ALKERMES PUBLIC LIMITED COMPANY

Directors' Report and Consolidated Financial Statements

For the Nine Months Ended December 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 nine months ended December 31, 2013. The directors have elected to prepare the consolidated financial statements in accordance with section 1 of the Companies (Miscellaneous Provisions) Act, 2013, 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 ("U.S.") ("GAAP"), as defined in Section 1(1) of the Companies (Miscellaneous Provisions) Act 2013, 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.

On May 21, 2013, our Audit and Risk Committee, with such authority delegated to it by our Board of Directors, approved a change to our fiscal year-end from March 31 to December 31. This Directors' Report covers the nine-month transition period ended December 31, 2013 and reflects our financial results for the nine-month period from April 1, 2013 through December 31, 2013(the "Transition Period"). The prior period presented in this Directors' Report covers the fiscal year ended March 31, 2013 and reflects financial results for the twelve-month period from April 1, 2012 to March 31, 2013.

NOTE REGARDING TRADEMARKS

CODAS®, IPDAS®, LinkeRx®, MXDAS®, NanoCrystal®, SODAS®, VERELAN® and VIVITROL® are registered trademarks of Alkermes. The following are trademarks of the respective companies listed: ABILIFY® and ABILIFY MAINTENA®—Otsuka Pharmaceutical Co., Ltd.; ADALAT®—Bayer AG Corporation; AFEDITAB®—Actavis, Inc.; AMPYRA®, FAMPYRA®, ZANAFLEX® and ZANAFLEX CAPSULES®—Acorda Therapeutics, Inc.; ANTABUSE®—Teva Women's Health, Inc.; AUBAGIO®—Sanofi Societe Anonyme France; AVINZA®—King Pharmaceuticals Research and Development, Inc.; AVONEX®, TECFIDERA® and TYSABRI®—Biogen Idec MA, Inc.; BETASERON®—Bayer Pharma AG; BYDUREON® and BYETTA®—Amylin Pharmaceuticals, LLC; CAMPRAL®—Merck Sante; CARDIZEM®—Valeant International Bermuda; COPAXONE®—Teva Pharmaceutical Industries Ltd.; DILZEM®—Cephalon (UK) Limited or Warner-Lambert Company LLC (depending on the jurisdiction); DILTELAN®—Elan Corporation plc or Cephalon Limited (depending on the jurisdiction); EMEND®—Merck Sharp & Dohme Corp.; EXTAVIA®, FOCALIN XR®, GILENYA® and RITALIN LA®—Novartis AG; INVEGA® SUSTENNA®, RISPERDAL® CONSTA® and XEPLION®—Johnson & Johnson Corp. (or its affiliate); LUVOX CR®—Abbott Laboratories; MEGACE®—E.R. Squibb & Sons, LLC; NAPRELAN®—Alvogen Pharma US Inc.; RAPAMUNE®—Wyeth LLC; REBIF®—Ares Trading S.A.; SUBOXONE® and SUBUTEX®—Reckitt Benckiser Healthcare (UK) Ltd.; SUPRALIP® and TRICOR®—Fournier Industrie et Sante Corporation; UNIVER®—various non-Alkermes entities (depending on the jurisdiction); VICTOZA®—Novo Nordisk A/S LLC; ZOHYDRO™—Zogenix, Inc.; and ZYPREXA® and ZYPREXA® RELPREVV®—Eli Lilly and Company. Other trademarks, trade names and service marks appearing in this Directors' Report are the property of their respective owners.

Principal Activities

Alkermes plc (as used in this section, together with our subsidiaries, "us", "we", "our", or the "Company") is a fully integrated, global biopharmaceutical company that applies its scientific expertise and proprietary technologies to research, develop and commercialize, both with partners and on our own, pharmaceutical products that are designed to address unmet medical needs of patients in major therapeutic areas. 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.

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”). Our ordinary shares are listed on the NASDAQ Global Select Market, where our trading symbol is “ALKS.” Our principal offices are located at Connaught House, 1 Burlington Road, Dublin 4, 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.

Business Overview

Marketed Products

We earn manufacturing and/or royalty revenues on net sales of products marketed by our partners and earn revenue on net sales of VIVITROL, which is a proprietary product that we manufacture, market and sell in the U.S. Our marketed 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(s)	Technology	Territory	Revenue Source	Marketer
RISPERDAL CONSTA	Schizophrenia Bipolar I Disorder	Extended-release microsphere	Worldwide	Manufacturing and Royalty	Ortho-McNeil-Janssen Pharmaceuticals, Inc. and Janssen Pharmaceutica International, a division of Cilag International AG (taken together, “Janssen”)
INVEGA SUSTENNA/ *XEPLION*	Schizophrenia	NanoCrystal	United States (U.S.) Rest of World (“ROW”)	Royalty	Janssen
AMPYRA/ *FAMPYRA*	Treatment to improve walking in patients with multiple sclerosis (“MS”), as demonstrated by an increase in walking speed	Oral Controlled Release (“OCR”) Matrix Drug Absorption System (MXDAS)	U.S. ROW	Manufacturing and Royalty	Acorda Therapeutics, Inc. (“Acorda”) Biogen Idec International GmbH (“Biogen Idec”), under sublicense from Acorda
BYDUREON	Type 2 diabetes	Extended-release microsphere	Worldwide	Royalty	AstraZeneca plc (“AstraZeneca”)
VIVITROL	Alcohol dependence Opioid dependence	Extended-release microsphere	U.S. Russia and Commonwealth of Independent States (“CIS”)	Product sales Manufacturing and Royalty	Alkermes Cilag GmbH International (“Cilag”)
TRICOR *LIPANTHYL* *LIPIDIL* *SUPRALIP* (and other trade names under which *fenofibrate* 48 mg and 145 mg are sold)	Cholesterol lowering	NanoCrystal	Worldwide	Royalty	AbbVie Inc. Abbott Laboratories

Product	Indication(s)	Technology	Territory	Revenue Source	Marketer
ZANAFLEX CAPSULES ZANAFLEX TABLETS TIZANIDINE HYDROCHLORIDE (AB Rated to ZANAFLEX CAPSULES)	Muscle spasticity	OCR Spheroidal Oral Drug Absorption System (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.	Royalty	Jazz Pharmaceuticals plc (“Jazz”)
RAPAMUNE	Prevention of renal transplant rejection	NanoCrystal	Worldwide	Manufacturing	Pfizer
NAPRELAN	Various mild to moderate pain indications	OCR Intestinal Protective Drug Absorption System (IPDAS)	U.S. Canada	Manufacturing	Shionogi
VERAPAMIL SR VERELAN VERELAN PM VERAPAMIL PM VERACAPS UNIVER	Hypertension	OCR (SODAS)	Licensed on country/region basis throughout the world	Manufacturing and Royalty (on select formulations)	Kremers-Urban; Cephalon; Aspen Pharma; Actavis, Inc.
DILZEM SR DILZEM XL DILTELAN CARDIZEM CD	Hypertension and/or Angina	OCR (SODAS)	Licensed on country/region basis throughout the world	Manufacturing and Royalty (for CARDIZEM CD only)	Cephalon; Kun-Wha Pharmaceutical Co. Ltd; Sanofi; Valeant Pharmaceuticals International Inc.
AFEDITAB CR (AB Rated to ADALAT CC)	Hypertension	OCR (MXDAS)	U.S.	Manufacturing	Actavis, Inc.
ZOHYDRO ER	Severe pain	OCR (SODAS)	U.S.	Manufacturing and royalty	Zogenix, Inc.

Our key marketed products are expected to generate significant revenues for us in the near- and medium-term. They possess long patent lives, and we believe are singular or competitively advantaged products in their class. Refer to the “Patents and Proprietary Rights” section of this Directors’ Report for information with respect to the intellectual property protection for our marketed products. These 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 U.S. Food and Drug Administration ("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 over 25 other countries worldwide.

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 44%, 35% and 48% of our consolidated revenues for the Transition Period and our fiscal years 2013 and 2012, 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 over the age of 18 have schizophrenia in a given year, 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. In January 2010, the FDA approved AMPYRA as a treatment to improve walking in patients with MS as demonstrated by an increase in walking speed. It is the first and, currently, only product to be approved for this indication. Prolonged-release fampridine tablets are marketed and sold outside the U.S. under the trade name FAMPYRA by Biogen Idec. In July 2011, the European Medicines Agency ("EMA") conditionally approved FAMPYRA in the EU for the improvement of walking in adults with MS. This authorization was renewed as of July 2013. 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

BYDUREON 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. From August 2012 until February 2014, Bristol-Myers Squibb Company ("Bristol-Myers") and AstraZeneca co-developed and marketed BYDUREON through their diabetes collaboration. In February 2014, AstraZeneca assumed sole responsibility for the development and commercialization of 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 382 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 a once-monthly injectable medication approved by the FDA for the treatment of alcohol dependence in April 2006 and for 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. The Russian regulatory authorities approved VIVITROL for the treatment of alcohol dependence in 2008 and for the treatment of 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 2012 U.S. National Survey on Drug Use and Health, an estimated 1.9 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. Nearly 18 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 Marketed Products

Except for ZOHYDRO, which received FDA approval in October 2013, we generally expect revenues from our other commercial products, taken together, to 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 "Management's Discussion and Analysis of Financial Condition and Results of Operations" elsewhere in this Directors' Report.

On April 4, 2013, we approved a restructuring plan at our Athlone, Ireland manufacturing facility consistent with the evolution of our product portfolio and designed to improve operational performance in the future. The restructuring plan entailed the termination of manufacturing services for certain older products becoming uneconomic to produce due to decreasing demand from our customers resulting from generic competition, and the implementation of a corresponding reduction in headcount of up to 130 employees at our Athlone, Ireland manufacturing facility. We commenced this restructuring plan in April 2013, and expect it to be substantially complete by the end of 2015.

Key Development Programs

We leverage our formulation expertise and proprietary product platforms to develop, both with partners and on our own, competitively advantaged medications designed to 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 for our product candidates. 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 "Item 1A—Risk Factors." Refer to the "Patents and Proprietary Rights" section of this Directors' Report for information with respect to the intellectual property protection for our product candidates.

Aripiprazole Lauroxil

We are studying aripiprazole lauroxil 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 technology. In October 2013, we announced the completion of patient enrollment in our phase 3 trial to assess the efficacy, safety and tolerability of aripiprazole lauroxil in patients experiencing acute exacerbation of schizophrenia. The clinical data from this study, expected in the first half of 2014, may form the basis of a New Drug Application ("NDA") to the FDA for aripiprazole lauroxil for the treatment of schizophrenia.

In January 2014, we announced plans to commence clinical testing of aripiprazole lauroxil two-month, a new product candidate for the treatment of schizophrenia, in 2014. If approved, aripiprazole lauroxil two-month would be the first and only long-acting atypical antipsychotic medication dosed every two months. The two-month form of aripiprazole lauroxil also utilizes our proprietary LinkeRx technology.

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 to be a non-addictive therapy for the treatment of major depressive disorder ("MDD") in patients who have an inadequate response to standard antidepressant therapies. In April 2013, we announced positive results from a phase 2 study in which ALKS 5461 met its primary endpoint, met key secondary endpoints and demonstrated significant reduction in depressive symptoms versus placebo. In October 2013, we announced that we had successfully completed our End-of-Phase 2 interactions with the FDA and that the FDA had granted ALKS 5461 Fast Track status for the adjunctive treatment of MDD in patients with an inadequate response to standard therapies. Fast Track is a process designed to facilitate the development, and expedite the review of drugs to treat serious conditions with the potential to address an unmet medical need. The phase 3 clinical program for ALKS 5461 is expected to commence in the first quarter of 2014. This pivotal clinical program will include three core phase 3 efficacy studies and is expected to enroll a total of approximately 1,500 patients with MDD who have had an inadequate response to standard therapies. The primary efficacy endpoint for all phase 3 studies will be the change in Montgomery-Åsberg Depression Rating Scale ("MADRS") scores from baseline. The pivotal program will also evaluate remission as a secondary endpoint. In addition to the three core efficacy studies, the program will also include studies to evaluate the long-term safety, pharmacokinetic profile, titration schedule and human abuse liability of ALKS 5461.

ALKS 3831

ALKS 3831 is a proprietary investigational medicine designed as a broad spectrum treatment for schizophrenia. ALKS 3831 is composed of ALKS 33, an oral opioid modulator, in combination with the established antipsychotic drug olanzapine, which is generally available under the name ZYPREXA (olanzapine). ALKS 3831 is designed to attenuate olanzapine-induced metabolic side effects, including weight gain, and to have utility in patients with schizophrenia exacerbated by alcohol use disorders. In July 2013, we announced the initiation of a double-blind, active-controlled, dose-ranging phase 2 study of ALKS 3831 in patients with schizophrenia. In addition to safety and tolerability, the phase 2 study is designed to evaluate the impact of ALKS 3831 on weight and other metabolic factors and to confirm the attenuation of olanzapine-induced weight gain observed in the phase 1 study of ALKS 3831. We expect to complete enrollment in this study in 2014. A second, planned phase 2 study will investigate the potential utility of ALKS 3831 for the large number of patients with schizophrenia exacerbated by alcohol use disorders.

MMF Prodrug ALKS 8700

ALKS 8700 is a proprietary, small-molecule prodrug of monomethyl fumarate ("MMF") for the treatment of multiple sclerosis. It is designed to rapidly and efficiently convert to MMF in the body and to offer differentiated dosing and tolerability as compared to the currently marketed dimethyl fumarate prodrug, TECFIDERA. We expect to file an Investigational New Drug ("IND") application with the FDA and initiate a phase 1 study of ALKS 8700 in mid-2014.

ALKS 7106

ALKS 7106 is our novel, small-molecule product candidate derived from our opioid modulator platform. ALKS 7106 is a potent oral opioid analgesic designed for the treatment of pain with intrinsically low potential for abuse and overdose death, two liabilities associated with opioid medicines. In July 2013, we presented preclinical data showing that ALKS 7106 had more potent analgesic properties than morphine and was well tolerated at doses far in excess of those required for analgesic action. Additional preclinical data for ALKS 7106 demonstrated a ceiling effect on neurotransmitter release over a broad concentration range, suggesting low potential for abuse and overdose death. We expect to file an IND and initiate clinical studies in mid-2014.

RDB 1419

In July 2013, we presented preclinical data showing that RDB 1419, a biologic cancer immunotherapy candidate based on interleukin-2 and its receptors, preferentially expanded the number of tumor-killing cells involved in immunotherapeutic effects on cancer. Additional preclinical data demonstrated that RDB 1419 inhibited lung metastases in a model of lung cancer. RDB 1419 was engineered using our proprietary fusion protein technology platform to modulate the natural mechanism of action of a biologic. We expect to conduct IND-enabling activities for RDB 1419 in 2014.

Other

A phase 3 clinical research program for a three-month formulation of INVEGA SUSTENNA was initiated by Janssen Research & Development, LLC in 2012. Two phase 3 studies are underway, involving approximately 1,800 patients with schizophrenia, to assess the efficacy, safety and tolerability of the three-month injectable formulation. Janssen is expected to submit an NDA to the FDA and an application with the EMA in 2015. This investigational product is being developed by Janssen Pharmaceutica, NV, licensee to our proprietary technology for nanoparticles.

AstraZeneca is developing line extensions for BYDUREON, including a dual-chamber pen device, and weekly and monthly suspension formulations using our proprietary technology for extended-release microspheres. In January 2014, AstraZeneca stated that they expect the BYDUREON dual-chamber pen to be approved in the U.S. in the second quarter of 2014 and in the EU in the fourth quarter of 2014, and that they plan to file for approval of the dual-chamber pen in Japan during the second quarter of 2014. In December 2013, AstraZeneca announced its expectation to file for approval of the BYDUREON once-weekly suspension in the U.S. and EU in 2015.

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 "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations of Alkermes" for our R&D expenditures for the Transition Period and our fiscal years 2013 and 2012.

Collaborative Arrangements

Our business strategy includes forming collaborations to develop and commercialize our products and, in so doing, to 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. Either party may terminate the license agreements by written notice following a breach which continues for 90 days after the delivery of written notice thereof or upon the other party's insolvency. 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) 15 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 patent litigation or on competing products achieving 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 U.S. (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 of, and receipt of positive data from, all preclinical and clinical studies required for filing a marketing authorization application. Either party has the right to terminate the license agreement by written notice following a material breach of the other party, which is not cured within a certain time period, or upon the other party's entry into bankruptcy or dissolution proceedings. 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 by 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 of the agreement.

AstraZeneca

In May 2000, we entered into a development and license agreement with Amylin Pharmaceuticals, LLC ("Amylin") for the development of exendin products falling within the scope of our patents, including the once-weekly formulation of exenatide marketed as BYDUREON. In August 2012, Bristol-Myers acquired Amylin. From August 2012 through January 2014, Bristol-Myers and AstraZeneca jointly developed and commercialized Amylin's exendin products, including BYDUREON, through their diabetes collaboration. In April 2013, Bristol-Myers completed its assumption of all global commercialization responsibility related to the marketing of BYDUREON from Amylin's former collaborative partner, Eli Lilly & Company. In February 2014, AstraZeneca acquired sole ownership of the intellectual property and global rights related to BYDUREON and Amylin's other exendin products, including Amylin's rights and obligations under our development and license agreement.

Pursuant to the development and license agreement, AstraZeneca 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. 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 Amylin.

Under our agreement, AstraZeneca is responsible for conducting clinical trials, securing regulatory approvals and commercializing exenatide products, including BYDUREON on a worldwide basis.

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. in February 2012.

The development and license agreement expires on the later of (i) ten 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 expiration, all licenses become non-exclusive and royalty-free. AstraZeneca 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.

Alkermes may terminate the development and license agreement upon AstraZeneca's insolvency or bankruptcy.

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. In September 2013, we paid Civitas $1.2 million for additional 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. Either party may also terminate the asset purchase and license agreement upon written notice in the event of the other party's insolvency or bankruptcy.

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.

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 control the release characteristics 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 Current Good Manufacturing Practice (“cGMP”) regulations 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 in finding 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 "Item 1A—Risk Factors" 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 rely heavily on collaborative partners in the commercialization and continued development of our products," "—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."

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. This facility has been inspected by U.S., Irish, Brazilian, Turkish, Saudi Arabian 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.

For more information about our manufacturing facilities, see "Item 2—Properties."

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 "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations of Alkermes" for our R&D expenditures for the Transition Period and our fiscal years 2013 and 2012.

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 of the U.S. Department of Justice ("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 usually holds 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 Transition Period to McKesson Corporation, CVS Caremark Corporation and AmerisourceBergen Drug Corporation represented approximately 16%, 13%, and 13%, 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 2014 is to continue to distribute VIVITROL through Cardinal SPS.

Under our collaboration agreements with Janssen, AstraZeneca, 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; oral compounds currently on the market, including generic versions of many branded products; and other products currently in development.

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, including generic 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, would 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, TYSABRI and TECFIDERA from Biogen Idec, BETASERON from Bayer HealthCare Pharmaceuticals, COPAXONE from Teva Pharmaceutical Industries Ltd., REBIF from Merck Serono, 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 products, including those marketed and sold by 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 2022 in the EU. Additional pending applications may provide a longer period of patent coverage, if granted, and in certain countries, such as Australia and South Korea, patent coverage extends until 2023.

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. 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. U.S. Patent Application 11/760,039, for which a Notice of Allowance was granted by the U.S. Patent and Trademark Office (“USPTO”), contains method of treatment claims that will cover ALKS 5461, ALKS 3831 and ALKS 7106 and will expire in 2029. U.S. Patent Application 14/032,736 for which a Notice of

Allowance was granted by the USPTO, contains composition of matter claims that will cover ALKS 8700 and will expire in 2033.

We have exclusive rights through licensing agreements with third parties to issued U.S. patents, pending patent applications and corresponding patents or patent applications in countries outside the U.S, 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 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.

There are currently a few Paragraph IV litigations in the U.S. and other proceedings in Europe involving our patents in respect of FOCALIN XR, TRICOR, RITALIN LA 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 "Item 1A—Risk Factors."

Our trademarks, including VIVITROL, are important to us and are generally covered by trademark applications or registrations in the USPTO 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 February 13, 2014, we had approximately 1,250 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

We and our pharmaceutical and biotechnology partners have more than 20 commercialized products sold worldwide, including in the U.S. We earn manufacturing and/or royalty revenues on net sales of products commercialized by our partners and earn revenue on net sales of VIVITROL, which is a proprietary product that we manufacture, market and sell in the U.S. Our key marketed products are expected to generate significant revenues for us in the near- and medium-term, as they possess long remaining patent lives and we believe are singular or competitively advantaged products in their classes and are generally in the launch phases of their commercial lives. These key marketed products are: RISPERDAL CONSTA and INVEGA SUSTENNA/XEPLION; AMPYRA/FAMPYRA; BYDUREON; and VIVITROL.

For the nine months ended December 31, 2013, we reported $432.9 million in revenues, an increase of 5% over the prior comparative period. Revenues from our key marketed products accounted for 74% of our total revenues in the nine months ended December 31, 2013, an increase of 14% over the prior comparative period. When $20.0 million of revenue from the sale of intellectual property, unrelated to our key development programs, is removed from the nine months ended December 31, 2012, our total revenue increased by 10%, and the revenues from our key marketed products increased by 19% from the prior comparative period.

For the nine months ended December 31, 2013, we generated cash flows from operations of $92.2 million, and our total cash and investments increased by $145.8 million from March 31, 2013 to $450.0 million.

During the nine months ended December 31, 2013, we had a number of developments in our product pipeline including:

- We completed patient enrollment in our phase 3 study of aripiprazole lauroxil;
- We announced positive results from our phase 2 study of ALKS 5461, completed our End-of-Phase 2 interactions with the FDA and received Fast Track status from the FDA for this product candidate;
- We announced the initiation of a phase 2 study of ALKS 3831; and

- We added three programs, ALKS 8700, ALKS 7106 and RDB 1419 to our key development program portfolio. These programs are planned for IND-enabling activities or clinical studies in 2014.

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 generally earned on our collaborators' sales of products that incorporate our technologies and are recognized in the period the products are sold by our collaborators. The following table compares manufacturing and royalty revenues earned in the nine months ended December 31, 2013 and 2012:

	Nine Months Ended December 31,		
(In millions)	2013	2012 (unaudited)	Change Favorable/ (Unfavorable)
Manufacturing and royalty revenues:			
RISPERDAL CONSTA	$107.2	$102.9	$ 4.3
INVEGA SUSTENNA/XEPLION	82.9	48.6	34.3
AMPYRA/FAMPYRA	51.1	40.5	10.6
RITALIN LA & FOCALIN XR	31.1	29.7	1.4
BYDUREON	20.0	11.6	8.4
TRICOR 145	10.6	31.3	(20.7)
IP License revenue	—	20.0	(20.0)
Other	68.1	79.4	(11.3)
Manufacturing and royalty revenues	$371.0	$364.0	$ 7.0

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% of end-market sales. 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 increase in RISPERDAL CONSTA manufacturing and royalty revenues was primarily due to a 9% increase in the number of units shipped to Janssen, partially offset by a 7% decrease in royalties. The decrease in royalties was due to a decrease in Janssen's end-market sales of RISPERDAL CONSTA from $1,064.0 million during the nine months ended December 31, 2012 to $981.0 million during the nine months ended December 31, 2013. The increase in royalty revenues from INVEGA SUSTENNA/XEPLION was due to an increase in Janssen's end-market sales of INVEGA SUSTENNA/XEPLION from $636.0 million in the nine months ended December 31, 2012 to $966.0 million in the nine months ended December 31, 2013.

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 2022 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.

Under our AMPYRA supply and license agreements with Acorda, we earn manufacturing and royalty revenues when AMPYRA is shipped to Acorda, and we also earn royalty revenues upon third-party shipments of AMPYRA to Acorda. Under our FAMPYRA supply and license agreements with Biogen, we earn manufacturing revenue when FAMPYRA is shipped to Biogen, and we earn royalties upon end-market sales of FAMPYRA by Biogen. The increase in revenue from AMPYRA/FAMPYRA was primarily due to a 69% increase in the amount of AMPYRA shipped to Acorda and a 22% increase in our estimate of Biogen's end-market sales of FAMPYRA, partially offset by a 26% decrease in royalties earned from a decrease in third-party manufacturing of AMPYRA.

We expect AMPYRA/FAMPYRA sales to continue to grow as Acorda continues to penetrate the U.S. market with AMPYRA and Biogen 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 BYDUREON royalty revenues was due to an increase in end-market sales of BYDUREON from $145.7 million during the nine months ended December 31, 2012 to $242.1 million during the nine months ended December 31, 2013. BYDUREON is covered by a patent until 2025 in the U.S. and until 2024 in the EU, and as such, we do not anticipate any generic versions of this product in the near-term.

During the nine months ended December 31, 2012, we sold a license to certain of our intellectual property that is not used in our key clinical development programs or commercial products for $20.0 million.

A number of our mature products, including TRICOR 145, RITALIN LA and FOCALIN XR, currently face generic competition. 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" later in this section 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 nine months ended December 31, 2013 and 2012:

(In millions)	Nine Months Ended December 31, 2013		Nine Months Ended December 31, 2012 (unaudited)	
	Amount	% of Sales	Amount	% of Sales
Product sales, gross	$ 79.1	100.0%	$ 58.2	100.0%
Adjustments to product sales, gross:				
Medicaid rebates	(5.5)	(7.0)%	(4.3)	(7.4)%
Chargebacks	(5.2)	(6.6)%	(4.1)	(7.0)%
Product discounts	(3.7)	(4.7)%	(2.0)	(3.4)%
Co-pay assistance	(3.7)	(4.7)%	(2.3)	(4.0)%
Product returns(1)	(0.9)	(1.1)%	0.4	0.7%
Other	(2.9)	(3.6)%	(2.4)	(4.2)%
Total adjustments	(21.9)	(27.7)%	(14.7)	(25.3)%
Product sales, net	$ 57.2	72.3%	$ 43.5	74.7%

(1) Prior to August 1, 2012, product returns was a reserve for stock 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 was due to a 37% increase in the number of units sold. We expect VIVITROL sales, net to continue to grow as we continue to penetrate the opioid dependence indication market in the U.S. 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.

Costs and Expenses

Cost of Goods Manufactured and Sold

(In millions)	Nine Months Ended December 31,		Change Favorable/ (Unfavorable)
	2013	2012 (unaudited)	
Cost of goods manufactured and sold	$134.3	$122.5	$(11.8)

The increase in cost of goods manufactured and sold was primarily due to a $6.2 million increase in cost of goods manufactured for RISPERDAL CONSTA and a $4.5 million increase in depreciation at our Athlone, Ireland manufacturing facility. The increase in RISPERDAL CONSTA cost of goods manufactured was primarily due to the 9% increase in the number of units shipped to Janssen. The increase in depreciation expense at our Athlone, Ireland manufacturing facility was due to $5.4 million

of accelerated depreciation on certain of our manufacturing assets that will have no future use at the completion of our restructuring plan in the year ended December 31, 2015.

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 CROs, 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:

	Nine Months Ended December 31,		
(In millions)	**2013**	**2012 (unaudited)**	**Change Favorable/ (Unfavorable)**
External R&D Expenses:			
Key development programs:			
Aripiprazole lauroxil	$ 34.9	$ 30.1	$ (4.8)
ALKS 3831	7.6	—	(7.6)
ALKS 5461	6.1	6.1	—
ALKS 8700	2.6	—	(2.6)
ALKS 7106	2.5	—	(2.5)
ALKS 37	—	3.5	3.5
Other development programs	11.3	10.8	(0.5)
Total external expenses	65.0	50.5	(14.5)
Internal R&D expenses:			
Employee-related	44.1	38.6	(5.5)
Occupancy	6.8	3.7	(3.1)
Depreciation	6.1	4.3	(1.8)
Other	6.1	7.1	1.0
Total internal R&D expenses	63.1	53.7	(9.4)
Research and development expenses	$128.1	$104.2	$(23.9)

These amounts are not necessarily predictive of future R&D expenses. In an effort to allocate our spending most effectively, we continually evaluate the products under development, based on the performance of such products in pre-clinical 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 was primarily due to the timing of patient enrollments in our phase 3 study, which began in December 2011, and the start of an extension study in September 2013 to assess the long-term safety and durability of effect of aripiprazole lauroxil in patients with stable schizophrenia. The increase in expenses related to the ALKS 3831 program was due to the timing of studies related to the program. We announced positive topline results from a phase 1 study in January 2013, and in July 2013, we announced the initiation of a phase 2 study of ALKS 3831 to assess the safety, tolerability and impact of ALKS 3831 on weight gain and other metabolic factors in patients with schizophrenia. The decrease in R&D expenses related to

the ALKS 37 program 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. ALKS 8700 and ALKS 7106 were added to our key development program portfolio during the period and we plan to file an IND and initiate phase 1 studies for both programs in 2014. The increase in employee-related expenses is primarily due to an increase in headcount and share-based compensation expense. Expense incurred under the RDB 1419 program was not material in the nine months ended December 31, 2013 and 2012.

We expect an increase in R&D expenses in 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

	Nine Months Ended December 31,		
(In millions)	**2013**	**2012 (unaudited)**	**Change Favorable/ (Unfavorable)**
Selling, general and administrative	$116.6	$91.1	$(25.5)

The increase in selling, general and administrative ("SG&A") expenses was primarily due to an $11.7 million increase in employee-related expenses, a $5.9 million increase in professional services and a $5.3 million increase in marketing expense. The increase in employee-related expense was primarily due to an increase in share-based compensation expense due primarily to our increased stock price and an increase in headcount. The increase in professional services was primarily due to activities surrounding the anticipated launch of aripiprazole lauroxil in 2015. The increase in marketing expense was primarily due to activity around a label update for VIVITROL and aripiprazole lauroxil launch activity.

Amortization of Acquired Intangible Assets

	Nine Months Ended December 31,		
(In millions)	**2013**	**2012 (unaudited)**	**Change Favorable/ (Unfavorable)**
Amortization of acquired intangible assets	$38.4	$31.5	$(6.9)

Our amortizable intangible assets consist of technology and collaborative arrangements acquired as part of the acquisition of EDT in 2011 which are being 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 December 31, 2013 is expected to be approximately $60.0 million, $65.0 million, $70.0 million, $70.0 million and $70.0 million in the years ended December 31, 2014 through 2018, respectively.

Other Expense, Net

(In millions)	Nine Months Ended December 31, 2013	Nine Months Ended December 31, 2012 (unaudited)	Change Favorable/ (Unfavorable)
Interest income	$ 0.7	$ 0.6	$ 0.1
Interest expense	(10.4)	(37.5)	27.1
Other (expense) income, net	(0.4)	1.6	(2.0)
Total other expense, net	$(10.1)	$(35.3)	$25.2

The decrease in interest expense was due to a decrease in the principal amount and interest rates associated with our long-term debt. As a result of two refinancing transactions we completed during the twelve months ended March 31, 2013, we reduced our outstanding principal balance from $450.0 million to $375.0 million, and reduced our blended interest rate from 7.6% to 3.4%. Included in interest expense in the nine months ended December 31, 2012 was a charge of $12.2 million due to the accounting for the restructuring of our long-term debt.

Provision for Income Taxes

(In millions)	Nine Months Ended December 31, 2013	Nine Months Ended December 31, 2012 (unaudited)	Change Favorable/ (Unfavorable)
Income tax (benefit) expense	$(12.3)	$5.6	$(17.9)

The income tax benefit in the nine months ended December 31, 2013 was due to the release of a valuation allowance against substantially all of our U.S. federal and state deferred tax assets, partially offset by current tax expense on income earned in the U.S. During the last quarter of 2013, we performed an analysis and determined that it was more-likely-than-not that we would utilize these deferred tax assets in future periods. Income tax expense in the nine months ended December 31, 2012 primarily related to U.S. federal and state taxes on income earned in the U.S.

At December 31, 2013, we maintained a valuation allowance of $10.7 million against certain U.S. federal and state deferred tax assets and $58.9 million against certain Irish deferred tax assets as we determined that it is more-likely-than-not that these net deferred tax assets will not be realized. If we demonstrate consistent profitability in the future, the evaluation of the recoverability of these deferred tax assets may change and the remaining valuation allowance may be released in part or in whole. $9.1 million of the $10.7 million valuation allowance held against certain U.S. tax assets, when recognized, will be accounted for as a credit to additional paid-in capital rather than a reduction of income tax expense.

As of December 31, 2013, we had $494.6 million of Irish Net Operating Loss ("NOL") carryforwards, $77.1 million of U.S. federal NOL carryforwards and $9.8 million of U.S. state NOL carryforwards, $22.3 million of federal research and development credits, $7.5 million of alternative minimum tax credits and $0.6 million of U.S. state tax credits which either expire on various dates through 2033 or can be carried forward indefinitely. These loss carryforwards and credits 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 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.

Liquidity and Capital Resources

Our financial condition is summarized as follows:

(In millions)	December 2013	March 2013
Cash and cash equivalents	$167.6	$ 97.0
Investments—short-term	194.6	124.4
Investments—long-term	87.8	82.8
Total cash and investments	$450.0	$304.2
Working capital	$469.2	$322.7
Outstanding borrowings—current and long-term	$364.3	$369.0

Sources and Uses of Cash

We expect that funds generated by operating activities will be sufficient to finance our anticipated working capital and other cash requirements, such as capital expenditures and principal and interest payments on our long-term debt for the foreseeable future. In the event business conditions were to deteriorate, we could rely on borrowings under our long-term debt agreement, 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. Subsequent to December 31, 2013, we sold approximately 5.9 million of our ordinary shares through a registered direct offering for net proceeds of $248.4 million.

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 nine months ended December 31, 2013 and 2012:

	Nine Months Ended December 31,	
(In millions)	2013	2012 (unaudited)
Cash and cash equivalents, beginning of period	$ 97.0	$ 83.6
Cash provided by operating activities	92.2	71.2
Cash (used in) investing activities	(65.4)	43.7
Cash provided by (used in) financing activities	43.8	(62.6)
Cash and cash equivalents, end of period	$167.6	$135.9

Operating Activities

The increase in cash provided by operating activities was due to a $41.6 million increase in cash provided from working capital, partially offset by a $20.6 million decrease in cash provided from net income. The increase in cash provided from working capital was primarily due to $23.3 million increase in cash provided from accounts payable and a $13.9 million decrease in cash used for accounts receivable.

Investing Activities

The increase in cash used in investing activities is primarily due to $45.2 million in net investment purchases during the nine months ended December 31, 2013, as compared to $58.7 million in net investment sales in the nine months ended December 31, 2012.

We expect to spend approximately $30.0 million during the twelve months ended December 31, 2014 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 provided by financing activities is primarily due to the refinancing transaction in the nine months ended December 31, 2012, which included a net payment of $74.2 million to reduce the amount of principal outstanding. In addition, we received an additional $31.6 million of cash from our employees upon the exercise of stock options in the nine months ended December 31, 2013, as compared to the nine months ended December 31, 2012.

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

(In millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Investments—short-term	$194.6	$ 0.2	$(0.1)	$194.7
Investments—long-term available-for-sale	65.2	21.2	(0.2)	86.2
Investments—long-term held-to-maturity	1.5	—	—	1.5
Total	$261.3	$21.4	$(0.3)	$282.4

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, corporate debt securities and equity securities. The equity securities consist of common stock and warrants of Acceleron, which we reclassified from a cost method investment to an available-for-sale investment, following Acceleron's IPO in September 2013. 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 December 31, 2013, we performed an analysis of our investments with unrealized losses for impairment and determined that they were temporarily impaired.

At December 31, 2013 and March 31, 2013, $1.5 million and none of our investments were valued using Level 3 inputs, respectively. Level 3 inputs are unobservable and are significant to the overall fair value measurement and require a significant degree of judgment.

Borrowings

At December 31, 2013, our borrowings consisted of $366.6 million outstanding under our Term Loan Facility. Please refer to Note 9, *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 December 31, 2013:

Contractual Obligations	Total	Less Than One Year (2014)	One to Three Years (2015 - 2016)	Three to Five Years (2017 - 2018)	More than Five Years (After 2019)
			(In thousands)		
Term Loan Facility—Principal	$366,563	$ 6,750	$ 72,563	$ 6,000	$281,250
Term Loan Facility—Interest	63,289	12,364	23,638	19,924	7,363
Operating lease obligations	30,416	4,816	9,231	8,960	7,409
Purchase obligations	101,825	101,825	—	—	—
Total contractual cash obligations	$562,093	$125,755	$105,432	$34,884	$296,022

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 approximate one-month LIBOR rate at December 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 December 31, 2013, we had $1.1 million of net liabilities associated with uncertain tax positions. We do not anticipate that the amount of existing unrecognized tax benefits will significantly increase or decrease within 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 obligations.

Off-Balance Sheet Arrangements

At December 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, 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 56% of our investments are in debt securities issued by the U.S. government or its agencies, our exposure to liquidity and credit risk is not believed to be significant.

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 0.24% at December 31, 2013, and the LIBOR floor under Term Loan B-1 is 0.75%, we do not expect changes in the three-month LIBOR to have a material effect on our financial statements through December 31, 2014.

Term Loan B-2 bears interest at one-month LIBOR plus 2.75% with no LIBOR floor. At December 31, 2013, the one-month LIBOR rate was 0.17%. A 10% increase in the one-month LIBOR rate would increase our interest expense in the twelve months ended December 31, 2014 by an immaterial amount.

At December 31, 2013, we have an interest rate swap agreement, entered into in connection with a term loan that has since been refinanced, that remains outstanding. The interest rate swap has a notional amount of $160.0 million and protects us if three-month LIBOR were to reach 2.057% from December 3, 2012 through September 3, 2014.

We do not use derivative financial instruments for speculative trading purposes. The counterparty to our interest rate swap contract is a multinational commercial bank. We believe the risk of counterparty non-performance is remote.

Currency Exchange Rate Risk

Manufacturing and royalty revenues we receive on certain of our products and services are a percentage of the net sales made by our collaborative partners and a 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. Also, certain of our R&D revenue is generated in countries other than the U.S. and is denominated in the Euro. Fluctuations in the exchange ratio of the USD and these non-U.S. currencies will have the effect of

increasing or decreasing our 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 revenues will increase given a constant amount of sales in such non-U.S. currency. For the nine months ended December 31, 2013, an average 10% strengthening of the USD relative to the currencies in which these products are sold would have resulted in revenues being reduced by approximately $16.4 million.

We incur substantial operating costs in Ireland and 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 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 nine months ended December 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 $6.7 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, cash flows 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. Such revenues 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 these products or for BYDUREON or INVEGA SUSTENNA. RISPERDAL CONSTA is commercialized by Janssen. AMPYRA/FAMPYRA is commercialized by Acorda in the U.S. and by Biogen Idec outside the U.S. BYDUREON and INVEGA SUSTENNA are developed, manufactured and commercialized by AstraZeneca and Janssen, respectively. Our revenues, from manufacturing fees and/or royalties, depend upon sales of these products by or on behalf of our partners. Accordingly, our revenues will depend in large part on the efforts of our partners, which are outside of our control. 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 our other marketed products and, in many instances, we are also not involved in their manufacture.

We receive substantial revenues from certain of our products and collaborative partners.

We depend substantially upon continued sales of RISPERDAL CONSTA and INVEGA SUSTENNA by our partner, Janssen, and upon continued sales of AMPYRA/FAMPYRA by our partner Acorda, and its sublicensee, Biogen. Any significant negative developments relating to these products, or to our collaborative relationships, could have a material adverse effect on our business, results of operations, cash flows and financial condition.

We rely heavily on collaborative partners in the commercialization and continued development of 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 development programs and conducting preclinical testing and clinical trials with respect to new formulations or other development activities for our marketed products; managing the regulatory approval process; and commercializing our products.

Our collaborative partners may choose to use their own or other technology to develop an alternative product and withdraw their support of our product, 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, or failure of, 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 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 payers;
- 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, package 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, including from our collaborators;
- 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 and register 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 regulations and other applicable government and corresponding and foreign standards. In the U.S., the DEA and other state-level agencies heavily regulate the manufacturing, holding, processing, security, recordkeeping and distribution of controlled substances. Our products and product candidates that are scheduled by the DEA as controlled substances make us subject to the DEA's regulations. We are subject to unannounced inspections by the FDA, the DEA or comparable state and foreign 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 or other regulatory 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 and other 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 and, if the foregoing activities involve controlled substances, the DEA. Failure to gain or maintain regulatory compliance with the FDA or regulatory agencies 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 payers, and a reduction in payment rate or reimbursement or an increase in our financial obligation to governmental payers could result in decreased sales of our products and decreased revenues.

In both U.S. and non-U.S. markets, sales of our products depend, in part, on the availability of reimbursement from third-party payers 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 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 payers continue to focus on containing the cost of healthcare. 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 payers 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 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 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, financial condition, cash flows and results of operations.

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 currently involved in a few Paragraph IV litigations in the U.S. and other proceedings in Europe 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.

Pursuant to an amended and restated credit agreement, dated as of September 25, 2012, as amended (the "Term Loan Facility"), we have approximately $375.0 million in original principal term loans, consisting of a $300.0 million, seven-year term loan at LIBOR plus 2.75% with a LIBOR floor of 0.75% ("Term Loan B-1"), and a $75.0 million, four-year term loan at LIBOR plus 2.75% with no LIBOR floor ("Term Loan B-2").

Our existing indebtedness is secured by a first priority lien on substantially all of the combined company assets and properties of Alkermes plc and most of its subsidiaries, which serve as guarantors. The agreements governing the Term Loan Facility include a number of restrictive covenants that, among other things, subject to certain exceptions and baskets, impose operating and financial restrictions on us. 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.

The 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, financial condition, cash flows and results of operations.

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, financial condition, cash flows and results of operations.

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 pre-clinical 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, obtain a final DEA scheduling designation (to the extent our products are controlled substances) 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, financial condition, cash flows and results of operations.

The FDA or other regulatory agencies may not approve our product candidates or may impose limitations upon any product approval.

We must obtain government approvals before marketing or selling our product candidates in the U.S. and in jurisdictions outside the U.S. The FDA, DEA, to the extent a product candidate is a controlled substance, and comparable regulatory agencies in other countries, impose substantial and rigorous requirements for the development, production and commercial introduction of drug products. These include pre-clinical, 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 product 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 CROs 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 product candidates that we submit for regulatory review. Our ability to generate revenues from the commercialization and sale of additional 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 product 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. Further, even if the FDA provides regulatory approval, centrally acting drugs will not become commercially available until after the DEA provides its final schedule designation, which may take longer and may be more restrictive than we expect or change after its initial designation. We currently expect ALKS 5461 and ALKS 3831 to require such DEA final schedule designation prior to commercialization. DEA scheduling can negatively impact the ability or willingness of healthcare professionals to prescribe or dispense products, the likelihood that patients will use them and other aspects of our ability to commercialize such products.

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 pre-clinical 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 a 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 issues, including those by the FDA, DEA and other regulatory agencies.

In addition, we have opened clinical sites and are enrolling patients in a number of countries where our experience is more limited. For example, the phase 3 study of aripiprazole lauroxil is being conducted in many countries around the world, including in Eastern Europe and Asia. We depend on independent clinical investigators, CROs 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 pre-clinical 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, financial condition, cash flows and results of operations.

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, financial condition, cash flows and results of operations.

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 also 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 other regulatory agencies inside and 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 business, financial condition, cash flows 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. 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, which was approved by the FDA in February 2013 and is commercialized under the name ABILIFY MAINTENA; oral compounds currently on the market, including generic versions of many branded products; and other products currently in development.

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, including generic 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, TYSABRI and TECFIDERA from Biogen Idec, BETASERON from Bayer HealthCare Pharmaceuticals, COPAXONE from Teva Pharmaceutical Industries Ltd., REBIF from Merck Serono, 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 December 31, 2013, our accumulated deficit was $482.3 million, which was primarily the result of net losses incurred from 1987, the year Alkermes, Inc., was founded, through March 31, 2012, partially offset by net income over recent fiscal periods. 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 payers;
- 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 that will be required for the DEA to provide its final scheduling designation for our products that are controlled substances;
- 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 execute on our business strategy, 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 in the future to execute on our business strategy, 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 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. In addition, as a condition to providing additional funds to us, future investors or lenders may demand, and may be granted, rights superior to those of existing stockholders. If we issue additional debt securities in the future, our existing debt service obligations will increase further. If we are unable to generate sufficient cash to meet these obligations and need to use existing cash or liquidate investments in order to fund our debt service obligations or to repay our debt, we may be forced to delay or terminate clinical trials or curtail operations. We cannot be certain, however, that additional financing will be available from any of these sources when needed or, if available, will be on acceptable terms, if at all, particularly if the credit and financial markets are constrained at the time we require funding. If we fail to obtain additional capital when we need it, we may not be able to execute our business strategy successfully and may have to give up rights to our product platforms, product candidates or marketed products or grant licenses on terms that may not be favorable to us.

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, financial condition, cash flows, results of operations 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, financial condition, cash flows and results of operations.

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, financial condition, cash flows and results of operations would be adversely affected.

Currency exchange rates may affect revenues and expenses.

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. We also incur substantial operating costs in Ireland and 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 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. Refer to "Item 7A. Quantitative and Qualitative Disclosure about Market Risk" for additional information relating to our foreign currency exchange rate risk.

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, financial condition, cash flows and results of operations. Merger and acquisition transactions, including the 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.

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 December 31, 2013, a majority 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 biopharmaceutical 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, but not limited to, the distribution of our profits or losses between the jurisdictions where we operate and differences in interpretation of tax laws. 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 us. 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, cash flows, 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 and fraud and abuse 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 our board of directors with a specific agenda, it may adversely affect our ability to effectively implement our strategic plan in a timely manner and create additional value for our shareholders.

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

If any of our partners undergoes a change in control or in management, this may adversely affect our collaborative relationships or revenues from our 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. BYDUREON and INVEGA SUSTENNA are developed, manufactured and commercialized by AstraZeneca and Janssen, respectively. We may, from time to time, work with Janssen, Acorda and AstraZeneca to address certain issues related to these products. In doing so, we have established relationships with members of the management teams of Janssen, Acorda and AstraZeneca in relevant functional areas.

If any of our partners undergoes a change of control or a change of management, we will need to re-establish many of these relationships, and we may need to gain alignment on certain issues related to our products. Given the inherent uncertainty and disruption that arises in a change of control, we cannot be sure that we would be able to successfully execute these courses of action. Finally, any change of control or in management may result in a reprioritization of our product within such partner's portfolio, or such partner may fail to maintain the financial or other resources necessary to continue supporting its role in the collaborative arrangement.

If any of our partners undergoes a change of control and the acquirer either is unable to perform such partner's obligations under its agreements with us or has a product that competes with ours that such acquirer does not divest, it could materially adversely affect our business, financial condition, cash flows and results of operations.

Security breaches and other disruptions could compromise our information and expose us to liability, which would cause our business and reputation to suffer.

In the ordinary course of our business, we collect and store sensitive data, including intellectual property, our proprietary business information and that of our suppliers and partners, as well as personally identifiable information of patients, clinical trial participants and employees. Similarly, our partners and third-party providers possess certain of our sensitive data. The secure maintenance of this information is critical to our operations and business strategy. Despite our security measures, our information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise our networks and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information, including our data being breached at our partners or third-party providers, could result in legal claims or proceedings and liability under laws that protect the privacy of personal information, disrupt our operations, and damage our reputation which could adversely affect our business.

If we identify a material weakness in our internal control over financial reporting, our ability to meet our reporting obligations and the trading price of our ordinary shares could be negatively affected.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our financial statements will not be prevented or detected on a timely basis. Accordingly, a material weakness increases the risk that the financial information we report contains material errors.

We regularly review and update our internal controls, disclosure controls and procedures, and corporate governance policies. In addition, we are required under the Sarbanes-Oxley Act of 2002 to report annually on our internal control over financial reporting. Any system of internal controls, however well designed and operated, is based in part on certain assumptions and can provide only reasonable, not absolute, assurances that the objectives of the system are met. If we, or our independent registered public accounting firm, determine that our internal controls over financial reporting are not effective, or we discover areas that need improvement in the future, these shortcomings could have an adverse effect on our business and financial results, and the price of our ordinary shares could be negatively affected.

If we cannot conclude that we have effective internal control over our financial reporting, or if our independent registered public accounting firm is unable to provide an unqualified opinion regarding the effectiveness of our internal control over financial reporting, investors could lose confidence in the reliability of our financial statements, which could lead to a decline in the trading price of our ordinary shares. Failure to comply with reporting requirements could also subject us to sanctions and/or investigations by the SEC, the NASDAQ Stock Market or other regulatory authorities.

Because we do not anticipate paying any cash dividends on our ordinary shares in the foreseeable future, capital appreciation, if any, will be the source of gain for our stockholders.

We have never declared or paid cash dividends on our ordinary shares. We currently intend to retain all of our current and future earnings to finance the growth and development of our business. As a result, capital appreciation, if any, of our ordinary shares will be the sole source of gain for our stockholders for the foreseeable future.

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

In January 2014, the Company sold 5,917,160, $0.01 par value, ordinary shares pursuant to its shelf registration statement on Form S-3 at a price of $42.25 per share. The Company received total gross proceeds of $250 million, before deducting expenses associated with the offering.

Also, in January 2014, the Company agreed to sell, subject to customary closing conditions, certain of its land, buildings and equipment at its Athlone, Ireland facility. The closing of the acquisition is expected to occur during the first quarter of 2014.

Directors and Secretary

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

Directors	*Date of Service as a Director or Secretary*
David W. Anstice	(Reappointed 1 August 2013)
Floyd E. Bloom	(Reappointed 1 August 2012)
Robert A. Breyer	(Reappointed 1 August 2013)
Wendy L. Dixon	(Reappointed 1 August 2013)
Geraldine Henwood	(Reappointed 1 August 2012)
Paul J. Mitchell	(Appointed 16 September 2011)
Richard F. Pops	(Appointed 16 September 2011)
Mark B. Skaletsky	(Resigned 11 November 2013)
Nancy J. Wysenski	(Appointed 16 May 2013)
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 December 31, 2013 and March 31,

2013 (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 2013			Ordinary Shares[1] At 31 December 2013		
	Shares	Options	Restricted Share Units	Shares	Options	Restricted Share Units
Directors						
David W. Anstice	10,000	130,000	—	10,000	155,000	—
Floyd E. Bloom	110,281	200,000	—	110,281	195,000	—
Robert A. Breyer	58,106	155,400	—	53,756	135,400	—
Wendy L. Dixon	—	85,000	—	—	110,000	—
Geraldine Henwood	—	150,000	—	—	155,000	—
Paul J. Mitchell	8,000	200,000	—	8,000	206,000	—
Richard F. Pops	421,047	3,450,000	198,125	499,915	3,416,250	103,750
Nancy J. Wysenski	—	—	—	—	66,250	—
Company Secretary						
Kathryn L. Biberstein	42,665	701,625	41,375	59,583	709,433	39,125

(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 Transition Period.

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 May 28, 2014. 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

Richard F. Pops
Chairman

/s/ PAUL J. MITCHELL

Paul J. Mitchell
Director

April 9, 2014

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 2013, 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 Practice in Ireland (Irish GAAP), comprising the accounting standards issued by the Financial Reporting Council and published by the Institute of Chartered Accountants in Ireland (ICAI) together with the Companies Acts, 1963 to 2013. 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 Financial Reporting Council 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 2013. 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 period ended 31 December 2013 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, 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 2013, 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 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 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.

PricewaterhouseCoopers, One Spencer Dock, NorthWall Quay, Dublin 1, Ireland, I.D.E. Box No. 137
T: +353 (0) 1 792 6000, F: +353 (0) 1 792 6200, www.pwc.com/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 2013, 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 December 2013 and of the group's profit and cash flows for the period then ended; and
- have been properly prepared in accordance with the requirements of the Companies Acts 1963 to 2013.

Matters on which we are required to report by the Companies Acts 1963 to 2013

- 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 2013 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 period ended 31 December 2013.

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

9 April 2014

ALKERMES PLC AND SUBSIDIARIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	Nine Months Ended December 31, 2013	Twelve Months Ended March 31, 2013
		(In thousands, except per share amounts)	
Manufacturing and royalty turnover		$371,039	$510,900
Product sales, net		57,215	58,107
Research and development turnover		4,657	6,541
Total revenues		432,911	575,548
Cost of sales		134,306	170,466
Gross profit		298,605	405,082
Research and development expense		128,125	140,013
Selling, general and administrative expense		116,558	125,758
Amortization of acquired intangible assets	7	38,428	41,852
Restructuring	8	—	12,300
Impairment of long-lived assets	6	—	3,346
Operating income		15,494	81,813
Interest income		711	841
Interest expense		(10,379)	(48,994)
Other income, net		(429)	1,781
Total other expense, net		(10,097)	(46,372)
Income on ordinary activities, before income taxes		5,397	35,441
Income tax (benefit) provision	15	(12,252)	10,458
Income on ordinary activities, after tax		$ 17,649	$ 24,983
EARNINGS PER ORDINARY SHARE:			
Basic	11	$ 0.13	$ 0.19
Diluted	11	$ 0.12	$ 0.18
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES OUTSTANDING:			
Basic	11	135,960	131,713
Diluted	11	144,961	137,100

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

The Consolidated Financial Statements were approved by the Board of Directors on April 9, 2014 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

	Nine Months Ended December 31, 2013	Twelve Months Ended March 31, 2013
	(In thousands, except per share amounts)	
NET INCOME	$17,649	$24,983
Unrealized gains (losses) on marketable secruities:		
Holding gains (losses), net of tax	13,092	(327)
Unrealized gains (losses) on marketable secruities:	13,092	(327)
Unrealized gains on derivative contracts, net of tax	—	522
COMPREHENSIVE INCOME	$30,741	$25,178

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

The Consolidated Financial Statements were approved by the Board of Directors on April 9, 2014 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	December 31, 2013	March 31, 2013
		(In thousands)	
ASSETS			
Fixed Assets			
Intangible assets—Goodwill	7	$ 92,740	$ 92,740
Intangible assets—Other	7	537,565	575,993
Tangible fixed assets	6	274,490	288,435
Current Assets			
Stock	5	46,218	43,483
Debtors	18	176,580	165,461
Investments	3	282,433	207,218
Cash at bank and in-hand		167,562	96,961
TOTAL ASSETS		$1,577,588	$1,470,291
LIABILITIES			
Equity Shareholders' Funds			
Share capital, $0.01 par value		$ 1,382	$ 1,338
Share premium		161,967	112,146
Profit and loss account		812,290	783,247
Treasury shares		(17,833)	(5,380)
Other reserves		107,380	61,023
Total equity shareholders' funds		1,065,186	952,374
Creditors			
Debt	9	364,293	369,008
Creditors	19	137,531	136,609
Restructuring	8	10,578	12,300
Total for creditors		512,402	517,917
TOTAL LIABILITIES		$1,577,588	$1,470,291

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

The Consolidated Financial Statements were approved by the Board of Directors on April 9, 2014 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

	Nine Months Ended December 31, 2013	Twelve Months Ended March 31, 2013
	(In thousands, except per share amounts)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 17,649	$ 24,983
Adjustments to reconcile net income to cash flows from operating activities:		
Depreciation and amortization	70,765	73,751
Share-based compensation expense	33,409	34,716
Loss on debt refinancing transactions	—	19,670
Prepayment penalties in connection with debt refinancing transactions	—	(6,533)
Excess tax benefit from share-based compensation	(11,394)	(8,867)
Impairment of long-lived assets	—	3,346
Deferred income taxes	(15,393)	(2,113)
Principal payments on long-term debt attributable to original issue discount	—	(2,657)
Other non-cash charges	(5,731)	5,698
Changes in assets and liabilities, excluding the effect of acquisitions:		
Receivables	(9,534)	(28,239)
Inventory, prepaid expenses and other assets	(6,345)	(6,577)
Accounts payable and accrued expenses	16,126	19,406
Deferred revenue	4,051	(3,351)
Other long-term liabilities	(1,382)	3,318
Cash flows provided by operating activities	92,221	126,551
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property, plant and equipment	(19,054)	(22,217)
Proceeds from the sale of equipment	52	193
Investment in Civitas Therapeutics, Inc.	(1,191)	—
Promissory note issued to Civitas Therapeutics, Inc.	—	(1,116)
Purchases of investments	(135,643)	(303,945)
Sales and maturities of investments	90,470	258,937
Cash flows used in investing activities	(65,366)	(68,148)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from the issuance of ordinary shares for share-based compensation arrangements	49,077	34,360
Excess tax benefit from share-based compensation	11,394	8,867
Proceeds from the issuance of long-term debt	—	366,483
Employee taxes paid related to net share settlement of equity awards	(11,665)	(4,809)
Principal payments of long-term debt	(5,060)	(449,944)
Cash flows provided by (used in) financing activities	43,746	(45,043)
NET INCREASE IN CASH AND CASH EQUIVALENTS	70,601	13,360
CASH AND CASH EQUIVALENTS—Beginning of period	96,961	83,601
CASH AND CASH EQUIVALENTS—End of period	$ 167,562	$ 96,961
SUPPLEMENTAL CASH FLOW DISCLOSURE:		
Cash paid for interest	$ 9,596	$ 7,656
Cash paid for taxes	$ 704	$ 5,921
Non-cash investing and financing activities:		
Purchased capital expenditures included in accounts payable and accrued expenses	$ 1,969	$ 2,450
Investment in Civitas Therapeutics, Inc.	$ 1,160	$ —

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

The Consolidated Financial Statements were approved by the Board of Directors on April 9, 2014 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, 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
Net income	—	—	17,649	—	—	17,649
Other comprehensive income	—	—	—	—	13,092	13,092
Share-based payment reserve	—	—	—	—	33,265	33,265
Shares issued under employee stock plans	44	49,033	—	—	—	49,077
Receipt of Alkermes' shares for the purchase of share options or to satisfy minimum tax withholding obligations related to share based awards	—	788	—	(12,453)	—	(11,665)
Excess tax benefit from share-based compensation	—	—	11,394	—	—	11,394
BALANCE—December 31, 2013	$1,382	$161,967	$812,290	$(17,833)	$107,380	$1,065,186

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

The Consolidated Financial Statements were approved by the Board of Directors on April 9, 2014 and signed on its behalf by:

/s/ RICHARD F. POPS

Richard F. Pops
Chairman

/s/ PAUL J. MITCHELL

Paul J. Mitchell
Director

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

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, the Company 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 it 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."

Change in Fiscal Year

On May 21, 2013, the Company's Audit and Risk Committee, with such authority delegated to it by the Company's Board of Directors, approved a change to its' fiscal year-end from March 31 to December 31. These financial statements cover the nine-month transition period ended December 31, 2013 and reflects the Company's financial results for the nine month period from April 1, 2013 through December 31, 2013 (the "Transition Period"). The prior period presented in these financial statements cover the fiscal year ended March 31, 2013, and reflects the results of the twelve month period from April 1, 2012 to March 31, 2013.

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,

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 stock, 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.

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 so near their maturity, generally three months from the date of purchase, that they present insignificant risk of change in value because of interest rate changes 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, corporate debt securities, and common stock and warrants of a public company with which the Company has a collaborative arrangement. 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 December 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 "Other reserves," a component of equity shareholders' funds. 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 other reserves.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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" 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 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, U.S. treasury securities and the common stock of a publicly-traded company;

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 by foreign agencies and backed by foreign governments, investments in corporate debt securities that are trading in the credit markets and an interest rate swap contract; and

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. During the nine months ended December 31, 2013, the Company's Level 3 investments consisted of warrants to purchase the common stock of a publicly-traded company.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 twelve months 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.

As goodwill does not decline in value, straight-line amortization of goodwill over an arbitrary period does not reflect the economic reality. Therefore, in order to present a true and fair view of the economic reality, under U.S. GAAP, the Company's goodwill is considered indefinite-lived and is not subject to amortization. Goodwill is reviewed for impairment utilizing a two-step process on an annual basis, during the quarter ended December 31, or when there is a significant change in events or circumstances that indicate the fair value of the goodwill may be less than its carrying value. 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, were 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 lives 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.

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 used, or a significant adverse change that would indicate that the carrying amount of an asset or group

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 manufacturing facility located in Chelsea, Massachusetts, which it presently subleases. The carrying amount of the asset retirement obligation at December 31, 2013 and March 31, 2013, was $2.2 million and $2.0 million, respectively, and is included within "Creditors" in the accompanying consolidated balance sheets.

The following table shows changes in the carrying amount of the Company's asset retirement obligation at December 31, 2013 and March 31, 2013:

(In thousands)	Carrying Amount
Balance, April 1, 2012	$1,862
Accretion expense	187
Balance, March 31, 2013	$2,049
Accretion expense	151
Balance, December 31, 2013	$2,200

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 AstraZeneca for BYDUREON® (upon assuming sole responsibility for the development and commercialization of BYDUREON from Bristol-Myers Squibb Company ("Bristol-Myers")). Substantially all of the products developed under the Company's collaborative arrangements are currently being marketed as approved products. The Company receives payments for manufacturing services and/or royalties on product sales.

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 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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, which is generally the following quarter.

Royalty revenues—The Company recognizes royalty revenues related to the sale of products by its collaborative partners that incorporates the Company's technologies. Royalties, with the exception of those from AMPYRA, 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. Royalties on AMPYRA are earned in the period the product is shipped to Acorda. 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 revenue—R&D revenue consists of funding that compensates the Company for formulation, pre-clinical and clinical testing under R&D arrangements with its collaborative partners. The Company generally bills its collaborative partners under R&D arrangements using a full-time equivalent ("FTE") or hourly rate, plus direct external costs, if any.

Certain 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," and are recognized in their entirety in the period in which the milestone is achieved. Consideration received from the achievement of milestones that are not considered to be "substantive milestones" are recognized under the proportional performance method whereby revenue is limited to the lesser of the cumulative amount of payments received or the cumulative amount of revenue earned.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 Discounts*—cash consideration, including sales incentives, given by us under distribution service agreements with a number of wholesaler, distributor and specialty pharmacy customers that provide them with the opportunity to earn discounts in exchange for the performance of certain services. To date, actual product discounts have not differed materially from the Company's estimates;
- *Co-pay Assistance*—the Company has a program whereby a patient can receive up to $500 per month toward their co-payment, co-insurance or deductible, provided the patient meets certain eligibility criteria. Reserves are recorded upon the sale of VIVITROL. To date, actual co-pay assistance has not differed materially from the Company's estimates; and
- *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 profit and loss account, 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 December 31, 2013, the product return reserve was estimated to be approximately 2% of product sales and amounts to $3.8 million.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 December 31, 2013, the Company's risk management instruments consisted of an interest rate swap agreement. The objective of the interest rate swap agreement is to limit the impact of fluctuations in interest rates in earnings related to the Company's long-term debt. The interest rate swap agreement is not designated as a hedging instrument and is recorded at fair value. The associated gains and losses related to the interest rate swap are recognized in "Interest expense" during the period of change. Refer to Note 10, *Derivative Instruments*, for additional information related to the Company's risk management instruments.

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 (expense) income, net" in the accompanying consolidated profit and loss account. During the nine months ended December 31, 2013 and the twelve months ended March 31, 2013, the Company recorded a gain on foreign currency translation of $0.2 million and $0.1 million, 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 December 31, 2013 and March 31, 2013 and 2012, for the nine months ended December 31, 2013 and the twelve months ended March 31, 2013:

	Nine Months Ended December 31, 2013		Twelve Months Ended March 31, 2013	
Customer	Receivables	Revenue	Receivables	Revenue
Janssen	46%	44%	32%	35%
Acorda	12%	12%	15%	11%

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. 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)	Nine Months Ended December 31, 2013	Twelve Months Ended March 31, 2013
Revenue by region:		
U.S.	$269,005	$380,565
Ireland	5,722	14,455
Rest of world	158,184	180,528
Assets by region:		
Current assets:		
U.S.	$382,571	$248,441
Ireland	187,023	159,544
Rest of world	544	603
Long-term assets:		
U.S.:		
Intangible assets	$ —	$ —
Goodwill	3,677	3,677
Other	225,559	229,691
Ireland:		
Intangible assets	$537,565	$575,993
Goodwill	89,063	89,063
Other	151,586	163,279

Research and Development Expenses

For each of its 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. The Company issues new shares upon stock option exercise or the vesting of RSUs. 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 or upon meeting the retirement eligibility criteria, whichever is later.

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 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:

	Nine Months Ended December 31, 2013	Twelve Months Ended March 31, 2013
Expected option term	5 - 7 years	5 - 7 years
Expected stock volatility	45% - 48%	47% - 49%
Risk-free interest rate	0.75% - 2.15%	0.61% - 1.18%
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 equal to the closing price of the Company's ordinary shares traded on the NASDAQ Global Select Stock Market on the date of grant. Compensation expense, including the effect of forfeitures, is recognized over the applicable service period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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.

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

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

Earnings per Share

Basic earnings per share are calculated based upon net income available to holders of ordinary shares divided by the weighted average number of ordinary shares outstanding. For the calculation of diluted earnings per share, the Company uses the weighted average number of ordinary 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Beginning April 1, 2012, the Company matches 100% of employee contributions up to the first 5% of employee pay, up to IRS limits. Employee and Company contributions are fully vested when made. During the nine months ended December 31, 2013 and the twelve months ended March 31, 2013, the Company contributed $3.1 million and $4.1 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 nine months ended December 31, 2013 and the twelve months ended March 31, 2013, the Company contributed $2.9 million and $3.7 million, respectively, in contributions to the defined contribution plan.

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.

In July 2013, the FASB adopted clarifying guidance on the presentation of unrecognized tax benefits when various qualifying tax credits exist. The amendment requires that unrecognized tax benefits be presented on the consolidated balance sheet as a reduction to deferred tax assets created by net operating losses ("NOLs") or other tax credits from prior periods that occur in the same taxing jurisdiction. To the extent that the unrecognized tax benefit exceeds these NOLs or other tax credits, it shall be presented as a liability. This update is required to be adopted for all annual periods and interim reporting periods beginning after December 15, 2013, with early adoption permitted. The Company does not expect that the adoption of this standard will have a material impact on the presentation of the Company's financial position.

3. INVESTMENTS

Investments consist of the following:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses Less than One Year	Gross Unrealized Losses Greater than One Year	Estimated Fair Value
			(In thousands)		
December 31, 2013					
Short-term investments:					
Available-for-sale securities:					
U.S. government and agency debt securities	$130,669	$ 80	$ (1)	$ —	$130,748
Corporate debt securities	38,614	64	(30)	—	38,648
International government agency debt securities	24,097	8	(33)	—	24,072
	193,380	152	(64)	—	193,468
Money market funds	1,201	—	—	—	1,201
Total short-term investments	194,581	152	(64)	—	194,669
Long-term investments:					
Available-for-sale securities:					
U.S. government and agency debt securities	28,503	—	(61)	(3)	28,439
Equity securities	8,732	21,253	—	—	29,985
Corporate debt securities	20,266	—	(30)	(75)	20,161
International government agency debt securities	7,691	—	(5)	—	7,686
	65,192	21,253	(96)	(78)	86,271
Held-to-maturity securities:					
Certificates of deposit	1,493	—	—	—	1,493
Total long-term investments	66,685	21,253	(96)	(78)	87,764
Total investments	$261,266	$21,405	$(160)	$ (78)	$282,433
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
Total short-term investments	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
Total long-term investments	83,032	—	(43)	(162)	82,827
Total investments	$207,361	$ 64	$ (45)	$(162)	$207,218

3. INVESTMENTS (Continued)

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

(In thousands)	Nine Months Ended December 31, 2013	Twelve Months Ended March 31, 2013
Proceeds from the sales and maturities of marketable securities	$90,470	$258,937
Realized gains	$ 16	$ 39
Realized losses	$ —	$ 5

The Company's available-for-sale and held-to-maturity securities at December 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	$107,374	$107,354	$1,493	$1,493
After 1 year through 5 years	142,466	142,400	—	—
Total	$249,840	$249,754	$1,493	$1,493

At December 31, 2013, the Company believed that the unrealized losses on its available-for-sale investments were temporary. The investments with unrealized losses consisted primarily of corporate debt securities and U.S. Government agency 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 equity securities at December 31, 2013 included common stock and warrants of Acceleron Pharma, Inc. ("Acceleron"), which the Company accounts for as available-for-sale marketable securities. In September 2013, Acceleron successfully closed on an initial public offering ("IPO") and as a result, the Company's investment in preferred stock was converted to common stock. Prior to the IPO, the Company's investment in Acceleron was accounted for under the cost method as Acceleron was a privately held company over which the Company did not exercise significant influence. The Company's investment in Acceleron was $8.7 million at March 31, 2013 and was included within "Debtors" in the accompanying consolidated balance sheets.

The Company's investment in Civitas Therapeutics, Inc. ("Civitas") was $2.0 million and $0.8 million at December 31, 2013 and March 31, 2013, respectively, which was recorded within "Debtors" in the accompanying condensed consolidated balance sheets. In September 2013, the Company invested an additional $1.2 million and converted a promissory note in the amount of $1.2 million into 844,415 shares of Civitas Series B preferred stock. The Company is accounting for its investment in Civitas Series B preferred stock under the cost method of accounting as the Series B preferred stock is not considered to be "in-substance" common stock. The Company is accounting for its investment in Civitas' Series A preferred stock under the equity method as the Series A preferred

3. INVESTMENTS (Continued)

stock is considered to be "in-substance" common stock and the Company believes it may be able to exercise significant influence over the operating and financial policies of Civitas. During the nine months ended December 31, 2013 and the twelve months ended March 31, 2012, the Company recorded a reduction in its investment in Civitas of $1.2 million and $1.2 million, respectively, which represented the Company's proportionate share of Civitas' net losses for these periods. The Company will continue to record its proportionate share of Civitas' net income or loss in future periods.

4. 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)	December 31, 2013	Level 1	Level 2	Level 3
Assets:				
Cash equivalents	$ 1,201	$ 1,201	$ —	$ —
U.S. government and agency debt securities	159,187	63,213	95,974	—
Corporate debt securities	58,809	—	58,809	—
International government agency debt securities	31,758	—	31,758	—
Equity securities	29,985	28,459	—	1,526
Total	$280,940	$92,873	$186,541	$1,526
Liabilities:				
Interest rate swap contract	$ (275)	$ —	$ (275)	$ —
Total	$ (275)	$ —	$ (275)	$ —

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

4. FAIR VALUE (Continued)

The Company transfers its financial assets and liabilities, measured at fair value on a recurring basis, between the fair value hierarchies at the end of each reporting period.

There were no transfers of any securities from Level 1 to Level 2 or from Level 2 to Level 1 during the nine months ended December 31, 2013. 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 December 31, 2013:

(In thousands)	Fair Value
Balance, April 1, 2013	$ —
Conversion of investment from cost method to available-for-sale	807
Total unrealized gains included in other comprehensive income (loss)	719
Balance, December 31, 2013	$1,526

During the nine months ended December 31, 2013, our Level 3 investment consisted of warrants to purchase the common stock of Acceleron. The Company used a Black-Scholes model to determine the fair value of these warrants. The assumptions used in the Black-Scholes model included the following:

Current stock price	$39.60
Warrant strike price	$ 5.88
Expected term (years)	6.50
Risk-free rate	2.45%
Volatility	70.4%

The Company's investments in U.S. government and agency debt securities, 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 include 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.

The Company entered into an interest rate swap agreement in September 2011 which is described in greater detail in Note 10, *Derivative Instruments*. The fair value of the Company's interest rate swap agreement was based on an income approach, which excludes accrued interest, and takes into consideration then-current interest rates and the then-current creditworthiness of the Company or the counterparty, as applicable.

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. The fair value of the remaining financial instruments not currently recognized at fair value on the Company's consolidated balance sheets consists 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 "Term Loan Facility"). The estimated fair value of these term loans, which was based on quoted market price indications (Level 2

4. FAIR VALUE (Continued)

in the fair value hierarchy) and may not be representative of actual values that could have been or will be realized in the future was as follows at December 31, 2013:

(In thousands)	Carrying Value	Estimated Fair Value
Term Loan B-1	$294,091	$269,398
Term Loan B-2	$ 70,202	$ 70,313

5. STOCK

Stock consists of the following:

(In thousands)	December 31, 2013	March 31, 2013
Raw materials	$18,410	$13,506
Work in process	15,581	13,842
Finished goods[1]	12,227	16,135
Total stock	$46,218	$43,483

(1) At December 31, 2013 and March 31, 2013, the Company had $1.1 million and $0.6 million, respectively, of finished goods stock located at its third-party warehouse and shipping service provider.

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

6. 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, 2013	$149,449	$ 197,743	$ 24,137	$ 39,399	$ 410,728
Additions at cost	6,607	23,920	306	(12,283)	18,550
Transfers	428	463	(463)	(428)	—
Disposals	—	(1,142)	—	—	(1,142)
At December 31, 2013	$156,484	$ 220,984	$ 23,980	$ 26,688	$ 428,136
Accumulated Depreciation:					
At April 1, 2013	$(20,434)	$ (86,988)	$(14,871)	$ —	$(122,293)
Charged during the year	(11,717)	(19,650)	(949)	—	(32,316)
Disposals	—	963	—	—	963
At December 31, 2013	$(32,151)	$(105,675)	$(15,820)	$ —	$(153,646)
Net Book Amount:					
At December 31, 2013	$124,333	$ 115,309	$ 8,160	$ 26,688	$ 274,490
At March 31, 2013	$129,015	$ 110,755	$ 9,266	$ 39,399	$ 288,435

6. TANGIBLE FIXED ASSETS (Continued)

Depreciation expense was $32.3 million and $31.9 million for the nine months ended December 31, 2013 and the twelve months ended March 31, 2013, respectively. Also, during the nine months ended December 31, 2013 and the twelve months ended March 31, 2013, 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.

During the twelve months 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. Fair value was based on the selling prices of the assets.

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.

7. 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, 2013 and December 31, 2013	$92,740	$499,700	$74,600	$ 66,300	$ 733,340
Accumulated Depreciation:					
At April 1, 2013	$ —	$(50,142)	$(5,374)	$ (9,091)	$ (64,607)
Expensed during the year	—	(30,513)	(3,132)	(4,783)	(38,428)
At December 31, 2013	$ —	$(80,655)	$(8,506)	$(13,874)	$(103,035)
Net Book Amount:					
At December 31, 2013	$92,740	$419,045	$66,094	$ 52,426	$ 630,305
At March 31, 2013	$92,740	$449,558	$69,226	$ 57,209	$ 668,733

7. GOODWILL AND INTANGIBLE ASSETS (Continued)

During the three months ended December 31, 2013, 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) forecasted 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.

At December 31, 2013, the Company's goodwill, which solely relates to the EDT acquisition, was assigned to one reporting unit. The Company determined that the fair value of its reporting unit, subject to the impairment test, was substantially in excess of its respective carrying value and there was no impairment in the value of this asset as of October 31, 2013.

The Company's finite-lived intangible assets consist of collaborative agreements and the NanoCrystal and OCR technologies acquired as part of the EDT acquisition. The Company recorded $38.4 million and $41.9 million of amortization expense related to its finite-lived intangible assets during the nine months ended December 31, 2013 and the twelve months ended March 31, 2013, respectively. Based on the Company's most recent analysis, amortization of intangible assets included within its condensed consolidated balance sheet at December 31, 2013 is expected to be approximately $60.0 million, $65.0 million, $70.0 million, $70.0 million and $70.0 million in the years ending December 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 assets will change in proportion to the change in revenues.

8. RESTRUCTURING

On April 4, 2013, the Company approved a restructuring plan at its Athlone, Ireland manufacturing facility consistent with the evolution of the Company's product portfolio and designed to improve operational performance for the future. The restructuring plan calls for the Company to terminate manufacturing services for certain older products that are expected to no longer be economically practicable 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 into the year ending December 31, 2015.

As a result of the termination of these services, it was contemplated that the Company will also implement a corresponding reduction in headcount of up to 130 employees. In connection with this restructuring plan, during the twelve months ended March 31, 2013, the Company recorded a restructuring charge of $12.3 million, which consisted of severance and outplacement services. During

8. RESTRUCTURING (Continued)

the nine months ended December 31, 2013, the Company had paid in cash $2.3 million in connection with this restructuring plan and recorded an adjustment to the restructuring accrual due to changes in foreign currency of $0.6 million. Restructuring activity during the nine months ended December 31, 2013 was as follows:

(In thousands)	Severance and Outplacement Services
Balance, April 1, 2013	$12,300
Payments	(2,279)
Adjustments	557
Balance, December 31, 2013	$10,578

9. LONG-TERM DEBT

Long-term debt consists of the following:

(In thousands)	December 31, 2013	March 31, 2013
Term Loan B-1, due September 25, 2019	$294,091	$296,029
Term Loan B-2, due September 25, 2016	70,202	72,979
Total	364,293	369,008
Less: current portion	(6,750)	(6,750)
Long-term debt	$357,543	$362,258

Term Loans

Term Loan B-1 was issued with a principal balance of $300.0 million, interest payable of LIBOR plus 2.75% with a LIBOR floor of 0.75%, and an original issue discount of $3.0 million. Term Loan B-1 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, interest payable of LIBOR plus 2.75% with no LIBOR floor, and an original issue discount of $0.4 million. Term Loan B-2 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 Term Loan Facility is 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).

9. LONG-TERM DEBT (Continued)

Scheduled maturities with respect to the Term Loan Facility is as follows (in thousands):

Year Ended:	
2014	$ 6,750
2015	6,750
2016	65,813
2017	3,000
2018	3,000
Thereafter	281,250
Total	$366,563

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. Beginning on January 1, 2014, the Company is subject to mandatory prepayments of principal if certain excess cash flow thresholds, as defined in the Term Loan Facility, are met. The Company may make prepayments of principal without premium or penalty.

The Term Loan Facility has 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 Term Loan Facility includes 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 Term Loan Facility also contains customary affirmative covenants and events of default. The Company was in compliance with its debt covenants at December 31, 2013.

Refinancing and Repricing Transactions

The Company entered into the Term Loan Facility pursuant to an amendment and restatement, and partial repayment, of its existing long-term debt (such debt the "2011 Term Loans"). This amendment and restatement represented a restructuring of the 2011 Term Loans (the "Refinancing") 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 Term Loan Facility were considered substantially different from the 2011 Term Loans if the present value of the cash flows under the Term Loan Facility was at least 10% different from the present value of the remaining cash flows under the 2011 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 Term Loan Facility were accounted for as a debt extinguishment.

In February 2013, the Company further amended the Term Loan Facility (the "Repricing"). The Repricing was a restructuring of the Term Loan Facility 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 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 Term Loan Facility.

9. LONG-TERM DEBT (Continued)

As the 2011 Term Loans and the Term Loan Facility 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 Term Loan Facility 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 twelve months 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	1,437	4,094
Modified debt:			
Debt financing costs	1,967	805	2,772
Original issue discount	105	—	105
Prepayment penalty	2,800	3,733	6,533
Total	$12,129	$7,541	$19,670

At December 31, 2013, the Company's balance of unamortized deferred financing costs and unamortized original issue discount costs were $2.7 million and $2.3 million, respectively. These costs are being amortized to interest expense over the estimated repayment period of the Term Loan Facility using the effective interest method. During the nine months ended December 31, 2013 and the twelve months ended March 31, 2013, the Company had amortization expense of $0.8 million and $5.8 million, respectively, related to deferred financing costs and original issue discount.

10. 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 three-month LIBOR rate at which the Company's long-term debt bears interest. The interest rate cap agreement expired in December 2013, had a notional value of $160.0 million and was not designated as a hedging instrument. The Company recorded an immaterial amount of loss as "Other income, net" in the accompanying consolidated profit and loss account due to the decline in value of this contract during the nine months ended December 31, 2013 and the twelve months ended March 31, 2013.

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 bears 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, net" in the accompanying consolidated profit and loss account due to the decline in value of this contract during the twelve months ended March 31, 2013.

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. The Company recorded $0.3 million within "Other income, net" due to the decline in fair value of this contract during the nine months ended December 31, 2013. The Company recorded a realized loss of $0.6 million upon the reclassification of unrealized losses to realized losses during the twelve months ended March 31, 2013.

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

		Fair Value	
(In thousands)	**Balance Sheet Location**	**December 31, 2013**	**March 31, 2012**
Interest rate swap			
Liability derivative not designated as a cash flow hedge	Creditors	$(275)	$(541)

11. EARNINGS PER SHARE

Basic earnings per ordinary share is calculated based upon net income available to holders of ordinary shares divided by the weighted average number of shares outstanding. For the calculation of diluted earnings per ordinary share, the Company uses the weighted average number of ordinary shares

11. EARNINGS PER SHARE (Continued)

outstanding, as adjusted for the effect of potential outstanding shares, including stock options and restricted stock units.

(In thousands)	Nine Months Ended December 31, 2013	Twelve Months Ended March 31, 2013
Numerator:		
Net income	$ 17,649	$ 24,983
Denominator:		
Weighted average number of ordinary shares outstanding	135,960	131,713
Effect of dilutive securities:		
Stock options	7,653	4,025
Restricted stock units	1,348	1,362
Dilutive ordinary share equivalents	9,001	5,387
Shares used in calculating diluted earnings per share	144,961	137,100

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

(In thousands)	Nine Months Ended December 31, 2013	Twelve Months Ended March 31, 2013
Stock options	1,404	4,497
Restricted stock units	—	—
Total	1,404	4,497

12. SHAREHOLDERS' EQUITY

Share Repurchase Program

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. At December 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 nine months ended December 31, 2013 and the twelve months ended March 31, 2013, the Company did not acquire any shares of outstanding ordinary shares under the repurchase program.

13. SHARE-BASED COMPENSATION

Share-based Compensation Expense

The following table presents share-based compensation expense included in the Company's consolidated profit and loss account:

(In thousands)	Nine Months Ended December 31, 2013	Twelve Months Ended March 31, 2013
Cost of goods manufactured and sold	$ 3,308	$ 4,375
Research and development	7,799	9,078
Selling, general and administrative	22,302	21,263
Total share-based compensation expense	$33,409	$34,716

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

Share-based Compensation Plans

The Company has two compensation plans pursuant to which awards are currently being made, the 2011 Stock Option and Incentive Plan (the "2011 Plan"); and (ii) the 2008 Stock Option and Incentive Plan (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 2008 Plan provide 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 2008 Plan.

At December 31, 2013, there were 10.4 million shares of ordinary shares authorized 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.

13. 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, 2013	16,451,104	$14.57
Granted	2,047,250	$33.52
Exercised	(3,497,443)	$14.26
Forfeited	(312,750)	$19.29
Expired	(1)	$14.62
Outstanding, December 31, 2013	14,688,160	$17.18
Exercisable, December 31, 2013	9,372,735	$14.54

The weighted average grant date fair value of stock options granted during the nine months ended December 31, 2013 and the twelve months ended March 31, 2013 was $16.27 and $8.11, respectively. The aggregate intrinsic value of stock options exercised during the nine months ended December 31, 2013 and the twelve months ended March 31, 2013 was $65.6 million and $28.1 million, respectively.

At December 31, 2013, there were 5.2 million stock options expected to vest with a weighted average exercise price of $21.73 per share, a weighted average contractual remaining life of 8.3 years and an aggregate intrinsic value of $98.3 million. At December 31, 2013, the aggregate intrinsic value of stock options exercisable was $244.8 million with a weighted average remaining contractual term of 4.9 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 December 31, 2013, there was $30.7 million of unrecognized compensation cost related to unvested stock options, which is expected to be recognized over a weighted average period of approximately 2.0 years. Cash received from option exercises under the Company's award plans during the nine months ended December 31, 2013 and the twelve months ended March 31, 2013 was $49.1 million and $34.4 million, respectively.

13. 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, 2013	2,226,771	$15.14
Granted	770,150	$33.72
Vested	(920,021)	$13.56
Forfeited	(89,013)	$20.37
Unvested, December 31, 2013	1,987,887	$22.83

The weighted average grant date fair value of time-vested RSUs granted during the nine months ended December 31, 2013 and the twelve months ended March 31, 2013 was $33.72 and $16.55, respectively. The total fair value of time-vested RSUs that vested during the nine months ended December 31, 2013 and the twelve months ended March 31, 2013, was $12.5 million and $9.9 million, respectively.

At December 31, 2013, there was $24.7 million of total unrecognized compensation cost related to unvested time-vested RSUs, which will be recognized over a weighted average remaining contractual term of 2.0 years.

14. 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. Either party may terminate the license agreements by written notice following a breach which continues for 90 days after the delivery of written notice thereof or the other party's insolvency. 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

14. COLLABORATIVE ARRANGEMENTS (Continued)

(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 $82.5 million and $98.6 million during the nine months ended December 31, 2013 and the twelve months ended March 31, 2013, respectively. Under its agreements with Janssen, the Company recognized royalty revenues related to RISPERDAL CONSTA of $24.7 million and $35.0 million during the nine months ended December 31, 2013 and the twelve months ended March 31, 2013, respectively.

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 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 country-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 $250.0 million, between $250.0 million and $500.0 million and greater than $500.0 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 on competing products achieving certain minimum sales thresholds. The license agreement 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.

14. COLLABORATIVE ARRANGEMENTS (Continued)

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 $82.9 million and $63.5 million during the nine months ended December 31, 2013 and the twelve months ended March 31, 2013, 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 net 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, the Company 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 the U.S. (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, the Company 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. 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 of and receipt of positive data from all preclinical and clinical studies required for filing a marketing authorization application. Either party has the right to terminate the license agreement by written notice following a breach of the other party, which is not cured within a certain time period, or upon the other party's entry into bankruptcy or dissolution proceedings. If we terminate 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: (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

14. COLLABORATIVE ARRANGEMENTS (Continued)

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 by 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;
- acceptance of an NDA by the FDA: $1.0 million;
- approval of the NDA by the FDA: $1.5 million; and
- 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, regulatory exclusivity and/or the absence of significant market competition. These financial obligations survive termination.

During the nine months ended December 31, 2013 and the twelve months ended March 31, 2013, the Company recognized $51.6 million and $65.0 million, respectively, of revenues from its arrangements with Acorda.

14. COLLABORATIVE ARRANGEMENTS (Continued)

AstraZeneca

In May 2000, we entered into a development and license agreement with Amylin for the development of exendin products falling within the scope of our patents, including the once-weekly formulation of exenatide marketed as BYDUREON. In August 2012, Bristol-Myers Squibb Company (“Bristol-Myers”) acquired Amylin. From August 2012 through January 2014, Bristol-Myers and AstraZeneca jointly developed and commercialized Amylin’s exendin products, including BYDUREON, through their diabetes collaboration. In April 2013, Bristol-Myers completed its assumption of all global commercialization responsibility related to the marketing of BYDUREON from Amylin’s former collaborative partner, Eli Lilly & Company. In February 2014, AstraZeneca acquired sole ownership of the intellectual property and global rights related to BYDUREON and Amylin’s other exendin products, including Amylin’s rights and obligations under our development and license agreement.

Pursuant to the development and license agreement, AstraZeneca 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. Upon the achievement of certain development and commercialization goals, the Company received milestone payments consisting of cash and warrants for Amylin common stock. In October 2005 and in July 2006, the Company amended the development and license agreement. Under the amended agreement: (i) 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; and (ii) the Company transferred certain of its technology related to the manufacture of BYDUREON to Amylin and agreed to the manufacture of BYDUREON by Amylin.

Under the Company’s agreement, AstraZeneca is responsible for conducting clinical trials, securing regulatory approvals and commercializing exenatide products, including BYDUREON on a worldwide basis.

Until December 31, 2021, the Company 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, the Company will receive royalties equal to 5.5% of net sales of products sold. The Company received a $7.0 million milestone payment in July 2011 upon the first commercial sale of BYDUREON in the EU, and the Company 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 expires 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 the Company’s patents covering such product. Upon expiration, all licenses become non-exclusive and royalty-free. AstraZeneca 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. Alkermes may terminate the development and license agreement upon AstraZeneca’s insolvency or bankruptcy.

14. COLLABORATIVE ARRANGEMENTS (Continued)

During the nine months ended December 31, 2013 and the twelve months ended March 31, 2013, the Company recognized $20.0 million and $23.8 million, respectively, of revenues from its arrangements with respect to BYDUREON.

15. INCOME TAXES

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

(In thousands)	Nine Months Ended December 31, 2013	Twelve Months Ended March 31, 2013
Current income tax provision (benefit):		
U.S. federal	$ 9,224	$ 8,152
U.S. state	2,119	2,588
Rest of world	89	1,758
Deferred income tax (benefit) provision:		
Ireland	(3,426)	(1,961)
U.S. federal	(18,317)	—
U.S. state	(1,941)	(79)
Total tax (benefit) provision	$(12,252)	$10,458

The current income tax provision for the nine months ended December 31, 2013 and twelve months ended March 31, 2013 was primarily due to U.S. federal and state taxes on income earned by the Company in the U.S. during the fiscal period. An $11.4 million and an $8.9 million benefit were recorded to additional paid-in capital in the nine months ended December 31, 2013 and twelve months ended March 31, 2013, respectively, primarily due to the utilization of current year tax benefits and NOL carryforwards derived from the exercise of employee stock options and vesting of restricted stock units.

The deferred income tax benefit in the nine months ended December 31, 2013 was primarily due to the reversal of a valuation allowance on certain of the Company's U.S. federal and state deferred tax assets. The deferred income tax benefit for the twelve months ended March 31, 2013 was primarily due to the unwind of deferred tax liabilities for intangible assets for which the book basis exceeds the tax basis. These intangible assets are being amortized over the life of the intangible assets.

No provision for income tax has been provided on undistributed earnings of the Company's foreign subsidiaries because such earnings may be repatriated in a tax efficient manner. Cumulative unremitted earnings of overseas subsidiaries totaled approximately $53.7 million at December 31, 2013.

15. INCOME TAXES (Continued)

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

(In thousands)	Nine Months Ended December 31, 2013	Twelve Months Ended March 31, 2013
Ireland	$(63,975)	$(14,722)
U.S.	49,338	23,503
Rest of world	20,034	26,660
Income before provision for income taxes	$ 5,397	$ 35,441

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

(In thousands)	December 31, 2013	March 31, 2013
Deferred tax assets:		
Irish NOL carryforwards	$ 68,459	$ 55,842
Tax benefit from the exercise of stock options	9,122	8,437
Share-based compensation	24,353	23,468
Tax credit carryforwards	6,247	10,543
Property, plant and equipment	1,912	653
Bonus accrual	4,585	7,034
Other	10,538	11,605
Less: valuation allowance	(69,659)	(86,714)
Total deferred tax assets	55,557	30,868
Deferred tax liabilities:		
Intangible assets	(38,238)	(40,968)
Property, plant and equipment	(21,571)	(19,607)
Unrealized gains on investments	(7,719)	—
Other	(4,421)	(2,072)
Total deferred tax liabilities	(71,949)	(62,647)
Net deferred tax liabilities	$(16,392)	$(31,779)

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

(In thousands)	December 31, 2013	March 31, 2013
Current deferred tax assets	$ 12,777	$ 5,824
Non-current deferred tax liabilities	(29,169)	(37,603)
Net deferred tax liabilities	$(16,392)	$(31,779)

15. INCOME TAXES (Continued)

During the last quarter of the nine months ended December 31, 2013, the Company recognized a benefit of $26.5 million relating to a reversal of a valuation allowance against substantially all of its U.S. federal and state deferred tax assets. The decision to release this valuation allowance was made as the Company determined it was more-likely-than-not that these deferred tax assets would be realized. This decision was based on an assessment of the relative impact of all positive and negative evidence that existed at December 31, 2013, including an evaluation of cumulative income in recent years, a significant positive factor that overcame substantive prior negative evidence. In addition, the Company considered forecasts of future sources of taxable income and significant risks and uncertainties in the business. At December 31, 2013, the Company maintained a valuation allowance of $10.7 million against certain U.S. federal and state deferred tax assets and $58.9 million against certain Irish deferred tax assets as the Company has determined that it is more-likely-than-not that these net deferred tax assets will not be realized. If the Company demonstrates consistent profitability in the future, the evaluation of the recoverability of these deferred tax assets could change and the remaining valuation allowances could be released in part or in whole. $9.1 million of the $10.7 million valuation allowance held against certain U.S. tax assets, when recognized, will be accounted for as a credit to additional paid-in capital rather than a reduction of income tax expense.

The decrease in the valuation allowance from the twelve months ended March 31, 2013 to the nine months ended December 31, 2013 was primarily related to the reversal of part of the valuation allowance held against the Company's U.S. federal and state deferred tax assets, partially offset by an increase in the valuation allowance held against its Irish deferred tax assets.

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 $41.1 million of tax benefits from stock option exercises and the vesting of restricted stock units, 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 $50.2 million of tax benefits related to certain NOL carryforwards and tax credit carryforwards resulting from the exercise of employee stock options and the vesting of restricted stock units, which when recognized, will be accounted for as a credit to additional paid-in capital rather than a reduction of income tax expense.

As of December 31, 2013, the Company had $494.6 million of Irish NOL carryforwards, $77.1 million of U.S. federal NOL carryforwards, $9.8 million of state NOL carryforwards, $22.3 million of federal research and development credits, $7.5 million of alternative minimum tax ("AMT") credits and $0.6 million of state tax credits which will either expire on various dates through 2033 or can be carried forward indefinitely. These loss carryforwards and credits are available to reduce certain future Irish and foreign taxable income, if any. These loss carryforwards and credits are subject to review and possible adjustment by the appropriate taxing authorities. These loss carryforwards and credits, 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 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.

15. INCOME TAXES (Continued)

A reconciliation of the Company's statutory tax rate to its effective tax rate is as follows:

	Nine Months Ended December 31, 2013	Twelve Months Ended March 31, 2013
Statutory tax rate	12.5%	12.5%
U.S. state income taxes, net of U.S. federal benefit	40.8%	4.7%
R&D credit	(29.6)%	(20.5)%
Share-based compensation	13.6%	3.3%
Non-refundable withholding tax	0.4%	4.7%
Permanent items	(83.6)%	(8.2)%
State tax law change	12.7%	—%
Change in valuation allowance	(321.4)%	(7.5)%
Rate differential	127.6%	40.5%
Effective tax rate	(227.0)%	29.5%

The U.S. federal research and development credit has not yet been enacted for 2014 and, unless retroactively reinstated, will cause an increase to the Company's 2014 effective tax rate.

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

(In thousands)	Unrecognized Tax Benefits
Balance, April 1, 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
Additions based on tax positions related to prior periods	881
Additions based on tax positions related to the current period	244
Decreases due to lapse of statute of limitations and settlement of prior period uncertain tax positions	(7,258)
Balance, December 31, 2013	$ 1,125

$1.1 million of the unrecognized tax benefits at December 31, 2013, if recognized, would affect the Company's effective tax rate. The Company does not anticipate that the amount of existing unrecognized tax benefits will significantly increase or decrease within the next 12 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 nine months ended December 31, 2013 and the twelve months ended December 31, 2013, the Company's accrued interest and penalties related to uncertain tax positions were not material.

The Company's major taxing jurisdictions include Ireland and the U.S. (federal and state). These jurisdictions have varying statutes of limitations. In the U.S., the 2011 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 the Company's Irish and

15. INCOME TAXES (Continued)

U.S. loss carryforwards and credit carryforwards, certain tax returns from fiscal years 1999 onward may also be examined. These years generally remain open for three to four years after the loss carryforwards have been utilized. During the three months ended June 30, 2013, the IRS completed its review of fiscal years 2007, 2008 and 2010 for Alkermes, Inc. The results of the examination have been reflected in the financial statements. Fiscal year 2012 for Alkermes, Inc. is currently under examination by the Commonwealth of Massachusetts.

16. TRANSITION PERIOD COMPARATIVE DATA

(In thousands)	Nine Months Ended December 31, 2013	Nine Months Ended December 31, 2012 (unaudited)
Statement of Operations Data:		
Revenues	$432,911	$412,126
Operating expenses	417,417	349,297
Operating income	15,494	62,829
Other expense (net)	(10,097)	(35,254)
Income before income taxes	5,397	27,575
Income tax (benefit) provision	(12,252)	5,591
Net income	$ 17,649	$ 21,984
Earnings per ordinary share—basic	$ 0.13	$ 0.17
Earnings per ordinary share—diluted	$ 0.12	$ 0.16
Weighted average ordinary shares outstanding—basic	135,960	131,202
Weighted average ordinary shares outstanding—diluted	144,961	136,216
Statement of Cash Flows Data:		
Cash flows provided by operations	$ 92,221	$ 71,247
Cash flows (used in) provided by investing activities	(65,366)	43,680
Cash flows provided by (used in) financing activities	43,746	(62,636)
Increase in cash and cash equivalents	$ 70,601	$ 52,291

17. COMMITMENTS AND CONTINGENCIES

Lease Commitments

The Company leases certain of its offices, research laboratories and manufacturing facilities under operating leases that expire through the year 2021. 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 December 31, 2013, the total future annual minimum lease payments under the Company's non-cancelable operating leases are as follows:

(In thousands)	Payment Amount
Year Ended:	
2014	$ 4,816
2015	4,950
2016	4,281
2017	4,447
2018	4,513
Thereafter	7,409
	30,416
Less: estimated sublease income	(1,444)
Total future minimum lease payments	$28,972

Rent expense related to operating leases charged to operations was $3.7 million and $5.0 million for the nine months ended December 31, 2013 and twelve months ended March 31, 2013, respectively. These amounts were net of sublease income of $0.7 million and $2.6 million, respectively. In addition to its lease commitments, the Company had open purchase orders totaling $101.8 million at December 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, financial condition, cash flows and results of operations.

18. DEBTORS

	December 31, 2013	March 31, 2013
	(In thousands)	
Amounts falling due within one year		
Trade receivables	$134,154	$124,620
Deferred income taxes	12,777	5,824
Prepaid expenses and other current assets	14,758	13,309
	161,689	143,753
Amounts falling due after more than one year		
Other debtors	14,891	21,708
Total	$176,580	$165,461

19. CREDITORS

	December 31, 2013	March 31, 2013
	(In thousands)	
Amounts falling due within one year		
Accounts payable and accrued expenses	$ 83,214	$ 73,735
Deferred revenue	2,974	2,270
Income taxes	—	232
Value added tax	770	891
Corporate tax	210	160
Other taxes	229	1,892
	87,397	79,180
Amounts falling due after more than one year		
Deferred income taxes	29,169	37,603
Deferred revenue	12,213	8,866
Other long-term liabilities	8,752	10,960
Total	$137,531	$136,609

20. CAPITAL EXPENDITURE COMMITMENTS

The directors have authorized the Company to spend $30.0 million for capital expenditures in the year ended December 31, 2014.

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 nine months ended December 31, 2013 and the twelve months ended March 31, 2013 was as follows:

	December 31, 2013	March 31, 2013
Manufacturing	678	724
Research and development	296	249
Selling, general and administrative	251	244
Total	1,225	1,217

Employee costs during nine months ended December 31, 2013 and the twelve months ended March 31, 2013consisted of the following:

	December 31, 2013	March 31, 2013
	(In thousands)	
Wages and salaries	$ 94,624	$133,820
Social security[1]	22,973	34,941
Share-based compensation	33,409	34,716
Total	$151,006	$203,477

(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").

	December 31, 2013	March 31, 2013
	(In thousands)	
Managerial Services[1]	$8,697	$6,588
Director Services[2]	3,910	2,194

(1) Includes salary, the non-equity incentive plan compensation and contributions to the Company's 401(k) plan earned during the nine months ended December 31, 2013 and the twelve months ended March 31, 2013, as well as the grant date fair value for options and stock awards during the nine months ended December 31, 2013 and the twelve months ended March 31, 2013.

(2) Includes cash payments and the grant date fair value of option awards granted during the nine months ended December 31, 2013 and the twelve months ended March 31, 2013.

24. AUDITORS' REMUNERATION

Total auditors' remuneration accrued and paid to PWC and its affiliated firms for the nine months ended December 31, 2013 and the twelve months ended March 31, 2013are as follows:

	December 31, 2013	March 31, 2013
	(In thousands)	
Audit and review of financial statements[1]	$1,371	$1,117
Audit-related fees[2]	158	—
Tax fees[3]	467	272
All other fees[4]	2	2
Total	$1,998	$1,391

(1) In the nine months ended December 31, 2013 and the twelve months ended March 31, 2013, 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, and other engagements related to the fiscal year.

(2) The nine months ended December 31, 2013 consists of fees for a royalty audit of one of our collaboration agreements.

(3) The nine months ended December 31, 2013 and the twelve-months ended March 31, 2013, consists of fees for tax advisory services, other than those related to the audit of our annual consolidated financial statements and review of our quarterly consolidated financial statements.

(4) In the nine months ended December 31, 2013 and the twelve months ended March 31, 2013, consists of fees for access to the PWC on-line accounting research database.

24. AUDITORS' REMUNERATION (Continued)

Total fees paid to PWC Ireland in respect of the audit of the group accounts were $0.4 million million during the nine months ended December 31, 2013 and the year ended March 31, 2013. In addition, PWC Ireland received $0.1 million and $0.2 million for tax advisory services during the nine months ended December 31, 2013 and the year ended March 31, 2013, 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%

26. SUBSEQUENT EVENTS

In January 2014, the Company sold 5,917,160, $0.01 par value, ordinary shares pursuant to its shelf registration statement on Form S-3 at a price of $42.25 per share. The Company received total gross proceeds of $250 million, before deducting expenses associated with the offering.

Also, in January 2014, the Company agreed to sell, subject to customary closing conditions, certain of its land, buildings and equipment at its Athlone, Ireland facility. The closing of the acquisition is expected to occur during the first quarter of 2014.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ALKERMES PLC

We have audited the parent company financial statements of Alkermes plc for the period ended 31 December 2013 which comprise the Parent 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 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.

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 December 2013 and of its results for the period then ended; and
- has been properly prepared in accordance with the requirements of the Companies Acts 1963 to 2013.

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

Chartered Accountants

Matters on which we are required to report by the Companies Acts 1963 to 2013

- 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 company, as stated in the Parent 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 December 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 2013 which require us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made.

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

9 April 2014

ALKERMES PLC

COMPANY BALANCE SHEET

	Note	December 31, 2013	March 31, 2013
		(In thousands)	
ASSETS			
Financial Fixed Assets			
Investment in subsidiaries	3	$2,018,566	$1,992,879
Current Assets			
Amounts due from subsidiaries		167,389	164,529
Prepayments and other debtors		687	1,969
Cash at bank and in-hand		29,289	16,786
TOTAL ASSETS		$2,215,931	$2,176,163
LIABILITIES			
Equity Shareholders' Funds			
Share capital, $0.01 par value	4	$ 1,382	$ 1,338
Share premium	5	158,301	108,480
Profit and loss account	5	1,964,549	2,003,727
Treasury shares	5	(17,833)	(5,380)
Other reserves	5	81,281	48,005
Total equity shareholders' funds		2,187,680	2,156,170
Creditors			
Intercompany loan payable—non-current		15,000	15,000
Intercompany loan payable—current		12,826	4,714
Accruals and other creditors		425	279
Total for creditors		28,251	19,993
TOTAL LIABILITIES		$2,215,931	$2,176,163

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 April 9, 2014 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 2013 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.

On May 21, 2013, the Company's Audit and Risk Committee, with such authority delegated to it by the Company's Board of Directors, approved a change to its' fiscal year-end from March 31 to December 31. These financial statements cover the nine month transition period ended December 31, 2013 and reflects the Company's financial results for the nine month period from April 1, 2013 through December 31, 2013 (the "Transition Period"). The prior period presented in these financial statements cover the fiscal year ended March 31, 2013 and reflects financial results for the twelve-month period from April 1, 2012 to March 31, 2013.

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 13 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.

1. Summary of Significant Accounting Policies (Continued)

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 nine months ended December 31, 2013 and the year ended March 31, 2013 was $39.2 million and $36.7 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.

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

2. History and Description of the Company (Continued)

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 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.

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—April 1, 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
Capital contribution in respect of share-based payment plans	29,287
Reduction—corporate reorganization	(3,600)
Balance—December 31, 2013, at cost	$2,018,566

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—December 31, 2013, at cost	$5,000,000	$5,000,000

	(In thousands)
Allotted, called-up and fully paid equity:	
At April 1, 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
4,417,464 ordinary shares of $0.01 par value issued in respect of share based payment plans	44
At December 31, 2013	$1,382

See Note 12 to the Consolidated Financial Statements for additional information regarding equity shareholder's funds.

5. Reserves

	Share Premium	Profit and Loss Account	Treasury Shares	Other Reserves	Total
		(In thousands)			
BALANCE—April 1, 2012	$ 74,148	$2,040,422	$ (571)	$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	$2,003,727	$ (5,380)	$48,005	$2,154,832
Net loss	—	(39,178)	—	—	(39,178)
Share-based payment reserve	—	—	—	33,276	33,276
Shares issued under employee share plans	49,033	—	—	—	49,033
Receipt of Alkermes' shares for the purchase of share options or to satisfy minimum tax withholding obligations related to share-based payment awards	788	—	(12,453)	—	(11,665)
BALANCE—December 31, 2013	$158,301	$1,964,549	$(17,833)	$81,281	$2,186,298

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 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, financial condition, cash flows and results of operations.

8. Auditors' Remuneration

(In thousands)	Nine Months Ended December 31, 2013	Twelve Months Ended March 31, 2013
Audit of the Company's individual accounts	$10	$10
Other assurance services	—	—
Tax advisory services	—	66
Other non-audit services	—	—
Total	$10	$76

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

9. Subsequent Events

In January 2014, the Company sold 5,917,160, $0.01 par value, ordinary shares pursuant to its shelf registration statement on Form S-3 at a price of $42.25 per share. The Company received total gross proceeds of $250 million, before deducting expenses associated with the offering.