restated license agreement with Acorda. Under the terms of this agreement, we granted Acorda the right, either with us or with a third party, in each case in accordance with certain terms and conditions, to develop new formulations of dalfampridine or other aminopyridines. Under the terms of the agreement, Acorda has the right to select either a formulation developed by us or by a third party for

commercialization. We are entitled to development fees we incur in developing formulations under the development and supplemental agreement and, if Acorda selects and commercializes any such formulation, to milestone payments (for new indications if not previously paid), license revenues and royalties in accordance with our amended and restated license agreement for the product, and either manufacturing fees as a percentage of net selling price for product manufactured by us or compensating fees for product manufactured by third parties. If, under the development and supplemental agreement, Acorda selects a formulation not developed by us, then we will be entitled to various compensation payments and have the first option to manufacture such third party formulation. The development and supplemental agreement expires upon the expiry or termination of the amended and restated license agreement and may be earlier terminated by either party following an uncured breach of the agreement by the other party.

Acorda's financial obligations under this development and supplemental agreement continue for a minimum of ten years from the first commercial sale of such new formulation, and may extend for a longer period of time, depending on the intellectual property rights protecting the formulation, regulatory exclusivity and/or the absence of significant market competition. These financial obligations survive termination.

Bristol-Myers

In May 2000, we entered into a development and license agreement with Amylin, now a wholly-owned subsidiary of Bristol-Myers, for the development of exendin products falling within the scope of our patents, which include the once-weekly formulation of exenatide, BYDUREON. Pursuant to the development and license agreement, Bristol-Myers has an exclusive, worldwide license to our polymer-based microsphere technology for the development and commercialization of injectable extended-release formulations of exendins and other related compounds. We receive funding for research and development and will also receive royalty payments based on future product sales, if any. Upon the achievement of certain development and commercialization goals, we received milestone payments consisting of cash and warrants for Amylin common stock. In October 2005 and in July 2006, we amended the development and license agreement. Under the amended agreement (i) we are responsible for formulation and are principally responsible for non-clinical development of any products that may be developed pursuant to the agreement and for manufacturing these products for use in early-phase clinical trials, and (ii) we transferred certain of our technology related to the manufacture of BYDUREON to Amylin and agreed to the manufacture of BYDUREON by Bristol-Myers.

Under our agreement, Bristol-Myers is responsible for commercializing exenatide products, including BYDUREON, in the U.S. and for U.S. regulatory matters relating to exenatide products, including conducting clinical trials and securing regulatory approvals. In April 2013, Bristol-Myers and AstraZeneca announced that the companies had completed their assumption of all rights related to BYETTA and BYDUREON from Eli Lilly & Company (''Lilly''), Amylin's former worldwide collaboration partner with respect to exenatide products. Through their diabetes collaboration, Bristol-Myers and AstraZeneca co-develop and market Amylin's portfolio of products, including BYDUREON.

Until December 31, 2021, we will receive royalties equal to 8% of net sales from the first 40 million units of BYDUREON sold in any particular calendar year and 5.5% of net sales from units sold beyond the first 40 million units for that calendar year. Thereafter, during the term of the development and license agreement, we will receive royalties equal to 5.5% of net sales of products sold. We received a $7.0 million milestone payment in July 2011 upon the first commercial sale of BYDUREON in the EU, and we received a $7.0 million milestone payment upon the first commercial sale of BYDUREON in the U.S. BYDUREON was launched in the U.S. in February 2012.

The development and license agreement terminates on the later of (i) 10 years from the first commercial sale of the last of the products covered by the development and license agreement, or

(ii) the expiration or invalidation of all of our patents covering such product. Upon termination, all licenses become non-exclusive and royalty-free. Bristol-Myers may terminate the development and license agreement for any reason upon 180 days' written notice to us. In addition, either party may terminate the development and license agreement upon a material default or breach by the other party that is not cured within 60 days after receipt of written notice specifying the default or breach.

Other Arrangements

Civitas Therapeutics, Inc.

In December 2010, we entered into an asset purchase and license agreement and equity investment agreement with Civitas Therapeutics, Inc. ("Civitas"). Under the terms of these agreements, we sold, assigned and transferred to Civitas our right, title and interest in our pulmonary patent portfolio and certain of our pulmonary drug delivery equipment, instruments, contracts and technical and regulatory documentation and licensed certain related know-how in exchange for 15% of the issued shares of the Series A Preferred Stock of Civitas and a royalty on future sales of any products developed using this pulmonary drug delivery technology. Civitas undertook a subsequent Series A Preferred Stock sale, in which we did not participate. Civitas also entered into an agreement to sublease our pulmonary manufacturing facility located in Chelsea, Massachusetts and has an option to purchase our pulmonary manufacturing equipment located at this facility. In addition, we have a seat on the Civitas board of directors. In December 2012, we paid Civitas $1.1 million for a promissory note which is convertible into shares of its Series B Preferred Stock.

Commencing six months after its effective date, Civitas may terminate the asset purchase and license agreement for any reason upon 90 days' written notice to us. We may terminate the asset purchase and license agreement for default in the event Civitas does not meet certain minimum development performance obligations. Either party may terminate the asset purchase and license agreement upon a material default or breach by the other party that is not cured within 45 days after receipt of written notice specifying the default or breach.

Proprietary Product Platforms

Our proprietary product platforms, which include technologies owned and exclusively licensed to us, address several important development opportunities. We have used these technologies as platforms to establish drug development, clinical development and regulatory expertise.

Injectable Extended-Release Microsphere Technology

Our injectable extended-release technology allows us to encapsulate small molecule pharmaceuticals, peptides and proteins, in microspheres made of common medical polymers. The technology is designed to enable novel formulations of pharmaceuticals by providing controlled, extended release of drugs over time. Drug release from the microsphere is controlled by diffusion of the drug through the microsphere and by biodegradation of the polymer. These processes can be modulated through a number of formulation and fabrication variables, including drug substance and microsphere particle sizing and choice of polymers and excipients.

LinkeRx Technology

The long-acting LinkeRx technology platform is designed to enable the creation of extended-release injectable versions of antipsychotic therapies and may also be useful in other disease areas in which long action may provide therapeutic benefits. The technology uses proprietary linker-tail chemistry to create New Molecular Entities ("NMEs") derived from known agents. These NMEs are designed to have improved clinical utility, manufacturing and ease-of-use compared to other long-acting medications.

NanoCrystal Technology

Our NanoCrystal technology is applicable to poorly water-soluble compounds and involves formulating and stabilizing drugs into particles that are nanometers in size. A drug in NanoCrystal form can be incorporated into a range of common dosage forms and administration routes, including tablets, capsules, inhalation devices and sterile forms for injection, with the potential for enhanced oral bioavailability, increased therapeutic effectiveness, reduced/eliminated fed/fasted variability, and sustained duration of intravenous/intramuscular release.

Oral Controlled Release Technology

Our OCR technologies are used to formulate, develop and manufacture oral dosage forms of pharmaceutical products that improve and control the release characteristics and efficacy of standard dosage forms.

Our OCR platform includes technologies for tailored pharmacokinetic profiles including SODAS® technology, IPDAS® technology, CODAS® technology and the MXDAS® drug absorption system, each as described below:

- SODAS Technology: SODAS (Spheroidal Oral Drug Absorption System) technology involves producing uniform spherical beads of 1 mm to 2 mm in diameter containing drug plus excipients and coated with product-specific modified-release polymers. Varying the nature and combination of polymers within a selectively permeable membrane enables varying degrees of modified release depending upon the required product profile.
- CODAS Technology: CODAS (Chronotherapeutic Oral Drug Absorption System) enables the delayed onset of drug release incorporating the use of specific polymers, resulting in a drug release profile that more accurately complements circadian patterns.
- IPDAS Technology: IPDAS (Intestinal Protective Drug Absorption System) technology conveys gastrointestinal protection by a wide dispersion of drug candidates in a controlled and gradual manner, through the use of numerous high-density controlled-release beads compressed into a tablet form. Release characteristics are modified by the application of polymers to the micro matrix and subsequent coatings, which form a rate-limiting semi-permeable membrane.
- MXDAS Technology: MXDAS (Matrix Drug Absorption System) formulates the drug candidate in a hydrophilic matrix and incorporates one or more hydrophilic matrix-forming polymers into a solid oral dosage form, which controls the release of drug through a process of diffusion and erosion in the gastrointestinal tract.

Manufacturing and Product Supply

We own and occupy manufacturing, office and laboratory facilities in: Wilmington, Ohio; Athlone, Ireland; and Gainesville, Georgia. We either purchase active drug product from third parties or receive it from our third-party collaborators to formulate product using our technologies. The manufacture of our products for clinical trials and commercial use is subject to cGMP and other regulatory agency regulations. Our manufacturing and development capabilities include formulation through process development, scale-up and full-scale commercial manufacturing and specialized capabilities for the development and manufacturing of controlled substances.

Although some materials for our drug products are currently available from a single source or a limited number of qualified sources, we attempt to acquire an adequate inventory of such materials, establish alternative sources and/or negotiate long-term supply arrangements. We believe we do not have any significant issues obtaining suppliers. However, we cannot be certain that we will continue to be able to obtain long-term supplies of our manufacturing materials.

Our third-party service providers involved in the manufacture of our products are subject to inspection by the FDA or comparable agencies in other jurisdictions. Any delay, interruption or other issues that arise in the acquisition of active pharmaceutical ingredients ("API"), manufacture, fill-finish, packaging, or storage of our products or product candidates, including as a result of a failure of our facilities or the facilities or operations of third parties to pass any regulatory agency inspection, could significantly impair our ability to sell our products or advance our development efforts, as the case may be. For information about risks relating to the manufacture of our products and product candidates, see "Principal Risks" and specifically those sections entitled "—Our revenues largely depend on the actions of our third-party collaborators, and if they are not effective, our revenues could be materially adversely affected," "—We are subject to risks related to the manufacture of our products," "—We rely on third parties to provide services in connection with the manufacture and distribution of our products," "—If we or our third-party providers fail to meet the stringent requirements of governmental regulation in the manufacture of our products, we could incur substantial remedial costs and a reduction in sales and/or revenues" and "—We rely heavily on collaborative partners to develop and commercialize our products."

Commercial Products

We manufacture RISPERDAL CONSTA, VIVITROL and polymer for BYDUREON in our Wilmington, Ohio facility. We are currently operating two RISPERDAL CONSTA lines and one VIVITROL line at commercial scale. Janssen has granted us an option, exercisable upon 30 days' advance written notice, to purchase the most recently constructed and validated RISPERDAL CONSTA manufacturing line at its then-current net book value. We source our packaging operations for VIVITROL to a third-party contractor. Janssen is responsible for packaging operations for RISPERDAL CONSTA. The facility has been inspected by U.S., European (MHRA), Japanese, Brazilian and Saudi Arabian regulatory authorities for compliance with required cGMP standards for continued commercial manufacturing.

We manufacture AMPYRA/FAMPYRA, RAPAMUNE and other products in our Athlone, Ireland facility. During fiscal year 2013, this facility was inspected by U.S., Irish, Brazilian and Korean regulatory authorities for compliance with required cGMP standards for continued commercial manufacturing.

We manufacture FOCALIN XR, RITALIN LA, AVINZA, VERAPAMIL and other products in our Gainesville, Georgia facility. The facility has been inspected by U.S., Danish, Turkish and Brazilian regulatory authorities for compliance with required cGMP standards for continued commercial manufacturing.

Clinical Products

We have established, and are operating, facilities with the capability to produce clinical supplies of our injectable extended-release products at our Wilmington, Ohio facility; our NanoCrystal and OCR technology products at our Athlone, Ireland facility; and our OCR technology products at our Gainesville, Georgia facility. We have also contracted with third-party manufacturers to formulate certain products for clinical use. We require that our contract manufacturers adhere to cGMP in the manufacture of products for clinical use.

Research & Development

We devote significant resources to R&D programs. We focus our R&D efforts on finding novel therapeutics in areas of high unmet medical need. Our R&D efforts include, but are not limited to, areas such as pharmaceutical formulation, analytical chemistry, process development, engineering,

scale-up and drug optimization/delivery. Please see "Results of Operations" for our R&D expenditures for our prior two fiscal years.

Permits and Regulatory Approvals

We hold various licenses in respect of our manufacturing activities conducted in Wilmington, Ohio; Athlone, Ireland; and Gainesville, Georgia. The primary licenses held in this regard are FDA Registrations of Drug Establishment and Drug Enforcement Administration ("DEA"), Controlled Substance Registration in respect of our Gainesville facility. We also hold a Manufacturers Authorization (No. M516), an Investigational Medicinal Products Manufacturers Authorization (No. IMP008) and Certificates of Good Manufacturing Practice Compliance of a Manufacturer (Ref. 2010-096 and 2010-097) from the Irish Medicines Board ("IMB") in respect of our Athlone facility, and a number of Controlled Substance Licenses granted by the IMB. Due to certain U.S. state law requirements, we also hold certain state licenses to cover distribution activities through certain states and not in respect of any manufacturing activities conducted in those states.

We do not generally act as the product authorization holder for products incorporating our drug delivery technologies that have been developed on behalf of a collaborator. In such cases, our collaborator would hold the relevant authorization from the FDA or other national regulator, and we would support this authorization by furnishing a copy of the Drug Master File ("DMF"), or the chemistry, manufacturing and controls data to the relevant regulator to prove adequate manufacturing data in respect of the product. We would generally update this information annually with the relevant regulator. In other cases where we are developing proprietary product candidates, such as VIVITROL, we may hold the appropriate regulatory documentation ourselves.

Marketing, Sales and Distribution

We are responsible for the marketing of VIVITROL in the U.S. We focus our sales and marketing efforts on specialist physicians in private practice and in public treatment systems. We use customary pharmaceutical company practices to market our product and to educate physicians, such as sales representatives calling on individual physicians, advertisements, professional symposia, selling initiatives, public relations and other methods. We provide customer service and other related programs for our product, such as product-specific websites, insurance research services and order, delivery and fulfillment services. Our sales force for VIVITROL in the U.S. consists of approximately 70 individuals. VIVITROL is sold directly to pharmaceutical wholesalers, specialty pharmacies and a specialty distributor. Product sales of VIVITROL during the fiscal year ended March 31, 2013, to McKesson Corporation, CVS Caremark Corporation, AmerisourceBergen Drug Corporation, and Cardinal Health ("Cardinal"), represented approximately 17%, 12%, 11% and 11%, respectively, of total VIVITROL sales.

Effective April 1, 2009, we entered into an agreement with Cardinal Health Specialty Pharmaceutical Services ("Cardinal SPS"), a division of Cardinal, to provide warehouse, shipping and administrative services for VIVITROL. Our expectation for fiscal year 2014 is to continue to distribute VIVITROL through Cardinal SPS.

Under our collaboration agreements with Janssen, Bristol-Myers, Acorda and other collaboration partners, these companies are responsible for the commercialization of any products developed thereunder if and when regulatory approval is obtained.

Competition

We face intense competition in the development, manufacture, marketing and commercialization of our products and product candidates from many and varied sources, such as academic institutions, government agencies, research institutions and biotechnology and pharmaceutical companies, including

other companies with similar technologies. Some of these competitors are also our collaborative partners, who control the commercialization of products for which we receive manufacturing and royalty revenues. These competitors are working to develop and market other systems, products, vaccines and other methods of preventing or reducing disease, and new small-molecule and other classes of drugs that can be used with or without a drug delivery system.

The biotechnology and pharmaceutical industries are characterized by intensive research, development and commercialization efforts and rapid and significant technological change. Many of our competitors are larger and have significantly greater financial and other resources than we do. We expect our competitors to develop new technologies, products and processes that may be more effective than those we develop. The development of technologically improved or different products or technologies may make our product candidates or product platforms obsolete or noncompetitive before we recover expenses incurred in connection with their development or realize any revenues from any commercialized product.

There are other companies developing extended-release product platforms. In many cases, there are products on the market or in development that may be in direct competition with our products or product candidates. In addition, we know of new chemical entities that are being developed that, if successful, could compete against our product candidates. These chemical entities are being designed to work differently than our product candidates and may turn out to be safer or to be more effective than our product candidates. Among the many experimental therapies being tested around the world, there may be some that we do not now know of that may compete with our proprietary product platforms or product candidates. Our collaborative partners could choose a competing technology to use with their drugs instead of one of our product platforms and could develop products that compete with our products.

With respect to our proprietary injectable product platform, we are aware that there are other companies developing extended-release delivery systems for pharmaceutical products. RISPERDAL CONSTA and INVEGA SUSTENNA may compete with a number of other injectable products including ZYPREXA® RELPREVV® ((olanzapine) For Extended Release Injectable Suspension), which is marketed and sold by Lilly; a once-monthly injectable formulation of ABILIFY® (aripiprazole) developed by Otsuka Pharmaceutical Co., Ltd. (“Otsuka”), which was approved by the FDA in February 2013 and is commercialized under the name ABILIFY MAINTENA™; and other products currently in development. RISPERDAL CONSTA and INVEGA SUSTENNA may also compete with new oral compounds currently on the market or being developed for the treatment of schizophrenia.

In the treatment of alcohol dependence, VIVITROL competes with CAMPRAL® (acamprosate calcium) sold by Forest Laboratories and ANTABUSE® sold by Odyssey Pharmaceuticals (“Odyssey”) as well as currently marketed drugs also formulated from naltrexone. Other pharmaceutical companies are developing product candidates that have shown some promise in treating alcohol dependence and that, if approved by the FDA, would compete with VIVITROL.

In the treatment of opioid dependence, VIVITROL competes with methadone, oral naltrexone, and SUBOXONE® (buprenorphine HCl/naloxone HCl dehydrate sublingual tablets), SUBOXONE® (buprenorphine/naloxone) Sublingual Film, and SUBUTEX® (buprenorphine HCl sublingual tablets), each of which is marketed and sold by Reckitt Benckiser Pharmaceuticals, Inc. in the U.S. It also competes with generic versions of SUBUTEX and SUBOXONE sublingual tablets. Other pharmaceutical companies are developing product candidates that have shown promise in treating opioid dependence and that, if approved by the FDA, would compete with VIVITROL.

BYDUREON competes with established therapies for market share. Such competitive products include sulfonylureas, metformin, insulins, thiazolidinediones, glinides, dipeptidyl peptidase type IV inhibitors, insulin sensitizers, alpha-glucosidase inhibitors and sodium-glucose transporter-2 inhibitors. BYDUREON also competes with other glucagon-like peptide-1 (“GLP-1”) agonists, including

VICTOZA® (liraglutide (rDNA origin) injection), which is marketed and sold by Novo Nordisk A/S. Other pharmaceutical companies are developing product candidates for the treatment of type 2 diabetes that, if approved by the FDA, could compete with BYDUREON.

AMPYRA/FAMPYRA is, to our knowledge, the first product that is approved as a treatment to improve walking in patients with MS. However, there are a number of FDA-approved therapies for MS disease management that seek to reduce the frequency and severity of exacerbations or slow the accumulation of physical disability for people with certain types of MS. These products include AVONEX® from Biogen Idec, BETASERON® from Bayer HealthCare Pharmaceuticals, COPAXONE® from Teva Pharmaceutical Industries Ltd., REBIF® from Merck Serono, TYSABRI® and TECFIDERA™ from Biogen Idec,, GILENYA® and EXTAVIA® from Novartis AG, and AUBAGIO® from Sanofi-Aventis.

With respect to our NanoCrystal technology, we are aware that other technology approaches similarly address poorly water soluble drugs. These approaches include nanoparticles, cyclodextrins, lipid-based self-emulsifying drug delivery systems, dendrimers and micelles, among others, any of which could limit the potential success and growth prospects of products incorporating our NanoCrystal technology. In addition, there are many competing technologies to our OCR technology, some of which are owned by large pharmaceutical companies with drug delivery divisions and other, smaller drug-delivery-specific companies.

Patents and Proprietary Rights

Our success will be dependent, in part, on our ability to obtain and maintain patent protection for our product candidates and those of our collaborators, to maintain trade secret protection and to operate without infringing upon the proprietary rights of others. We have a proprietary portfolio of patent rights and exclusive licenses to patents and patent applications. We have filed numerous patent applications in the U.S. and in other countries directed to compositions of matter as well as processes of preparation and methods of use, including applications relating to each of our delivery technologies. We own more than 200 issued U.S. patents. In the future, we plan to file additional patent applications in the U.S. and in other countries directed to new or improved products and processes. We intend to file additional patent applications when appropriate and defend our patent position aggressively.

Our OCR technology is protected by a patent estate including patents and patent applications filed worldwide. Some of our OCR patent families are product specific whereas others cover generic delivery platforms (e.g., different release profiles, taste masking, etc.). The latest of the patents covering AMPYRA/FAMPYRA, which incorporates our OCR technology, expires in 2027 in the U.S. and 2025 in Europe.

Our NanoCrystal technology patent portfolio contains a number of patents granted throughout the world, including the U.S. and countries outside of the U.S. We also have a significant number of pending patent applications covering our NanoCrystal technology. The latest of the patents covering INVEGA SUSTENNA expires in 2019 in the U.S. and 2018 in the EU. Additional pending applications may provide a longer period of patent coverage, if granted.

We have filed patent applications worldwide that cover our microsphere technology and have a significant number of patents and pending patent applications covering our microsphere technology. The latest of our patents covering VIVITROL, RISPERDAL CONSTA and BYDUREON expire in 2029, 2023 and 2025 in the U.S., respectively, and 2021, 2021 and 2024 in Europe, respectively. We also have patent protection for our Key Development Programs. U.S. Patent No. 8,431,576, which issued in April 2013, covers a class of compounds that includes aripiprazole lauroxil and expires in 2030 in the U.S. U.S. Patent No. 7,262,298, which covers a class of compounds that includes the opioid modulators in each of the ALKS 5461 and ALKS 3831 combination products, expires in 2025 in the U.S.

We have exclusive rights through licensing agreements with third parties to issued U.S. patents, a number of U.S. patent applications and corresponding patents outside the U.S. and patent applications in many countries, subject in certain instances to the rights of the U.S. government to use the technology covered by such patents and patent applications. Under certain licensing agreements, we are responsible for patent expenses, and we pay annual license fees and/or minimum annual royalties. In addition, under these licensing agreements, we are obligated to pay royalties on future sales of products, if any, covered by the licensed patents.

We know of several U.S. patents issued to other parties that may relate to our products and product candidates. The manufacture, use, offer for sale, sale or import of some of our product candidates might be found to infringe on the claims of these patents. A party might file an infringement action against us. The cost of defending such an action is likely to be high, and we might not receive a favorable ruling.

We also know of patent applications filed by other parties in the U.S. and various other countries that may relate to some of our product candidates if issued in their present form. The patent laws of the U.S. and other countries are distinct, and decisions as to patenting, validity of patents and infringement of patents may be resolved differently in different countries. If patents are issued to any of these applicants, we or our collaborators may not be able to manufacture, use, offer for sale or sell some of our product candidates without first getting a license from the patent holder. The patent holder may not grant us a license on reasonable terms, or it may refuse to grant us a license at all. This could delay or prevent us from developing, manufacturing or selling those of our product candidates that would require the license.

We try to protect our proprietary position by filing patent applications in the U.S. and in other countries related to our proprietary technology, inventions and improvements that are important to the development of our business. Because the patent position of biotechnology and pharmaceutical companies involves complex legal and factual questions, enforceability of patents cannot be predicted with certainty. The ultimate degree of patent protection that will be afforded to biotechnology products and processes, including ours, in the U.S. and in other important markets, remains uncertain and is dependent upon the scope of protection decided upon by the patent offices, courts and lawmakers in these countries. Patents, if issued, may be challenged, invalidated or circumvented. Thus, any patents that we own or license from others may not provide any protection against competitors. Our pending patent applications, those we may file in the future, or those we may license from third parties, may not result in patents being issued. If issued, they may not provide us with proprietary protection or competitive advantages against competitors with similar technology. Furthermore, others may independently develop similar technologies or duplicate any technology that we have developed outside the scope of our patents. The laws of certain countries do not protect our intellectual property rights to the same extent as do the laws of the U.S.

We are involved as a plaintiff in various Paragraph IV litigations in the U.S. and a similar suit in France in respect of three different products: TRICOR 145; FOCALIN XR; and MEGACE ES.

We also rely on trade secrets, know-how and technology, which are not protected by patents, to maintain our competitive position. We try to protect this information by entering into confidentiality agreements with parties that have access to it, such as our corporate partners, collaborators, employees and consultants. Any of these parties may breach the agreements and disclose our confidential information or our competitors might learn of the information in some other way. If any trade secret, know-how or other technology not protected by a patent were to be disclosed to, or independently developed by, a competitor, such event could materially adversely affect our business, results of operations, cash flows and financial condition. For more information, see “Principal Risks”.

Our trademarks, including VIVITROL, are important to us and are generally covered by trademark applications or registrations in the U.S. Patent and Trademark Office and the patent or

trademark offices of other countries. Our partnered products also use trademarks that are owned by our partners, such as the marks RISPERDAL CONSTA and INVEGA SUSTENNA, which are registered trademarks of Johnson & Johnson Corp., BYDUREON, which is a trademark of Amylin, and AMPYRA and FAMPYRA, which are registered trademarks of Acorda. Trademark protection varies in accordance with local law, and continues in some countries as long as the mark is used and in other countries as long as the mark is registered. Trademark registrations generally are for fixed but renewable terms.

Employees

As of May 8, 2013, we had approximately 1,230 full-time employees. A significant number of our management and professional employees have prior experience with pharmaceutical, biotechnology or medical product companies. We believe that we have been successful in attracting skilled and experienced scientific and senior management personnel; however, competition for such personnel is intense. None of our employees is covered by a collective bargaining agreement. We consider our relations with our employees to be good.

Review of the Performance of the Business

Overview

For the year ended March 31, 2013, we reported $575.5 million in revenues which represented an increase of 48% over the year ended March 31, 2012. Revenues from our five key products accounted for 59% of our total consolidated revenues for the year ended March 31, 2013. For the year ended March 31, 2013, total operating expenses increased by $15.5 million, as compared to the year ended March 31, 2012, due primarily to the addition of a full twelve months of activity from the former EDT business.

In September 2012, we entered into an amendment (the "Refinancing") to the First Lien Term Loan pursuant to which the First Lien Term Loan was amended and restated to, among other things, provide for a new tranche of term loans in an amount equal to $375.0 million, the proceeds of which, together with cash-on hand of approximately $75.0 million, were used to repay in full all monies due pursuant to the Second Lien Term Loan. The new term loan facility includes the 2013 Term Loans and each of the 2013 Term Loans included a LIBOR floor of 1.0%.

In February 2013, we further amended the 2013 Term Loans (the "Repricing") to secure: (i) a reduction in interest payable under Term Loan B-1 to LIBOR plus 2.75% and a decrease in the LIBOR floor to 0.75%; (ii) a reduction in interest payable under Term Loan B-2 to LIBOR plus 2.75% and a decrease in the LIBOR floor to 0%; and (c) a shortened time period, from one year to six months, during which a refinancing of our term loans, as described in the amended and restated credit agreement, would trigger a 1% prepayment premium. In connection with the Refinancing and Repricing, we incurred a charge of $19.7 million, which was recorded within "Interest Expense," and we expect to save approximately $91.4 million in contractual cash interest expense through the remaining life of the 2013 Term Loans.

Results of Operations

Manufacturing and Royalty Revenues

Manufacturing revenues are earned from the sale of products under arrangements with our collaborators when product is shipped to them at an agreed upon price. Royalties are earned on our collaborators' sales of products that incorporate our technologies. Royalties are generally recognized in the period the products are sold by our collaborators. The following table compares manufacturing and royalty revenues earned in the years ended March 31, 2013 and 2012:

	Years Ended March 31,	
(in millions)	**2013**	**2012**
Manufacturing and royalty revenues:		
RISPERDAL CONSTA	$133.6	$168.3
INVEGA SUSTENNA/XEPLION	63.5	18.0
AMPYRA/FAMPYRA	65.0	24.6
RITALIN LA & FOCALIN XR	40.3	23.1
TRICOR 145	37.5	27.8
VERELAN	23.8	14.2
BYDUREON	16.4	1.5
Other	130.8	48.9
Manufacturing and royalty revenues	$510.9	$326.4

Our long-acting, antipsychotic franchise consists of RISPERDAL CONSTA and INVEGA SUSTENNA/XEPLION. Under our RISPERDAL CONSTA supply and license agreements with Janssen, we earn manufacturing revenues at 7.5% of Janssen's unit net sales price of RISPERDAL CONSTA and royalty revenues at 2.5%. Under our INVEGA SUSTENNA/XEPLION agreement with Janssen, we earn royalties on end-market sales of INVEGA SUSTENNA/XEPLION of 5% up to the first $250 million in calendar-year sales, 7% on calendar-year sales of between $250 million and $500 million, and 9% on calendar-year sales exceeding $500 million. The royalty rate resets at the beginning of each calendar-year to 5%.

The decrease in RISPERDAL CONSTA manufacturing and royalty revenues for the year ended March 31, 2013, as compared to the year ended March 31, 2012, was primarily due to a 24% decrease in the number of units shipped to Janssen and a 9% decrease in royalties. The decrease in royalties was due to a decrease in Janssen's end-market sales of RISPERDAL CONSTA from $1,540.3 million during the year ended March 31, 2012 to $1,399.1 million during the year ended March 31, 2013.

The increase in royalty revenues from INVEGA SUSTENNA/XEPLION in the year ended March 31, 2013, as compared to the year ended March 31, 2012, was due to having a full twelve months of INVEGA SUSTENNA/XEPLION royalties in the year ended March 31, 2013 and an increase in end-market sales of the product. Janssen's end-market sales of INVEGA SUSTENNA/XEPLION in the years ended March 31, 2013 and 2012 were $920.0 million and $473.6 million, respectively. In the year ended March 31, 2012, we earned a royalty from Janssen for sales made during the period of September 16, 2011, the closing date of the Business Combination, through March 31, 2012.

We expect revenues from our long-acting atypical antipsychotic franchise to continue to grow, as INVEGA SUSTENNA/XEPLION is launched around the world. A number of companies, including us, are working to develop products to treat schizophrenia and/or bipolar disorder that may compete with RISPERDAL CONSTA and INVEGA SUSTENNA/XEPLION. Increased competition may lead to reduced unit sales of RISPERDAL CONSTA and INVEGA SUSTENNA/XEPLION, as well as

increasing pricing pressure. RISPERDAL CONSTA is covered by a patent until 2021 in the EU and 2023 in the U.S., and INVEGA SUSTENNA/XEPLION is covered by a patent until 2018 in the EU and 2019 in the U.S., and as such, we do not anticipate any generic versions in the near-term for either of these products.

The increase in royalty revenues from AMPYRA/FAMPYRA was due to having a full twelve months of AMPYRA/FAMPYRA royalties in the year ended March 31, 2013, an increase in demand for AMPYRA in the U.S. and an increase in the number of countries in which FAMPYRA is sold. Acorda's end-market sales of AMPYRA/FAMPYRA in the year ended March 31, 2013 and 2012 were $329.4 million and $249.7 million, respectively. In the year ended March 31, 2012, we earned a royalty from Acorda for sales made during the period of September 16, 2011, the closing date of the Business Combination, through March 31, 2012. We expect AMPYRA/FAMPYRA sales to continue to grow as Acorda continues to penetrate the U.S. market with AMPYRA and Biogen Idec continues to launch FAMPYRA in the rest of the world. AMPYRA is covered by a patent until 2027 in the U.S. and FAMPYRA is covered by a patent until 2025 in the EU, and as such, we do not anticipate any generic versions of these products in the near-term. A number of companies are working to develop products to treat multiple sclerosis that may compete with AMPYRA/FAMPYRA, which may negatively impact future sales of the products.

The increase in royalty revenues from RITALIN LA & FOCALIN XR, TRICOR 145, and VERELAN and the other manufacturing and royalty revenues were primarily due to the addition of the portfolio of commercialized products from the former EDT business. Included in other manufacturing and royalty revenues is $50.0 million related to the exercise of an option to license certain of our intellectual property that is not used in our key clinical development programs or commercial products. A number of our mature products, including RITALIN LA and VERELAN currently face generic competition. In November 2012, a generic version of TRICOR 145 was introduced to the market, and as a result, we have seen a reduction in the sales of TRICOR 145. A generic version of certain doses of FOCALIN XR is expected to occur at any time. As a result of these generic entries, we expect sales of these products to decline over the next few fiscal years.

Certain of our manufacturing and royalty revenues are earned in countries outside of the U.S. and are denominated in currencies in which the product is sold. See "Financial Risk Management" for information on currency exchange rate risk related to our revenues.

Product Sales, Net

Our product sales, net consist of sales of VIVITROL in the U.S. to wholesalers, specialty distributors and specialty pharmacies. The following table presents the adjustments to arrive at

VIVITROL product sales, net for sales of VIVITROL in the U.S. during the years ended March 31, 2013 and 2012:

(in millions)	Year Ended March 31, 2013 Amount	Year Ended March 31, 2013 % of Sales	Year Ended March 31, 2012 Amount	Year Ended March 31, 2012 % of Sales
Product sales, gross	$ 78.5	100.0%	$ 57.6	100.0%
Adjustments to product sales, gross:				
Medicaid rebates	(5.9)	(7.5)%	(4.6)	(8.0)%
Chargebacks	(5.4)	(6.9)%	(4.1)	(7.1)%
Product returns(1)	0.1	0.1%	(1.3)	(2.3)%
Co-pay assistance	(3.2)	(4.1)%	(1.6)	(2.8)%
Other	(6.0)	(7.6)%	(4.8)	(8.3)%
Total adjustments	(20.4)	(26.0)%	(16.4)	(28.5)%
Product sales, net	$ 58.1	74.0%	$ 41.2	71.5%

(1) Prior to August 1, 2012, product returns was a reserve for inventory in the channel; an estimate to defer the recognition of revenue on shipments of VIVITROL to our customers until the product left the distribution channel as we did not have the history to reasonably estimate returns related to these shipments. Beginning on August 1, 2012, we changed the method of revenue recognition to recognize revenue upon delivery to our customers and provide for a reserve for future returns. This change in the method of revenue recognition resulted in a one-time $1.7 million increase to product sales, net, which was recognized during the three months ended September 30, 2012.

The increase in product sales, gross for the year ended March 31, 2013, as compared to the year ended March 31, 2012, was due to a 36% increase in the number of units sold. The increases in Medicaid rebates and chargebacks during the year ended March 31, 2013, as compared to the year ended March 31, 2012, was primarily due to the increase in VIVITROL sales during the period.

We expect VIVITROL sales, net to continue to grow as we continue to penetrate the opioid dependence indication market in the U.S. In addition, we anticipate that Janssen-Cilag will increase sales of VIVITROL in Russia and the CIS, which are recorded as manufacturing and royalty revenues, and there exists the potential to launch the product in other countries around the world. A number of companies, including us, are working to develop products to treat addiction, including alcohol and opioid dependence that may compete with VIVITROL, which may negatively impact future sales of VIVITROL. Increased competition may lead to reduced unit sales of VIVITROL, as well as increasing pricing pressure. VIVITROL is covered by a patent that will expire in the U.S. in 2029 and in Europe in 2021 and, as such, we do not anticipate any generic versions of this product in the near-term.

Research and Development Revenue

(in millions)	Years Ended March 31, 2013	Years Ended March 31, 2012
Research and development revenue	$6.5	$22.3

Research and development ("R&D") revenue is generally earned for services performed and milestones achieved under arrangements with our collaborators. The decrease in R&D revenue for the year ended March 31, 2013, as compared to the year ended March 31, 2012, was primarily due to $14.0 million in BYDUREON milestone payments we received during the year ended March 31, 2012.

Under our agreement with Amylin, we received a $7.0 million milestone payment related to the first commercial sale of BYDUREON in the EU in July 2011 and a $7.0 million milestone payment related to the first commercial sale of BYDUREON in the U.S. in February 2012. During the year ended March 31, 2012, we also received a $3.0 million milestone payment upon receipt of regulatory approval for VIVITROL in Russia for the opioid dependence indication.

Costs and Expenses

Cost of Goods Manufactured and Sold

(in millions)	Years Ended March 31, 2013	2012
Cost of goods manufactured and sold	$170.5	$127.6

The increase in cost of goods manufactured and sold in the year ended March 31, 2013, as compared to the year ended March 31, 2012, was primarily due to an increase of $48.5 million in cost of goods manufactured from the EDT portfolio of commercialized products and a $4.2 million increase in VIVITROL cost of goods manufactured and sold, partially offset by a $10.4 million decrease in RISPERDAL CONSTA cost of goods manufactured. The increase in cost of goods manufactured from the EDT portfolio of commercialized products is primarily due to having a full twelve months of cost of goods manufactured expense in the year ended March 31, 2013. The increase in VIVITROL cost of goods manufactured and sold is due to a 25% increase in the amount of VIVITROL sold in the U.S. and shipped to Russia for resale by Cilag. The decrease in RISPERDAL CONSTA cost of goods manufactured is due to a 24% decrease in the amount of RISPERDAL CONSTA shipped to Janssen.

Research and Development Expenses

For each of our R&D programs, we incur both external and internal expenses. External R&D expenses include costs related to clinical and non-clinical activities performed by contract research organizations, consulting fees, laboratory services, purchases of drug product materials and third-party manufacturing development costs. Internal R&D expenses include employee-related expenses, occupancy costs, depreciation and general overhead. We track external R&D expenses for each of our development programs, however, internal R&D expenses are not tracked by individual program as they benefit multiple programs or our technologies in general.

The following table sets forth our external R&D expenses relating to our individual Key Development Programs and all other development programs, and our internal R&D expenses by the nature of such expenses:

(in millions)	Years Ended March 31, 2013	2012
External R&D Expenses:		
Key development programs:		
Aripiprazole lauroxil	$ 40.2	$ 21.8
ALKS 5461	8.3	—
ALKS 37	3.4	23.5
ALKS 3831	2.9	—
Other development programs	12.7	26.6
Total external expenses	67.5	71.9
Internal R&D expenses:		
Employee-related	52.9	48.3
Occupancy	5.0	5.1
Depreciation	5.8	4.7
Other	8.8	11.9
Total internal R&D expenses	72.5	70.0
Research and development expenses	$140.0	$141.9

These amounts are not necessarily predictive of future R&D expenditures. In an effort to allocate our spending most effectively, we continually evaluate the products under development, based on the performance of such products in preclinical and/or clinical trials, our expectations regarding the likelihood of their regulatory approval and our view of their commercial viability, among other factors.

The increase in R&D expenses related to the aripiprazole lauroxil program in the year ended March 31, 2013, as compared to the year ended March 31, 2012, was primarily due to the continuation of the phase 3 study, initiated in December 2011, to assess the efficacy, safety and tolerability of aripiprazole lauroxil in approximately 690 patients experiencing acute exacerbation of schizophrenia. The increase in R&D expenses related to the ALKS 5461 program in the year ended March 31, 2013, as compared to the year ended March 31, 2012, was primarily due to the phase 2 study of ALKS 5461, initiated in January 2012, to evaluate the efficacy and safety of ALKS 5461 in approximately 130 patients with MDD. The results of this phase 2 study were announced in April 2013. The decrease in R&D expenses related to the ALKS 37 program in the year ended March 31, 2013, as compared to the year ended March 31, 2012, was due to the decision in May 2012 not to advance ALKS 37 after the results from the phase 2b multicenter, randomized, double-blind, placebo-controlled, repeat-dose study did not satisfy our pre-specified criteria for advancing into phase 3 clinical trials.

The increase in total internal R&D expenses in the year ended March 31, 2013, as compared to the year ended March 31, 2012, are primarily due to the addition of the former EDT business in September 2011.

We expect an increase in R&D expenses in the year ended March 31, 2014 primarily due to increased R&D investment as certain of our key development programs, most notably ALKS 5461 and ALKS 3831, continue to advance through the pipeline and as aripiprazole lauroxil nears completion of its phase 3 clinical trial.

Selling, General and Administrative Expenses

(in millions)	Years Ended March 31, 2013	2012
Selling, general and administrative	$125.8	$137.6

The decrease in selling, general and administrative ("SG&A") expenses for the year ended March 31, 2013, as compared to the year ended March 31, 2012, was primarily due to a $26.0 million decrease in professional service expense, partially offset by an $11.4 million increase in employee-related expenses. The decrease in professional service expense was primarily due $29.1 million of costs incurred in connection with the Business Combination during the year ended March 31, 2012. The increase in employee-related expense was primarily due to having a full twelve months of employee-related expenses from the former EDT business as well as an increase in share-based compensation expense due in part to the increase in the number of eligible participants in our equity plans as a result of the Business Combination, and the fact that recent equity grants have been awarded with higher grant-date fair values than older grants due to the increase in our stock price.

Amortization of Acquired Intangible Assets

(in millions)	Years Ended March 31, 2013	2012
Amortization of acquired intangible assets	$41.9	$25.4

The intangible assets being amortized in the year ended March 31, 2013 and 2012 were acquired as part of the Business Combination. In connection with the Business Combination, we acquired certain amortizable intangible assets with a fair value of $643.2 million, which are expected to be amortized over 12 to 13 years. We amortize our amortizable intangible assets using the economic use method, which reflects the pattern that the economic benefits of the intangible assets are consumed as revenue is generated from the underlying patent or contract. Based on our most recent analysis, amortization of intangible assets included within our consolidated balance sheet at March 31, 2013 is expected to be approximately $50.0 million, $60.0 million, $65.0 million, $70.0 million and $70.0 million in the fiscal years ending March 31, 2014 through 2018, respectively.

We also acquired $92.7 million of goodwill in connection with the Business Combination, which is considered an indefinite-lived asset and is not amortized, but is subject to an annual review for impairment or when circumstances indicate the fair value may be below its carrying value. Our goodwill solely relates to, and has been assigned to, a reporting unit which consists of the former EDT business. We performed our annual goodwill impairment test during the three months ended December 31, 2012 and determined that the fair value of the former EDT business reporting unit was substantially in excess of its respective carrying value and there was no impairment in the value of this asset.

Restructuring

(in millions)	Years Ended March 31, 2013	2012
Restructuring	$12.3	$—

On April 4, 2013, the board of directors of Alkermes Pharma Ireland Limited ("APIL"), a wholly owned subsidiary of Alkermes, approved a restructuring plan related to our Athlone, Ireland

manufacturing facility consistent with the evolution of our product portfolio and designed to improve operational performance for the future. Under the restructuring plan, APIL will terminate manufacturing services for certain older products becoming uneconomic to produce due to decreasing demand from its customers resulting from generic competition. We expect to continue to generate revenues from the manufacturing of these products during fiscal year 2014 and, for certain of these products, into fiscal year 2015.

As a result of the termination of these services, we expect to implement a corresponding reduction in headcount of up to 130 employees. The restructuring plan commenced immediately and will be implemented over a period of approximately two years. This restructuring plan is expected to result in estimated annual cost savings of between $15.0 million to $20.0 million by fiscal year 2016 and beyond.

In conjunction with the restructuring plan, we recorded a one-time restructuring charge, expected to be settled in cash payments, related to severance and other employee-related expenses of $12.3 million in the year ended March 31, 2013, as we determined that an obligation had been incurred, it was probable that the obligation would be paid and the amount of the obligation could be reasonably estimated.

As part of the restructuring plan, we also expect to incur non-cash charges resulting from the accelerated depreciation of certain manufacturing assets, currently estimated to be approximately $10.0 million and $7.0 million in the years ended March 31, 2014 and 2015, respectively.

Impairment of Long-Lived Assets

	Years Ended March 31,	
(in millions)	**2013**	**2012**
Impairment of long-lived assets	$3.3	$45.8

During the three months ended March 31, 2013, we performed an impairment analysis on certain of our manufacturing equipment dedicated to the production of VIVITROL. We determined that the manufacturing space previously assigned to VIVITROL will be used for the scale-up of the aripiprazole lauroxil manufacturing line. As such, certain equipment, originally purchased by Cephalon in connection with our VIVITROL collaboration and later acquired by us upon the termination of the VIVITROL collaboration, was determined to have no future use.

We recorded an impairment charge of $3.3 million which represents the net carrying value of the equipment less the proceeds received upon the sale of certain of this equipment.

During the year ended March 31, 2012, and after finalization of the purchase accounting for the Business Combination, we identified events and changes in circumstances, such as correspondence from regulatory authorities and further clinical trial results related to three product candidates, including Megestrol for use in Europe, acquired as part of the Business Combination which indicated that the assets may be impaired. Accordingly, we performed an analysis to measure the amount of the impairment loss, if any. We performed the valuation of the IPR&D from the viewpoint of a market participant through the use of a discounted cash flow model. The model contained certain key assumptions including: the cost to bring the products through the clinical trial and regulatory approval process; the gross margin a market participant would likely earn if the product were approved for sale; the cost to sell the approved product; and a discount factor based on an industry average weighted average cost of capital. Based on the analysis performed, we determined that the IPR&D was impaired and recorded an impairment charge of $45.8 million.

Other Expense, Net

(in millions)	Years Ended March 31, 2013	2012
Interest income	$ 0.8	$ 1.5
Interest expense	(49.0)	(28.1)
Other income (expense), net	1.8	0.5
Total other expense, net	$(46.4)	$(26.1)

The increase in interest expense for the year ended March 31, 2013, as compared to the year ended March 31, 2012, is primarily due to the Refinancing and Repricing transactions. The Refinancing and Repricing transactions were considered a restructuring of our 2012 Term Loans and involved multiple lenders who were considered a part of a loan syndicate. For accounting purposes, certain of the debt restructuring was treated either as an extinguishment or modification of the 2012 Term Loans. The treatment of the debt restructuring and the $19.7 million charge to interest expense in connection with the Refinancing and Repricing is as follows:

(in millions)	September 2012 Refinancing	February 2013 Repricing	Total
Extinguished debt:			
Unamortized deferred financing costs	$ 4.6	$1.6	$ 6.2
Unamortized original issue discount	2.7	1.4	4.1
Modified debt:			
Debt financing costs	2.0	0.8	2.8
Original issue discount	0.1	—	0.1
Prepayment penalty	2.8	3.7	6.5
Total	$12.2	$7.5	$19.7

Provision for Income Taxes

(in millions)	Years Ended March 31, 2013	2012
Income tax expense / (benefit)	$10.5	$(0.7)

Our income tax expense for the year ended March 31, 2013 consists of a current income tax provision of $12.5 million and a deferred income tax benefit of $2.0 million. The current income tax provision is primarily due to U.S. federal and state taxes of $8.2 million and $2.6 million respectively on income earned in the U.S., and foreign withholding taxes of $1.7 million. The deferred income tax benefit is primarily due to a benefit of $2.0 million in Ireland as a result of the reversals of deferred tax liabilities for intangible assets for which the book basis exceeds the tax basis. The intangible assets are being amortized for book purposes over the life of the assets.

Our effective tax rate is 29.5%, which is higher than the Irish statutory tax rate of 12.5% due to a number of factors, including income taxable at a rate higher than the Irish statutory rate, losses in certain tax jurisdictions for which no tax benefit is currently available and various expenses not deductible for income tax purposes.

Our income tax benefit for the year ended March 31, 2012 consists of a current income tax provision of $14.0 million and a deferred income tax benefit of $14.7 million. The current income tax

provision is primarily due to a provision of $13.1 million on the taxable transfer of the BYDUREON intellectual property from the U.S. to Ireland. The deferred tax benefit is primarily due to a benefit of $4.6 million from the partial release of the Irish deferred tax liability relating to acquired intellectual property that was established in connection with the Business Combination and a benefit of $9.9 million due to the partial release of an existing U.S. Federal valuation allowance as a consequence of the Business Combination. In connection with the Business Combination, we were incorporated, and are headquartered, in Dublin, Ireland. As a result, our statutory tax rate decreased from 34% in the U.S. to 12.5% in Ireland.

As of March 31, 2013, we had $438.3 million of Irish Net Operating Loss ("NOL") carryforwards, $70.4 million of U.S. federal NOL carryforwards and $8.7 million of state NOL carryforwards which either expire on various dates through 2032 or can be carried forward indefinitely. These loss carryforwards are available to reduce certain future Irish and U.S. taxable income, if any. These loss carryforwards are subject to review and possible adjustment by the appropriate taxing authorities. These loss carryforwards, which may be utilized in any future period, may be subject to limitations based upon changes in the ownership of our stock. We have performed a review of ownership changes in accordance with the U.S. Internal Revenue Code and have determined that it is more likely than not that, as a result of the Business Combination, we have experienced a change of ownership. As a consequence, our U.S. federal NOL carryforwards and tax credit carryforwards are subject to an annual limitation of $127.0 million.

At March 31, 2013 we determined, based on the weight of all available positive and negative evidence, on a jurisdiction by jurisdiction basis, that it is more likely than not that a significant portion of our net deferred tax assets will not be realized, and a valuation allowance has been recorded. However, if we demonstrate consistent profitability in the future, the evaluation of the recoverability of the net deferred tax assets could change and the valuation allowance could be released in whole or in part.

Liquidity and Capital Resources

Our financial condition is summarized as follows:

(in millions)	March 31, 2013	March 31, 2012
Cash and cash equivalents	$ 97.0	$ 83.6
Investments—short-term	124.4	106.8
Investments—long-term	82.8	55.7
Total cash and investments	$304.2	$246.1
Working capital	$322.7	$250.0
Outstanding borrowings—current and long-term	$369.0	$444.5

Sources and Uses of Cash

We expect that funds generated from results of operations will be sufficient to finance our anticipated working capital and other cash requirements, such as capital expenditures and principal and interest payments for the foreseeable future. In the event business conditions were to deteriorate, we could rely on borrowings under the 2013 Term Loans, which has an incremental facility capacity in the amount of $140.0 million, plus additional amounts as long as we meet certain conditions, including a specified leverage ratio.

Information about our cash flows, by category, is presented in the accompanying consolidated statements of cash flows. The following table summarizes our cash flows for the years ended March 31, 2013, 2012 and 2011:

(in millions)	Years Ended March 31, 2013	2012
Cash and cash equivalents, beginning of period	$ 83.6	$ 38.4
Cash provided by (used in) operating activities	126.5	(2.5)
Cash (used in) provided by investing activities	(68.1)	(417.1)
Cash (used in) provided by financing activities	(45.0)	464.8
Cash and cash equivalents, end of period	$ 97.0	$ 83.6

Operating Activities

Cash provided by operating activities increased in the year ended March 31, 2013, as compared to the year ended March 31, 2012, which was primarily due to an increase in cash provided from net income of $150.4 million. This was partially offset by a decrease in cash from working capital, most notably from a decrease in cash from accounts receivable of $14.2 million and a decrease in cash from deferred revenue of $9.4 million.

Investing Activities

The increase in cash flows provided by investing activities in the year ended March 31, 2013, as compared to the year ended March 31, 2012, was primarily due to $500.0 million of cash used in the purchase of the former EDT business in September 2011, partially offset by an increase in the net purchase of investments of $139.8 million. During the year ended March 31, 2013, we made net purchases of investments of $45.0 million whereas in the year ended March 31, 2012, we made net sales of investments of $94.8 million due in part to fund the purchase of the former EDT business.

We expect to spend approximately $20.0 million during the nine months ended December 31, 2013 for capital expenditures. Amounts included as construction in progress in the consolidated balance sheets primarily include capital expenditures at our manufacturing facility in Ohio. We continue to evaluate our manufacturing capacity based on expectations of demand for our products and will continue to record such amounts within construction in progress until such time as the underlying assets are placed into service, or we determine we have sufficient existing capacity and the assets are no longer required, at which time we would recognize an impairment charge. We continue to periodically evaluate whether facts and circumstances indicate that the carrying value of these long-lived assets to be held and used may not be recoverable.

Financing Activities

The increase in cash flows used in financing activities in the year ended March 31, 2013, as compared to the year ended March 31, 2012, was primarily due to the $444.1 million of cash received upon the issuance of the 2012 Term Loans in September 2011. During the year ended March 31, 2013, we used $74.2 million of cash in the Refinancing attributable to financing activities, and $4.2 million of cash for principal payments on our long-term debt, which was offset by a $13.5 million increase in cash received from our employees upon the exercise of stock awards.

At March 31, 2013, our investments consisted of the following:

(in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Investments—short-term	$124.3	$0.1	$ —	$124.4
Investments—long-term available-for-sale	81.8	—	(0.2)	81.6
Investments—long-term held-to-maturity	1.2	—	—	1.2
Total	$207.3	$0.1	$(0.2)	$207.2

Our investment objectives are, first, to preserve liquidity and conserve capital and, second, to generate investment income. We mitigate credit risk in our cash reserves by maintaining a well-diversified portfolio that limits the amount of investment exposure as to institution, maturity and investment type. However, the value of these securities may be adversely affected by the instability of the global financial markets, which could, in turn, adversely impact our financial position and our overall liquidity. Our available-for-sale investments consist primarily of short- and long-term U.S. government and agency debt securities, debt securities issued by foreign agencies and backed by foreign governments, and corporate debt securities. Our held-to-maturity investments consist of investments that are restricted and held as collateral under certain letters of credit related to certain of our lease agreements.

We classify available-for-sale investments in an unrealized loss position, which do not mature within 12 months, as long-term investments. We have the intent and ability to hold these investments until recovery, which may be at maturity, and it is more likely than not that we would not be required to sell these securities before recovery of their amortized cost. At March 31, 2013, we performed an analysis of our investments with unrealized losses for impairment and determined that they are temporarily impaired.

At March 31, 2013 and 2012, none and 7%, respectively, of our investments are valued using unobservable, or Level 3 inputs, to determine fair value as they are not actively trading and fair values could not be derived from quoted market prices. During the year ended March 31, 2013, the two securities that were included in Level 3 at March 31, 2012 were transferred out of Level 3 as trading in these securities resumed during the period.

Borrowings

At March 31, 2013, our borrowings consisted of $371.6 million of term loan financing under the 2013 Term Loans. Please refer to Note 10, *Long-Term Debt*, in the accompanying Notes to Consolidated Financial Statements for a discussion of our outstanding term loans.

Contractual Obligations

The following table summarizes our obligations to make future payments under our current contracts at March 31, 2013:

Contractual Obligations	Total	Less Than One Year (Fiscal 2014)	One to Three Years (Fiscal 2015 - 2016)	Three to Five Years (Fiscal 2017 - 2018)	More than Five Years (After Fiscal 2019)
			(in thousands)		
2013 Term Loans—Principal	$371,625	$ 6,750	$13,500	$67,875	$283,500
2013 Term Loans—Interest	72,697	12,524	24,401	20,987	14,785
Operating lease obligations	27,348	3,838	8,038	7,122	8,350
Purchase obligations	72,277	72,277	—	—	—
Capital expansion programs	3,722	3,722	—	—	—
Total contractual cash obligations	$547,669	$99,111	$45,939	$95,984	$306,635

As interest on Term Loan B-1 is based on three-month LIBOR, we assumed LIBOR to be 0.75%, which is the LIBOR rate floor under the terms of Term Loan B-1. As there is no LIBOR rate floor under Term Loan B-2, we assumed one-month LIBOR to be 0.20%, which was the one-month LIBOR rate at March 31, 2013. This table excludes any liabilities pertaining to uncertain tax positions as we cannot make a reliable estimate of the period of cash settlement with the respective taxing authorities. At March 31, 2013, we have $1.2 million of net liabilities associated with uncertain tax positions and we expect a net reduction in the amount of the $1.2 million due to the expected resolution of certain matters over the next 12 months.

In September 2006, we entered into a license agreement with the Rensselaer Polytechnic Institute ("RPI") which granted us exclusive rights to a family of opioid receptor compounds discovered at RPI. Under the terms of the agreement, RPI granted us an exclusive worldwide license to certain patents and patent applications relating to its compounds designed to modulate opioid receptors. We are responsible for the continued research and development of any resulting product candidates. We are obligated to pay annual fees of up to $0.2 million, and tiered royalty payments of between 1% and 4% of annual net sales in the event any products developed under the agreement are commercialized. In addition, we are obligated to make milestone payments in the aggregate of up to $9.1 million upon certain agreed-upon development events. All amounts paid to RPI to date under this license agreement have been expensed and are included in R&D expenses.

Due to the contingent nature of the payments under the RPI arrangement, we cannot predict the amount or period in which royalty, milestone and other payments may be made and accordingly they are not included in the table of contractual maturities.

Off-Balance Sheet Arrangements

At March 31, 2013, we were not a party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on our financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources.

Financial Risk Management

We hold securities in our investment portfolio that are sensitive to market risks. Our securities with fixed interest rates may have their market value adversely impacted by a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall. Due in part to these factors, our future investment income may fall short of expectation due to a fall in interest rates or we may suffer losses in principal if we are forced to sell securities that decline in market value

due to changes in interest rates. However, because we classify our investments in debt securities as available-for-sale, no gains or losses are recognized due to changes in interest rates unless such securities are sold prior to maturity or declines in fair value are determined to be other-than-temporary. Should interest rates fluctuate by 10%, our interest income would change by an immaterial amount over an annual period. Due to the conservative nature of our short-term and long-term investments and our investment policy, we do not believe that we have a material exposure to interest rate risk as our investment policies specify credit quality standards for our investments and limit the amount of credit exposure from any single issue, issuer or type of investment.

We do not believe that inflation and changing prices have had a material impact on our results of operations, and as over 78% of our investments are in debt securities issued by the U.S. government, our exposure to liquidity and credit risk is not believed to be significant.

In accordance with the terms of the 2012 Term Loans, we entered into two interest rate cap agreements and an interest rate swap agreement to mitigate the interest rate risk on $225.0 million principal amount of the 2012 Term Loans, however, in connection with the Refinancing, there is no longer a requirement that we enter into such instruments to mitigate our interest rate risk. At March 31, 2013, an interest rate cap and an interest rate swap agreement have yet to mature and remain outstanding. The interest rate cap, with a notional amount of $160.0 million, protects us if three-month LIBOR were to reach 3% from the date of issuance through December 13, 2013. The interest rate swap protects us if three-month LIBOR were to reach 2.057% from December 3, 2012 through September 3, 2014.

Term Loan B-1 bears interest at three-month LIBOR plus 2.75% with a LIBOR floor of 0.75%. As the three-month LIBOR rate was 0.28% at March 31, 2013, and the LIBOR floor under Term Loan B-1 is 0.75%; and as our interest rate cap and swap fixes our interest rate at 3% for $160.0 million principal amount and 2.057% for $65.0 million principal amount, respectively, we do not expect changes in the three-month LIBOR to have a material effect on our financial statements through March 31, 2014.

Term Loan B-2 bears interest at one-month LIBOR plus 2.75% with no LIBOR floor. At March 31, 2013, the one-month LIBOR rate was 0.20%. A 10% increase in the one-month LIBOR rate would increase our interest expense in the year ended March 31, 2014 by an immaterial amount.

We do not use derivative financial instruments for speculative trading purposes. The counterparties to our interest rate cap and interest rate swap contracts are multinational commercial banks. We believe the risk of counterparty nonperformance is remote.

Currency Exchange Rate Risk

Manufacturing and royalty revenues we receive on certain of our significant products, including RISPERDAL CONSTA, XEPLION, FAMPYRA, TRICOR 145, BYDUREON, FOCALIN XR and RITALIN LA are a percentage of the net sales made by our collaborative partners. A significant portion of these sales are made in countries outside the U.S. and are denominated in currencies in which the product is sold, which is predominantly the Euro. The manufacturing and royalty payments on these non-U.S. sales are calculated initially in the currency in which the sale is made and are then converted into USD to determine the amount that our partners pay us for manufacturing and royalty revenues. Fluctuations in the exchange ratio of the USD and these non-U.S. currencies will have the effect of increasing or decreasing our manufacturing and royalty revenues even if there is a constant amount of sales in non-U.S. currencies. For example, if the USD weakens against a non-U.S. currency, then our manufacturing and royalty revenues will increase given a constant amount of sales in such non-U.S. currency. For the year ended March 31, 2013, an average 10% strengthening of the USD relative to the currencies in which these products are sold would have resulted in our manufacturing and royalty revenues being reduced by approximately $14.9 million.

As a result of the Business Combination, we incur substantial operating costs in Ireland. We face exposure to changes in the exchange ratio of the USD and the Euro arising from expenses and payables at our Irish operations that are settled in Euro. The impact of changes in the exchange ratio of the USD and the Euro on our USD denominated manufacturing and royalty revenues earned in countries other than the U.S. is partially offset by the opposite impact of changes in the exchange ratio of the USD and the Euro on operating expenses and payables incurred at our Irish operations that are settled in Euro. For the fiscal year ended March 31, 2013, an average 10% weakening in the USD relative to the Euro would have resulted in an increase to our expenses denominated in Euro of $7.5 million.

Principal Risks

Investing in our company involves a high degree of risk. In deciding whether to invest in our ordinary shares, you should consider carefully the risks described below in addition to the financial and other information contained in this Directors' Report. If any events described by the following risks actually occur, they could materially adversely affect our business, financial condition or operating results. This could cause the market price of our ordinary shares to decline, and could cause you to lose all or a part of your investment.

Our revenues largely depend on the actions of our third-party collaborators, and if they are not effective, our revenues could be materially adversely affected.

The revenues from the sale of our products may fall below our expectations, the expectations of our partners or those of investors, which could have a material adverse effect on our results of operations and the price of our ordinary shares, and will depend on numerous factors, many of which are outside our control.

RISPERDAL CONSTA, AMPYRA/FAMPYRA, BYDUREON AND INVEGA SUSTENNA/XEPLION

While we manufacture RISPERDAL CONSTA and AMPYRA/FAMPYRA, we are not involved in the commercialization efforts for those products. RISPERDAL CONSTA is commercialized by Janssen. AMPYRA/FAMPYRA is commercialized by Acorda in the U.S. and by Biogen Idec outside the U.S. Our revenues depend on manufacturing fees and royalties we receive from Janssen, Acorda and Biogen Idec, each of which relates to sales of such products by or on behalf of our partners. Accordingly, our revenues will depend in large part on the efforts of our partners, and we will not be able to control this.

Pursuant to our arrangements with Bristol-Myers and Janssen, we are not responsible for the clinical development, manufacture or commercialization efforts for BYDUREON or INVEGA SUSTENNA/XEPLION, respectively.

For these and other reasons outside of our control, our revenues from the sale of RISPERDAL CONSTA, AMPYRA/FAMPYRA, BYDUREON and INVEGA SUSTENNA/XEPLION may not meet our or our partners' expectations or those of investors.

VIVITROL

In December 2007, we exclusively licensed the right to commercialize VIVITROL for the treatment of alcohol dependence and opioid dependence in Russia and other countries in the CIS to Cilag. Cilag has primary responsibility for securing all necessary regulatory approvals for VIVITROL and Janssen-Cilag, an affiliate of Cilag, has full responsibility for the commercialization of the product in these countries. We receive manufacturing revenues, and royalty revenues based upon product sales. Our revenues from the sale of VIVITROL in Russia and countries of the CIS may not be significant and will depend on numerous factors, many of which are outside of our control.

REMAINING COMMERCIAL PORTFOLIO

In addition, we are not responsible for, or involved with, the sales and marketing efforts for many of our other products and, in some instances, we are also not involved in their manufacture.

We rely heavily on collaborative partners to develop and commercialize our products.

Our arrangements with collaborative partners are critical to bringing our products to the market and successfully commercializing them. We rely on these parties in various respects, including: providing funding for product candidate development programs; conducting preclinical testing and clinical trials; participating actively in, or managing, the regulatory approval process; and commercializing our products.

The process of establishing collaborative arrangements with third parties to develop particular products or to accelerate the development of early-stage product candidates is difficult, time-consuming and involves significant uncertainty. We face, and will continue to face, significant competition in seeking appropriate collaborative partners. If we are unable to establish and maintain collaborative arrangements on acceptable terms, we may have to delay or discontinue further development of one or more of our product candidates or manufacture, seek regulatory approval and/or undertake commercialization activities for the product at our own expense.

Our collaborative partners may also choose to use their own or other technology to develop an alternative product and withdraw their support of our product candidate, or to compete with our jointly developed product. Alternatively, proprietary products we may develop in the future could compete directly with products we developed with our collaborative partners. Disputes may also arise between us and a collaborative partner and may involve the ownership of technology developed during a collaboration or other issues arising out of collaborative agreements. Such a dispute could delay the related program or result in expensive arbitration or litigation, which may not be resolved in our favor.

Most of our collaborative partners can terminate their agreements with us without cause, and we cannot guarantee that any of these relationships will continue. Failure to make or maintain these arrangements or a delay in a collaborative partner's performance, or factors that may affect a partner's sales, may materially adversely affect our business, financial condition, cash flows and results of operations.

Our revenues may be lower than expected as a result of failure by the marketplace to accept our products or for other factors.

We cannot be assured that our products will be, or will continue to be, accepted in the U.S. or in any markets outside the U.S. or that sales of our products will not decline or cease in the future. A number of factors may cause revenues from sales of our products to grow at a slower than expected rate, or even to decrease or cease, including:

- perception of physicians and other members of the healthcare community as to our products' safety and efficacy relative to that of competing products;
- the cost-effectiveness of our products;
- patient and physician satisfaction with our products;
- the successful manufacture of our commercial products on a timely basis;
- the cost and availability of raw materials necessary for the manufacture of our products;
- the size of the markets for our products;
- reimbursement policies of government and third-party payors;

- unfavorable publicity concerning our products, similar classes of drugs or the industry generally;
- the introduction, availability and acceptance of competing treatments, including treatments marketed and sold by our collaborators;
- the reaction of companies that market competitive products;
- adverse event information relating to our products or to similar classes of drugs;
- changes to the product labels of our products, or of products within the same drug classes, to add significant warnings or restrictions on use;
- our continued ability to access third parties to vial, label and distribute our products on acceptable terms;
- the unfavorable outcome of patent litigation, including so-called "Paragraph IV" litigation, related to any of our products;
- regulatory developments related to the manufacture or continued use of our products, including the issuance of a REMS by the FDA;
- the extent and effectiveness of the sales and marketing and distribution support our products receive;
- our collaborators' decisions as to the timing of product launches, pricing and discounting;
- disputes with our collaborators relating to the marketing and sale of partnered products;
- exchange rate valuations and fluctuations; and
- any other material adverse developments with respect to the commercialization of our products.

Our revenues will also fluctuate from quarter to quarter based on a number of other factors, including the acceptance of our products in the marketplace, our partners' orders, the timing of shipments, our ability to manufacture successfully, our yield and our production schedule. The unit costs to manufacture our products may be higher than anticipated if certain volume levels are not achieved. In addition, we may not be able to supply the products in a timely manner or at all.

We are subject to risks related to the manufacture of our products.

The manufacture of pharmaceutical products is a highly complex process in which a variety of difficulties may arise from time to time including, but not limited to, product loss due to material failure, equipment failure, vendor error, operator error, labor shortages, inability to obtain material, equipment or transportation, physical or electronic security breaches, natural disasters and many other factors. Problems with manufacturing processes could result in product defects or manufacturing failures, which could require us to delay shipment of products or recall products previously shipped, or could impair our ability to expand into new markets or supply products in existing markets. We may not be able to resolve any such problems in a timely fashion, if at all.

We rely solely on our manufacturing facility in Wilmington, Ohio for the manufacture of RISPERDAL CONSTA, VIVITROL, polymer for BYDUREON and some of our product candidates. We rely on our manufacturing facility in Athlone, Ireland for the manufacture of AMPYRA/FAMPYRA and some of our other products using our NanoCrystal and OCR technologies. We rely on our manufacturing facility in Gainesville, Georgia for the manufacture of RITALIN LA/FOCALIN XR and some of our other products using our OCR technologies.

Due to regulatory and technical requirements, we have limited ability to shift production among our facilities or to outsource any part of our manufacturing to third parties. If we cannot produce sufficient commercial quantities of our products to meet demand, there are currently very few, if any,

third-party manufacturers capable of manufacturing our products as contract suppliers. We cannot be certain that we could reach agreement on reasonable terms, if at all, with those manufacturers. Even if we were to reach agreement, the transition of the manufacturing process to a third party to enable commercial supplies could take a significant amount of time and money, and may not be successful.

Our manufacturing facilities also require specialized personnel and are expensive to operate and maintain. Any delay in the regulatory approval or market launch of product candidates, or suspension of the sale of our products, to be manufactured in our facilities may cause operating losses as we continue to operate these facilities and retain specialized personnel. In addition, any interruption in manufacturing could result in delays in meeting contractual obligations and could damage our relationships with our collaborative partners, including the loss of manufacturing and supply rights.

We rely on third parties to provide services in connection with the manufacture and distribution of our products.

We rely on third parties for the timely supply of specified raw materials, equipment, contract manufacturing, formulation or packaging services, product distribution services, customer service activities and product returns processing. Although we actively manage these third-party relationships to ensure continuity and quality, some events beyond our control could result in the complete or partial failure of these goods and services. Any such failure could materially adversely affect our business, financial condition, cash flows and results of operations.

The manufacture of products and product components, including the procurement of bulk drug product, packaging, storage and distribution of our products, requires successful coordination among us and multiple third-party providers. For example, we are responsible for the entire supply chain for VIVITROL, up to the sale of final product and including the sourcing of key raw materials and active pharmaceutical agents from third parties. We have limited experience in managing a complex product distribution network. Issues with our-third party providers, including our inability to coordinate these efforts, lack of capacity available at such third-party providers or any other problems with the operations of these third-party contractors, could require us to delay shipment of saleable products, recall products previously shipped or could impair our ability to supply products at all. This could increase our costs, cause us to lose revenue or market share and damage our reputation and have a material adverse effect on our business, financial condition, cash flows and results of operations.

Due to the unique nature of the production of our products, there are several single-source providers of our key raw materials. For example, certain solvents and kit components used in the manufacture of RISPERDAL CONSTA are single-sourced. We endeavor to qualify new vendors and to develop contingency plans so that production is not impacted by issues associated with single-source providers. Nonetheless, our business could be materially and adversely affected by issues associated with single-source providers.

We are also dependent in certain cases on third parties to manufacture products. Where the manufacturing rights to the products in which our technologies are applied are granted to or retained by our third-party licensee or approved sub-licensee, we have no control over the manufacturing, supply or distribution of the product.

If we or our third-party providers fail to meet the stringent requirements of governmental regulation in the manufacture of our products, we could incur substantial remedial costs and a reduction in sales and/or revenues.

We and our third-party providers are generally required to comply with cGMP and are subject to inspections by the FDA or comparable agencies in other jurisdictions to confirm such compliance. Any changes of suppliers or modifications of methods of manufacturing require amending our application to the FDA or other regulatory agencies, and ultimate amendment acceptance by such agencies, prior to

release of product to the applicable marketplace. Our inability or the inability of our third-party service providers to demonstrate ongoing cGMP compliance could require us to withdraw or recall products and interrupt commercial supply of our products. Any delay, interruption or other issues that may arise in the manufacture, formulation, packaging or storage of our products as a result of a failure of our facilities or the facilities or operations of third parties to pass any regulatory agency inspection could significantly impair our ability to develop and commercialize our products. This could increase our costs, cause us to lose revenue or market share and damage our reputation.

The FDA and various regulatory agencies outside the U.S. have inspected and approved our commercial manufacturing facilities. We cannot guarantee that the FDA or any other regulatory agencies will approve any other facility we or our suppliers may operate or, once approved, that any of these facilities will remain in compliance with cGMP regulations. Any third party we use to manufacture bulk drug product, or package, store or distribute our products to be sold in the U.S., must be licensed by the FDA. Failure to gain or maintain regulatory compliance with the FDA or regulatory agencies outside the U.S. could materially adversely affect our business, financial condition, cash flows and results of operations.

Revenues generated by sales of our products depend on the availability of reimbursement from third-party payors, and a reduction in payment rate or reimbursement or an increase in our financial obligation to governmental payors could result in decreased sales of our products and revenue.

In both U.S. and non-U.S. markets, sales of our products depend, in part, on the availability of reimbursement from third-party payors such as state and federal governments, including Medicare and Medicaid in the U.S. and similar programs in other countries, managed care providers and private insurance plans. Deterioration in the timeliness, certainty and amount of reimbursement for our products, including the existence of barriers to coverage of our products (such as prior authorization, criteria for use or other requirements), limitations by healthcare providers on how much, or under what circumstances, they will prescribe or administer our products or unwillingness by patients to pay any required co-payments could reduce the use of, and revenues generated from, our products and could have a material adverse effect on our business, financial condition, cash flows and results of operations. In addition, when a new medical product is approved, the availability of government and private reimbursement for that product is uncertain, as is the amount for which that product will be reimbursed. We cannot predict the availability or amount of reimbursement for our product candidates.

In the U.S., federal and state legislatures, health agencies and third-party payors continue to focus on containing the cost of health care. The 2010 Patient Protection and Affordable Care Act encourages the development of comparative effectiveness research and any adverse findings for our products from such research may reduce the extent of reimbursement for our products. Economic pressure on state budgets may result in states increasingly seeking to achieve budget savings through mechanisms that limit coverage or payment for drugs. State Medicaid programs are increasingly requesting manufacturers to pay supplemental rebates and requiring prior authorization by the state program for use of any drug for which supplemental rebates are not being paid. Managed care organizations continue to seek price discounts and, in some cases, to impose restrictions on the coverage of particular drugs. Government efforts to reduce Medicaid expenses may lead to increased use of managed care organizations by Medicaid programs. This may result in managed care organizations influencing prescription decisions for a larger segment of the population and a corresponding constraint on prices and reimbursement for our products.

The government-sponsored healthcare systems in Europe and many other countries are the primary payors for healthcare expenditures, including payment for drugs and biologics. We expect that countries may take actions to reduce expenditure on drugs and biologics, including mandatory price reductions, patient access restrictions, suspensions of price increases, increased mandatory discounts or rebates, preference for generic products, reduction in the amount of reimbursement, and greater

importation of drugs from lower-cost countries. These cost control measures likely would reduce our revenues. In addition, certain countries set prices by reference to the prices in other countries where our products are marketed. Thus, the inability to secure adequate prices in a particular country may not only limit the marketing of products within that country, but may also adversely affect the ability to obtain acceptable prices in other markets.

In addition, public and private insurers have pursued, and continue to pursue, aggressive cost containment initiatives, including increased focus on comparing the effectiveness, benefits and costs of similar treatments, which may result in lower reimbursement rates for our products.

Patent protection for our products is important and uncertain.

The following factors are important to our success:

- receiving and maintaining patent and/or trademark protection for our products, product candidates, technologies and developing technologies, including those that are the subject of collaborations with our collaborative partners;
- maintaining our trade secrets;
- not infringing the proprietary rights of others; and
- preventing others from infringing our proprietary rights.

Patent protection only provides rights of exclusivity for the term of the patent. We are able to protect our proprietary rights from unauthorized use by third parties only to the extent that our proprietary rights are covered by valid and enforceable patents or are effectively maintained as trade secrets. In this regard, we try to protect our proprietary position by filing patent applications in the U.S. and elsewhere related to our proprietary product inventions and improvements that are important to the development of our business. Our pending patent applications, together with those we may file in the future, or those we may license from third parties, may not result in patents being issued. Even if issued, such patents may not provide us with sufficient proprietary protection or competitive advantages against competitors with similar technology. The development of new technologies or pharmaceutical products may take a number of years, and there can be no assurance that any patents which may be granted in respect of such technologies or products will not have expired or be due to expire by the time such products are commercialized.

Although we believe that we make reasonable efforts to protect our intellectual property rights and to ensure that our proprietary technology does not infringe the rights of other parties, we cannot ascertain the existence of all potentially conflicting claims. Therefore, there is a risk that third parties may make claims of infringement against our products or technologies. We know of several U.S. patents issued in the U.S. to third parties that may relate to our product candidates. We also know of patent applications filed by other parties in the U.S. and various countries outside the U.S. that may relate to some of our product candidates if such patents are issued in their present form. If patents are issued that cover our product candidates, we may not be able to manufacture, use, offer for sale, import or sell such product candidates without first getting a license from the patent holder. The patent holder may not grant us a license on reasonable terms or it may refuse to grant us a license at all. This could delay or prevent us from developing, manufacturing or selling those of our product candidates that would require the license. A patent holder might also file an infringement action against us claiming that the manufacture, use, offer for sale, import or sale of our product candidates infringed one or more of its patents. Even if we believe that such claims are without merit, our cost of defending such an action is likely to be high and we might not receive a favorable ruling, and the action could be time-consuming and distract management's attention and resources. Claims of intellectual property infringement also might require us to redesign affected products, enter into costly settlement or license agreements or pay costly damage awards, or face a temporary or permanent injunction prohibiting us

from marketing or selling certain of our products. Even if we have an agreement to indemnify us against such costs, the indemnifying party may be unable to uphold its contractual obligations. If we cannot or do not license the infringed technology at all, license the technology on reasonable terms or substitute similar technology from another source, our revenue and earnings could be adversely impacted.

Because the patent positions of pharmaceutical and biotechnology companies involve complex legal and factual questions, enforceability of patents cannot be predicted with certainty. The ultimate degree of patent protection that will be afforded to biotechnology products and processes, including ours, in the U.S. and in other important markets, remains uncertain and is dependent upon the scope of protection decided upon by the patent offices, courts and lawmakers in these countries. The recently enacted America Invents Act, which reformed certain patent laws in the U.S., may create additional uncertainty. Patents, if issued, may be challenged, invalidated or circumvented. As more products are commercialized using our proprietary product platforms, or as any product achieves greater commercial success, our patents become more likely to be subject to challenge by potential competitors. The laws of certain countries may not protect our intellectual property rights to the same extent as do the laws of the U.S. Thus, any patents that we own or license from others may not provide any protection against competitors. Furthermore, others may independently develop similar technologies outside the scope of our patent coverage.

We also rely on trade secrets, know-how and technology, which are not protected by patents, to maintain our competitive position. We try to protect this information by entering into confidentiality agreements with parties that have access to it, such as our collaborative partners, licensees, employees and consultants. Any of these parties may breach the agreements and disclose our confidential information, or our competitors might learn of the information in some other way. To the extent that our employees, consultants or contractors use intellectual property owned by others in their work for us, disputes may arise as to the rights in related or resulting know-how and inventions. If any trade secret, know-how or other technology not protected by a patent were to be disclosed to, or independently developed by, a competitor, such event could materially adversely affect our business, results of operations, cash flows and financial condition.

Uncertainty over intellectual property in the pharmaceutical industry has been the source of litigation, which is inherently costly and unpredictable.

There is considerable uncertainty within the pharmaceutical industry about the validity, scope and enforceability of many issued patents in the U.S. and elsewhere in the world. We cannot currently determine the ultimate scope and validity of patents which may be granted to third parties in the future or which patents might be asserted to be infringed by the manufacture, use and sale of our products.

In part as a result of this uncertainty, there has been, and we expect that there may continue to be, significant litigation in the pharmaceutical industry regarding patents and other intellectual property rights. We may have to enforce our intellectual property rights against third parties who infringe our patents and other intellectual property or challenge our patent or trademark applications. For example, in the U.S., putative generics of innovator drug products (including products in which the innovation comprises a new drug delivery method for an existing product, such as the drug delivery market occupied by us) may file ANDAs and, in doing so, certify that their products either do not infringe the innovator's patents or that the innovator's patents are invalid. This often results in litigation between the innovator and the ANDA applicant. This type of litigation is commonly known as "Paragraph IV" litigation in the U.S. We and our collaborative partners are involved in a number of Paragraph IV litigations in the U.S. and a similar suit in France in respect of some of our products. These litigations could result in new or additional generic competition to our marketed products and a potential reduction in product revenue.

Litigation and administrative proceedings concerning patents and other intellectual property rights may be expensive, distracting to management and protracted with no certainty of success. Competitors may sue us as a way of delaying the introduction of our products. Any litigation, including any interference or derivation proceedings to determine priority of inventions, oppositions or other post-grant review proceedings to patents in the U.S. or in countries outside the U.S., or litigation against our partners may be costly and time-consuming and could harm our business. We expect that litigation may be necessary in some instances to determine the validity and scope of certain of our proprietary rights. Litigation may be necessary in other instances to determine the validity, scope and/or non-infringement of certain patent rights claimed by third parties to be pertinent to the manufacture, use or sale of our products. Ultimately, the outcome of such litigation could adversely affect the validity and scope of our patent or other proprietary rights or hinder our ability to manufacture and market our products.

Our level of indebtedness could adversely affect our business and limit our ability to plan for or respond to changes in our business.

On September 25, 2012, we entered into an amendment to our $310.0 million First Lien Credit Agreement pursuant to which the First Lien Credit Agreement was amended and restated to, among other things, provide for a new tranche of term loans in an amount equal to $375.0 million, the proceeds of which, together with cash-on hand of approximately $75.0 million, were used to repay in full all monies due pursuant to our $140.0 million Second Lien Credit Agreement. The new term loans consisted of a $300.0 million, seven-year term loan at LIBOR plus 3.50% ("Term Loan B-1"), and a $75.0 million, four-year term loan at LIBOR plus 3.00% ("Term Loan B-2" and together with Term Loan B-1, the "2013 Term Loans"), with, for each term loan, a LIBOR floor of 1.00%.

On February 14, 2013, we further amended our amended and restated credit agreement to secure: (i) a reduction in interest payable under Term Loan B-1 to LIBOR plus 2.75% and a decrease in the LIBOR floor to 0.75%; (ii) a reduction in interest payable under Term Loan B-2 to LIBOR plus 2.75% and a decrease in the LIBOR floor to 0%; and (iii) a shortened time period, from one year to six months, during which a refinancing of our term loans, as described in the amended and restated credit agreement, would trigger a 1% prepayment premium.

Our existing indebtedness is guaranteed by certain of our subsidiaries. Our level of indebtedness and the terms of these financing arrangements could adversely affect our business by, among other things:

- requiring us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow for other purposes, including business development efforts, research and development and capital expenditures;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate, thereby placing us at a competitive disadvantage compared to competitors with less debt;
- limiting our ability to take advantage of significant business opportunities, such as potential acquisition opportunities; and
- increasing our vulnerability to adverse economic and industry conditions.

Our term loan facility imposes restrictive covenants on us and requires certain payments of principal and interest over time. A failure to comply with these restrictions or to make these payments could lead to an event of default that could result in an acceleration of the indebtedness. Our future operating results may not be sufficient to ensure compliance with these covenants or to remedy any such default. In the event of an acceleration of this indebtedness, we may not have or be able to obtain sufficient funds to make any accelerated payments.

We rely on a limited number of pharmaceutical wholesalers to distribute our product.

As is typical in the pharmaceutical industry, we rely upon pharmaceutical wholesalers in connection with the distribution of our products. A significant amount of our product is sold to end-users through the three largest wholesalers in the U.S. market, Cardinal Health Inc., AmerisourceBergen Corp., and McKesson Corp. If we are unable to maintain our business relationships with these major pharmaceutical wholesalers on commercially acceptable terms, if the buying patterns of these wholesalers fluctuate due to seasonality, wholesaler buying decisions or other factors outside of our control, such events could materially adversely affect our business, results of operations, cash flows and financial condition.

We have limited experience in the commercialization of products.

We assumed responsibility for the marketing and sale of VIVITROL in the U.S. from Cephalon in December 2008. VIVITROL is the first commercial product for which we have had sole responsibility for commercialization, including but not limited to sales, marketing, distribution and reimbursement-related activities. We are increasingly focused on maintaining rights to commercialize our leading product candidates in certain markets.

We have limited commercialization experience. We may not be able to attract and retain qualified personnel to serve in our sales and marketing organization, to develop an effective distribution network or to otherwise effectively support our commercialization activities. The cost of establishing and maintaining a sales and marketing organization may exceed its cost-effectiveness. If we fail to develop sales and marketing capabilities, if sales efforts are not effective or if the costs of developing sales and marketing capabilities exceed their cost-effectiveness, such events could materially adversely affect our business, results of operations, cash flows and financial condition.

Our product platforms or product development efforts may not produce safe, efficacious or commercially viable products and, if we are unable to develop new products, our business may suffer.

Our long-term viability and growth will depend upon the successful development of new products from our research and development activities. Product development is very expensive and involves a high degree of risk. Only a small number of research and development programs result in the commercialization of a product. Success in preclinical work or early stage clinical trials does not ensure that later stage or larger scale clinical trials will be successful. Conducting clinical trials is a complex, time-consuming and expensive process. Our ability to complete our clinical trials in a timely fashion depends in large part on a number of key factors including protocol design, regulatory and institutional review board approval, the rate of patient enrollment in clinical trials, and compliance with extensive current Good Clinical Practices (“cGCP”).

In addition, since we fund the development of our proprietary product candidates, there is a risk that we may not be able to continue to fund all such development efforts to completion or to provide the support necessary to perform the clinical trials, obtain regulatory approvals or market any approved products on a worldwide basis. We expect the development of products for our own account to consume substantial resources. If we are able to develop commercial products on our own, the risks associated with these programs may be greater than those associated with our programs with collaborative partners.

For factors that may affect the market acceptance of our products approved for sale, see “—We face competition in the biotechnology and pharmaceutical industries.” If our delivery technologies or product development efforts fail to result in the successful development and commercialization of product candidates, if our collaborative partners decide not to pursue development and/or commercialization of our product candidates or if new products do not perform as anticipated, such

events could materially adversely affect our business, results of operations, cash flows and financial condition.

The FDA or regulatory agencies outside the U.S. may not approve our product candidates or may impose limitations upon any product approval.

We must obtain government approvals before marketing or selling our drug candidates in the U.S. and in jurisdictions outside the U.S. The FDA and comparable regulatory agencies in other countries impose substantial and rigorous requirements for the development, production and commercial introduction of drug products. These include preclinical, laboratory and clinical testing procedures, sampling activities, clinical trials and other costly and time-consuming procedures. In addition, regulation is not static, and regulatory agencies, including the FDA, evolve in their staff, interpretations and practices and may impose more stringent requirements than currently in effect, which may adversely affect our planned drug development and/or our commercialization efforts. Satisfaction of the requirements of the FDA and of other regulatory agencies typically takes a significant number of years and can vary substantially based upon the type, complexity and novelty of the drug candidate. The approval procedure and the time required to obtain approval also varies among countries. Regulatory agencies may have varying interpretations of the same data, and approval by one regulatory agency does not ensure approval by regulatory agencies in other jurisdictions. In addition, the FDA or regulatory agencies outside the U.S. may choose not to communicate with or update us during clinical testing and regulatory review periods. The ultimate decision by the FDA or other regulatory agencies regarding drug approval may not be consistent with prior communications. See "—Our revenues may be lower than expected as a result of failure by the marketplace to accept our products or for other factors."

This product development process can last many years, be very costly and still be unsuccessful. Regulatory approval by the FDA or regulatory agencies outside the U.S. can be delayed, limited or not granted at all for many reasons, including:

- a product candidate may not demonstrate safety and efficacy for each target indication in accordance with FDA standards or standards of other regulatory agencies;
- poor rate of patient enrollment, including limited availability of patients who meet the criteria for certain clinical trials;
- data from preclinical testing and clinical trials may be interpreted by the FDA or other regulatory agencies in different ways than we or our partners interpret it;
- the FDA or other regulatory agencies might not approve our or our partners' manufacturing processes or facilities;
- the FDA or other regulatory agencies may not approve accelerated development timelines for our product candidates;
- the failure of third-party clinical research organizations and other third-party service providers and independent clinical investigators to manage and conduct the trials, to perform their oversight of the trials or to meet expected deadlines;
- the failure of our clinical investigational sites and the records kept at such sites, including the clinical trial data, to be in compliance with the FDA's GCP, or EU legislation governing GCP, including the failure to pass FDA, EMA or EU Member State inspections of clinical trials;
- the FDA or other regulatory agencies may change their approval policies or adopt new regulations;

- adverse medical events during the trials could lead to requirements that trials be repeated or extended, or that a program be terminated or placed on clinical hold, even if other studies or trials relating to the program are successful; and
- the FDA or other regulatory agencies may not agree with our or our partners' regulatory approval strategies or components of our or our partners' filings, such as clinical trial designs.

In addition, our product development timelines may be impacted by third-party patent litigation. In summary, we cannot be sure that regulatory approval will be granted for drug candidates that we submit for regulatory review. Our ability to generate revenues from the commercialization and sale of additional drug products will be limited by any failure to obtain these approvals. In addition, stock prices have declined significantly in certain instances where companies have failed to obtain FDA approval of a drug candidate or if the timing of FDA approval is delayed. If the FDA's or any other regulatory agency's response to any application for approval is delayed or not favorable for any of our product candidates, our stock price could decline significantly.

Even if regulatory approval to market a drug product is granted, the approval may impose limitations on the indicated use for which the drug product may be marketed and additional post-approval requirements with which we would need to comply in order to maintain the approval of such products. Our business could be seriously harmed if we do not complete these studies and the FDA, as a result, requires us to change related sections of the marketing label for our products. In addition, adverse medical events that occur during clinical trials or during commercial marketing of our products could result in legal claims against us and the temporary or permanent withdrawal of our products from commercial marketing, which could seriously harm our business and cause our stock price to decline.

Clinical trials for our product candidates are expensive, and their outcome is uncertain.

Conducting clinical trials is a lengthy, time-consuming and expensive process. Before obtaining regulatory approvals for the commercial sale of any products, we or our partners must demonstrate, through preclinical testing and clinical trials, that our product candidates are safe and effective for use in humans. We have incurred, and we will continue to incur, substantial expense for preclinical testing and clinical trials.

Our preclinical and clinical development efforts may not be successfully completed. Completion of clinical trials may take several years or more. The length of time can vary substantially with the type, complexity, novelty and intended use of the product candidate. The commencement and rate of completion of clinical trials may be delayed by many factors, including:

- the potential delay by a collaborative partner in beginning the clinical trial;
- the inability to recruit clinical trial participants at the expected rate;
- the failure of clinical trials to demonstrate a product candidate's safety or efficacy;
- the inability to follow patients adequately after treatment;
- unforeseen safety issues;
- the inability to manufacture sufficient quantities of materials used for clinical trials; and
- unforeseen governmental or regulatory delays.

In addition, we have opened clinical sites and are enrolling patients in a number of countries where our experience is more limited. We depend on independent clinical investigators, contract research organizations and other third-party service providers and our collaborators in the conduct of clinical trials for our product candidates and in the accurate reporting of results from such clinical

trials. We rely heavily on these parties for successful execution of our clinical trials but do not control many aspects of their activities. For example, while the investigators are not our employees, we are responsible for ensuring that each of our clinical trials is conducted in accordance with the general investigational plan and protocols for the trial. Third parties may not complete activities on schedule or may not conduct our clinical trials in accordance with regulatory requirements or our stated protocols.

The results from preclinical testing and early clinical trials often have not predicted results of later clinical trials. A number of new drugs have shown promising results in early clinical trials, but subsequently failed to establish sufficient safety and efficacy data to obtain necessary regulatory approvals. Clinical trials conducted by us, by our collaborative partners or by third parties on our behalf may not demonstrate sufficient safety and efficacy to obtain the requisite regulatory approvals for our product candidates.

If a product candidate fails to demonstrate safety and efficacy in clinical trials or if third parties fail to conduct clinical trials in accordance with their obligations, the development, approval and commercialization of our product candidates may be delayed or prevented and such events could materially adversely affect our business, results of operations, cash flows and financial condition.

The commercial use of our products may cause unintended side effects or adverse reactions, or incidents of misuse may occur, which could adversely affect our business and stock price.

We cannot predict whether the commercial use of our products will produce undesirable or unintended side effects that have not been evident in the use of, or in clinical trials conducted for, such products to date. Additionally, incidents of product misuse may occur. These events, among others, could result in product recalls, product liability actions or withdrawals or additional regulatory controls (including additional regulatory scrutiny and requirements for additional labeling), all of which could have a material adverse effect on our business, results of operations, cash flows and financial condition. In addition, the reporting of adverse safety events involving our products and public rumors about such events could cause our product sales or stock price to decline or experience periods of volatility.

If we fail to comply with the extensive legal and regulatory requirements affecting the healthcare industry, we could face increased costs, penalties and a loss of business.

Our activities, and the activities of our collaborators and third-party providers, are subject to comprehensive government regulation. Government regulation by various national, state and local agencies, which includes detailed inspection of, and controls over, research and laboratory procedures, clinical investigations, product approvals and manufacturing, marketing and promotion, adverse event reporting, sampling, distribution, recordkeeping, storage, and disposal practices, and achieving compliance with these regulations, substantially increases the time, difficulty and costs incurred in obtaining and maintaining the approval to market newly developed and existing products. Government regulatory actions can result in delay in the release of products, seizure or recall of products, suspension or revocation of the authority necessary for their production and sale, and other civil or criminal sanctions, including fines and penalties. Pharmaceutical and biotechnology companies have been the target of lawsuits and investigations alleging violations of government regulation, including claims asserting submission of incorrect pricing information, impermissible off-label promotion of pharmaceutical products, payments intended to influence the referral of healthcare business, submission of false claims for government reimbursement, antitrust violations or violations related to environmental matters.

Changes in laws affecting the healthcare industry could also adversely affect our revenues and profitability, including new laws, regulations or judicial decisions, or new interpretations of existing laws, regulations or decisions, related to patent protection and enforcement, healthcare availability, and product pricing and marketing. Changes in FDA regulations and regulations issued by regulatory

agencies outside of the U.S., including new or different approval requirements, timelines and processes, may also delay or prevent the approval of new products, require additional safety monitoring, labeling changes, restrictions on product distribution or other measures that could increase our costs of doing business and adversely affect the market for our products. The enactment in the U.S. of healthcare reform, new legislation or implementation of existing statutory provisions on importation of lower-cost competing drugs from other jurisdictions and legislation on comparative effectiveness research are examples of previously enacted and possible future changes in laws that could adversely affect our business.

While we continually strive to comply with these complex requirements, we cannot guarantee that we, our employees, our collaborators, our consultants or our contractors are or will be in compliance with all potentially applicable U.S. federal and state regulations and/or laws or all potentially applicable regulations and/or laws outside the U.S. and interpretations of the applicability of these laws to marketing practices. If we or our agents fail to comply with any of those regulations and/or laws, a range of actions could result, including, but not limited to, the termination of clinical trials, the failure to approve a product candidate, restrictions on our products or manufacturing processes, withdrawal of our products from the market, significant fines, exclusion from government healthcare programs or other sanctions or litigation. Additionally, while we have implemented numerous risk mitigation measures, we cannot guarantee that we will be able to effectively mitigate all operational risks. Failure to effectively mitigate all operational risks may materially adversely affect our product supply, which could have a material adverse effect on our product sales and/or revenues and results of operations.

We face competition in the biotechnology and pharmaceutical industries.

We face intense competition in the development, manufacture, marketing and commercialization of our products and product candidates from many and varied sources, such as academic institutions, government agencies, research institutions and biotechnology and pharmaceutical companies, including other companies with similar technologies, and we can provide no assurance that we will be able to compete successfully. Some of these competitors are also our collaborative partners, who control the commercialization of products for which we receive manufacturing and/or royalty revenues. These competitors are working to develop and market other systems, products, vaccines and other methods of preventing or reducing disease, and new small-molecule and other classes of drugs that can be used with or without a drug delivery system.

The biotechnology and pharmaceutical industries are characterized by intensive research, development and commercialization efforts and rapid and significant technological change. Many of our competitors are larger and have significantly greater financial and other resources than we do. As a result, we expect that our competitors may develop new technologies, products and processes that may be more effective than those we develop. They may also develop their products more rapidly than us, complete any applicable regulatory approval process sooner than we can or offer their newly developed products at prices lower than our prices. The development of technologically improved or different products or technologies may make our product candidates or product platforms obsolete or noncompetitive before we recover expenses incurred in connection with their development or realize any revenues from any commercialized product.

There are other companies developing extended-release product platforms. In many cases, there are products on the market or in development that may be in direct competition with our products or product candidates. In addition, we know of new chemical entities that are being developed that, if successful, could compete against our product candidates. These chemical entities are being designed to work differently than our product candidates and may turn out to be safer or to be more effective than our product candidates. Among the many experimental therapies being tested around the world, there may be some that we do not now know of that may compete with our proprietary product platforms or product candidates. Our collaborative partners could choose a competing technology to use with their

drugs instead of one of our product platforms and could develop products that compete with our products.

With respect to our proprietary injectable product platform, we are aware that there are other companies developing extended-release delivery systems for pharmaceutical products. RISPERDAL CONSTA and INVEGA SUSTENNA may compete with a number of other injectable products including ZYPREXA RELPREVV ((olanzapine) For Extended Release Injectable Suspension), which is marketed and sold by Lilly; a once-monthly injectable formulation of ABILIFY (aripiprazole) developed by Otsuka, which was approved by the FDA in February 2013 and is commercialized under the name ABILIFY MAINTENA; and other products currently in development. RISPERDAL CONSTA and INVEGA SUSTENNA may also compete with new oral compounds currently on the market or being developed for the treatment of schizophrenia.

In the treatment of alcohol dependence, VIVITROL competes with CAMPRAL (acamprosate calcium) sold by Forest Laboratories and ANTABUSE sold by Odyssey as well as currently marketed drugs also formulated from naltrexone. Other pharmaceutical companies are developing product candidates that have shown some promise in treating alcohol dependence and that, if approved by the FDA, would compete with VIVITROL.

In the treatment of opioid dependence, VIVITROL competes with methadone, oral naltrexone, and SUBOXONE (buprenorphine HCl/naloxone HCl dehydrate sublingual tablets), SUBOXONE (buprenorphine/naloxone) Sublingual Film, and SUBUTEX (buprenorphine HCl sublingual tablets), each of which is marketed and sold by Reckitt Benckiser Pharmaceuticals, Inc. in the U.S. It also competes with generic versions of SUBUTEX and SUBOXONE sublingual tablets.Other pharmaceutical companies are developing product candidates that have shown promise in treating opioid dependence and that, if approved by the FDA, would compete with VIVITROL.

BYDUREON competes with established therapies for market share. Such competitive products include sulfonylureas, metformin, insulins, thiazolidinediones, glinides, dipeptidyl peptidase type IV inhibitors, insulin sensitizers, alpha-glucosidase inhibitors and sodium-glucose transporter-2 inhibitors. BYDUREON also competes with other GLP-1 agonists, including VICTOZA (liraglutide (rDNA origin) injection), which is marketed and sold by Novo Nordisk A/S. Other pharmaceutical companies are developing product candidates for the treatment of type 2 diabetes that, if approved by the FDA, could compete with BYDUREON.

AMPYRA/FAMPYRA is, to our knowledge, the first product that is approved as a treatment to improve walking in patients with MS. However, there are a number of FDA-approved therapies for MS disease management that seek to reduce the frequency and severity of exacerbations or slow the accumulation of physical disability for people with certain types of MS. These products include AVONEX® from Biogen Idec, BETASERON® from Bayer HealthCare Pharmaceuticals, COPAXONE® from Teva Pharmaceutical Industries Ltd., REBIF® from Merck Serono, TYSABRI® and TECFIDERA™ from Biogen Idec, GILENYA® and EXTAVIA® from Novartis AG, and AUBAGIO® from Sanofi-Aventis.

With respect to our NanoCrystal technology, we are aware that other technology approaches similarly address poorly water soluble drugs. These approaches include nanoparticles, cyclodextrins, lipid-based self-emulsifying drug delivery systems, dendrimers and micelles, among others, any of which could limit the potential success and growth prospects of products incorporating our NanoCrystal technology. In addition, there are many competing technologies to our OCR technology, some of which are owned by large pharmaceutical companies with drug delivery divisions and other, smaller drug-delivery-specific companies.

If we are unable to compete successfully in the biotechnology and pharmaceutical industries, such events could materially adversely affect our business, results of operations, cash flows and financial condition.

We may not become profitable on a sustained basis.

At March 31, 2013, our accumulated deficit was $499.9 million, which was primarily the result of net losses incurred from 1987, the year Alkermes, Inc., was founded, through March 31, 2013, partially offset by net income over previous fiscal years. There can be no assurance we will achieve sustained profitability.

A major component of our revenue is dependent on our partners' and our ability to commercialize, and our and our partners' ability to manufacture economically, our marketed products.

Our ability to achieve sustained profitability in the future depends, in part, on our ability to:

- obtain and maintain regulatory approval for our products and product candidates, and for our partnered products, both in the U.S. and in other countries;
- efficiently manufacture our products;
- support the commercialization of our products by our collaborative partners;
- successfully market and sell VIVITROL in the U.S.;
- support the commercialization of VIVITROL in Russia and the countries of the CIS by our partner Cilag;
- enter into agreements to develop and commercialize our products and product candidates;
- develop, have manufactured or expand our capacity to manufacture and market our products and product candidates;
- obtain adequate reimbursement coverage for our products from insurance companies, government programs and other third-party payors;
- obtain additional research and development funding from collaborative partners or funding for our proprietary product candidates; and
- achieve certain product development milestones.

In addition, the amount we spend will impact our profitability. Our spending will depend, in part, on:

- the progress of our research and development programs for our product candidates and for our partnered product candidates, including clinical trials;
- the time and expense that will be required to pursue FDA and/or non-U.S. regulatory approvals for our products and whether such approvals are obtained;
- the time and expense required to prosecute, enforce and/or challenge patent and other intellectual property rights;
- the cost of building, operating and maintaining manufacturing and research facilities;
- the cost of third-party manufacture;
- the number of product candidates we pursue, particularly proprietary product candidates;
- how competing technological and market developments affect our product candidates;
- the cost of possible acquisitions of technologies, compounds, product rights or companies;

- the cost of obtaining licenses to use technology owned by others for proprietary products and otherwise;
- the costs of potential litigation; and
- the costs associated with recruiting and compensating a highly skilled workforce in an environment where competition for such employees may be intense.

We may not achieve all or any of these goals and, thus, we cannot provide assurances that we will ever be profitable on a sustained basis or achieve significant revenues. Even if we do achieve some or all of these goals, we may not achieve significant or sustained commercial success.

We may require additional funds to complete our programs, and such funding may not be available on commercially favorable terms or at all, and may cause dilution to our existing shareholders.

We may require additional funds to complete any of our programs, and we may seek funds through various sources, including debt and equity offerings, corporate collaborations, bank borrowings, arrangements relating to assets, sale of royalty streams we receive on our products or other financing methods or structures. The source, timing and availability of any financings will depend on market conditions, interest rates and other factors. If we are unable to raise additional funds on terms that are favorable to us or at all, we may have to cut back significantly on one or more of our programs or give up some of our rights to our product platforms, product candidates or licensed products. If we issue additional equity securities or securities convertible into equity securities to raise funds, our shareholders will suffer dilution of their investment, and it may adversely affect the market price of our ordinary shares.

Product liability claims may adversely affect our business.

The administration of drugs in humans, whether in clinical studies or commercially, carries the inherent risk of product liability claims whether or not the drugs are actually the cause of an injury. Our products or product candidates may cause, or may appear to have caused, injury or dangerous drug interactions, and we may not learn about or understand those effects until the product or product candidate has been administered to patients for a prolonged period of time. We are subject from time to time to lawsuits based on product liability and related claims. We currently carry product liability insurance coverage in such amounts as we believe are sufficient for our business. However, this coverage may not be sufficient to satisfy any liabilities that may arise. As our development activities progress and we continue to have commercial sales, this coverage may be inadequate, we may be unable to obtain adequate coverage at an acceptable cost or at all, or our insurer may disclaim coverage as to a future claim. This could prevent or limit our commercialization of our products. We may not be successful in defending ourselves in the litigation and, as a result, our business could be materially harmed. These lawsuits may result in large judgments or settlements against us, any of which could have a negative effect on our financial condition and business if in excess of our insurance coverage. Additionally, lawsuits can be expensive to defend, whether or not they have merit, and the defense of these actions may divert the attention of our management and other resources that would otherwise be engaged in managing our business.

Additionally, product recalls may be issued at our discretion or at the direction of the FDA, other government agencies or other entities having regulatory control for pharmaceutical product sales. We cannot assure you that product recalls will not occur in the future or that, if such recalls occur, such recalls will not adversely affect our business, results of operations, cash flows and financial condition or reputation.

Our business involves environmental, health and safety risks.

Our business involves the controlled use of hazardous materials and chemicals and is subject to numerous environmental, health and safety laws and regulations and to periodic inspections for possible violations of these laws and regulations. Under certain of those laws and regulations, we could be liable for any contamination at our current or former properties or third-party waste disposal sites. In addition to significant remediation costs, contamination can give rise to third-party claims for fines, penalties, natural resource damages, personal injury and damage (including property damage). The costs of compliance with environmental, health and safety laws and regulations are significant. Any violations, even if inadvertent or accidental, of current or future environmental, health or safety laws or regulations, the cost of compliance with any resulting order or fine and any liability imposed in connection with any contamination for which we may be responsible could materially adversely affect our business, results of operations, cash flows and financial condition.

Adverse credit and financial market conditions may exacerbate certain risks affecting our business.

As a result of adverse credit and financial market conditions, organizations that reimburse for use of our products, such as government health administration authorities and private health insurers, may be unable to satisfy such obligations or may delay payment. In addition, federal and state health authorities may reduce reimbursements (including Medicare and Medicaid reimbursements in the U.S.) or payments, and private insurers may increase their scrutiny of claims. We are also dependent on the performance of our collaborative partners, and we sell our products to our collaborative partners through contracts that may not be secured by collateral or other security. Accordingly, we bear the risk if our partners are unable to pay amounts due to us thereunder. Due to the recent tightening of global credit and the volatility in the financial markets, there may be a disruption or delay in the performance of our third-party contractors, suppliers or collaborative partners. If such third parties are unable to pay amounts owed to us or satisfy their commitments to us, or if there are reductions in the availability or extent of reimbursement available to us, our business and results of operations would be adversely affected.

Currency exchange rates may affect revenues.

We conduct a large portion of our business in international markets. For example, we derive a majority of our RISPERDAL CONSTA revenues and all of our FAMPYRA and XEPLION revenues from sales in countries other than the U.S., and these sales are denominated in non-U.S. dollar (“USD”) currencies. Such revenues fluctuate when translated to USD as a result of changes in currency exchange rates. We currently do not hedge this exposure. An increase in the USD relative to other currencies in which we have revenues will cause our non-USD revenues to be lower than with a stable exchange rate. A large increase in the value of the USD relative to such non-USD currencies could have a material adverse effect on our revenues, results of operations, cash flows and financial condition.

As a result of the Business Combination, we incur substantial operating costs in Ireland. We face exposure to changes in the exchange ratio of the USD and the Euro arising from expenses and payables at our Irish operations that are settled in Euro. The impact of changes in the exchange ratio of the USD and the Euro on our USD-denominated manufacturing and royalty revenues earned in countries other than the U.S. is partially offset by the opposite impact of changes in the exchange ratio of the USD and the Euro on operating expenses and payables incurred at our Irish operations that are settled in Euro. For the fiscal year ended March 31, 2013, an average 10% weakening in the USD relative to the Euro would have resulted in an increase to our expenses denominated in Euro of $7.5 million.

We may not be able to retain our key personnel.

Our success depends largely upon the continued service of our management and scientific staff and our ability to attract, retain and motivate highly skilled technical, scientific, manufacturing, management, regulatory compliance and selling and marketing personnel. The loss of key personnel or our inability to hire and retain personnel who have technical, scientific, manufacturing, management, regulatory compliance or commercial backgrounds could materially adversely affect our research and development efforts and our business.

Future transactions may harm our business or the market price of our ordinary shares.

We regularly review potential transactions related to technologies, products or product rights and businesses complementary to our business. These transactions could include:

- mergers;
- acquisitions;
- strategic alliances;
- licensing agreements; and
- co-promotion agreements.

We may choose to enter into one or more of these transactions at any time, which may cause substantial fluctuations in the market price of our ordinary shares. Moreover, depending upon the nature of any transaction, we may experience a charge to earnings, which could also materially adversely affect our results of operations and could harm the market price of our ordinary shares.

If we are unable to successfully integrate the companies, businesses or properties that we acquire, such events could materially adversely affect our business, results of operations, cash flows and financial condition. Merger and acquisition transactions, including the recent Business Combination involve various inherent risks, including:

- uncertainties in assessing the value, strengths and potential profitability of, and identifying the extent of all weaknesses, risks, contingent and other liabilities of, the respective parties;
- the potential loss of key customers, management and employees of an acquired business;
- the consummation of financing transactions, acquisitions or dispositions and the related effects on our business;
- the ability to achieve identified operating and financial synergies from an acquisition in the amounts and within the timeframe predicted;
- problems that could arise from the integration of the respective businesses, including the application of internal control processes to the acquired business;
- difficulties that could be encountered in managing international operations; and
- unanticipated changes in business, industry, market or general economic conditions that differ from the assumptions underlying our rationale for pursuing the transaction.

Any one or more of these factors could cause us not to realize the benefits anticipated from a transaction.

Moreover, any acquisition opportunities we pursue could materially affect our liquidity and capital resources and may require us to incur additional indebtedness, seek equity capital or both. Future acquisitions could also result in our assuming more long-term liabilities relative to the value of the acquired assets than we have assumed in our previous acquisitions. Further, acquisition accounting rules

require changes in certain assumptions made subsequent to the measurement period as defined in current accounting standards, to be recorded in current period earnings, which could affect our results of operations.

Our actual financial position and results of operations may differ materially from the unaudited pro forma financial data included in this Directors' Report.

The pro forma financial data contained in this Directors' Report are presented for illustrative purposes only and may not be an indication of what our financial condition or results of operations would have been had the Business Combination been completed on the dates indicated. The pro forma financial data have been derived from the audited and unaudited historical financial statements of Alkermes, Inc. and EDT, and certain adjustments and assumptions have been made regarding the combined company after giving effect to the Business Combination. Accordingly, the actual financial condition and results of operations of the combined company following the Business Combination may not be consistent with, or evident from, this pro forma financial data.

In addition, the assumptions used in preparing the pro forma financial information may not prove to be accurate, and other factors may affect our financial condition or results of operations. Any potential decline in our financial condition or results of operations may cause significant variations in our share price.

If goodwill or other intangible assets become impaired, we could have to take significant charges against earnings.

In connection with the accounting for the Business Combination, we recorded a significant amount of goodwill and other intangible assets. Under accounting principles generally accepted in the U.S. ("GAAP"), we must assess, at least annually and potentially more frequently, whether the value of goodwill and other indefinite-lived intangible assets have been impaired. Amortizing intangible assets will be assessed for impairment in the event of an impairment indicator. Any reduction or impairment of the value of goodwill or other intangible assets will result in a charge against earnings, which could materially adversely affect our results of operations and shareholders' equity in future periods.

Our investments are subject to general credit, liquidity, market and interest rate risks, which may be exacerbated by volatility in the U.S. credit markets.

As of March 31, 2013, a significant amount of our investments were invested in U.S. government treasury and agency securities. Our investment objectives are, first, to preserve liquidity and conserve capital and, second, to generate investment income. Should our investments cease paying or reduce the amount of interest paid to us, our interest income would suffer. In addition, general credit, liquidity, market and interest risks associated with our investment portfolio may have an adverse effect on our financial condition.

Our effective tax rate may increase.

As a global biotechnology company, we are subject to taxation in a number of different jurisdictions. As a result, our effective tax rate is derived from a combination of applicable tax rates in the various places that we operate. In preparing our financial statements, we estimate the amount of tax that will become payable in each of these places. Our effective tax rate may fluctuate depending on a number of factors, including the distribution of our profits or losses between the jurisdictions where we operate, differences in interpretation of tax laws, etc. In addition, the tax laws of any jurisdiction in which we operate may change in the future, which could impact our effective tax rate. Tax authorities in the jurisdictions in which we operate may audit the Company. If we are unsuccessful in defending any tax positions adopted in our submitted tax returns, we may be required to pay taxes for prior

periods, interest, fines or penalties, and may be obligated to pay increased taxes in the future, any of which could have a material adverse effect on our business, financial condition, results of operations and growth prospects.

The Business Combination of Alkermes, Inc. and EDT may limit our ability to use our tax attributes to offset taxable income, if any, generated from such Business Combination.

For U.S. federal income tax purposes, a corporation is generally considered tax resident in the place of its incorporation. Because we are incorporated in Ireland, we should be deemed an Irish corporation under these general rules. However, Section 7874 of the Internal Revenue Code of 1986, as amended ("the Code") generally provides that a corporation organized outside the U.S. that acquires substantially all of the assets of a corporation organized in the U.S. will be treated as a U.S. corporation (and, therefore, a U.S. tax resident) for U.S. federal income tax purposes if shareholders of the acquired U.S. corporation own at least 80% (of either the voting power or the value) of the stock of the acquiring foreign corporation after the acquisition by reason of holding stock in the domestic corporation, and the "expanded affiliated group" (as defined in Section 7874) that includes the acquiring corporation does not have substantial business activities in the country in which it is organized.

In addition, Section 7874 provides that if a corporation organized outside the U.S. acquires substantially all of the assets of a corporation organized in the U.S., the taxable income of the U.S. corporation during the period beginning on the date the first assets are acquired as part of the acquisition, through the date which is ten years after the last date assets are acquired as part of the acquisition, shall be no less than the income or gain recognized by reason of the transfer during such period or by reason of a license of property by the expatriated entity after such acquisition to a foreign affiliate during such period, which is referred to as the "inversion gain," if shareholders of the acquired U.S. corporation own at least 60% (of either the voting power or the value) of the stock of the acquiring foreign corporation after the acquisition by reason of holding stock in the domestic corporation, and the "expanded affiliated group" of the acquiring corporation does not have substantial business activities in the country in which it is organized. In connection with the Business Combination, Alkermes, Inc. transferred certain intellectual property to one of our Irish subsidiaries, and it is expected that Alkermes, Inc. had sufficient net operating loss carryforwards available to substantially offset any taxable income generated from this transfer. If this rule was to apply to the Business Combination, among other things, Alkermes, Inc. would not have been able to use any of the approximately $274 million of U.S. Federal net operating loss ("NOL") and $38 million of U.S. state NOL carryforwards that it had as of March 31, 2011 to offset any taxable income generated as part of the Business Combination or as a result of the transfer of intellectual property. We do not believe that either of these limitations should apply as a result of the Business Combination. However, the U.S. Internal Revenue Service (the "IRS") could assert a contrary position, in which case we could become involved in tax controversy with the IRS regarding possible additional U.S. tax liability. If we were to be unsuccessful in resolving any such tax controversy in our favor, we could be liable for significantly greater U.S. federal and state income tax than we anticipate being liable for through the Business Combination, including as a result of the transfer of intellectual property, which would place further demands on our cash needs.

Litigation and/or arbitration may result in financial losses or harm our reputation and may divert management resources.

We may be the subject of certain claims, including product liability claims and those asserting violations of securities laws and derivative actions. We cannot predict with certainty the eventual outcome of any future litigation, arbitration or third-party inquiry. We may not be successful in defending ourselves or asserting our rights in new lawsuits, investigations or claims that may be brought

against us and, as a result, our business could be materially harmed. These lawsuits, arbitrations, investigations or claims may result in large judgments or settlements against us, any of which could have a negative effect on our financial performance and business. Additionally, lawsuits, arbitrations and investigations can be expensive to defend, whether or not the lawsuit, arbitration or investigation has merit, and the defense of these actions may divert the attention of our management and other resources that would otherwise be engaged in running our business.

Our business could be negatively affected as a result of the actions of activist shareholders.

Proxy contests have been waged against many companies in the biopharmaceutical industry over the last few years. If faced with a proxy contest, we may not be able to respond successfully to the contest, which would be disruptive to our business. Even if we are successful, our business could be adversely affected by a proxy contest involving us because:

- responding to proxy contests and other actions by activist shareholders can be costly and time-consuming, disrupting operations and diverting the attention of management and employees, and can lead to uncertainty;
- perceived uncertainties as to future direction may result in the loss of potential acquisitions, collaborations or in-licensing opportunities, and may make it more difficult to attract and retain qualified personnel and business partners; and
- if individuals are elected to a board of directors with a specific agenda, it may adversely affect our ability to effectively and timely implement our strategic plan and create additional value for our shareholders.

These actions could cause the market price of our ordinary shares to experience periods of volatility.

Likely Future Developments

We expect to invest in research and development expenditures associated with internal initiatives in conjunction with external acquisitive investments and to focus these investments on products that we believe will offer the greatest potential for near and long-term growth. We plan to invest in areas in which we can benefit from our core competencies and global infrastructure. We plan to allocate resources to support the product lines that are faster-growing, higher-margin businesses in which we have or can develop a global competitive advantage. In fiscal year 2014, we plan to continue to analyze our business portfolio, which may lead to the acquisition or divestiture of businesses.

Company Books of Account

The directors are responsible for ensuring that the Company keeps proper books of accounting records and appropriate accounting systems. To achieve this, the directors have appointed a Chief Financial Officer who makes regular reports to the Board of Directors and ensures compliance with the requirements of Section 202 of the Companies Act, 1990. The Chief Financial Officer makes regular reports to the Audit Committee of the Board of Directors. The Audit Committee, in turn, briefs the full Board of Directors on significant financial matters arising from reports of the Chief Financial Officer and the external auditor.

The measures taken by the directors to secure compliance with the Company's obligation to keep proper books of account are the use of appropriate systems and procedures and employment of competent persons. The books of account are kept at Connaught House, 1 Burlington Road, Dublin 4, Republic of Ireland.

Significant Events Since Year End

There have been no significant events affecting the Company since the year-end.

Directors and Secretary

The names of the persons who were directors or secretary at any time during the year ended March 31, 2013 or since March 31, 2013 are set out below.

	Date of Service as a Director or Secretary
Directors	
David W. Anstice	(Appointed 16 September 2011)
Floyd E. Bloom	(Reappointed 1 August 2012)
Robert A. Breyer	(Appointed 16 September 2011)
Wendy L. Dixon	(Appointed 16 September 2011)
Geraldine Henwood	(Reappointed 1 August 2012)
Paul J. Mitchell	(Appointed 16 September 2011)
Richard F. Pops	(Appointed 16 September 2011)
Mark B. Skaletsky	(Appointed 16 September 2011)
Secretary	
Kathryn L. Biberstein	(Appointed 16 September 2011)

Directors' and Secretary's Interests in Shares

No director, the secretary or any member of their immediate families had any interest in shares or debentures of any subsidiary. Directors' remuneration is set forth in Note 23 the consolidated financial statements. The interests of the directors and secretary in office at March 31, 2013 and 2012 (or date of appointment if later) in the ordinary share capital of Alkermes plc are shown in the table below.

	Ordinary Shares(1) At 31 March 2012			Ordinary Shares(1) At 31 March 2013		
	Shares	Options	Restricted Share Units	Shares	Options	Restricted Share Units
Directors						
David W. Anstice	10,000	105,000	—	10,000	130,000	—
Floyd E. Bloom	120,375	205,000	—	110,281	200,000	—
Robert A. Breyer	58,106	175,400	—	58,106	155,400	—
Wendy L. Dixon	—	60,000	—	—	85,000	—
Geraldine Henwood	—	165,000	—	—	150,000	—
Paul J. Mitchell	8,000	213,000	—	8,000	200,000	—
Richard F. Pops	335,932	3,581,250	311,625	421,047	3,450,000	198,125
Mark B. Skaletsky	5,000	184,000	—	5,000	209,000	—
Company Secretary						
Kathryn L. Biberstein	32,934	592,125	37,625	42,665	701,625	41,375

(1) All interests declared are in the ordinary shares of $0.01 par value of Alkermes plc.

Political Donations

No political contributions that require disclosure under Irish law were made during the year.

Subsidiary Companies and Branches

Information regarding our subsidiaries is provided in Note 25 to the consolidated financial statements.

Going Concern

The board has formed a judgment at the time of approving the financial statements that there is a reasonable expectation that the Company have adequate resources to continue in operational existence for the foreseeable future. In arriving at this conclusion the board has taken account of current and anticipated trading performance, together with the current and anticipated levels of net debt and the availability of the committed borrowing facilities. For this reason, the going concern basis continues to be adopted in the preparation of the Company financial statements.

AGM

The Annual General Meeting of the Company will take place at Connaught House, 1 Burlington Road, Dublin 4, Ireland on August 1, 2013. The notice of meeting and a description of the business to be transacted is available on the Company's website at www.alkermes.com.

Auditors

PricewaterhouseCoopers (PwC) were appointed as auditors during the year and have expressed their willingness to continue in office in accordance with Section 160 (2) of the Companies Act, 1963.

On behalf of the Directors

/s/ RICHARD F. POPS	/s/ PAUL J. MITCHELL
Richard F. Pops *Chairman*	Paul J. Mitchell *Director*

June 10, 2013

ALKERMES PLC
STATEMENT OF DIRECTORS' REPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Irish company law requires the directors to prepare financial statements for each financial period. Under that law the directors have prepared the Group financial statements in accordance with applicable Irish law and accounting principles generally accepted in the United States of America (U.S. GAAP), as defined in Section 1(1) of the Companies (Miscellaneous Provisions) Act 2009, to the extent that the use of those principles in the preparation of the financial statements does not contravene any provision of the Companies Acts or of any regulations made thereunder. The directors have elected to prepare the Company financial statements in accordance with Generally Accepted Accounting Principles in Ireland (Irish GAAP), comprising the financial reporting standards issued by the Accounting Standards Board (ASB) and published by the Institute of Chartered Accountants in Ireland (ICAI) together with the Companies Acts, 1963 to 2012. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state that the Group financial statements comply with U.S. GAAP to the extent that it does not contravene Irish Company Law and that the Company financial statements comply with the accounting standards issued by the Accounting Standards Board and Irish GAAP.
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Irish Companies Acts, 1963 to 2012 and the European Communities (Companies: Group Accounts) Regulations, 1992. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the website (www.alkermes.com). Legislation in the Republic of Ireland concerning the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ALKERMES PLC

We have audited the group financial statements of Alkermes plc for the year ended 31 March 2013 which comprise Consolidated Profit and Loss Account, the Consolidated Statement of Comprehensive Income (Loss), the Consolidated Balance Sheet, the Consolidated Statement of Cash Flows, the Consolidated Reconciliation of Movements in Shareholders' Funds and the related notes. The financial reporting framework that has been applied in their preparation is Irish law and accounting principles generally accepted in the United States of America (US GAAP), as defined in Section 1(1) of the Companies (Miscellaneous Provisions) Act 2009, to the extent that the use of those principles in the preparation of the financial statements does not contravene any provision of the Companies Acts or of any regulations made thereunder.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 56, the directors are responsible for the preparation of the group financial statements giving a true and fair view. Our responsibility is to audit and express an opinion on the group financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Section 193 of the Companies Act, 1990 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

PricewaterhouseCoopers, One Spencer Dock, North Wall Quay, Dublin 1, Ireland, I.D.E. Box No. 137
T: +353 (0) 1 792 6000, F: +353 (0) 1 792 6200, www.pwc.ie

Chartered Accountants

Opinion on financial statements

In our opinion the group financial statements:

- give a true and fair view in accordance with US GAAP, as defined in Section 1(1) of the Companies (Miscellaneous Provisions) Act 2009, to the extent that the use of those principles in the preparation of the group financial statements does not contravene any provision of the Companies Acts or of any regulations made thereunder, of the state of the group's affairs as at 31 March 2013 and of the group's profit and cash flows for the year then ended; and
- have been properly prepared in accordance with the requirements of the Companies Acts 1963 to 2012.

Matters on which we are required to report by the Companies Acts 1963 to 2012

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the information given in the Directors' Report is consistent with the group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the provisions in the Companies Acts 1963 to 2012 which require us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made.

Other matter

We have reported separately on the parent company financial statements of Alkermes plc for the year ended 31 March 2013.

Alisa Hayden
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin
10 June 2013

ALKERMES PLC AND SUBSIDIARIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	Year Ended March 31, 2013	2012
		(In thousands, except per share amounts)	
Manufacturing and royalty turnover		$510,900	$ 326,444
Product sales, net		58,107	41,184
Research and development turnover		6,541	22,349
Total revenues		575,548	389,977
Cost of sales		170,466	127,578
Gross profit		405,082	262,399
Research and development expense		140,013	141,893
Selling, general and administrative expense		125,758	137,632
Amortization of acquired intangible assets	8	41,852	25,355
Restructuring	9	12,300	—
Impairment of long-lived assets	7,8	3,346	45,800
Operating income (loss)		81,813	(88,281)
Interest income		841	1,516
Interest expense		(48,994)	(28,111)
Other income, net		1,781	484
Total other expense, net		(46,372)	(26,111)
Income (loss) on ordinary activities, before income taxes		35,441	(114,392)
Provision (benefit) for income taxes	16	10,458	(714)
Income (loss) on ordinary activities, after tax		$ 24,983	$(113,678)
EARNINGS (LOSS) PER ORDINARY SHARE:			
Basic	12	$ 0.19	$ (0.99)
Diluted	12	$ 0.18	$ (0.99)
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES OUTSTANDING:			
Basic	12	131,713	114,702
Diluted	12	137,100	114,702

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

The Consolidated Financial Statements were approved by the Board of Directors on June 10, 2013 and signed on its behalf by:

/s/ RICHARD F. POPS

Richard F. Pops
Chairman

/s/ PAUL J. MITCHELL

Paul J. Mitchell
Director

ALKERMES PLC AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

	Year Ended March 31,	
	2013	2012
	(In thousands)	
NET INCOME (LOSS)	$24,983	$(113,678)
Unrealized (losses) gains on marketable secruities:		
Holding (losses) gains, net of tax	(327)	627
Unrealized (losses) gains on marketable secruities:	(327)	627
Unrealized gains (losses) on derivative contracts, net of tax	522	(327)
COMPREHENSIVE INCOME (LOSS)	$25,178	$(113,378)

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

The Consolidated Financial Statements were approved by the Board of Directors on June 10, 2013 and signed on its behalf by:

/s/ RICHARD F. POPS

Richard F. Pops
Chairman

/s/ PAUL J. MITCHELL

Paul J. Mitchell
Director

ALKERMES PLC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

	Note	March 31, 2013	March 31, 2012
		(In thousands)	
ASSETS			
Fixed Assets			
Intangible assets—Goodwill	8	$ 92,740	$ 92,740
Intangible assets—Other	8	575,993	617,845
Tangible fixed assets	7	288,435	302,995
Current Assets			
Stock	6	43,483	39,759
Debtors	18	165,461	135,740
Investments	4	207,218	162,537
Cash at bank and in-hand		96,961	83,601
TOTAL ASSETS		$1,470,291	$1,435,217
LIABILITIES			
Equity Shareholders' Funds			
Share capital, $0.01 par value		$ 1,338	$ 1,300
Share premium		112,146	74,148
Profit and loss account		783,247	753,073
Treasury shares		(5,380)	(571)
Other reserves		61,023	25,902
Total equity shareholders' funds		952,374	853,852
Creditors			
Debt	10	369,008	444,460
Creditors	19	136,609	136,905
Restructuring	9	12,300	—
Total for creditors		517,917	581,365
TOTAL LIABILITIES		$1,470,291	$1,435,217

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

The Consolidated Financial Statements were approved by the Board of Directors on June 10, 2013 and signed on its behalf by:

/s/ RICHARD F. POPS

Richard F. Pops
Chairman

/s/ PAUL J. MITCHELL

Paul J. Mitchell
Director

ALKERMES PLC AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS

	Years Ended March 31,	
	2013	2012
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ 24,983	$(113,678)
Adjustments to reconcile net income (loss) to cash flows from operating activities:		
Depreciation and amortization	73,751	47,884
Share-based compensation expense	34,716	28,826
Loss on debt refinancing transactions	19,670	—
Prepayment penalties in connection with debt refinancing transactions	(6,533)	—
Excess tax benefit from share-based compensation	(8,867)	(4,335)
Impairment of long-lived assets	3,346	45,800
Deferred income taxes	(2,113)	(14,556)
Principal payments on long-term debt attributable to original issue discount	(2,657)	—
Loss on purchase of non-recourse RISPERDAL CONSTA secured 7% Notes	—	—
Payment or purchase of non-recourse RISPERDAL CONSTA secured 7% notes attributable to original issue discount	—	—
Other non-cash charges	5,698	4,342
Changes in assets and liabilities, excluding the effect of acquisitions:		
Receivables	(28,239)	(14,014)
Inventory, prepaid expenses and other assets	(6,577)	(4,879)
Accounts payable and accrued expenses	19,406	15,552
Deferred revenue	(3,351)	6,068
Other long-term liabilities	3,318	508
Cash flows provided by (used in) operating activities	126,551	(2,482)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property, plant and equipment	(22,217)	(16,988)
Proceeds from the sale of equipment	193	35
Acquisition of Elan Drug Technologies, net of cash acquired	—	(494,774)
Investment in Acceleron Pharmaceuticals, Inc.	—	(231)
Promissory note issued to Civitas Therapeutics, Inc.	(1,116)	—
Purchases of investments	(303,945)	(228,229)
Sales and maturities of investments	258,937	323,028
Cash flows (used in) provided by investing activities	(68,148)	(417,159)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from the issuance of ordinary shares for share-based compensation arrangements	34,360	20,864
Excess tax benefit from share-based compensation	8,867	4,335
Proceeds from the issuance of long-term debt	366,483	444,100
Employee taxes paid related to net share settlement of equity awards	(4,809)	(3,676)
Principal payments of long-term debt	(449,944)	(775)
Payment or purchase of non-recourse RISPERDAL CONSTA secured 7% notes	—	—
Cash flows (used in) provided by financing activities	(45,043)	464,848
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	13,360	45,207
CASH AND CASH EQUIVALENTS—Beginning of period	83,601	38,394
CASH AND CASH EQUIVALENTS—End of period	$ 96,961	$ 83,601
SUPPLEMENTAL CASH FLOW DISCLOSURE:		
Cash paid for interest	$ 7,656	$ 21,658
Cash paid for taxes	$ 5,921	$ 10,068
Non-cash investing and financing activities:		
Purchased capital expenditures included in accounts payable and accrued expenses	$ 2,450	$ 3,416
Investment in Civitas Therapeutics, Inc.	$ 1,116	$ 1,547
Issuance of common stock used in the acquisition of Elan Drug Technologies	$ —	$ 525,074

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

The Consolidated Financial Statements were approved by the Board of Directors on June 10, 2013 and signed on its behalf by:

/s/ RICHARD F. POPS

Richard F. Pops
Chairman

/s/ PAUL J. MITCHELL

Paul J. Mitchell
Director

ALKERMES PLC AND SUBSIDIARIES

CONSOLIDATED RECONCILIATION OF SHAREHOLDERS' FUNDS

	Share Capital	Share Premium	Profit and Loss Account	Treasury Shares	Other Reserves	Total
			(In thousands)			
BALANCE—March 31, 2011	$1,059	$ 936,295	$ (411,228)	$(131,095)	$ (3,013)	$ 392,018
Net loss	—	—	(113,678)	—	—	(113,678)
Other comprehensive income	—	—	—	—	300	300
Share-based payment reserve	—	—	—	—	28,615	28,615
Shares issued under employee stock plans	24	20,840	—	—	—	20,864
Receipt of Alkermes' shares for the purchase of share options or to satisfy minimum tax withholding obligations related to share based awards	—	—	—	(3,676)	—	(3,676)
Issuance of ordinary shares to Elan Corporation, plc in connection with the purchase of Elan Drug technologies	319	524,755	—	—	—	525,074
Excess tax benefit from share-based compensation	—	—	4,335	—	—	4,335
Cancellation of treasury shares	(102)	(134,098)	—	134,200	—	—
Transfer to profit and loss account	—	(1,269,968)	1,269,968	—	—	—
BALANCE—March 31, 2012	$1,300	$ 77,824	$ 749,397	$ (571)	$25,902	$ 853,852
Net income	—	—	24,983	—	—	24,983
Other comprehensive income	—	—	—	—	195	195
Share-based payment reserve	—	—	—	—	34,926	34,926
Shares issued under employee stock plans	38	34,322	—	—	—	34,360
Receipt of Alkermes' shares for the purchase of share options or to satisfy minimum tax withholding obligations related to share based awards	—	—	—	(4,809)	—	(4,809)
Excess tax benefit from share-based compensation	—	—	8,867	—	—	8,867
BALANCE—March 31, 2013	$1,338	$ 112,146	$ 783,247	$ (5,380)	$61,023	$ 952,374

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

The Consolidated Financial Statements were approved by the Board of Directors on June 10, 2013 and signed on its behalf by:

/s/ RICHARD F. POPS

Richard F. Pops
Chairman

/s/ PAUL J. MITCHELL

Paul J. Mitchell
Director

1. THE COMPANY

Alkermes plc (the "Company") is a fully integrated, global biopharmaceutical company that applies its scientific expertise and proprietary technologies to develop innovative medicines that improve patient outcomes. The Company has a diversified portfolio of more than 20 commercial drug products and a substantial clinical pipeline of product candidates that address central nervous system ("CNS") disorders such as addiction, schizophrenia and depression. Headquartered in Dublin, Ireland, Alkermes plc has a research and development ("R&D") center in Waltham, Massachusetts; R&D and manufacturing facilities in Athlone, Ireland; and manufacturing facilities in Gainesville, Georgia and Wilmington, Ohio.

On September 16, 2011, the business of Alkermes, Inc. and the drug technologies business ("EDT") of Elan Corporation, plc ("Elan") were combined under the Company (this combination is referred to as the "Business Combination", the "acquisition of EDT" or the "EDT acquisition") in a transaction accounted for as a reverse acquisition with Alkermes, Inc. treated as the accounting acquirer. As a result, the historical financial statements of Alkermes, Inc. are included in the comparative prior periods. Use of the terms such as "us," "we," "our," "Alkermes" or the "Company" is meant to refer to Alkermes plc and its consolidated subsidiaries, except where context makes clear that the time period being referenced is prior to September 16, 2011, in which case such terms shall refer to Alkermes, Inc. and its consolidated subsidiaries. Prior to September 16, 2011, Alkermes, Inc. was an independent pharmaceutical company incorporated in the Commonwealth of Pennsylvania and traded on the NASDAQ Global Select Stock Market under the symbol "ALKS."

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Alkermes plc and its wholly-owned subsidiaries: Alkermes Ireland Holdings Limited; Alkermes Science Three Limited; Alkermes Pharma Ireland Limited; Alkermes Finance Ireland Limited; Alkermes Science One Limited; Alkermes Finance S.à r.l.; Alkermes Finance Ireland (No. 2) Limited; Alkermes U.S. Holdings, Inc.; Alkermes, Inc.; Eagle Holdings USA, Inc.; Alkermes Controlled Therapeutics, Inc.; Alkermes Europe, Ltd.; and Alkermes Gainesville LLC. Intercompany accounts and transactions have been eliminated.

Use of Estimates

The preparation of the Company's consolidated financial statements in accordance with accounting principles generally accepted in the United States ("U.S.") ("GAAP") requires management to make estimates, judgments and assumptions that may affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, the Company evaluates its estimates and judgments and methodologies, including those related to revenue recognition and related allowances, its collaborative relationships, clinical trial expenses, the valuation of inventory, impairment and amortization of intangibles and long-lived assets, share-based compensation, income taxes including the valuation allowance for deferred tax assets, valuation of investments and derivative instruments, litigation and restructuring charges. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash at Bank and In-Hand

The Company values its cash and cash equivalents at cost plus accrued interest, which the Company believes approximates their market value. The Company considers only those investments which are highly liquid, readily convertible into cash and that mature within three months from the date of purchase to be cash equivalents.

Investments

The Company has investments in various types of securities including U.S. government and agency obligations, debt securities issued by foreign agencies and backed by foreign governments and corporate debt securities. The Company generally holds its interest-bearing investments with major financial institutions and in accordance with documented investment policies. The Company limits the amount of credit exposure to any one financial institution or corporate issuer. At March 31, 2013, substantially all these investments are classified as available-for-sale and are recorded at fair value.

Holding gains and losses on available-for-sale investments are considered "unrealized" and are reported within "Accumulated other comprehensive income (loss)," a component of shareholders' equity. The Company uses the specific identification method for reclassifying unrealized gains and losses into earnings when investments are sold. The Company conducts periodic reviews to identify and evaluate each investment that has an unrealized loss, in accordance with the meaning of other-than-temporary impairment and its application to certain investments, as required by GAAP. An unrealized loss exists when the current fair value of an individual security is less than its amortized cost basis. Unrealized losses on available-for-sale securities that are determined to be temporary, and not related to credit loss, are recorded in accumulated other comprehensive income (loss).

For available-for-sale debt securities with unrealized losses, the Company performs an analysis to assess whether it intends to sell or whether it would more likely than not be required to sell the security before the expected recovery of the amortized cost basis. If the Company intends to sell a security, or may be required to do so, the security's decline in fair value is deemed to be other-than-temporary and the full amount of the unrealized loss is recorded within earnings as an impairment loss. Regardless of the Company's intent to sell a security, the Company performs additional analysis on all securities with unrealized losses to evaluate losses associated with the creditworthiness of the security. Credit losses are identified where the Company does not expect to receive cash flows sufficient to recover the amortized cost basis of a security.

Certain of the Company's money market funds and held-to-maturity investments are restricted investments held as collateral under letters of credit related to certain of the Company's service provider agreements and lease agreements, respectively, and are included in "Investments—short-term" and "Investments—long-term", respectively, in the consolidated balance sheets.

Fair Value of Financial Instruments

The Company's financial assets and liabilities are recorded at fair value and are classified as Level 1, 2 or 3 within the fair value hierarchy, as described in the accounting standards for fair value

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

measurement. The Company's financial assets and liabilities consist of cash equivalents and investments and are classified within the fair value hierarchy as follows:

Level 1—these valuations are based on a market approach using quoted prices in active markets for identical assets. Valuations of these products do not require a significant degree of judgment. Assets utilizing Level 1 inputs include investments in money market funds and U.S. treasury securities;

Level 2—these valuations are based on a market approach using quoted prices obtained from brokers or dealers for similar securities or for securities for which the Company has limited visibility into their trading volumes. Valuations of these financial instruments do not require a significant degree of judgment. Assets and liabilities utilizing Level 2 inputs include U.S. government agency debt securities, debt securities issued and backed by foreign governments, investments in corporate debt securities that are trading in the credit markets and an interest rate cap and swap contract;

Level 3—these valuations are based on an income approach using certain inputs that are unobservable and are significant to the overall fair value measurement. Valuations of these products require a significant degree of judgment. At March 31, 2013, the Company did not have any assets or liabilities utilizing Level 3 inputs.

The carrying amounts reflected in the consolidated balance sheets for cash and cash equivalents, accounts receivable, other current assets, accounts payable and accrued expenses approximate fair value due to their short-term nature.

Stock

Stock is stated at the lower of cost or market value. Cost is determined using the first-in, first-out method. Included in stock are raw materials used in production of pre-clinical and clinical products, which have alternative future use and are charged to R&D expense when consumed.

Tangible Fixed Assets

Tangible fixed assets are recorded at cost, subject to review for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Expenditures for repairs and maintenance are charged to expense as incurred and major renewals and improvements are capitalized. Depreciation is calculated using the straight-line method over the following estimated useful lives of the assets:

Asset group	Term
Buildings and improvements	15 - 40 years
Furniture, fixtures and equipment	3 - 10 years
Leasehold improvements	Shorter of useful life or lease term

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business Acquisitions

The Company's consolidated financial statements include the operations of an acquired business after the completion of the acquisition. The Company accounts for acquired businesses using the acquisition method of accounting. The acquisition method of accounting for acquired businesses requires, among other things, that most assets acquired and liabilities assumed be recognized at their estimated fair values as of the acquisition date, and that the fair value of acquired in-process research and development ("IPR&D") be recorded on the balance sheet. Also, transaction costs are expensed as incurred. Any excess of the purchase price over the assigned values of the net assets acquired is recorded as goodwill. Contingent consideration, if any, is included within the acquisition cost and is recognized at its fair value on the acquisition date. A liability resulting from contingent consideration is remeasured to fair value at each reporting date until the contingency is resolved. Changes in fair value are recognized in earnings.

Goodwill and Intangible Assets

Goodwill represents the excess cost of the Company's investment in the net assets of acquired companies over the fair value of the underlying identifiable net assets at the date of acquisition. The Company's goodwill, which solely relates to the EDT acquisition in the fiscal year ended March 31, 2012, has been assigned to a reporting unit which consists of the former EDT business. A reporting unit is an operating segment or sub-segment to which goodwill is assigned when initially recorded.

Goodwill is reviewed for impairment utilizing a two-step process. The first step requires the Company to compare the fair value of the reporting unit to its respective carrying value, which includes goodwill. If the fair value of the reporting unit exceeds its carrying value, the goodwill is not considered impaired. If the carrying value is higher than the fair value, there is an indication that an impairment may exist and the second step is required. In step two, the implied fair value of goodwill is calculated as the excess of the fair value of a reporting unit over the fair values assigned to its assets and liabilities. If the implied fair value of goodwill is less than the carrying value of the reporting unit's goodwill, the difference is recognized as an impairment loss.

The Company's finite-lived intangible assets consist of core developed technology and collaboration agreements and are recorded at fair value at the time of their acquisition and are stated within the Company's consolidated balance sheets net of accumulated amortization and impairments. The finite-lived intangible assets are amortized over their estimated useful life using the economic use method, which reflects the pattern that the economic benefits of the intangible assets are consumed as revenue is generated from the underlying patent or contract. The useful lives of the Company's intangible assets are primarily based on the legal or contractual life of the underlying patent or contract, which does not include additional years for the potential extension or renewal of the contract or patent. The Company's intangible assets were all acquired as part of the EDT acquisition in the fiscal year ended March 31, 2012, as described in Note 3, *Acquisitions*.

Impairment of Long-Lived Assets

The Company reviews long-lived assets to be held and used for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Conditions that would necessitate an impairment assessment include a significant decline in the observable market value of an asset, a significant change in the extent or manner in which an asset is

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

used, or a significant adverse change that would indicate that the carrying amount of an asset or group of assets is not recoverable. Determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of the asset and its eventual disposition. In the event that such cash flows are not expected to be sufficient to recover the carrying amount of the assets, the assets are written-down to their estimated fair values. Long-lived assets to be disposed of are carried at fair value less costs to sell them.

Asset Retirement Obligations

The Company recognized an asset retirement obligation for an obligation to remove leasehold improvements and other related activities at the conclusion of the Company's lease for its AIR® manufacturing facility located in Chelsea, Massachusetts, which it presently subleases. The carrying amount of the asset retirement obligation at March 31, 2013 and 2012, was $2.0 million and $1.9 million, respectively, and is included within "Other Long-Term Liabilities" in the accompanying consolidated balance sheets.

The following table shows changes in the carrying amount of the Company's asset retirement obligation for the years ended March 31, 2013 and 2012:

(In thousands)	Carrying Amount
Balance, April 1, 2011	$1,692
Accretion expense	170
Balance, March 31, 2012	$1,862
Accretion expense	187
Balance, March 31, 2013	$2,049

Revenue Recognition

Collaborative Arrangements

The Company has entered into a number of collaboration agreements with pharmaceutical companies including Ortho-McNeil-Janssen Pharmaceuticals, Inc. and Janssen Pharmaceutica International, a division of Cilag International AG ("Janssen") for RISPERDAL® CONSTA® and INVEGA® SUSTENNA®/XEPLION®, Acorda Therapeutics, Inc. ("Acorda") for AMPYRA®/FAMPYRA® and Amylin Pharmaceuticals, Inc. ("Amylin"), now a wholly-owned subsidiary of Bristol-Myers Squibb Company ("Bristol-Myers") for BYDUREON®. These collaborative arrangements typically include upfront payments, funding of R&D, payments based upon achievement of pre-clinical and clinical development milestones, manufacturing services, sales milestones and royalties on product sales.

On April 1, 2011, the Company adopted new authoritative guidance on revenue recognition for multiple element arrangements. The guidance, which applies to multiple element arrangements entered into or materially modified on or after April 1, 2011, amends the criteria for separating and allocating consideration in a multiple element arrangement by modifying the fair value requirements for revenue recognition and eliminating the use of the residual method. The fair value of deliverables under the arrangement may be derived using a "best estimate of selling price" if vendor-specific objective

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

evidence and third-party evidence is not available. Deliverables under the arrangement will be separate units of accounting provided that (i) a delivered item has value to the customer on a stand-alone basis, and (ii) if the arrangement includes a general right of return relative to the delivered item, delivery or performance of the undelivered item is considered probable and substantially in the control of the vendor. The Company did not enter into any significant multiple element arrangements or materially modify any of its existing multiple element arrangements during the year ended March 31, 2013. The Company's existing collaboration agreements continue to be accounted for under previously issued revenue recognition guidance for multiple element arrangements, as described below.

Whenever the Company determines that an arrangement should be accounted for as a single unit of accounting, the Company determines the period over which the performance obligations will be performed and revenue will be recognized. Revenue will be recognized using either a proportional performance or straight-line method. The Company recognizes revenue using the proportional performance method when the level of effort required to complete its performance obligations under an arrangement can be reasonably estimated and such performance obligations are provided on a best-efforts basis. Earned arrangement consideration is typically used as the measure of performance. The amount of revenue recognized under the proportional performance method is determined by multiplying the total expected payments under the contract, excluding royalties and payments contingent upon achievement of substantive milestones, by the ratio of earned arrangement consideration to estimated total arrangement consideration to be earned under the arrangement. Revenue is limited to the lesser of the cumulative amount of payments received or the cumulative amount of revenue earned, as determined using the proportional performance method, as of the period ending date.

If the Company cannot reasonably estimate the total arrangement consideration to be earned under an arrangement, the Company recognizes revenue under the arrangement on a straight-line basis over the period the Company is expected to complete its performance obligations. Revenue is limited to the lesser of the cumulative amount of payments received or the cumulative amount of revenue earned, as determined using the straight-line method, as of the period ending date.

Significant management judgment is required in determining the consideration to be earned under an arrangement and the period over which the Company is expected to complete its performance obligations under an arrangement. Steering committee services that are not inconsequential or perfunctory and that are determined to be performance obligations are combined with other research services or performance obligations required under an arrangement, if any, in determining the level of effort required in an arrangement and the period over which the Company expects to complete its aggregate performance obligations.

Many of the Company's collaboration agreements entitle it to additional payments upon the achievement of performance-based milestones. If the achievement of a milestone is considered probable at the inception of the collaboration, the related milestone payment is included with other collaboration consideration, such as upfront payments and research funding, in the Company's revenue model. Milestones that involve substantial effort on the Company's part and the achievement of which are not considered probable at the inception of the collaboration are considered "substantive milestones."

Contingent consideration received from the achievement of a substantive milestone subsequent to April 1, 2011, is recognized in its entirety in the period in which the milestone is achieved, which the Company believes is more consistent with the substance of its performance under its various

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

collaboration agreements. A milestone is defined as an event (i) that can only be achieved based in whole or in part on either the entity's performance or on the occurrence of a specific outcome resulting from the entity's performance, (ii) for which there is substantive uncertainty at the date the arrangement is entered into that the event will be achieved, and (iii) that would result in additional payments being due to the entity. A milestone is substantive if the consideration earned from the achievement of the milestone is consistent with the Company's performance required to achieve the milestone, or the increase in value to the collaboration resulting from the Company's performance, relates solely to the Company's past performance, and is reasonable relative to all of the other deliverables and payments within the arrangement. The Company's collaboration agreements with its partners provide for payments to the Company upon the achievement of development milestones, such as the completion of clinical trials or regulatory approval for drug candidates.

Milestone payments received prior to April 1, 2011 from arrangements where the Company has continuing performance obligations have been deferred and are recognized through the application of a proportional performance model where the milestone payment is recognized over the related performance period or, in full, when there are no remaining performance obligations. The Company makes its best estimate of the period of time for the performance period. The Company will continue to recognize milestone payments received prior to April 1, 2011 in this manner. As of March 31, 2013, the Company has deferred revenue of $4.3 million from milestone payments received prior to April 1, 2011 that will be recognized through the use of a proportional performance model through 2018.

Amounts received prior to satisfying the above revenue recognition criteria are recorded as deferred revenue in the accompanying consolidated balance sheets. Although the Company follows detailed guidelines in measuring revenue, certain judgments affect the application of its revenue policy. For example, in connection with the Company's existing collaboration agreements, the Company has recorded on its balance sheet short-term and long-term deferred revenue based on its best estimate of when such revenue will be recognized. Short-term deferred revenue consists of amounts that are expected to be recognized as revenue in the next 12 months. Amounts that the Company expects will not be recognized within the next 12 months are classified as long-term deferred revenue. However, this estimate is based on the Company's current operating plan and, if its operating plan should change in the future, the Company may recognize a different amount of deferred revenue over the next 12-month period.

The estimate of deferred revenue also reflects management's estimate of the periods of the Company's involvement in certain of its collaborations. The Company's performance obligations under these collaborations consist of participation on steering committees and the performance of other research and development services. In certain instances, the timing of satisfying these obligations can be difficult to estimate. Accordingly, the Company's estimates may change in the future. Such changes to estimates would result in a change in revenue recognition amounts. If these estimates and judgments change over the course of these agreements, it may affect the timing and amount of revenue that the Company recognizes and records in future periods. At March 31, 2013, the Company had short-term and long-term deferred revenue of $2.3 million and $8.9 million, respectively, related to its collaborations.

Manufacturing revenues—The Company recognizes manufacturing revenues from the sale of products it manufactures for resale by its collaborative partners. Manufacturing revenues are recognized when persuasive evidence of an arrangement exists, delivery has occurred and title to the product and

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

associated risk of loss has passed to the customer, the sales price is fixed or determinable and collectability is reasonably assured. The sales price for certain of the Company's manufacturing revenues is based on the end-market sales price earned by its collaborative partners. As the end-market sale occurs after the Company has shipped its product and the risk of loss has passed to its collaborative partner, the Company estimates the sales price for its product based on information supplied to it by the Company's collaborative partners, its historical transaction experience and other third-party data. Differences between the actual manufacturing revenues and estimated manufacturing revenues are reconciled and adjusted for in the period in which they become known.

Royalty revenues—The Company recognizes royalty revenues related to the sale of products by its collaborative partners that incorporates the Company's technology. Royalties are earned under the terms of a license agreement in the period the products are sold by the Company's collaborative partner and collectability is reasonably assured. Certain of the Company's royalty revenues are recognized by the Company based on information supplied to the Company by its collaborative partners and require estimates to be made. Differences between the actual royalty revenues and estimated royalty revenues are reconciled and adjusted for in the period in which they become known, which is generally the following quarter.

Research and development revenues—R&D revenue consists of funding that compensates the Company for formulation, pre-clinical and clinical testing under R&D arrangements. The Company generally bills its partners under R&D arrangements using a full-time equivalent ("FTE") or hourly rate, plus direct external costs, if any.

Product Sales, Net

The Company's product sales consist of sales of VIVITROL in the U.S. to wholesalers, specialty distributors and specialty pharmacies. Product sales are recognized from the sale of VIVITROL when persuasive evidence of an arrangement exists, title to the product and associated risk of loss has passed to the customer, which is considered to occur when the product has been received by the customer, the sales price is fixed or determinable and collectability is reasonably assured.

The Company records its product sales net of the following significant categories of sales discounts and allowances as a reduction of product sales at the time VIVITROL is shipped:

- *Medicaid Rebates*—the Company records accruals for rebates to states under the Medicaid Drug Rebate Program as a reduction of sales when the product is shipped into the distribution channel. The Company rebates individual states for all eligible units purchased under the Medicaid program based on a rebate per unit calculation, which is based on its Average Manufacturer Price ("AMP"). The Company estimates expected unit sales and rebates per unit under the Medicaid program and adjusts its rebate estimates based on actual unit sales and rebates per unit.
- *Chargebacks*—wholesaler and specialty pharmacy chargebacks are discounts that occur when contracted customers purchase directly from an intermediary wholesale purchaser. Contracted customers, which consist primarily of federal government agencies purchasing under the federal supply schedule, generally purchase the product at its contracted price, plus a mark-up from the wholesaler. The wholesaler, in-turn, charges back to the Company the difference between the price initially paid by the wholesaler and the contracted price paid to the wholesaler by the

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

customer. The allowance for chargebacks is based on actual and expected utilization of these programs. Chargebacks could exceed historical experience and the Company's estimates of future participation in these programs. To date, actual chargebacks have not differed materially from the Company's estimates.

- *Product Returns*—in August 2012, the Company changed the way in which revenue is recognized on VIVITROL product sales. Prior to August 1, 2012, the Company did not have sufficient history to reasonably estimate returns related to VIVITROL shipments and, therefore, the Company deferred the recognition of revenue on shipments of VIVITROL until the product left the distribution channel. In August 2012, it was determined there was sufficient history to reliably estimate returns, and revenue on the sales of VIVITROL is now recognized upon delivery to wholesalers, distributors and pharmacies, which is the point in time the customer assumes the risks and rewards of ownership. This change in the method of revenue recognition resulted in a one-time $1.7 million increase to "Product sales, net" in the accompanying consolidated statements of operations and comprehensive income (loss), which was recognized during the three months ended September 30, 2012.

  Based on this revised revenue recognition policy, a reserve is now estimated for future product returns on VIVITROL gross product sales. This estimate is based on historical return rates as well as specifically identified anticipated returns due to known business conditions and product expiry dates. Return amounts are recorded as a deduction to arrive at VIVITROL product sales, net. Once VIVITROL is returned, it is destroyed. At March 31, 2013, the product return reserve was estimated to be approximately 2% of product sales and amounts to $3.2 million.

- *Co-pay assistance*—the Company has a program whereby a patient can receive up to $500 per month towards their co-payment, co-insurance or deductible, provided the patient meets certain eligibility criteria. Reserves are recorded when eligible patients receive VIVITROL from the Company's customers.

Risk-Management Instruments

The Company's derivative activities are initiated within the guidelines of documented corporate risk management policies and do not create additional risk because gains and losses on derivative contracts offset losses and gains on the liabilities being hedged. At March 31, 2013, the Company's risk management instruments consisted of an interest rate swap agreement and an interest rate cap agreement. The objective of the interest rate cap and swap agreements are to limit the impact of fluctuations in interest rates in earnings related to the Company's long-term debt. The interest rate cap and swap agreements are not designated as hedging instruments and are recorded at fair value. The associated gains and losses related to the interest rate cap are recognized in "Other income (expense), net" and the associated gains and losses related to the interest rate swap are recognized in "Interest expense" during the period of change. Refer to Note 12, *Derivative Instruments*, for additional information related to the Company's risk management instruments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign Currency

The Company's functional and reporting currency is the U.S. dollar. Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction. The resulting monetary assets and liabilities are translated into U.S. dollars at exchange rates prevailing on the subsequent balance sheet date. Gains and losses as a result of translation adjustments are recorded within "Other income (expense), net" in the accompanying consolidated profit and loss account. During the years ended March 31, 2013, 2012 and 2011, the Company recorded a gain on foreign currency translation of $0.1 million, $0.5 million and none, respectively.

Concentrations

Financial instruments that potentially subject the Company to concentrations of credit risk are accounts receivable and marketable securities. Billings to large pharmaceutical and biotechnology companies account for the majority of the Company's accounts receivable, and collateral is generally not required from these customers. To mitigate credit risk, the Company monitors the financial performance and credit worthiness of its customers. The following represents revenue and receivables from the Company's customers exceeding 10% of the total in each category as of, and for the years ended, March 31:

	2013		2012		2011	
Customer	Receivables	Revenue	Receivables	Revenue	Receivables	Revenue
Janssen	32%	35%	30%	48%	75%	83%
Acorda	15%	11%	11%	—	—	—

The Company generally holds its interest-bearing investments with major financial institutions and in accordance with documented investment policies and the Company limits the amount of credit exposure to any one financial institution or corporate issuer. The Company's investment objectives are, first, to assure liquidity and conservation of capital and, second, to obtain investment income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Geographic Information

Company revenues by geographic location, as determined by the location of the customer, and the location of its assets, are as follows:

(in thousands)	Year Ended March 31, 2013	2012	2011
Revenue by region:			
U.S.	$380,565	$212,859	$ 76,700
Ireland	14,455	12,695	805
Rest of world	180,528	164,423	109,135
Assets by region:			
Current assets:			
U.S.	$248,441	$209,683	$252,960
Ireland	159,544	122,077	—
Rest of world	603	7,393	—
Long-term assets:			
U.S.	$233,369	$217,406	$199,488
Ireland	828,334	878,658	—
Rest of world	—	—	—

At March 31, 2013, 2012 and 2011, the Company's long-term assets included intangible assets and goodwill of $668.7 million, $710.6 million and none, respectively. Of these amounts, $665.1 million and $706.9 million were located in Ireland at March 31, 2013 and 2012, respectively, and the remaining amounts were located in the United States.

Research and Development Expenses

For each of the R&D programs, the Company incurs both external and internal expenses. External R&D expenses include costs related to clinical and non-clinical activities performed by contract research organizations, consulting fees, laboratory services, purchases of drug product materials and third-party manufacturing development costs. Internal R&D expenses include employee-related expenses, occupancy costs, depreciation and general overhead. The Company tracks external R&D expenses for each of its development programs, however, internal R&D expenses are not tracked by individual program as they benefit multiple programs or its technologies in general.

Share-Based Compensation

The Company's share-based compensation programs grant awards which include stock options and restricted stock units ("RSUs"), which vest with the passage of time and, to a limited extent, vest based on the achievement of certain performance or market criteria. Certain of the Company's employees are retirement eligible under the terms of the Company's stock option plans (the "Plans"), and stock option awards to these employees generally vest in full upon retirement. Since there are no effective future service requirements for these employees, the fair value of these awards is expensed in full on the grant date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Stock Options

Stock option grants to employees generally expire ten years from the grant date and generally vest one-fourth per year over four years from the anniversary of the date of grant, provided the employee remains continuously employed with the Company, except as otherwise provided in the plan. Stock option grants to directors are for ten-year terms and generally vest over a one-year period provided the director continues to serve on the Company's board of directors through the vesting date, except as otherwise provided in the plan. The estimated fair value of options is recognized over the requisite service period, which is generally the vesting period. Share-based compensation expense is based on awards ultimately expected to vest. Forfeitures are estimated based on historical experience at the time of grant and revised in subsequent periods if actual forfeitures differ from those estimates.

The fair value of stock option grants is based on estimates as of the date of grant using a Black-Scholes option valuation model. The Company uses historical data as the basis for estimating option terms and forfeitures. Separate groups of employees that have similar historical stock option exercise and forfeiture behavior are considered separately for valuation purposes. The ranges of expected terms disclosed below reflect different expected behavior among certain groups of employees. Expected stock volatility factors are based on a weighted average of implied volatilities from traded options on the Company's ordinary shares and historical stock price volatility of the Company's ordinary shares, which is determined based on a review of the weighted average of historical daily price changes of the Company's ordinary shares. The risk-free interest rate for periods commensurate with the expected term of the share option is based on the U.S. treasury yield curve in effect at the time of grants. The dividend yield on the Company's ordinary shares is estimated to be zero as the Company has not paid and does not expect to pay dividends. The exercise price of options granted prior to October 7, 2008 equals the average of the high and low of the Company's ordinary shares traded on the NASDAQ Global Select Stock Market on the date of grant. Beginning with the adoption of the Alkermes, Inc. 2008 Stock Option and Incentive Plan (the "2008 Plan"), the exercise price of option grants made after October 7, 2008 is equal to the closing price of the Company's ordinary shares traded on the NASDAQ Global Select Stock Market on the date of grant.

The fair value of each stock option grant was estimated on the grant date with the following weighted-average assumptions:

	Year Ended March 31,		
	2013	2012	2011
Expected option term	5 - 7 years	5 - 7 years	5 - 7 years
Expected stock volatility	47% - 49%	47% - 51%	46% - 51%
Risk-free interest rate	0.61% - 1.18%	0.82% - 2.5%	1.11% - 3.42%
Expected annual dividend yield	—	—	—

Time-Vested Restricted Stock Units

Time-vested RSUs awarded to employees generally vest one-fourth per year over four years from the anniversary of the date of grant, provided the employee remains continuously employed with the Company. Shares of the Company's ordinary shares are delivered to the employee upon vesting, subject to payment of applicable withholding taxes. The fair value of time-vested RSUs is based on the market

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

value of the Company's stock on the date of grant. Compensation expense, including the effect of forfeitures, is recognized over the applicable service period.

Income Taxes

The Company recognizes income taxes under the asset and liability method. Deferred income taxes are recognized for differences between the financial reporting and tax bases of assets and liabilities at enacted statutory tax rates in effect for the years in which the differences are expected to reverse. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date. The Company accounts for uncertain tax positions using a "more-likely-than-not" threshold for recognizing and resolving uncertain tax positions. The evaluation of uncertain tax positions is based on factors including, but not limited to, changes in tax law, the measurement of tax positions taken or expected to be taken in tax returns, the effective settlement of matters subject to audit, new audit activity and changes in facts or circumstances related to a tax position. The Company evaluates this tax position on a quarterly basis. The Company also accrues for potential interest and penalties related to unrecognized tax benefits in income tax expense.

Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income (loss) and other comprehensive income (loss). Other comprehensive income (loss) includes changes in equity that are excluded from net income (loss), such as unrealized holding gains and losses on available-for-sale marketable securities and unrealized gains and losses on cash flow hedges.

Earnings (Loss) per Share

Basic earnings (loss) per share are calculated based upon net income (loss) available to holders of common shares divided by the weighted average number of shares outstanding. For the calculation of diluted earnings per share, the Company uses the weighted average number of shares outstanding, as adjusted for the effect of potential dilutive securities, including stock options and RSUs.

Segment Information

The Company operates as one business segment, which is the business of developing, manufacturing and commercializing medicines designed to yield better therapeutic outcomes and improve the lives of patients with serious diseases. The Company's chief decision maker, the Chairman and Chief Executive Officer, reviews the Company's operating results on an aggregate basis and manages the Company's operations as a single operating unit.

Employee Benefit Plans

401(K) Plan

The Company maintains a 401(k) retirement savings plan (the "401(k) Plan"), which covers substantially all of its U.S.-based employees. Eligible employees may contribute up to 100% of their eligible compensation, subject to certain Internal Revenue Service ("IRS") limitations. Through March 31, 2012, the Company matched 50% of the first 6% of employee pay and beginning April 1, 2012, the Company matches 100% of employee contributions up to the first 5% of employee

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

pay, up to IRS limits. Employee and Company contributions are fully vested when made. During the years ended March 31, 2013, 2012 and 2011, the Company contributed $4.1 million, $2.5 million and $2.0 million, respectively, to match employee deferrals under the 401(k) Plan.

Defined Contribution Plan

The Company maintains a defined contribution plan for its Ireland-based employees (the "defined contribution plan"). The defined contribution plan provides for eligible employees to contribute up to the maximum of 40%, depending upon their age, of their total taxable earnings subject to an earnings cap of €115,000. The Company provides a match of up to 18% of taxable earnings depending upon an individual's contribution level. During the years ended March 31, 2013, 2012 and 2011, the Company contributed $3.7 million, $1.8 million and none, respectively, in contributions to the defined contribution plan.

Reclassifications

An amount equal to $45.8 million that was previously classified as "Amortization of acquired intangibles" in the year ended March 31, 2012, has been reclassified to "Impairment of long-lived assets" in the accompanying consolidated statements of operations and comprehensive income (loss) and statement of cash flows to conform to current period presentation.

Similarly, $3.7 million that was previously classified as "Proceeds from the issuance of ordinary shares under share-based compensation arrangements" in the year ended March 31, 2012, has been reclassified to "Employee taxes paid related to net share settlement of equity awards" in the accompanying consolidated statements of cash flows to conform to current period presentation.

New Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board ("FASB") or other standard-setting bodies that are adopted by the Company as of the specified effective date. 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 its financial position or results of operations upon adoption.

3. ACQUISITIONS

On September 16, 2011, the Company acquired EDT from Elan in a transaction accounted for under the acquisition method of accounting for business combinations, in exchange for $500.0 million in cash and 31.9 million ordinary shares of Alkermes, Inc., valued at $525.1 million, based on a stock price of $16.46 per share on the acquisition date. Under the acquisition method of accounting, the assets acquired and liabilities assumed were recorded as of the acquisition date, at their respective fair values. The reported consolidated financial condition and results of operations after completion of the acquisition reflect these fair values. EDT's results of operations are included in the consolidated financial statements from the date of acquisition.

Prior to the acquisition, EDT, which was a division of Elan, developed and manufactured pharmaceutical products that deliver clinical benefits to patients using EDT's experience and proprietary drug technologies in collaboration with other pharmaceutical companies worldwide. EDT's

3. ACQUISITIONS (Continued)

two principal drug technology platforms are the oral controlled release platform ("OCR") and the bioavailability enhancement platform, including EDT's NanoCrystal® technology.

During the year ended March 31, 2012, the Company incurred approximately $29.1 million in expenses related to the EDT acquisition, which primarily consisted of banking, legal, accounting and valuation-related expenses. These expenses have been recorded within "Selling, general and administrative expenses" in the accompanying consolidated profit and loss account. During the year ended March 31, 2012, the Company's results of operations included revenues of $165.0 million and net loss of $6.3 million from the acquired EDT business.

The purchase price of the EDT business was as follows (in thousands):

Upfront payment in accordance with the merger agreement	$ 500,000
Equity consideration in accordance with the merger agreement	525,074
Total purchase price	$1,025,074

The purchase price allocation resulted in the following amounts being allocated to the assets acquired and liabilities assumed at the acquisition date based upon their respective fair values, summarized below (in thousands):

Cash	$ 5,225
Receivables	59,398
Inventory	29,669
Prepaid expenses and other current assets	1,806
Property plant and equipment	210,558
Acquired identifiable intangible assets	689,000
Goodwill	92,740
Other assets	4,360
Accounts payable and accrued expenses	(18,650)
Deferred tax liabilities	(48,448)
Other long-term liabilities	(584)
Total	$1,025,074

Asset categories acquired in the EDT acquisition included working capital, fixed assets and identifiable intangible assets, including IPR&D.

The intangible assets acquired included the following (in thousands):

Collaboration agreements	$499,700
NanoCrystal technology	74,600
OCR technology	66,300
In-process research and development	45,800
Trademark	2,600
Total	$689,000

3. ACQUISITIONS (Continued)

On the acquisition date, EDT had several collaboration agreements in place with third-party pharmaceutical companies related to the development and commercialization of a number of products including INVEGA® SUSTENNA®/XEPLION®, AMPYRA®/FAMPYRA®, TRICOR 145®, RITALIN LA®, FOCALIN® XR. , EMEND® and VERELAN®/VERAPAMIL®. For a complete listing of commercial products utilizing the NanoCrystal technology and Oral Controlled Release technology, including the product indication, collaborative partner, and revenue source, please refer to our "Commercial Products Table" on page 1 of this Directors' Report.

The Company determined the value of each collaboration agreement through the use of the excess earnings method. The Company estimated future revenues to be earned under EDT's collaboration agreements for the remainder of the year ended March 31, 2012 through the fiscal year ending March 31, 2027, and reduced such future revenues by (i) a projected gross margin percentage, (ii) an estimate of operating expenses to be incurred related to these agreements, and (iii) contributory asset charges for working capital and fixed assets. The Company then applied an estimated tax rate, determined based upon the jurisdictions in which the underlying intangible assets are taxed, to arrive at the excess earnings.

The Company converted the excess earnings attributable to the collaboration agreements to a present value using a discount rate of 14.5%. This discount rate is equal to the Internal Rate of Return ("IRR") the Company calculated as part of the EDT acquisition. The IRR represents the return a market participant would expect to generate through the acquisition of EDT as well as the level of risk reflected in the financial projections used as the basis for the Company's valuation analysis. Based on the valuation performed, the Company estimated its collaboration agreements to have a value on the acquisition date of $499.7 million.

The Company determined the useful life of the collaboration agreements to be 12 years, which is the Company's best estimate as to the remaining life of the intellectual property for the products underlying the collaboration agreements and the life of the collaboration agreements themselves.

The Company determined the value of the NanoCrystal and OCR technologies through the use of the income approach, specifically the relief-from-royalty method. The Company estimated the savings in royalties that EDT would otherwise have had to pay if it had not owned the NanoCrystal and OCR technologies and had to license it from a third party with rights of use substantially equivalent to ownership. The Company estimated the present value of the stream of future estimated after-tax royalty payments for the remainder of the year ended March 31, 2012 through the fiscal year ending March 31, 2027. The Company converted the after-tax royalty payments to a present value using the same discount rate of 14.5% as used in the analysis of the collaboration agreements. Based on the valuation performed, the Company estimated its NanoCrystal and OCR technologies to have a value on the acquisition date of $74.6 million and $66.3 million, respectively.

The Company determined the useful life of the NanoCrystal and OCR technologies to be 13 and 12 years, respectively, which is the Company's best estimate as to the remaining life of the intellectual property.

Intangible assets associated with IPR&D related to three EDT product candidates. The estimated fair value for the collaboration agreements and IPR&D was determined using the excess earnings approach. The excess earnings approach includes projecting revenue and costs attributable to the associated collaboration agreement or product candidate and then subtracting the required return

3. ACQUISITIONS (Continued)

related to other contributory assets used in the business to determine any residual excess earnings attributable to the collaboration agreement or product candidate. The after-tax excess earnings are then discounted to present value using an appropriate discount rate. During the fourth quarter of fiscal year 2012, and after finalization of the purchase accounting for the Business Combination, the Company identified events and changes in circumstance, such as correspondence from regulatory authorities and further clinical trial results related to the three product candidates acquired as part of the Business Combination, which indicated that the assets may be impaired. Accordingly, the Company recorded an impairment charge of $45.8 million within "Impairment of long-lived assets" in the accompanying profit and loss account. See Note 8, *Goodwill and Intangible Assets* for additional details.

The estimated fair value of the EDT trademark was determined using the relief from royalty method. The Company did not expect to use the EDT trademark beyond March 31, 2012 and, as a result, the Company amortized the full value of the trademark during the year ended March 31, 2012.

The excess of purchase price over the fair value amounts assigned to the assets acquired and liabilities assumed represents the goodwill amount resulting from the acquisition. The Company does not expect any portion of this goodwill to be deductible for tax purposes. The goodwill attributable to the acquisition of EDT has been recorded as a noncurrent asset and is not amortized, but is subject to an annual review for impairment. The factors that contributed to the recognition of goodwill included the synergies that are specific to the Company's business and not available to market participants, including the Company's unique ability to leverage its knowledge in the areas of drug delivery and development of innovative medicines to improve patients' lives, the acquisition of a talented workforce that brings translational medicine expertise to the Company's preclinical compounds and the Company's ability to utilize its research capacity to develop additional compounds using the acquired technologies.

Pro forma financial information (unaudited)

The following unaudited pro forma information presents the combined results of operations for years ended March 31, 2012 and 2011 as if the acquisition of EDT had been completed on April 1, 2010. The unaudited pro forma results do not reflect any material adjustments, operating efficiencies or potential cost savings which may result from the consolidation of operations but do reflect certain adjustments expected to have a continuing impact on the combined results.

	Year Ended	
(In thousands, except per share data)	**March 31, 2012**	**March 31, 2011**
Revenues	$ 500,105	$450,222
Net (loss) income	$(108,782)	$ 10,265
Basic and diluted (loss) earnings per common share	$ (0.84)	$ 0.08

4. INVESTMENTS

Investments consist of the following:

(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses: Less than One Year	Gross Unrealized Losses: Greater than One Year	Estimated Fair Value
March 31, 2013					
Short-term investments:					
Available-for-sale securities:					
U.S. government and agency debt securities	$102,093	$ 29	$ (1)	$ —	$102,121
Corporate debt securities	10,946	27	—	—	10,973
International government agency debt securities	10,089	8	(1)	—	10,096
	123,128	64	(2)	—	123,190
Money market funds	1,201	—	—	—	1,201
	124,329	64	(2)	—	124,391
Long-term investments:					
Available-for-sale securities:					
U.S. government and agency debt securities	60,047	—	(17)	—	60,030
Corporate debt securities	18,725	—	(26)	(162)	18,537
International government agency debt securities	3,060	—	—	—	3,060
	81,832	—	(43)	(162)	81,627
Held-to-maturity securities:					
Certificates of deposit	1,200	—	—	—	1,200
	83,032	—	(43)	(162)	82,827
Total investments	$207,361	$ 64	$ (45)	$(162)	$207,218
March 31, 2012					
Short-term investments:					
Available-for-sale securities:					
U.S. government and agency debt securities	$ 62,925	$ 67	$ (17)	$ —	$ 62,975
International government agency debt securities	25,646	22	(2)	—	25,666
Corporate debt securities	12,324	27	—	—	12,351
	100,895	116	(19)	—	100,992
Held-to-maturity securities:					
Certificates of deposit	4,236	—	—	—	4,236
U.S. government obligations	417	—	—	—	417
	4,653	—	—	—	4,653
Money market funds	1,201	—	—	—	1,201
	106,749	116	(19)	—	106,846
Long-term investments:					
Available-for-sale securities:					
U.S. government and agency debt securities	35,493	—	(70)	—	35,423
International government agency debt securities	10,257	—	(20)	—	10,237
Corporate debt securities	8,009	—	—	(660)	7,349
Strategic investments	644	838	—	—	1,482
	54,403	838	(90)	(660)	54,491
Held-to-maturity securities:					
Certificates of deposit	1,200	—	—	—	1,200
	55,603	838	(90)	(660)	55,691
Total investments	$162,352	$954	$(109)	$(660)	$162,537

4. INVESTMENTS (Continued)

The proceeds from the sales and maturities of marketable securities, excluding strategic equity investments, which were primarily reinvested and resulted in realized gains and losses, were as follows:

	Year Ended March 31,		
(In thousands)	2013	2012	2011
Proceeds from the sales and maturities of marketable securities	$258,937	$323,028	$385,511
Realized gains	$ 39	$ 47	$ 77
Realized losses	$ 5	$ 11	$ 32

In addition, during the year ended March 31, 2013, the Company sold $4.7 million of its held-to-maturity securities. These securities were held as collateral for certain lease agreements that ended in June 2012. There were no gains or losses recognized on the sale of these investments. The Company's available-for-sale and held-to-maturity securities at March 31, 2013 have contractual maturities in the following periods:

	Available-for-sale		Held-to-maturity	
(In thousands)	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Within 1 year	$ 80,388	$ 80,399	$1,200	$1,200
After 1 year through 5 years	124,572	124,418	—	—
Total	$204,960	$204,817	$1,200	$1,200

At March 31, 2013, the Company believes that the unrealized losses on its available-for-sale investments are temporary. The investments with unrealized losses consist primarily of corporate debt securities. In making the determination that the decline in fair value of these securities was temporary, the Company considered various factors, including but not limited to: the length of time each security was in an unrealized loss position; the extent to which fair value was less than cost; financial condition and near-term prospects of the issuers; and the Company's intent not to sell these securities, and the assessment that it is more likely than not that the Company would not be required to sell these securities before the recovery of their amortized cost basis.

The Company's investment in Acceleron Pharma, Inc. ("Acceleron") was $8.7 million at March 31, 2013 and 2012, which is recorded within "Other assets" in the accompanying consolidated balance sheets. The Company accounts for its investment in Acceleron under the cost method as Acceleron is a privately-held company over which the Company does not exercise significant influence. The Company continues to monitor this investment to evaluate whether any decline in its value has occurred that would be other-than-temporary, based on the implied value from any recent rounds of financing completed by Acceleron, market prices of comparable public companies and general market conditions.

The Company's investment in Civitas Therapeutics, Inc. ("Civitas") was $0.8 million and $2.0 million at March 31, 2013 and 2012, respectively, which is recorded within "Other assets" in the accompanying consolidated balance sheets. The Company accounts for its investment in Civitas under the equity method as the Company has an approximately 11% ownership position in Civitas, has a seat on the board of directors and believes it may be able to exercise significant influence over the operating and financial policies of Civitas.

4. INVESTMENTS (Continued)

During the year ended March 31, 2012, Civitas issued 14.3 million shares of Series A preferred stock in exchange for $12.5 million. The Company did not participate in the financing, however, it received 12.4% of these Series A preferred shares in accordance with the terms of its arrangement with Civitas and recorded an increase to its investment in Civitas of $1.5 million. The Company has deferred the recognition of the gain on its investment in Civitas and will recognize it into "Other (expense) income, net", ratably over a period of approximately four years, in the Company's consolidated profit and loss account. During the year ended March 31, 2013, the Company recorded a reduction in its investment in Civitas of $1.2 million, which represented the Company's proportionate share of Civitas' net losses for this period.

In December 2012, the Company and four other existing investors agreed to provide Civitas with a promissory note in the amount of $9.0 million. The promissory note will pay 6% interest per year, is payable on demand at any time on or after December 18, 2013, and is convertible into either common or preferred shares of Civitas upon a majority vote of the promissory note holders on or after December 18, 2013, or in the event of a qualified financing as defined in the Note Purchase Agreement. The Company's share of the promissory note, $1.1 million, was recorded within "Prepaid expenses and other current assets" in the accompanying consolidated balance sheets.

5. FAIR VALUE

The following table presents information about the Company's assets and liabilities that are measured at fair value on a recurring basis and indicates the fair value hierarchy and the valuation techniques the Company utilized to determine such fair value:

(In thousands)	March 31, 2013	Level 1	Level 2	Level 3
Assets:				
Cash equivalents	$ 1,201	$ 1,201	$ —	$—
U.S. government and agency securities	162,151	75,025	87,126	—
International government agency securities	13,156	—	13,156	—
Corporate securities	29,510	—	29,510	—
Total	$206,018	$76,226	$129,792	$—
Liabilities:				
Interest rate swap contract	$ (541)	—	(541)	—
Total	$ (541)	$ —	$ (541)	$—

5. FAIR VALUE (Continued)

	March 31, 2012	Level 1	Level 2	Level 3
Assets:				
Cash equivalents	$ 1,201	$ 1,201	$ —	$ —
U.S. government and agency securities	98,398	98,398	—	—
International government agency securities	35,903	30,902	—	5,001
Corporate securities	19,700	—	14,045	5,655
Strategic equity investments	1,482	1,482	—	—
Interest rate cap contracts	20	—	20	—
	$156,704	$131,983	$14,065	$10,656
Liabilities:				
Interest rate swap contract	$ (522)	—	(522)	—
Total	$ (522)	$ —	$ (522)	$ —

The following table is a rollforward of the fair value of the Company's investments whose fair value was determined using Level 3 inputs at March 31, 2013:

(In thousands)	Fair Value
Balance, April 1, 2012	$ 10,656
Investments transferred into Level 3	1,579
Investments transferred out of Level 3	(12,247)
Total unrealized gains included in comprehensive loss	12
Balance, March 31, 2013	$ —

The Company transfers its financial assets and liabilities measured at fair value on a recurring basis between fair value hierarchies at the end of each reporting period. During the year ended March 31, 2013, the Company transferred $87.1 million of its investments in U.S. government agency debt securities and $3.1 million of its investments in international government agency debt securities from Level 1 to Level 2 as the Company had limited visibility into their trading volumes. There were no transfers of any securities from Level 2 to Level 1 during the year ended March 31, 2013. Also, during the year ended March 31, 2013, there were two securities transferred from Level 3 to Level 2 as trading resumed for these securities.

A third-party pricing service was used to determine the estimated fair value of the Company's securities. The third-party pricing service develops its estimate of fair value through a proprietary model using variables including reportable trades and last trade date, bids and offers, trading frequency, benchmark yields, credit spreads and other industry and economic events. The Company validates the prices provided by its third-party pricing service by reviewing their pricing methods and matrices, obtaining market values from other pricing sources, analyzing pricing data in certain instances and confirming the activity in the relevant markets. After completing its validation procedures, the Company did not adjust or override any fair value measurements provided by its pricing services at March 31, 2013.

5. FAIR VALUE (Continued)

The Company's investments in international government agency debt securities and corporate debt securities classified as Level 2 were initially valued at the transaction price and subsequently valued, at the end of each reporting period, utilizing market observable data. The market observable data includes reportable trades, benchmark yields, credit spreads, broker/dealer quotes, bids, offers, current spot rates and other industry and economic events. The Company validates the prices developed using the market observable data by obtaining market values from other pricing sources, analyzing pricing data in certain instances and confirming that the relevant markets are active.

In September and December 2011, the Company entered into interest rate cap agreements, and, in September 2011, the Company entered into an interest rate swap agreement. These agreements are described in greater detail in Note 12, *Derivative Instruments*. The fair value of the Company's interest rate cap and interest rate swap agreements were based on an income approach, which excludes accrued interest, and takes into consideration then-current interest rates and then-current creditworthiness of the Company or the counterparty, as applicable.

The carrying amounts reflected in the consolidated balance sheets for cash at bank and in-hand, debtors, and creditors, approximate fair value due to their short-term nature. The fair value of the remaining financial instruments not currently recognized at fair value on the Company's consolidated balance sheets consist of the $300.0 million, seven-year term loan bearing interest at LIBOR plus 2.75% with a LIBOR floor of 0.75% ("Term Loan B-1") and the $75.0 million, four-year term loan bearing interest at LIBOR plus 2.75%, with no LIBOR floor ("Term Loan B-2" and together with Term Loan B-1, the "2013 Term Loans"). The estimated fair value of these term loans, which was based on quoted market price indications (Level 2 in the fair value hierarchy) and may not be representative of actual values that could have been or will be realized in the future at March 31, 2013, was as follows:

(In thousands)	Carrying Value	Estimated Fair Value
Term Loan B-1	$296,029	$298,375
Term Loan B-2	$ 72,979	$ 73,308

6. STOCK

Stock consists of the following:

	March 31,	
(In thousands)	2013	2012
Raw materials	$13,506	$12,841
Work in process	13,842	9,569
Finished goods(1)	16,135	16,968
Consigned-out inventory(2)	—	381
Inventory	$43,483	$39,759

(1) At March 31, 2013 and 2012, the Company had $0.6 million and $1.3 million, respectively, of finished goods stock located at its third party warehouse and shipping service provider.

6. STOCK (Continued)

(2) At March 31, 2012, consigned-out stock related to VIVITROL inventory in the distribution channel for which the Company had not recognized revenue. As previously disclosed, in August 2012, the Company changed the way in which revenue is recognized on VIVITROL product sales, and, consequently, it no longer expects to have consigned-out stock.

The estimated replacement cost of stock did not differ significantly from the amounts shown above.

7. TANGIBLE FIXED ASSETS

Tangible fixed assets consist of the following:

	Land and Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	Construction in Progress	Total
			(In thousands)		
Cost:					
At April 1, 2012	$136,474	$189,262	$ 45,798	$44,768	$ 416,302
Additions at cost	1,658	16,789	111	2,725	21,283
Transfers	11,386	(5,486)	464	(6,395)	(31)
Disposals	(69)	(2,822)	(22,236)	(1,699)	(26,826)
At March 31, 2013	$149,449	$197,743	$ 24,137	$39,399	$ 410,728
Accumulated Depreciation:					
At April 1, 2012	$(14,040)	$(63,384)	$(35,883)	$ —	$(113,307)
Charged during the year	(6,394)	(24,281)	(1,224)	—	(31,899)
Disposals	—	677	22,236	—	22,913
At March 31, 2013	$(20,434)	$(86,988)	$(14,871)	$ —	$(122,293)
Net Book Amount:					
At March 31, 2013	$129,015	$110,755	$ 9,266	$39,399	$ 288,435
At March 31, 2012	$122,434	$125,878	$ 9,915	$44,768	$ 302,995

The Company reclassified $11.5 million of "Furniture, fixtures, and equipment" and $0.7 million of "Land" at March 31, 2012 as "Buildings and improvements" to revise prior period presentation. Depreciation expense was $31.9 million, $22.5 million and $8.7 million for the years ended March 31, 2013, 2012 and 2011, respectively.

During the year ended March 31, 2013, the Company performed an impairment analysis on certain of its manufacturing equipment dedicated to the production of VIVITROL. This equipment was originally purchased by Cephalon in connection with the VIVITROL collaboration and later acquired by the Company upon the termination of the VIVITROL collaboration with Cephalon. The Company determined that these assets will not be used in the future production of VIVITROL and recorded an impairment charge of $3.3 million to write the assets down to their fair value, which has been included within "Disposals" in the table above. Fair value was based on internally established estimates and the selling prices of similar assets. Also, during the years ended March 31, 2013 and 2012, the Company wrote off furniture, fixtures and equipment that had a carrying value of less than $0.1 million at the time of disposition and received proceeds from the sales of furniture, fixtures and equipment of less than $0.1 million.

7. TANGIBLE FIXED ASSETS (Continued)

Amounts included as construction in progress in the consolidated balance sheets primarily include capital expenditures at the Company's manufacturing facility in Ohio. The Company continues to evaluate its manufacturing capacity based on expectations of demand for its products and will continue to record such amounts within construction in progress until such time as the underlying assets are placed into service. The Company continues to periodically evaluate whether facts and circumstances indicate that the carrying value of its long-lived assets to be held and used may not be recoverable.

8. GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets consists of the following:

	Goodwill	Collaboration Agreements	NanoCrystal Technology	OCR Technology	Total
			(In thousands)		
Cost:					
At April 1, 2012 and March 31, 2013	$92,740	$499,700	$74,600	$66,300	$733,340
Accumulated Depreciation:					
At April 1, 2012	$ —	$(17,734)	$(1,839)	$(3,182)	$(22,755)
Expensed during the year	—	(32,408)	(3,535)	(5,909)	(41,852)
At March 31, 2013	$ —	$(50,142)	$(5,374)	$(9,091)	$(64,607)
Net Book Amount:					
At March 31, 2013	$92,740	$449,558	$69,226	$57,209	$668,733
At March 31, 2012	$92,740	$481,966	$72,761	$63,118	$710,585

During the three months ended December 31, 2012, the Company performed its annual goodwill impairment test. The Company worked with a third-party valuation firm and established fair value for the purpose of impairment testing by using an average of the income approach and the market approach. The income approach employs a discounted cash flow model that takes into account (i) assumptions that market participants would use in their estimates of fair value, (ii) current period actual results, and (iii) budgeted results for future periods that have been vetted by senior management. The discounted cash flow model incorporates the same fundamental pricing concepts used to calculate fair value in an acquisition due diligence process and a discount rate that takes into consideration the Company's estimated cost of capital adjusted for the uncertainty inherent in an acquisition. The market approach employs market multiples for comparable publicly traded companies in the pharmaceutical and biotechnology industries obtained from industry sources, taking into consideration the nature, scope and size of the acquired reporting unit. In the market approach, estimates of fair value are established using an average of both revenue and EBITDA multiples, adjusted for the reporting unit's performance relative to peer companies.

The Company determined that the fair value of its reporting unit was substantially in excess of its respective carrying value and there was no impairment in the value of this asset as of October 31, 2012.

During the three months ended March 31, 2012, and after finalization of the purchase accounting for the Business Combination, the Company identified events and changes in circumstance, such as correspondence from regulatory authorities and further clinical trial results related to the three product candidates acquired as part of the Business Combination, and classified as IPR&D, which indicated

8. GOODWILL AND INTANGIBLE ASSETS (Continued)

that the assets may be impaired. As such, the Company performed an analysis to measure the amount of the impairment loss, if any. The Company performed the valuation of its IPR&D from the viewpoint of a market participant through the use of a discounted cash flow model. The model contained certain key assumptions, including the cost to bring the pre-clinical products through the clinical trial and regulatory approval process, the gross margin a market participant would expect to earn if the products were approved for sale, the cost to sell the approved product and a discount factor based on an industry average weighted average cost of capital. Based on the analysis performed, the Company determined that the IPR&D was impaired and recorded an impairment charge of $45.8 million within "Impairment of long-lived assets" in the accompanying profit and loss account.

The Company recorded $41.9 million and $25.4 million of amortization expense related to its finite-lived intangible assets during the years ended March 31, 2013 and 2012, respectively. Based on the Company's most recent analysis, amortization of intangible assets included within its consolidated balance sheet at March 31, 2013, is expected to be approximately $50.0 million, $60.0 million, $65.0 million, $70.0 million and $70.0 million in the fiscal years ending March 31, 2014 through 2018, respectively. Although the Company believes such available information and assumptions are reasonable, given the inherent risks and uncertainties underlying its expectations regarding such future revenues, there is the potential for the Company's actual results to vary significantly from such expectations. If revenues are projected to change, the related amortization of the intangible asset will change in proportion to the change in revenues.

9. RESTRUCTURING

On April 4, 2013, the board of directors of Alkermes Pharma Ireland Limited ("APIL"), a wholly owned subsidiary of the Company, approved a restructuring plan related to its Athlone, Ireland manufacturing facility consistent with the evolution of the Company's product portfolio and designed to improve operational performance for the future.

Under the restructuring plan, APIL will terminate manufacturing services for certain older products becoming uneconomic to produce due to decreasing demand from its customers resulting from generic competition. The Company expects to continue to generate revenues from the manufacturing of these products during fiscal year 2014 and, for certain of these products, into fiscal year 2015.

As a result of the termination of these services, it is contemplated that the Company will also implement a corresponding reduction in headcount of up to 130 employees. In connection with the Plan, the Company recorded restructuring charges consisting of the following within "Restructuring" in the accompanying consolidated statements of operations and comprehensive income (loss), (in thousands):

Severance	$12,100
Outplacement services	200
Total	$12,300

This Plan is expected to result in estimated annual cost savings of between $15.0 million to $20.0 million by fiscal year 2016 and beyond. As part of the Plan, the Company also expects to incur non-cash charges resulting from the accelerated depreciation of certain manufacturing assets, which are

9. RESTRUCTURING (Continued)

currently estimated to be approximately $10.0 million in fiscal year 2014 and $7.0 million in fiscal year 2015. As of March 31, 2013, there were no additions, reductions or adjustments made to the restructuring provision.

10. LONG-TERM DEBT

Long-term debt consists of the following:

(In thousands)	March 31, 2013	March 31, 2012
Term Loan B-1, due September 25, 2019	$296,029	$ —
Term Loan B-2, due September 25, 2016	72,979	—
First Lien Term Loan, due September 16, 2017	—	306,822
Second Lien Term Loan, due September 16, 2018	—	137,638
Total	369,008	444,460
Less: current portion	(6,750)	(3,100)
Long-term debt	$362,258	$441,360

Term Loans

In September 2012, the Company entered into an amendment (the "Refinancing") to the first lien term loan facility (the "First Lien Term Loan") pursuant to which the First Lien Term Loan was amended and restated to, among other things, provide for a new tranche of term loans in an amount equal to $375.0 million, the proceeds of which, together with cash-on hand of approximately $75.0 million, were used to repay in full all monies due pursuant to the second lien term loan facility (the "Second Lien Term Loan" and together with the First Lien Term Loan, the "2012 Term Loans"). The new term loan facility includes the 2013 Term Loans and each of the 2013 Term Loans included a LIBOR floor of 1.0%.

In February 2013, the Company further amended the 2013 Term Loans (the "Repricing") to secure: (i) a reduction in interest payable under Term Loan B-1 to LIBOR plus 2.75% and a decrease in the LIBOR floor to 0.75%; (ii) a reduction in interest payable under Term Loan B-2 to LIBOR plus 2.75% and a decrease in the LIBOR floor to 0%; and (iii) a shortened time period, from one year to six months, during which a refinancing of the 2013 Term Loans, as described in the amended and restated credit agreement, would trigger a 1% prepayment premium.

Term Loan B-1 was issued with a principal balance of $300.0 million, an original issue discount of $3.0 million, amortizes in equal quarterly amounts of 0.25% of the original principal amount of the loan, with the balance payable at maturity, which is September 25, 2019. Term Loan B-2 was issued with a principal balance of $75.0 million, an original issue discount of $0.4 million, amortizes in equal quarterly amounts of 1.25% of the original principal amount of the loan, with the balance payable at maturity, which is September 25, 2016. The 2013 Term Loans are guaranteed by certain subsidiaries of the Company (the "Guarantors") and is secured by a first priority lien on substantially all of the assets and properties of the Company and the Guarantors (subject to certain exceptions and limitations).

10. LONG-TERM DEBT (Continued)

Scheduled maturities with respect to the 2013 Term Loans are as follows (in thousands):

Fiscal Year:	
2014	$ 6,750
2015	6,750
2016	6,750
2017	64,875
2018	3,000
Thereafter	283,500
Total	$371,625

Required quarterly principal payments of $0.8 million on Term Loan B-1 and $0.9 million on Term Loan B-2 began on December 31, 2012. Commencing with the completion of the Company's fiscal year ended March 31, 2014, the Company is subject to mandatory prepayments of principal if certain excess cash flow thresholds, as defined in the 2013 Term Loans, are met. The Company may make prepayments of principal without premium or penalty, however, in the event that, prior to September 25, 2013, the Company prepays any of Term Loan B-1 or Term Loan B-2 pursuant to a repricing transaction or an amendment of the Term Loan Facility that results in a repricing transaction, the Company will be subject to a prepayment premium of 1% of the amount of the term loan being repaid or the aggregate amount of the applicable term loan outstanding immediately prior to such amendment.

The 2013 Term Loans have an incremental facility capacity in an amount of $140.0 million, plus additional amounts as long as the Company meets certain conditions, including a specified leverage ratio. The 2013 Term Loans include a number of restrictive covenants that, among other things and subject to certain exceptions and baskets, impose operating and financial restrictions on the Company and certain of its subsidiaries. The 2013 Term Loans also contain customary affirmative covenants and events of default. The Company was in compliance with its debt covenants at March 31, 2013.

The Refinancing was a restructuring of the 2012 Term Loans and involved multiple lenders who were considered members of a loan syndicate. In determining whether the Refinancing was to be accounted for as a debt extinguishment or modification, the Company considered whether creditors remained the same or changed and whether the change in debt terms was substantial. The terms of the 2013 Term Loans were considered substantially different from the 2012 Term Loans if the present value of the cash flows under the 2013 Term Loans was at least 10% different from the present value of the remaining cash flows under the 2012 Term Loans (commonly referred to as the "10% Test"). The Company performed a separate 10% Test for each individual creditor participating in the loan syndication. The loans of creditors who did not participate in the 2013 Term Loans were accounted for as a debt extinguishment.

The Repricing was a restructuring of the 2013 Term Loans and involved multiple lenders who were considered members of a loan syndicate. The Company performed a similar analysis to the analysis described above to determine if the Repricing was to be accounted for as a debt extinguishment or modification. In addition, since the Debt Repricing occurred within twelve months of the Refinancing, for any lenders who participated in the Refinancing, the Company performed the 10% test using the present value of the remaining cash flows under the 2013 Term Loans.

10. LONG-TERM DEBT (Continued)

As the 2012 and 2013 Term Loans have a prepayment option exercisable at any time, the Company assumed the prepayment option was exercised immediately on the date of the refinancing for purposes of applying the 10% Test. When there was a change in principal balance for individual creditors in the Refinancing and/or the Repricing, in applying the 10% Test, the Company used the cash flows related to the lowest common principal balance (commonly referred to as the "Net Method"). Under the Net Method, any principal in excess of a creditor's rollover money was treated as a new, separate debt issuance, and any decrease in principal was treated as a partial extinguishment of debt.

New costs paid to creditors and third parties in connection with the Refinancing and/or Repricing were allocated to the 2013 Term Loans and then further allocated to each creditor. Once these costs were allocated to the individual creditors, an analysis of each creditor was performed and a determination made as to whether the refinancing was accounted for as a debt extinguishment or modification under the 10% Test. For debt considered to be extinguished, the unamortized deferred financing costs and unamortized original issue discount associated with the extinguished debt were expensed. For debt considered to be modified, the unamortized deferred financing costs and unamortized original issue discount associated with the modified debt continue to be amortized, new financing costs were expensed and new third-party fees were capitalized. For new creditors in the Refinancing and/or Repricing, new financing costs and original issue discount fees were capitalized and will be amortized over the estimated repayment period of the new debt.

The Refinancing and Repricing resulted in a $12.1 million and $7.5 million charge, respectively, in the year ended March 31, 2013, which was included in "Interest expense" in the accompanying consolidated profit and loss account and was comprised of the following:

(in thousands)	September 2012 Refinancing	February 2013 Repricing	Total
Extinguished debt:			
Unamortized deferred financing costs	$ 4,600	$1,566	6,166
Unamortized original issue discount	2,657	1,435	4,094
Modified debt:			
Debt financing costs	1,967	807	2,772
Original issue discount	105	—	105
Prepayment penalty	2,800	3,733	6,533
Total	$12,129	$7,541	19,670

At March 31, 2013, the Company's balance of unamortized deferred financing costs and unamortized original issue discount costs were $3.3 million and $2.6 million, respectively. These costs are being amortized to interest expense over the estimated repayment period of the 2013 Term Loans using the effective interest method. During the years ended March 31, 2013 and 2012, the Company had amortization expense of $5.8 million and $3.5 million, respectively, related to deferred financing costs and original issue discount.

11. DERIVATIVE INSTRUMENTS

In December 2011, the Company entered into an interest rate cap agreement with Morgan Stanley Capital Services LLC ("MSCS") at a cost of $0.1 million to mitigate the impact of fluctuations in the

11. DERIVATIVE INSTRUMENTS (Continued)

three-month LIBOR rate at which the Company's long-term debt bears interest. The interest rate cap agreement expires in December 2013, has a notional value of $160.0 million and is not designated as a hedging instrument. The Company recorded an immaterial amount of loss as "Other income (expense), net" in the accompanying consolidated statements of operations and comprehensive income (loss) due to the decline in value of this contract during the years ended March 31, 2013 and 2012. At March 31, 2013, this contract has an immaterial balance included within "Other assets" in the accompanying consolidated balance sheets.

In September 2011, the Company entered into an interest rate cap agreement with HSBC Bank USA at a cost of less than $0.1 million to mitigate the impact of fluctuations in the three-month LIBOR rate at which the Company's long-term debt bear interest. The interest rate cap agreement became effective on September 16, 2011 and expired in December 2012. The interest rate cap agreement had a notional value of $65.0 million and was not designated as a hedging instrument. The Company recorded an immaterial amount of loss within "Other income (expense), net" in the consolidated statements of operations and comprehensive income (loss) due to the decline in value of this contract during the years ended March 31, 2013 and 2012.

In September 2011, the Company entered into an interest rate swap agreement with MSCS to mitigate the impact of fluctuations in the three-month LIBOR rate at which the Company's long-term debt bears interest. The interest rate swap agreement became effective in December 2012, expires in December 2014 and has a notional value of $65.0 million. This contract was initially designated as a cash flow hedge, however, in connection with the Refinancing, the cash flow hedge was deemed to no longer be effective for accounting purposes and, accordingly, the Company reclassified its unrealized losses of $0.6 million to "Interest expense" in the accompanying consolidated profit and loss account. The following table summarizes the beginning and ending accumulated derivative loss for the interest rate swap (in thousands):

Unrealized losses included in accumulated other comprehensive income at March 31, 2012	$(522)
Unrealized losses incurred during the year ended March 31, 2013	(72)
Reclassification of unrealized losses to realized losses during the year ended March 31, 2013	594
Unrealized losses included in accumulated other comprehensive income at March 31, 2013	$ —

The following table summarizes the fair value and presentation in the consolidated balance sheets for the Company's hedging instruments:

		Fair Value	
(In thousands)	**Balance Sheet Location**	**March 31, 2013**	**March 31, 2012**
Interest rate swap			
Liability derivative not designated as a cash flow hedge	Other long-term liabilities	$(541)	—
Liability derivative designated as a cash flow hedge	Other long-term liabilities	$ —	(522)

12. EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per ordinary share is calculated based upon net income (loss) available to holders of ordinary shares divided by the weighted average number of shares outstanding. For the calculation of diluted earnings (loss) per ordinary share, the Company uses the weighted average number of ordinary shares outstanding, as adjusted for the effect of potential outstanding shares, including stock options and restricted stock units.

	Year Ended March 31,		
(In thousands)	2013	2012	2011
Numerator:			
Net income (loss)	$ 24,983	$(113,678)	$(45,540)
Denominator:			
Weighted average number of ordinary shares outstanding	131,713	114,702	95,610
Effect of dilutive securities:			
Stock options	4,025	—	—
Restricted stock units	1,362	—	—
Dilutive ordinary share equivalents	5,387	—	—
Shares used in calculating diluted earnings (loss) per share	137,100	114,702	95,610

The following potential ordinary equivalent shares have not been included in the net income (loss) per ordinary share calculations because the effect would have been anti-dilutive.

	Year Ended March 31,		
(In thousands)	2013	2012	2011
Stock options	4,497	8,299	13,357
Restricted stock units	—	1,205	936
Total	4,497	9,504	14,293

13. SHAREHOLDERS' EQUITY

Share Repurchase Programs

On September 16, 2011, the board of directors authorized the continuation of the Alkermes, Inc. share repurchase program to repurchase up to $215.0 million of the Company's ordinary shares at the discretion of management from time to time in the open market or through privately negotiated transactions. The objective of the repurchase program is to improve shareholders' returns. At March 31, 2013, approximately $101.0 million was available to repurchase ordinary shares pursuant to the repurchase program. All shares repurchased are recorded as treasury stock. The repurchase program has no set expiration date and may be suspended or discontinued at any time. During the years ended March 31, 2013 and 2012, the Company did not acquire any shares of outstanding ordinary shares under the repurchase program.

14. SHARE-BASED COMPENSATION

Share-based Compensation Expense

The following table presents share-based compensation expense included in the Company's consolidated statements of operations and comprehensive income (loss):

	Year Ended March 31,		
(In thousands)	**2013**	**2012**	**2011**
Cost of goods manufactured and sold	$ 4,375	$ 2,962	$ 1,725
Research and development	9,078	8,784	6,218
Selling, general and administrative	21,263	17,080	11,889
Total share-based compensation expense	$34,716	$28,826	$19,832

At March 31, 2013, 2012 and 2011, $0.6 million, $0.4 million and $0.6 million, respectively, of share-based compensation expense was capitalized and recorded as "Inventory" in the consolidated balance sheets.

Share-based Compensation Plans

The Company has two compensation plans pursuant to which awards are currently being made; (i) the 2011 Stock Option and Incentive Plan (the "2011 Plan"); (ii) and the 2008 Plan. The Company has five share-based compensation plans pursuant to which outstanding awards have been made, but from which no further awards can or will be made: (i) the 1996 Stock Option Plan for Non-Employee Directors (the "1996 Plan"); (ii) the 1998 Equity Incentive Plan (the "1998 Plan"); (iii) the 1999 Stock Option Plan (the "1999 Plan"); (iv) the 2002 Restricted Stock Award Plan (the "2002 Plan"); and (v) the 2006 Stock Option Plan for Non-Employee Directors (the "2006 Plan"). The 2011 Plan and the 2008 Plan provides for issuance of non-qualified and incentive stock options, restricted stock, restricted stock units, cash-based awards and performance shares to employees, officers and directors of, and consultants to, the Company in such amounts and with such terms and conditions as may be determined by the compensation committee of the Company's board of directors, subject to provisions of the 2011 Plan and the 2008 Plan.

At March 31, 2013, there were 9.8 million shares of ordinary shares available for issuance under the Company's stock plans. The 2011 Plan provides that awards other than stock options will be counted against the total number of shares available under the plan in a 1.8-to-1 ratio and the 2008 Plan provides that awards other than stock options will be counted against the total number of shares available under the plan in a 2-to-1 ratio.

14. SHARE-BASED COMPENSATION (Continued)

Stock Options

A summary of stock option activity is presented in the following table:

	Number of Shares	Weighted Average Exercise Price
Outstanding, April 1, 2012	17,359,760	$13.68
Granted	2,535,500	$16.84
Exercised	(3,052,642)	$11.26
Forfeited	(334,063)	$14.98
Expired	(57,451)	$20.12
Outstanding, March 31, 2013	16,451,104	$14.57
Exercisable, March 31, 2013	10,321,840	$14.13

The weighted average grant date fair value of stock options granted during the years ended March 31, 2013, 2012 and 2011 was $8.11, $8.00 and $5.92, respectively. The aggregate intrinsic value of stock options exercised during the years ended March 31, 2013, 2012 and 2011 was $28.1 million, $11.1 million and $2.0 million, respectively.

At March 31, 2013, there were 6.0 million stock options expected to vest with a weighted average exercise price of $15.27 per share, a weighted average contractual remaining life of 8.3 years and an aggregate intrinsic value of $50.5 million. At March 31, 2013, the aggregate intrinsic value of stock options exercisable was $98.8 million with a weighted average remaining contractual term of 4.4 years. The number of stock options expected to vest is determined by applying the pre-vesting forfeiture rate to the total outstanding options. The intrinsic value of a stock option is the amount by which the market value of the underlying stock exceeds the exercise price of the stock option.

At March 31, 2013, there was $20.3 million of unrecognized compensation cost related to unvested stock options, which is expected to be recognized over a weighted average period of approximately 1.9 years. Cash received from option exercises under the Company's award plans during the years ended March 31, 2013 and 2012 was $34.4 million and $20.9 million, respectively. The Company issued new shares upon option exercises during the years ended March 31, 2013 and 2012.

14. SHARE-BASED COMPENSATION (Continued)

Time-Vested Restricted Stock Units

A summary of time-vested RSU activity is presented in the following table:

	Number of Shares	Weighted Average Grant Date Fair Value
Unvested, April 1, 2012	2,114,176	$13.45
Granted	1,032,530	$16.55
Vested	(799,935)	$12.41
Forfeited	(120,000)	$15.70
Unvested, March 31, 2013	2,226,771	$15.14

The weighted average grant date fair value of time-vested RSUs granted during the years ended March 31, 2013, 2012 and 2011 was $16.55, $17.91 and $11.74, respectively. The total fair value of time-vested RSUs that vested during the years ended March 31, 2013, 2012 and 2011 was $9.9 million, $6.1 million and $4.0 million, respectively.

At March 31, 2013, there was $14.0 million of total unrecognized compensation cost related to unvested time-vested RSUs, which will be recognized over a weighted average remaining contractual term of 1.9 years.

Performance-Based Restricted Stock Units

In May 2009, the board of directors awarded 45,000 RSUs to certain of the Company's executive officers under the 2006 Plan that vested upon the approval of BYDUREON by the U.S. Food and Drug Administration ("FDA"), provided the approval by the FDA occurred at least one year after the date of grant. During the year ended March 31, 2010, 20,000 RSUs were forfeited upon the resignation of an executive officer. The grant date fair value of the award was $8.55 per share, which was the market value of the Company's stock on the date of grant. During the year ended March 31, 2012, the performance condition was met and the award vested.

In May 2008, the board of directors awarded 40,000 RSUs to certain of the Company's executive officers under the 2002 Plan that vest upon the achievement of a market condition specified in the award terms. During the year ended March 31, 2010, 10,000 RSUs were forfeited upon the resignation of an executive officer. The grant date fair value of $9.48 per share was determined through the use of a Monte Carlo simulation model. The compensation cost for the award's grant date fair value of $0.4 million was recognized over a derived service period of 1.4 years. During the year ended March 31, 2012, the market condition was met and the awards vested.

15. COLLABORATIVE ARRANGEMENTS

The Company's business strategy includes forming collaborations to develop and commercialize its products, and to access technological, financial, marketing, manufacturing and other resources. The Company's significant collaborative arrangements are described below:

Janssen

RISPERDAL CONSTA

Under a product development agreement, the Company collaborated with Janssen on the development of RISPERDAL CONSTA. Under the development agreement, Janssen provided funding to the Company for the development of RISPERDAL CONSTA, and Janssen is responsible for securing all necessary regulatory approvals for the product.

Under license agreements, the Company granted Janssen and an affiliate of Janssen exclusive worldwide licenses to use and sell RISPERDAL CONSTA. Under its license agreements with Janssen, the Company receives royalty payments equal to 2.5% of Janssen's net sales of RISPERDAL CONSTA in each country where the license is in effect based on the quarter when the product is sold by Janssen. This royalty may be reduced in any country based on lack of patent coverage and significant competition from generic versions of the product. Janssen can terminate the license agreements upon 30 days' prior written notice to the Company. The licenses granted to Janssen expire on a country-by-country basis upon the later of (i) the expiration of the last patent claiming the product in such country or (ii) fifteen years after the date of the first commercial sale of the product in such country, provided that in no event will the license granted to Janssen expire later than the twentieth anniversary of the first commercial sale of the product in such country, with the exception of certain countries where the fifteen-year limitation shall pertain regardless. After expiration, Janssen retains a non-exclusive, royalty-free license to manufacture, use and sell RISPERDAL CONSTA. The Company exclusively manufactures RISPERDAL CONSTA for commercial sale. Under its manufacturing and supply agreement with Janssen, the Company records manufacturing revenues when product is shipped to Janssen, based on 7.5% of Janssen's net unit sales price for RISPERDAL CONSTA for the calendar year.

The manufacturing and supply agreement terminates on expiration of the license agreements. In addition, either party may terminate the manufacturing and supply agreement upon a material breach by the other party, which is not resolved within 60 days after receipt of a written notice specifying the material breach or upon written notice in the event of the other party's insolvency or bankruptcy. Janssen may terminate the agreement upon six months' written notice to the Company. In the event that Janssen terminates the manufacturing and supply agreement without terminating the license agreements, the royalty rate payable to the Company on Janssen's net sales of RISPERDAL CONSTA would increase from 2.5% to 5.0%.

Under its agreements with Janssen, the Company recognized manufacturing revenues related to RISPERDAL CONSTA of $98.6 million, $129.8 million, and $116.2 million during the years ended March 31, 2013, 2012 and 2011, respectively. Under its agreements with Janssen, the Company recognized royalty revenues related to RISPERDAL CONSTA of $35.0 million, $38.5 million and $38.1 million during the years ended March 31, 2013, 2012 and 2011, respectively.

15. COLLABORATIVE ARRANGEMENTS (Continued)

INVEGA SUSTENNA/XEPLION

Under its license agreement with Janssen Pharmaceutica N.V., the Company granted Janssen a worldwide exclusive license under its NanoCrystal technology to develop, commercialize and manufacture INVEGA SUSTENNA/XEPLION and related products.

The Company receives certain development milestone payments from Janssen and tiered royalty payments between 5% and 9% of INVEGA SUSTENNA net sales in each country where the license is in effect, with the exact royalty percentage determined based on worldwide net sales. The royalty payments may be reduced in any country based on lack of patent coverage or patent litigation, or where competing products achieve certain minimum sales thresholds. The licenses granted to Janssen expire on a country-by-country basis upon the later of (i) March 31, 2019 or (ii) the expiration of the last of the patents claiming the product in such country. After expiration, Janssen retains a non-exclusive, royalty-free license to develop, manufacture and commercialize the product.

Under its license agreement with Janssen, there are no further development milestones to be earned by the Company related to INVEGA SUSTENNA/XEPLION.

Janssen may terminate the license agreement in whole or in part upon three months' notice to the Company. The Company and Janssen have the right to terminate the agreement upon the material breach of the other party, which is not cured within a certain time period or upon the other party's bankruptcy or insolvency.

Under its agreements with Janssen, the Company recognized royalty revenues from the sale of INVEGA SUSTENNA/XEPLION of $63.5 million, $18.0 million and none during the years ended March 31, 2013, 2012 and 2011, respectively.

Acorda

Under an amended and restated license agreement, the Company granted Acorda an exclusive worldwide license to use and sell and, solely in accordance with its supply agreement, to make or have made AMPYRA/FAMPYRA. Under its license agreement with Acorda, the Company receives certain commercial and development milestone payments, license revenues and a royalty of approximately 10% based on sales of AMPYRA/FAMPYRA by Acorda or its sub-licensee, Biogen Idec. This royalty payment may be reduced in any country based on lack of patent coverage, competing products achieving certain minimum sales thresholds, and whether Alkermes manufactures the product.

Acorda has the right to terminate the license agreement upon 90 days' written notice. The Company has the right to terminate the license agreement for countries in which Acorda fails to launch a product within a specified time after obtaining the necessary regulatory approval or fails to file regulatory approvals within a commercially reasonable time after completion and receipt of positive data from all preclinical and clinical studies required for filing a marketing authorization application. If the Company terminates Acorda's license in any country, the Company is entitled to a license from Acorda of its patent rights and know-how relating to the product as well as the related data, information and regulatory files, and to market the product in the applicable country, subject to an initial payment equal to Acorda's cost of developing such data, information and regulatory files and to ongoing royalty payments to Acorda. Subject to the termination of the license agreement, licenses granted under the license agreement terminate on a country-by-country basis on the later of

15. COLLABORATIVE ARRANGEMENTS (Continued)

(i) September 2018 or (ii) the expiration of the last to expire of our patents or the existence of a threshold level of competition in the marketplace.

Under its commercial manufacturing supply agreement with Acorda, the Company manufactures and supplies AMPYRA/FAMPYRA for Acorda (and its sub-licensees). Under the terms of the agreement, Acorda may obtain up to 25% of its total annual requirements of product from a second-source manufacturer. The Company receives royalties equal to 8% of net selling price for all product manufactured by it and a compensating payment for product manufactured and supplied by a third party. The Company may terminate the supply agreement upon 12 months' prior written notice to Acorda and either party may terminate the supply agreement following a material and uncured breach of the supply or license agreement or the entry into bankruptcy or dissolution proceedings of the other party. In addition, subject to early termination of the supply agreement noted above, the supply agreement terminates upon the expiry or termination of the license agreement.

The Company is entitled to receive the following milestone payments under its amended and restated license agreement with Acorda for each of the third and fourth new indications of the product developed thereunder:

- Upon the initiation of a phase 3 clinical trial: $1.0 million;
- Upon the acceptance of an NDA by the FDA: $1.0 million;
- Upon the approval of the NDA by the FDA: $1.5 million; and
- Upon the first commercial sale: $1.5 million.

In January 2011, the Company entered into a development and supplemental agreement to its amended and restated license agreement and supply agreement with Acorda. Under the terms of this agreement, the Company granted Acorda the right, either with the Company or with a third party, in each case in accordance with certain terms and conditions, to develop new formulations of dalfampridine or other aminopyridines. Under the terms of the agreement, Acorda has the right to select either a formulation developed by the Company or by a third party for commercialization.

The Company is entitled to development fees it incurs in developing formulations under the development and supplemental agreement and, if Acorda selects and commercializes any such formulation, to milestone payments (for new indications if not previously paid), license revenues and royalties in accordance with its amended and restated license agreement for the product, and either manufacturing fees as a percentage of net selling price for product manufactured by the Company or compensating fees for product manufactured by third parties.

If, under the development and supplemental agreement, Acorda selects a formulation not developed by the Company, then the Company will be entitled to various compensation payments and has the first option to manufacture such third-party formulation. The development and supplemental agreement expires upon the expiry or termination of the amended and restated license agreement and may be earlier terminated by either party following an uncured breach of the agreement by the other party.

Acorda's financial obligations under this development and supplemental agreement continue for a minimum of ten years from the first commercial sale of such new formulation, and may extend for a longer period of time, depending on the intellectual property rights protecting the formulation,

15. COLLABORATIVE ARRANGEMENTS (Continued)

regulatory exclusivity and/or the absence of significant market competition. These financial obligations survive termination.

During the years ended March 31, 2013, 2012 and 2011, the Company recognized $65.0 million, $25.8 million and none respectively, of revenue from its arrangements with Acorda.

Bristol-Myers

In May 2000, the Company entered into a development and license agreement with Amylin, now a wholly-owned subsidiary of Bristol-Myers, for the development of exendin products falling within the scope of its patents, which includes the once-weekly formulation of exenatide, BYDUREON. Pursuant to the development and license agreement, Bristol-Myers has an exclusive, worldwide license to the Company's polymer-based microsphere technology for the development and commercialization of injectable extended-release formulations of exendins and other related compounds. The Company receives funding for research and development and will also receive royalty payments based on future product sales. The Company received milestone payments upon the achievement of certain development and commercialization goals, and there are no further milestones to be earned under the agreements. In October 2005 and in July 2006, the Company amended the development and license agreement. Under the amended agreement, the Company is responsible for formulation and is principally responsible for non-clinical development of any products that may be developed pursuant to the agreement and for manufacturing these products for use in early-phase clinical trials.

Bristol-Myers is responsible for commercializing exenatide products, including BYDUREON, in the U.S. and for U.S. regulatory matters relating to BYDUREON. Lilly, Bristol-Myers' former worldwide collaboration partner with respect to exenatide products, continues to have exclusive rights to commercialize exenatide products outside of the U.S. until December 31, 2013 or such earlier date as agreed by the parties pursuant to the terms of their transition agreement, following which Bristol-Myers will have such exclusive rights. Subject to these arrangements with Lilly, Bristol-Myers is responsible for conducting clinical trials, securing regulatory approvals and marketing any products resulting from the collaboration on a worldwide basis.

In conjunction with the 2005 amendment of the development and license agreement with Bristol-Myers, the Company reached an agreement regarding Bristol-Myers' construction of a manufacturing facility for BYDUREON and certain technology transfer related thereto. The facility and technology transfer of the Company's manufacturing processes was completed in 2009. Bristol-Myers n will be responsible for the manufacture of BYDUREON and will operate the facility.

Until December 31 of the tenth full calendar year following the year in which the first commercial sale of BYDUREON occurs, the Company will receive royalties equal to 8% of net sales from the first 40 million units of BYDUREON sold in any particular year and 5.5% of net sales from units sold beyond the first 40 million units for that year. Thereafter, during the term of the development and license agreement, the Company will receive royalties equal to 5.5% of net sales of products sold. The Company received milestone payments upon the achievement of certain development and commercialization goals, and there are no further milestones to be earned under the agreements.

The development and license agreement terminates on the later of (i) 10 years from the first commercial sale of the last of the products covered by the development and license agreement, or (ii) the expiration or invalidation of all of its patents covering such product. Upon termination, all

15. COLLABORATIVE ARRANGEMENTS (Continued)

licenses become non-exclusive and royalty-free. Bristol-Myers may terminate the development and license agreement for any reason upon 180 days' written notice to the Company. In addition, either party may terminate the development and license agreement upon a material default or breach by the other party that is not cured within 60 days after receipt of written notice specifying the default or breach.

During the years ended March 31, 2013, 2012 and 2011, the Company recognized $23.8 million, $18.8 million and $2.9 million, respectively, of revenue from its arrangements with Bristol-Myers.

16. INCOME TAXES

The Company's provision (benefit) for income taxes is comprised of the following:

	Year Ended March 31,		
(In thousands)	**2013**	**2012**	**2011**
Current income tax provision (benefit):			
U.S. federal	$ 8,152	$ 7,321	$(756)
U.S. state	2,588	6,649	30
Rest of world	1,758	28	—
Deferred income tax (benefit) provision:			
Ireland	(1,961)	(4,551)	—
U.S. federal	—	(10,024)	(206)
U.S. state	(79)	(137)	(19)
Total tax provision (benefit)	$10,458	$ (714)	$(951)

The current income tax provision for the year ended March 31, 2013 is primarily due to income earned by the Company during the fiscal year. An $8.9 million benefit has been recorded to additional paid-in capital due to the utilization of NOL carryforwards that were created from the exercise of employee stock options. The current income tax provision for the year ended March 31, 2012 is primarily due to a provision of $13.1 million on the taxable transfer of the BYDUREON intellectual property from the U.S. to Ireland, partially offset by a $4.3 million benefit recorded to additional paid-in capital related to the utilization of certain NOL carryforwards resulting from the exercise of employee stock options. The current income tax benefit for the year ended March 31, 2011 is primarily related to a tax benefit for bonus depreciation pursuant to the *Small Business Jobs Act of 2010*.

The deferred income tax benefit for the year ended March 31, 2013 is primarily due to the reversals of deferred tax liabilities for intangible assets for which the book basis exceeds the tax basis. These intangible assets are being amortized for book purposes over the life of the intangible assets. The deferred income tax benefit in Ireland for the year ended March 31, 2012 is primarily due to a benefit from the partial release of the Irish deferred tax liability relating to acquired intellectual property that was established in connection with the Business Combination. The Company also recorded a benefit of $9.9 million due to the partial release of an existing U.S. federal valuation allowance as a consequence of the Business Combination. The deferred income tax benefits for the year ended March 31, 2011 is primarily due to the recognition of $0.2 million of income tax expense associated with the increase in the value of certain securities that it carried at fair market value.

16. INCOME TAXES (Continued)

No provision for income tax has been provided on undistributed earnings of the Company's foreign subsidiaries because the Company considers such earnings to be indefinitely reinvested. Cumulative unremitted earnings of overseas subsidiaries totaled approximately $39.0 million at March 31, 2013. In the event of distribution of those earnings in the form of dividends or otherwise, the Company would be subject to income taxes, subject to an adjustment, if any, for foreign tax credits, and foreign withholding taxes payable to certain foreign tax authorities. Determination of the amount of income tax liability that would be incurred is not practicable because of the complexities associated with this hypothetical calculation, however, unrecognized foreign tax credit carryforwards may be available to reduce some portion of the tax liability, if any.

The distribution of the Company's income (loss) before the provision for income taxes by geographical area consisted of the following:

	Year Ended March 31,		
(In thousands)	2013	2012	2011
Ireland	$(14,722)	$ (36,711)	$ —
U.S.	23,503	(84,858)	(46,491)
Rest of world	26,660	7,177	—
Income (loss) before provision for income taxes	$ 35,441	$(114,392)	$(46,491)

The components of the Company's net deferred tax liabilities are as follows:

	March 31,	
(In thousands)	2013	2012
Deferred tax assets:		
Irish NOL carryforwards	$ 55,842	$ 55,176
Tax benefit from the exercise of stock options	8,437	22,089
Share-based compensation	23,468	21,992
Tax credit carryforwards	10,543	12,294
U.S. federal and state NOL carryforwards	496	1,516
Alkermes Europe, Ltd. NOL carryforward	—	4,675
Deferred revenue	1,682	1,778
Intangible assets	277	748
Property, plant and equipment	653	—
Bonus accrual	7,034	5,849
Other	9,150	9,774
Less: valuation allowance	(86,714)	(107,128)
Total deferred tax assets	30,868	28,763
Deferred tax liabilities:		
Intangible assets	(40,968)	(43,606)
Property, plant and equipment	(19,607)	(19,049)
Other	(2,072)	—
Total deferred tax liabilities	(62,647)	(62,655)
Net deferred tax liabilities	$(31,779)	$ (33,892)

16. INCOME TAXES (Continued)

The following table presents the breakdown between current and non-current deferred tax assets (liabilities):

(In thousands)	Year Ended March 31, 2013	2012
Current deferred tax assets	$ 5,824	$ 656
Current deferred tax liabilities	—	(36)
Non-current deferred tax liabilities	(37,603)	(34,512)
Net deferred tax liabilities	$(31,779)	$(33,892)

In 2013, the Company identified an error in the prior year related to the separate identification and classification of accrued bonus in the net deferred tax disclosure of $5.8 million. The impact of the accrued bonus was previously disclosed within the U.S. federal and state NOL carryforward line item in the prior year footnote. The Company believes that the accrued bonus deferred tax asset should have been disclosed as a separate line item within the footnote. There was no impact to the provision for income taxes for any period presented. The error had no effect on the Company's consolidated statements of operations and comprehensive income (loss), changes in shareholders' equity or cash flows for any period presented. The prior period amounts presented in the tax footnote herein have been revised to correct for this immaterial misstatement.

As of March 31, 2013, the Company had $438.2 million of Irish NOL carryforwards, $70.4 million of U.S. federal NOL carryforwards and $8.7 million of state NOL carryforwards, which either expire on various dates through 2032 or can be carried forward indefinitely. These loss carryforwards are available to reduce certain future Irish and foreign taxable income, if any. These loss carryforwards are subject to review and possible adjustment by the appropriate taxing authorities. These loss carryforwards, which may be utilized in any future period, may be subject to limitations based upon changes in the ownership of the company's stock. The Company has performed a review of ownership changes in accordance with the U.S. Internal Revenue Code and the Company has determined that it is more likely than not that, as a result of the Business Combination, the Company has experienced a change of ownership. As a consequence, the Company's U.S. federal NOL carryforwards and tax credit carryforwards are subject to an annual limitation of $127.0 million.

The Company records a deferred tax asset or liability based on the difference between the financial statement and tax basis of assets and liabilities, as measured by enacted tax rates assumed to be in effect when these differences reverse. In evaluating the Company's ability to recover its deferred tax assets, the Company considers all available positive and negative evidence including its past operating results, the existence of cumulative income in the most recent fiscal years, changes in the business in which the Company operates and its forecast of future taxable income. In determining future taxable income, the Company is responsible for assumptions utilized including the amount of Irish, U.S. and other foreign pre-tax operating income, the reversal of temporary differences and the implementation of feasible and prudent tax planning strategies. These assumptions require significant judgment about the forecasts of future taxable income and are consistent with the plans and estimates that the Company is using to manage the underlying businesses. As of March 31, 2013, the Company determined, based on the weight of all available positive and negative evidence, that it is more likely than not that a significant portion of the deferred tax assets will not be realized and a valuation allowance has been recorded. However, if the Company demonstrates consistent profitability in the

16. INCOME TAXES (Continued)

future, the evaluation of the recoverability of the deferred tax asset could change and the valuation allowance could be released in part or in whole. The $20.4 million decrease in the valuation allowance from the year ended March 31, 2012 to the year ended March 31, 2013 was primarily due to the utilization of NOLs. The Company has a $31.8 million net deferred tax liability as of March 31, 2013 which is primarily related to book over tax basis differences in acquired intellectual property.

The tax benefit from stock option exercises included in the table above represents benefits accumulated prior to the adoption of Accounting Standards Codification ("ASC") Topic 718 ("ASC 718") that have not been realized. Subsequent to the adoption of ASC 718 on April 1, 2006, an additional $34.5 million of tax benefits from stock option exercises, in the form of NOL carryforwards and tax credit carryforwards, have not been recognized in the financial statements and will be once they are realized. In total, the Company has approximately $42.9 million related to certain NOL carryforwards and tax credit carryforwards resulting from the exercise of employee stock options, the tax benefit of which, when recognized, will be accounted for as a credit to additional paid-in capital rather than a reduction of income tax expense.

As part of the Business Combination, Alkermes plc was incorporated and is headquartered in Dublin, Ireland. The statutory tax rate for trading income in Ireland is 12.5%. A reconciliation of the Company's statutory tax rate to its effective rate is as follows:

	Year Ended March 31,		
	2013	2012	2011
Statutory rate	12.5%	12.5%	34.0%
U.S. state income taxes, net of U.S. federal benefit	4.7%	(6.8)%	—%
R&D credit	—%	—%	1.4%
Share-based compensation	3.3%	(0.7)%	(2.6)%
Non-refundable withholding tax	4.7%	—%	—%
Permanent items	(8.2)%	—%	(0.6)%
Change in valuation allowance	(28.0)%	47.3%	(30.1)%
Rate differential	40.5%	(51.7)%	—%
Effective tax rate	29.5%	0.6%	2.1%

16. INCOME TAXES (Continued)

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

(In thousands)	Unrecognized Tax Benefits
Balance, April 1, 2010	$3,373
Additions based on tax positions related to prior periods	1,560
Balance, March 31, 2011	4,933
Additions based on tax positions related to prior periods	1,741
Decreases due to lapse of statute of limitations	(68)
Balance, March 31, 2012	6,606
Additions based on tax positions related to prior periods	1,065
Decreases due to settlements with tax authorities	(413)
Balance, March 31, 2013	$7,258

In 2013, the Company identified errors related to uncertain tax positions driven by timing differences that were not identified and disclosed in the tabular rollforward in the prior years. The net impact of the error was $1.5 million to the opening balance at April 1, 2010, $1.5 million during 2011, $3.0 million at March 31, 2011, $1.2 million during 2012 and $4.2 million at March 31, 2012. There was no impact to the net deferred tax assets or the provision for income taxes for any period presented. The error had no effect on the Company's consolidated balance sheets, statements of operations and comprehensive income (loss), changes in shareholders' equity or cash flows for any period presented. As a result, the Company believes the impact of this error is immaterial to previously issued financial statements. The prior period amounts presented in the tax footnote herein have been revised to correct for this immaterial misstatement.

$0.2 million of the unrecognized tax benefits at March 31, 2013, if recognized, would affect the Company's effective tax rate before taking its' valuation allowance into consideration. The Company expects a net reduction in its unrecognized tax benefits in the amount of $7.2 million due to the expected resolution of certain matters over the next twelve months. The Company has elected to include interest and penalties related to uncertain tax positions as a component of its provision for taxes. For the year ended March 31, 2013, the Company's accrued interest and penalties related to uncertain tax positions were not material.

Our major taxing jurisdictions include Ireland and the U.S. (federal and state). These jurisdictions have varying statutes of limitations. In the U.S., the 2007, 2008, and 2010 through 2013 fiscal years remain subject to examination by the respective tax authorities. In Ireland, fiscal years 2009 to 2013 remain subject to examination by the Irish tax authorities. Additionally, because of our Irish and U.S. loss carryforwards, certain tax returns from fiscal years 1993 onward may also be examined. These years generally remain open for three to four years after the loss carryforwards have been utilized. Fiscal years 2007, 2008 and 2010 for Alkermes, Inc., are currently under examination by the IRS. Fiscal year 2012 for Alkermes, Inc. is currently under examination by the state of Massachusetts. The Company does not believe there are any uncertain tax positions that have not been accounted for as a result of these examinations.

17. COMMITMENTS AND CONTINGENCIES

Lease Commitments

The Company leases certain of its offices, research laboratories and manufacturing facilities under operating leases with initial terms of one to twenty years, expiring through the year 2020. Certain of the leases contain provisions for extensions of up to ten years. These lease commitments are primarily related to the Company's corporate headquarters in Ireland and its corporate offices, R&D and manufacturing facilities in Massachusetts. As of March 31, 2013, the total future annual minimum lease payments under the Company's non-cancelable operating leases are as follows:

(In thousands)	Payment Amount
Fiscal Years:	
2014	$ 3,838
2015	4,068
2016	3,970
2017	3,473
2018	3,650
Thereafter	8,350
	27,349
Less: estimated sublease income	(1,956)
Total future minimum lease payments	$25,393

Rent expense related to operating leases charged to operations was $5.0 million, $4.2 million and $5.4 million for the years ended March 31, 2013, 2012 and 2011, respectively. These amounts are net of sublease income of $2.6 million, $9.2 million and $7.3 million earned in the years ended March 31, 2013, 2012 and 2011, respectively. In addition to its lease commitments, the Company has open purchase orders totaling $76.0 million at March 31, 2013.

Litigation

From time to time, the Company may be subject to other legal proceedings and claims in the ordinary course of business. For example, the Company is currently involved in various sets of Paragraph IV litigations in the U.S. and a similar suit in France in respect of certain of its products. The Company is not aware of any such proceedings or claims that it believes will have, individually or in the aggregate, a material adverse effect on its business, results of operations, cash flows and financial condition.

18. DEBTORS

	March 31,	
	2013	2012
	(In thousands)	
Amounts falling due within one year		
Trade receivables	$124,620	$ 96,381
Deferred income taxes	5,824	656
Prepaid expenses and other current assets	13,309	11,910
	143,753	108,947
Amounts falling due after more than one year		
Other debtors	21,708	26,793
Total	$165,461	$135,740

19. CREDITORS

	March 31,	
	2013	2012
	(In thousands)	
Amounts falling due within one year		
Accounts payable and accrued expenses	$ 73,735	$ 76,354
Deferred revenue	2,270	6,910
Income taxes	232	940
Value added tax	891	286
Corporate tax	160	50
Other taxes	1,892	1,524
	79,180	86,064
Amounts falling due after more than one year		
Deferred income taxes	37,603	34,512
Deferred revenue	8,866	7,578
Other long-term liabilities	10,960	8,751
Total	$136,609	$136,905

20. CAPITAL EXPENDITURE COMMITMENTS

The directors have authorized the Company to spend $20.0 million for capital expenditures in the nine months ended December 31, 2013.

21. RELATED PARTY DISCLOSURES

The principal related party relationships requiring disclosure in the consolidated financial statements pertain to the existence of subsidiaries and associates and transactions with these entities entered into by the Group and the identification of key management personnel as addressed in greater detail below.

21. RELATED PARTY DISCLOSURES (Continued)

Subsidiaries and Associates

The consolidated financial statements include the results of operations, financial positions and cash flows of the Company and its subsidiaries and associates over which the Company has control. A listing of principal subsidiaries and associates is provided in Note 25, *Subsidiaries*.

Trading Transactions

There were no transactions requiring disclosure under Section 36B of the Irish Companies Act, 1986.

Compensation of Key Management Personnel of the Group

Key management personnel are the Company's executive and non-executive directors and their compensation is disclosed in Note 23, *Directors' Remuneration*.

22. EMPLOYEES

The average number of persons employed by the Company during each year was as follows:

	March 31,	
	2013	2012
Manufacturing	724	489
Research and development	249	220
Selling, general and administrative	244	198
Total	1,217	907

Employee costs during each year consist of the following:

	March 31,	
	2013	2012
	(In thousands)	
Wages and salaries	$133,820	$110,124
Social security(1)	34,941	25,189
Share-based compensation	34,716	28,826
Total	$203,477	$164,139

(1) Social security costs include social security costs, employer paid payroll taxes and other employee benefits paid by the Company.

23. DIRECTORS' REMUNERATION

Directors' remuneration is set forth in the table below. Mr. Pops, the Company's Chairman and Chief Executive Officer, is not compensated for his services as a director. Accordingly, the amounts below include compensation for Mr. Pops' service as Chief Executive Officer (referred to as

23. DIRECTORS' REMUNERATION (Continued)

"Managerial Services") as well as compensation for all non-employee directors in their capacities as such (referred to as "Director Services").

	March 31,	
	2013	2012
	(In thousands)	
Managerial Services(1)	$6,588	$6,321
Director Services(2)	2,194	1,916

(1) Includes cash payments for salary, the non-equity incentive plan compensation earned during the year ended March 31, 2013 and 2012, the grant date fair value for options and equity awards during the year ended March 31, 2013 and 2012 and contributions to the Company's 401(k) plan.

(2) Includes cash payments and the grant date fair value of option awards granted during the year ended March 31, 2013 and 2012. The amount also includes $39,723 of compensation for Mr. Michael Wall, a former director who retired from the board on September 16, 2011, for services he performed for us outside of his capacity as a director.

24. AUDITORS' REMUNERATION

Total auditors' remuneration paid to PWC and its affiliated firms for the years ended March 31, 2013 and 2012 are as follows:

	March 31,	
	2013	2012
	(In thousands)	
Audit and review of financial statements(1)	$1,117	$1,515
Audit-related fees(2)	—	599
Tax fees(3)	272	1,167
All other fees(4)	2	8
Total	$1,391	$3,289

(1) In the year ended March 31, 2013 and 2012, consists of fees for services related to the audit of our annual consolidated financial statements, statutory audits and the review of our quarterly consolidated financial statements, including the review of our internal controls over financial reporting. In the year ended March 31, 2012, this amount also includes fees for procedures related to our S-4 and S-1 registration filings.

(2) In the year ended March 31, 2012, consists of fees for due diligence procedures performed in connection with the acquisition of EDT and a royalty audit for one of our collaboration agreements.

(3) In the years ended March 31, 2013 and 2012, consists of fees for tax advisory services, primarily related to the acquisition of EDT, other than those related to the audit of our annual consolidated financial statements and review of our quarterly consolidated financial statements.

24. AUDITORS' REMUNERATION (Continued)

(4) In the year ended March 31, 2012, consists of fees for remuneration surveys performed for our Irish entity and payment for access to the PWC on-line accounting research database.

Total fees paid to PWC Ireland in respect of the audit of the group accounts were $0.4 million and $0.5 million during the years ended March 31, 2013 and 2012, respectively. In addition, PWC Ireland received $0.2 million and $0.6 million for tax advisory services during the years ended March 31, 2013 and 2012, respectively and none and less than $0.1 million in all other fees, respectively.

25. SUBSIDIARIES

The subsidiaries of Alkermes plc are wholly-owned by Alkermes plc or one of its subsidiaries.

Name	Nature of Business	Registered Office and Country of Incorporation	Percent of Ownership
Alkermes Ireland Holdings Limited . . .	Holding Company	Connaught House, 1 Burlington Road Dublin 4, Ireland	100%
Alkermes Science Three Limited	Holding Company	Connaught House, 1 Burlington Road Dublin 4, Ireland	100%
Alkermes Pharma Ireland Limited	Manufacturing and R&D	Connaught House, 1 Burlington Road Dublin 4, Ireland	100%
Alkermes Finance Ireland Limited	Finance Company	Connaught House, 1 Burlington Road Dublin 4, Ireland	100%
Alkermes Science One Limited	Non-Operating	Connaught House, 1 Burlington Road Dublin 4, Ireland	100%
Alkermes Finance S.à r.l.	Finance Company	5, rue Guillaume Kroll L-1882 Luxembourg, R.C.S. Luxembourg	100%
Alkermes Finance Ireland (No.2) Limited	Non-Operating	Connaught House, 1 Burlington Road Dublin 4, Ireland	100%
Alkermes U.S. Holdings, Inc.	Holding Company	852 Winter Street, Waltham, MA 02451 United States	100%
Alkermes, Inc.	Manufacturing and R&D	852 Winter Street, Waltham, MA 02451 United States	100%
Eagle Holdings USA, Inc.	Holding Company	852 Winter Street, Waltham, MA 02451 United States	100%
Alkermes Gainesville LLC	Manufacturing and R&D	1300 Gould Drive, Gainesville, GA 30504 United States	100%
Alkermes Controlled Therapeutics, Inc.	Non-Operating	852 Winter Street, Waltham, MA 02451 United States	100%
Alkermes Europe, Ltd.	Non-Operating	c/o Mitre house, 160 Aldersgate Street London EC1A 4DD, United Kingdom	100%

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ALKERMES PLC

We have audited the parent company financial statements of Alkermes plc for the year ended 31 March 2013 which comprise the Company Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is Irish law and accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 56 the directors are responsible for the preparation of the parent company financial statements giving a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Section 193 of the Companies Act, 1990 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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Chartered Accountants

Opinion on financial statements

In our opinion:

- the parent company Balance Sheet gives a true and fair view in accordance with Generally Accepted Accounting Practice in Ireland of the state of the parent company's affairs as at 31 march 2013; and
- has been properly prepared in accordance with the requirements of the Companies Acts 1963 to 2012.

Matters on which we are required to report by the Companies Acts 1963 to 2012

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion proper books of account have been kept by the parent company.
- The parent company Balance Sheet is in agreement with the books of account.
- In our opinion the information given in the Directors' Report is consistent with the parent company financial statements.
- The net assets of the parent company, as stated in the Company Balance Sheet, are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 March 2013 a financial situation which under Section 40 (1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the parent company.

Matters on which we are required to report by exception

We have nothing to report in respect of the provisions in the Companies Acts 1963 to 2012 which require us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made.

Other matter

We have reported separately on the consolidated financial statements of Alkermes plc for the year ended 31 March 2013.

Alisa Hayden
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin
10 June 2013

ALKERMES PLC

COMPANY BALANCE SHEET

	Note	March 31, 2013	March 31, 2012
		(In thousands)	
ASSETS			
Financial Fixed Assets			
Investment in subsidiaries	3	$1,992,879	$1,964,890
Current Assets			
Amounts due from subsidiaries		164,529	185,022
Prepayments and other debtors		1,969	1,073
Cash at bank and in-hand		16,786	15,291
TOTAL ASSETS		$2,176,163	$2,166,276
LIABILITIES			
Equity Shareholders' Funds			
Share capital, $0.01 par value	4	$ 1,338	$ 1,300
Share premium	5	108,480	74,148
Profit and loss account	5	1,998,347	2,039,851
Other reserves	5	48,005	18,463
Total equity shareholders' funds		2,156,170	2,133,762
Creditors			
Intercompany loan payable—non-current		15,000	15,000
Intercompany loan payable—current		4,714	17,201
Accruals and other creditors		279	313
Total for creditors		19,993	32,514
TOTAL LIABILITIES		$2,176,163	$2,166,276

The Notes to the Company Balance Sheet are an integral part of this statement.

The financial statements were approved by the Board of Directors on June 10, 2013 and signed on its behalf by:

/s/ RICHARD F. POPS

Richard F. Pops
Chairman

/s/ PAUL J. MITCHELL

Paul J. Mitchell
Director

ALKERMES PLC
NOTES TO COMPANY BALANCE SHEET

1. Summary of Significant Accounting Policies

Basis of Preparation

The financial statements have been prepared under the historical cost convention in accordance with the Companies Acts, 1963 to 2012 and Generally Accepted Accounting Practice in the Republic of Ireland ("Irish GAAP"). The accompanying balance sheet of Alkermes plc (the "Company") is presented on a stand-alone basis, including related party transactions. The financial statements are presented in the United States ("U.S.") dollars, which is the Company's functional and presentation currency.

Investment in Subsidiaries

Alkermes plc's investment in Alkermes Ireland Holdings Limited of $1.6 billion was recorded at cost, which equaled fair value, on September 16, 2011, the date of the Company's incorporation, based on the Company's market capitalization at that time. The investment in Alkermes Pharma Ireland Limited of $315.0 million was recorded at cost, which equaled fair value, on December 6, 2011, the date of Company's reorganization. See Note 3, *Investments in Subsidiaries*, below for further information. The investment is tested for impairment if circumstances or indicators suggest that impairment may exist.

Share Based Payments

Alkermes plc and its subsidiaries operate a number of share based payment plans the details of which are presented in Note 14 to the Consolidated Financial Statements. The share based payment expense associated with the share plans is recognized as an expense by the entity which receives services in exchange for the share based compensation. In these Company only accounts, the profit and loss account is charged with the expense related to the services received by the Company. The cost for options granted to the Company's subsidiaries' employees represents additional capital contributions by the Company to its subsidiaries. An additional investment in subsidiaries has been recorded in respect of those options granted to the Company's subsidiaries' employees, with a corresponding increase in the Company's shareholder equity. The additional capital contribution is based on the fair value at the grant date of the options issued, allocated over the life of the underlying grant's vesting period.

Share Premium

The difference between the proceeds received on issue of shares and the nominal value of the shares is credits to the share premium account.

Profit and loss account

In accordance with Section 3(2) of the Companies (Amendment) Act, 1986, the Company is availing of the exemption from presenting the individual profit and loss account. Alkermes plc's loss for the years ended March 31, 2013 and 2012 was $36.7 million and $22.5 million, respectively.

Cash flow statement

The Company is availing of the exemption afforded by FRS 1 Cash Flow Statements not to provide statement of cash flows. The cash flows of the Company are included in the consolidated financial statements.

1. Summary of Significant Accounting Policies (Continued)

Treasury Shares

Ordinary Shares acquired by the Company are deducted from profit and loss account reserves and presented within the profit and loss account at cost.

Foreign Currency

The Company's functional and reporting currency is the U.S. dollar. Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction. The resulting monetary assets and liabilities are translated into U.S. dollars at exchange rates prevailing on the subsequent balance sheet date. Gains and losses as a result of translation adjustments are recorded within "Other income (expense), net" in the statement of operations.

Taxation

The Company recognizes income taxes under the asset and liability method. Deferred income taxes are recognized for differences between the financial reporting and tax bases of assets and liabilities at enacted statutory tax rates in effect for the years in which the differences are expected to reverse. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date. The Company accounts for uncertain tax positions using a "more-likely-than-not" threshold for recognizing and resolving uncertain tax positions. The evaluation of uncertain tax positions is based on factors including, but not limited to, changes in tax law, the measurement of tax positions taken or expected to be taken in tax returns, the effective settlement of matters subject to audit, new audit activity and changes in facts or circumstances related to a tax position. The Company evaluates this tax position on a quarterly basis. The Company also accrues for potential interest and penalties related to unrecognized tax benefits in income tax expense.

2. History and Description of the Company

On May 9, 2011, Alkermes plc, Alkermes, Inc., Elan and certain of their respective subsidiaries entered into the Business Combination Agreement and Plan of Merger (the "Business Combination Agreement") pursuant to which Alkermes, Inc., and EDT agreed to combine their businesses under the Company in a cash and share transaction (the "Business Combination"). EDT, which operated as a business unit of Elan with its principal assets predominantly located in Ireland, developed and manufactured pharmaceutical products using its proprietary drug technologies in collaboration with pharmaceutical companies worldwide. On May 4, 2011, the Company was incorporated by Elan as Antler Science Two plc in connection with the negotiation and execution of the Business Combination Agreement solely to effect the Business Combination. Following the execution of the Business Combination Agreement, Elan contributed the assets and legal entities that comprised the EDT business to the Company through a combination of asset transfers, share transfers and other intercompany transactions, following which the EDT business was contained in several subsidiaries under the Company. On September 14, 2011, the Company changed its name to Alkermes plc.

On September 16, 2011, the business of Alkermes, Inc., and EDT were combined under the Company. As part of the Business Combination, a wholly owned subsidiary of the Company merge with and into Alkermes, Inc., with Alkermes, Inc., surviving as a wholly owned subsidiary of the Company. At the effective time of the Business Combination, (i) each share of Alkermes, Inc., common shares then issued and outstanding and all associated rights were canceled and automatically converted into

2. History and Description of the Company (Continued)

and became the right to receive one ordinary share of Alkermes and (ii) all issued and outstanding options and share awards to purchase Alkermes, Inc., common shares granted under any equity compensation plan were converted into options and share awards to purchase on substantially the same terms and conditions the same number of Alkermes ordinary shares at the same exercise price. We paid Elan $500.0 million in cash and issued Elan 31.9 million ordinary shares of the Company, which had a fair value of approximately $525.1 million on the closing date, for the EDT business. Upon consummation of the Business Combination, the former shareholders of Old Alkermes owned approximately 75% of the Company, with the remaining approximately 25% of the Company owned by a subsidiary of Elan. At March 31, 2012, Elan owned approximately 6% of the Company's outstanding ordinary shares.

Alkermes plc develops medicines that address the unmet needs and challenges of people living with serious chronic disease. A fully integrated global biopharmaceutical company, Alkermes applies proven scientific expertise, proprietary technologies and global development capabilities to create innovative treatments for major clinical conditions with a focus on central nervous system ("CNS") disorders, such as schizophrenia, addiction and depression.

We create new, proprietary pharmaceutical products for our own account, and we collaborate with other pharmaceutical and biotechnology companies. We are increasingly focused on maintaining rights to commercialize our leading product candidates in certain markets.

We are an Irish public limited company incorporated in Dublin, Ireland, with a research and development ("R&D") center in Waltham, Massachusetts and manufacturing facilities in Athlone, Ireland; Gainesville, Georgia; and Wilmington, Ohio. Our corporate headquarters are located at Connaught House, 1 Burlington Road, Dublin 4, Republic of Ireland.

3. Investments in Subsidiaries

	(In thousands)
Balance—as at date of incorporation	$ —
Additions—corporate incorporation	1,632,700
Additions—corporate reorganization	315,000
Capital contribution in respect of share-based payment plans	17,190
Balance—March 31, 2012, at cost	$1,964,890
Capital contribution in respect of share-based payment plans	27,989
Balance—March 31, 2013, at cost	$1,992,879

During the year ended March 31, 2012, Alkermes plc was formed. Refer to Note 2, *History and Description of the Company* for a description of this transaction.

4. Share Capital

(In thousands, except per share amounts)	March 31, 2013	March 31, 2012
Authorized:		
40,000 ordinary shares of €1 par value	$ —	$ —
50,000,000 preferred shares of $0.01 par value	500,000	500,000
450,000,000 ordinary shares of $0.01 par value	4,500,000	4,500,000
Balance—March 31, 2012, at cost	$5,000,000	$5,000,000

	(In thousands)
Allotted, called-up and fully paid equity:	
As at date of incorporation	$ —
Shares issued on incorporation	40
Shares redeemed	(40)
Issuance of 97,668,780 ordinary shares of $0.01 par value as part of corporate reorganization	975
Issuance of 31,900,000 ordinary shares of $0.01 par value to Elan Corporation, plc., in connection with purchase of EDT	319
643,750 ordinary shares of $0.01 par value issued in respect of share based payment plans	6
At March 31, 2012	$1,300
3,852,577 ordinary shares of $0.01 par value issued in respect of share based payment plans	38
At March 31, 2013	$1,338

See Note 13 to the Consolidated Financial Statements for additional information regarding equity shareholder's funds. During the year ended March 31, 2012, 40,000 ordinary shares were allotted for €1 each on incorporation, and were later redeemed by the company for €40,000.

5. Reserves

	Share Premium	Profit and Loss Account	Other Reserves	Total
		(In thousands)		
BALANCE—as at date of incorporation	$ —	$	$ —	$ —
Conversion of Alkermes, Inc., common stock to Alkermes plc ordinary shares	1,606,651	—	—	1,606,651
Issuance of ordinary shares to Elan Corporation, plc., in connection with the purchase of EDT	524,755	—	—	524,755
Reduction in share premium account	(2,062,932)	2,062,932	—	—
Net loss	—	(22,510)	—	(22,510)
Share-based payment reserve	—	—	18,463	18,463
Shares issued under employee share plans	5,674	—	—	5,674
Receipt of Alkermes' shares for the purchase of share options or to satisfy minimum tax withholding obligations related to share-based payment awards	—	(571)	—	(571)
BALANCE—March 31, 2012	$ 74,148	$2,039,851	$18,463	$2,132,462
Net loss	—	(36,695)	—	(36,695)
Share-based payment reserve	—	—	29,542	29,542
Shares issued under employee share plans	34,332	—	—	34,332
Receipt of Alkermes' shares for the purchase of share options or to satisfy minimum tax withholding obligations related to share-based payment awards	—	(4,809)	—	(4,809)
BALANCE—March 31, 2013	$ 108,480	$1,998,347	$48,005	$2,154,832

On November 8, 2011, the High Court in Ireland approved the reduction of the company's share premium by $2.1 billion. As such, this amount has been transferred from share premium to distributable reserves. See Note 13 to the Consolidated Financial Statements for additional information regarding the acquisition of the Company's ordinary shares.

6. Related Party Transactions

Alkermes plc has not disclosed any related party transactions as it has availed of the exemption available under FRS 8 "Related Party Transactions" 3 (c) which exempts disclosure of transactions entered into between two or more members of a group, provided that any subsidiary undertaking which is a party to the transaction is wholly owned by a member of that group.

7. Contingencies

From time to time, the Company may be subject to other legal proceedings and claims in the ordinary course of business. For example, the Company is currently involved in various sets of Paragraph IV litigations in the U.S. and similar suits in Canada and France in respect of certain of its products. The Company is not aware of any such proceedings or claims that it believes will have, individually or in the aggregate, a material adverse effect on its business, results of operations, cash flows and financial condition.

8. Auditors' Remuneration

(In thousands)	Year Ended March 31, 2013	2012
Audit of the Company's individual accounts	$10	$ 10
Other assurance services	—	451
Tax advisory services	66	605
Other non-audit services	—	6
Total	$76	$1,072

See Note 24 to the Consolidated Financial Statements for additional information regarding fees paid to PWC and its affiliated firms by the Company.