

Jazz Pharmaceuticals plc  
Form 10-Q  
August 05, 2015  
Table of Contents

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

FORM 10-Q

(Mark One)

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the quarterly period ended June 30, 2015

or  
 Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-33500

JAZZ PHARMACEUTICALS PUBLIC LIMITED COMPANY

(Exact name of registrant as specified in its charter)

Ireland

98-1032470

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer  
Identification No.)

Fourth Floor, Connaught House,  
One Burlington Road, Dublin 4, Ireland  
011-353-1-634-7800

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

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

As of July 31, 2015, 61,339,267 ordinary shares of the registrant, nominal value \$0.0001 per share, were outstanding.

Table of Contents

JAZZ PHARMACEUTICALS PLC  
 QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2015

INDEX

		Page
<u>PART I – FINANCIAL INFORMATION</u>		
Item 1.	<u>Financial Statements</u>	<u>3</u>
	Condensed Consolidated Balance Sheets – June 30, 2015 and December 31, 2014	<u>3</u>
	Condensed Consolidated Statements of Operations - Three and Six Months Ended June 30, 2015 and 2014	<u>4</u>
	Condensed Consolidated Statements of Comprehensive Income (Loss) - Three and Six Months Ended June 30, 2015 and 2014	<u>5</u>
	Condensed Consolidated Statements of Cash Flows – Six Months Ended June 30, 2015 and 2014	<u>6</u>
	<u>Notes to Condensed Consolidated Financial Statements</u>	<u>7</u>
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	<u>25</u>
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>39</u>
Item 4.	<u>Controls and Procedures</u>	<u>40</u>
<u>PART II – OTHER INFORMATION</u>		
Item 1.	<u>Legal Proceedings</u>	<u>41</u>
Item 1A.	<u>Risk Factors</u>	<u>44</u>
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	<u>85</u>
Item 5.	Other Information	<u>86</u>
Item 6.	<u>Exhibits</u>	<u>87</u>

We own or have rights to various copyrights, trademarks and trade names used in our business in the United States and/or other countries, including the following: Jazz Pharmaceuticals®, Xyrem® (sodium oxybate) oral solution, Erwinaze® (asparaginase Erwinia chrysanthemi), Erwinase® (asparaginase Erwinia chrysanthemi), Defitelio® (defibrotide), Prialt® (ziconotide) intrathecal infusion, FazaClo® (clozapine, USP) and Leukotac™ (inolimomab). This report also includes trademarks, service marks and trade names of other companies. Trademarks, service marks and trade names appearing in this Quarterly Report on Form 10-Q are the property of their respective owners.

Table of Contents

## PART I – FINANCIAL INFORMATION

## Item 1. Financial Statements

## JAZZ PHARMACEUTICALS PLC

## CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

(Unaudited)

	June 30, 2015	December 31, 2014
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$921,643	\$684,042
Accounts receivable, net of allowances	193,647	186,371
Inventories	30,781	30,037
Prepaid expenses	26,250	12,800
Deferred tax assets, net	50,604	48,440
Other current assets	21,985	21,322
Assets held for sale	—	32,833
Total current assets	1,244,910	1,015,845
Property and equipment, net	80,428	58,363
Intangible assets, net	1,282,955	1,437,435
Goodwill	664,015	702,713
Deferred tax assets, net, non-current	73,280	75,494
Deferred financing costs	25,188	33,174
Other non-current assets	22,498	15,931
Total assets	\$3,393,274	\$3,338,955
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$26,409	\$25,126
Accrued liabilities	146,053	164,091
Current portion of long-term debt	28,478	9,428
Income taxes payable	13,456	7,588
Deferred tax liability, net	9,438	9,430
Deferred revenue	1,330	1,138
Total current liabilities	225,164	216,801
Deferred revenue, non-current	3,930	4,499
Long-term debt, less current portion	1,337,986	1,333,000
Deferred tax liability, net, non-current	326,707	375,054
Other non-current liabilities	52,664	38,393
Commitments and contingencies (Note 8)		
Shareholders' equity:		
Jazz Pharmaceuticals plc shareholders' equity		
Ordinary shares	6	6
Non-voting euro deferred shares	55	55
Capital redemption reserve	471	471
Additional paid-in capital	1,512,450	1,458,005
Accumulated other comprehensive loss	(248,042)	(122,097)
Retained earnings	181,828	34,704

Edgar Filing: Jazz Pharmaceuticals plc - Form 10-Q

Total Jazz Pharmaceuticals plc shareholders' equity	1,446,768	1,371,144
Noncontrolling interests	55	64
Total shareholders' equity	1,446,823	1,371,208
Total liabilities and shareholders' equity	\$3,393,274	\$3,338,955

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

3

---

Table of Contents

JAZZ PHARMACEUTICALS PLC  
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Revenues:				
Product sales, net	\$332,106	\$289,100	\$639,141	\$534,086
Royalties and contract revenues	1,641	2,130	3,909	4,063
Total revenues	333,747	291,230	643,050	538,149
Operating expenses:				
Cost of product sales (excluding amortization and impairment of intangible assets)	21,813	30,692	50,111	61,616
Selling, general and administrative	107,132	100,556	219,520	206,919
Research and development	27,833	20,090	55,014	38,199
Acquired in-process research and development	—	—	—	127,000
Intangible asset amortization	23,668	32,795	48,345	63,977
Impairment charges	—	32,806	—	32,806
Total operating expenses	180,446	216,939	372,990	530,517
Income from operations	153,301	74,291	270,060	7,632
Interest expense, net	(15,812)	(11,429)	(32,057)	(21,505)
Foreign currency gain (loss)	(1,914)	74	331	197
Loss on extinguishment and modification of debt	(16,815)	—	(16,815)	—
Income (loss) before income tax provision	118,760	62,936	221,519	(13,676)
Income tax provision	30,647	19,350	62,706	36,377
Net income (loss)	88,113	43,586	158,813	(50,053)
Net loss attributable to noncontrolling interests, net of tax	(1)	(73)	(1)	(1,062)
Net income (loss) attributable to Jazz Pharmaceuticals plc	\$88,114	\$43,659	\$158,814	\$(48,991)
Net income (loss) attributable to Jazz Pharmaceuticals plc per ordinary share:				
Basic	\$1.44	\$0.73	\$2.60	\$(0.83)
Diluted	\$1.40	\$0.70	\$2.52	\$(0.83)
Weighted-average ordinary shares used in calculating net income (loss) attributable to Jazz Pharmaceuticals plc per ordinary share:				
Basic	61,190	59,519	60,998	59,025
Diluted	63,090	62,378	63,028	59,025

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

Table of Contents

JAZZ PHARMACEUTICALS PLC  
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands)

(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2015	2014	June 30, 2015	2014
Net income (loss)	\$88,113	\$43,586	\$158,813	\$(50,053)
Other comprehensive income (loss):				
Foreign currency translation adjustments	30,544	(11,220)	(125,953)	3,796
Other comprehensive income (loss)	30,544	(11,220)	(125,953)	3,796
Total comprehensive income (loss)	118,657	32,366	32,860	(46,257)
Comprehensive income (loss) attributable to noncontrolling interests, net of tax	1	(347)	(9)	(1,059)
Comprehensive income (loss) attributable to Jazz Pharmaceuticals plc	\$118,656	\$32,713	\$32,869	\$(45,198)

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

Table of Contents

JAZZ PHARMACEUTICALS PLC  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Six Months Ended	
	June 30,	
	2015	2014
Operating activities		
Net income (loss)	\$ 158,813	\$(50,053 )
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Intangible asset amortization	48,345	63,977
Share-based compensation	44,119	32,367
Impairment charges	—	32,806
Depreciation	4,595	3,169
Acquired in-process research and development	—	127,000
Loss on disposal of property and equipment	46	—
Excess tax benefit from share-based compensation	—	(792 )
Acquisition accounting inventory fair value step-up adjustments	—	10,477
Deferred income taxes	(16,873 )	(18,598 )
Provision for losses on accounts receivable and inventory	610	1,925
Loss on extinguishment and modification of debt	16,815	—
Other non-cash transactions	7,938	2,907
Changes in assets and liabilities:		
Accounts receivable	(8,479 )	(21,889 )
Inventories	(1,849 )	(3,302 )
Prepaid expenses and other current assets	(13,676 )	936
Other long-term assets	(6,658 )	(3,365 )
Accounts payable	2,129	(31,555 )
Accrued liabilities	(18,135 )	(821 )
Income taxes payable	6,497	5,454
Deferred revenue	(382 )	(557 )
Contingent consideration	—	(14,900 )
Other non-current liabilities	13,271	8,461
Net cash provided by operating activities	237,126	143,647
Investing activities		
Net proceeds from sale of business	33,703	—
Purchases of property and equipment	(27,432 )	(14,660 )
Acquisitions, net of cash acquired	—	(828,676 )
Acquisition of in-process research and development	—	(127,000 )
Net cash provided by (used in) investing activities	6,271	(970,336 )
Financing activities		
Net proceeds from issuance of debt	901,003	636,355
Proceeds from employee equity incentive and purchase plans and exercise of warrants	26,730	31,642
Repayments of long-term debt	(895,402 )	(4,804 )
Payment of employee withholding taxes related to share-based awards	(16,679 )	(10,551 )
Share repurchases	(11,690 )	(23,487 )
Excess tax benefit from share-based compensation	—	792

Edgar Filing: Jazz Pharmaceuticals plc - Form 10-Q

Acquisition of noncontrolling interests	—	(136,640	)
Payment of contingent consideration	—	(35,100	)
Net cash provided by financing activities	3,962	458,207	
Effect of exchange rates on cash and cash equivalents	(9,758	) 233	
Net increase (decrease) in cash and cash equivalents	237,601	(368,249	)
Cash and cash equivalents, at beginning of period	684,042	636,504	
Cash and cash equivalents, at end of period	\$921,643	\$268,255	

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



Table of Contents

JAZZ PHARMACEUTICALS PLC  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

1. The Company and Summary of Significant Accounting Policies

Jazz Pharmaceuticals plc, a public limited company formed under the laws of Ireland, is an international biopharmaceutical company focused on improving patients' lives by identifying, developing and commercializing meaningful products that address unmet medical needs. We have a diverse portfolio of products and product candidates with a focus in the areas of sleep and hematology/oncology. In these areas, we market Xyrem® (sodium oxybate) oral solution and Erwinaze® (asparaginase *Erwinia chrysanthemi*) in the United States, and we market Erwinase® and Defitelio® (defibrotide) in countries outside the United States. Our strategy is to create shareholder value by:

• Growing sales of the existing products in our portfolio, including by identifying new growth opportunities;  
• Acquiring additional differentiated products that are on the market or product candidates that are in late-stage development; and

• Pursuing focused development of a pipeline of post-discovery differentiated product candidates.

Throughout this report, unless otherwise indicated or the context otherwise requires, all references to “Jazz Pharmaceuticals,” “the registrant,” “we,” “us,” and “our” refer to Jazz Pharmaceuticals plc and its consolidated subsidiaries. Throughout this report, all references to “ordinary shares” refer to Jazz Pharmaceuticals plc’s ordinary shares.

Basis of Presentation

These unaudited condensed consolidated financial statements have been prepared following the requirements of the Securities and Exchange Commission, or SEC, for interim reporting. As permitted under those rules, certain footnotes and other financial information that are normally required by U.S. generally accepted accounting principles, or GAAP, can be condensed or omitted. The information included in this Quarterly Report on Form 10-Q should be read in conjunction with our annual consolidated financial statements and accompanying notes included in our Annual Report on Form 10-K for the year ended December 31, 2014.

In the opinion of management, these condensed consolidated financial statements have been prepared on the same basis as the annual consolidated financial statements and include all adjustments, consisting only of normal recurring adjustments, considered necessary for the fair presentation of our financial position and operating results. The results for the three and six months ended June 30, 2015 are not necessarily indicative of the results to be expected for the year ending December 31, 2015, for any other interim period or for any future period.

These condensed consolidated financial statements include the accounts of Jazz Pharmaceuticals plc and our subsidiaries and intercompany transactions and balances have been eliminated. We record noncontrolling interests in our condensed consolidated financial statements which represent the ownership interest of minority shareholders in the equity of Gentium S.p.A., or Gentium. Our condensed consolidated financial statements include the results of operations of businesses we have acquired from the date of each acquisition for the applicable reporting periods.

Significant Risks and Uncertainties

Our financial results remain significantly influenced by sales of Xyrem. In the three and six months ended June 30, 2015, net product sales of Xyrem were \$247.8 million and \$460.5 million, respectively, which represented 74.6% and 72.1% of total net product sales, respectively. Our ability to maintain or increase sales of Xyrem in its approved indications is subject to a number of risks and uncertainties, including the potential introduction of generic competition or an alternative sodium oxybate product that competes with Xyrem, changed or increased regulatory restrictions, continued acceptance of Xyrem by physicians and patients, and any increase in restrictive conditions for reimbursement required by, and the availability of reimbursement from, third party payors. Seven abbreviated new drug applications, or ANDAs, have been filed with the U.S. Food and Drug Administration, or FDA, by third parties seeking to market generic versions of Xyrem. We have filed lawsuits seeking to prevent the introduction of a generic version of Xyrem that would infringe our patents, and the litigation proceedings are ongoing. We cannot predict the timing or outcome of these proceedings. Although no trial date has been set in any of the ANDA suits, we anticipate

that trial on some of the patents in the case against the first ANDA filer, Roxane Laboratories, Inc., or Roxane, could occur as early as the first quarter of 2016. In addition, certain of the ANDA filers have challenged the validity of six patents covering the distribution system for Xyrem by filing petitions for inter partes review, or IPR, by the Patent Trial and Appeal Board, or PTAB, of the U.S. Patent and Trademark Office. In July 2015, the PTAB issued decisions instituting IPR trials with respect to these petitions, and we expect the PTAB to issue final decisions on the validity of the

7

---

Table of Contents

patents within a year of institution. Furthermore, in April 2015, a hedge fund (acting with affiliated entities and individuals and proceeding under the name of the Coalition for Affordable Drugs III LLC) filed an IPR petition challenging the validity of one of our Xyrem distribution patents that is already the subject of one of the IPR petitions proceeding to trial before the PTAB. The PTAB has not yet determined whether to institute proceedings with respect to this IPR petition. We cannot predict whether additional post-grant patent review challenges will be filed by any of the ANDA filers or any other entity, the outcome of any IPR or other proceeding, whether the PTAB will institute any petitioned IPR proceeding that has not yet been instituted, or the impact any IPR or other proceeding might have on ongoing ANDA litigation proceedings or other aspects of our Xyrem business. We expect that the approval of an ANDA that results in the launch of a generic version of Xyrem, or the approval and launch of other sodium oxybate products that compete with Xyrem, would have a material adverse effect on our business, financial condition, results of operations and growth prospects.

We are in the process of implementing the necessary systems, processes, procedures and activities to transition to the final risk evaluation and mitigation strategy, or REMS, for Xyrem approved by the FDA in late February 2015. While we expect to implement the Xyrem REMS by late August 2015 and to submit ongoing assessments, in each case as set forth in the FDA's Xyrem REMS approval notice, we cannot guarantee that we will be able to do so in a timely manner, that our implementation of the approved Xyrem REMS will meet FDA requirements, that the assessments will be satisfactory to the FDA, or that the Xyrem REMS will satisfy FDA's expectations in their anticipated evaluation of the Xyrem REMS on an ongoing basis. Any failure to transition to the Xyrem REMS in a timely manner and to the satisfaction of the FDA or to comply with the REMS obligations could negatively affect sales of Xyrem, result in additional costs and expenses for us, and/or take a significant amount of time, any of which could materially and adversely affect our business, financial condition, results of operations and growth prospects. In addition, we cannot predict whether the FDA will seek to require or ultimately require modifications to the Xyrem REMS, including with respect to the distribution system, or seek to otherwise impose or ultimately impose additional requirements to the Xyrem REMS, or the potential timing, terms or propriety thereof. Any such modifications or additional requirements could potentially make it more difficult or expensive for us to distribute Xyrem, make it easier for future generic competitors, and/or negatively affect sales of Xyrem.

We also expect to continue to face pressure to develop a single shared REMS with potential generic competitors for Xyrem or to license or share intellectual property pertinent to the Xyrem REMS, which is the subject of multiple issued patents, or elements of the Xyrem REMS, with generic competitors. In January 2014, the FDA held an initial meeting with us and the then-current sodium oxybate ANDA applicants to facilitate the development of a single shared REMS for sodium oxybate. The parties have had regular interactions with respect to developing a single shared REMS since the initial meeting, and we expect the interactions to continue. If we do not develop a single shared REMS or license or share intellectual property pertinent to our Xyrem REMS with generic competitors within a time frame or on terms that the FDA considers acceptable, the FDA may assert that its waiver authority permits it to allow one or more generic competitors to market a generic drug with a separate REMS that includes different, but comparable, elements to assure safe use, than those in our approved Xyrem REMS. We cannot predict the outcome or impact on our business of any future action that we may take with respect to the development of a single shared REMS for sodium oxybate, licensing or sharing intellectual property pertinent to our Xyrem REMS, or the FDA's response to a certification that a third party had been unable to obtain a license. In addition, the Federal Trade Commission, other governmental authorities or others could claim or determine that we are using the Xyrem REMS in an anticompetitive manner (including in light of the FDA's statement in the Xyrem REMS approval notice that the Xyrem REMS could be used in an anticompetitive manner inconsistent with applicable provisions of the Federal Food, Drug and Cosmetic Act) or have engaged in other anticompetitive practices.

Sales of our second largest product, Erwinaze/Erwinase (which we refer to in this report as Erwinaze unless otherwise indicated or the context otherwise requires), were \$46.2 million and \$96.5 million, respectively, in the three and six months ended June 30, 2015, which represented 13.9% and 15.1% of total net product sales, respectively. We seek to maintain and increase sales of Erwinaze, as well as to make Erwinaze more widely available, through ongoing sales and marketing and research and development activities. However, our ability to successfully and sustainably maintain

or grow sales of Erwinaze is subject to a number of risks and uncertainties, including the limited population of patients with acute lymphoblastic leukemia, or ALL, and the incidence of hypersensitivity reactions to E. coli-derived asparaginase within that population, as well as our need to apply for and receive marketing authorizations, through the European Union's mutual recognition procedure or otherwise, in certain additional countries so we can launch promotional efforts in those countries. Another significant challenge to our ability to maintain current sales levels and to increase sales is our need to avoid supply interruptions of Erwinaze due to capacity constraints, production delays, quality challenges or other manufacturing difficulties. We have limited inventory of Erwinaze, which puts us at significant risk of not being able to meet product demand. Erwinaze is licensed from and manufactured by a single source, which was Public Health England, or PHE, through March 31, 2015. As of April 1, 2015, the facility at which Erwinaze is manufactured was transferred to Porton BioPharma Limited, or PBL, a limited liability company that is wholly-owned by the U.K. Secretary of State for Health. We are now working with PBL on matters related to Erwinaze supply. The current manufacturing capacity for Erwinaze is nearly completely absorbed by demand for the product.

Table of Contents

As a consequence of constrained manufacturing capacity, we have had an extremely limited ability to build an excess level of product inventory that could be used to absorb disruptions to supply resulting from any quality or other issues. If we continue to be subject to capacity constraints or experience quality or other manufacturing challenges in the future, we may be unable to build a desired excess level of product inventory, and our ability to supply the market may be compromised. Although we are taking steps to improve the Erwinaze manufacturing process, if our ongoing efforts are not successful, we could experience additional Erwinaze supply interruptions in the future, which could have a material adverse effect on our sales of and revenues from Erwinaze and limit our potential future maintenance and growth of the market for this product. In addition, while we continue to work with the manufacturer of Erwinaze to evaluate potential steps to expand production capacity to increase the supply of Erwinaze over the longer term to address worldwide demand, our ability to maintain or increase sales of Erwinaze may be limited by our ability to obtain a sufficient supply of the product.

In furtherance of our growth strategy, we have made a significant investment in Defitelio/defibrotide. We added the product to our portfolio as a result of our acquisition of Gentium that closed in January 2014, or the Gentium Acquisition, and secured worldwide rights to the product by acquiring rights to defibrotide in the Americas in August 2014. Our ability to realize the anticipated benefits from this investment is subject to a number of risks and uncertainties, including our ability to successfully maintain or grow sales of Defitelio in Europe, or obtain marketing approval in other countries, including the United States, which could have a material adverse effect on our business, financial condition, results of operations and growth prospects. During 2014, Defitelio was launched in a number of European countries. We have launched and expect to continue to launch Defitelio in additional European countries on a rolling basis in 2015 and are in the process of making pricing and reimbursement submissions with respect to Defitelio, and discussing them with regulatory authorities, in those European countries where Defitelio is not yet launched, including in countries where pricing and reimbursement approvals are required for launch. A key challenge to our success in maintaining or growing sales of Defitelio in Europe is our ability to obtain appropriate pricing and reimbursement approvals in those European countries where Defitelio is not yet launched. If we experience delays or unforeseen difficulties in obtaining favorable pricing and reimbursement approvals, planned launches in the affected countries would be delayed, or, if we are unable to ultimately obtain favorable pricing and reimbursement approvals in countries that represent significant markets, especially where a country's reimbursed price influences other countries, our growth prospects in Europe could be negatively affected.

We are also engaged in activities related to the potential approval of defibrotide in the United States. In July 2015, we completed a rolling submission of a new drug application, or NDA, to the FDA for defibrotide for the treatment of hepatic veno-occlusive disease, or VOD, with evidence of multi-organ dysfunction following hematopoietic stem cell transplantation, or HSCT. We cannot predict whether our NDA will be accepted for filing or approved in a timely manner, if at all. It is possible that the FDA may ask an Oncologic Drugs Advisory Committee, or ODAC, which provides the FDA with independent expert advice and recommendations, to review our NDA. The ODAC may recommend against approval of our NDA, may recommend conditioning approval on our conducting one or more potentially time-consuming and costly clinical trials to provide supporting data either before approval or as a post-marketing commitment, or may recommend more narrow or restricted labeling than we have proposed. We also face other challenges that could impact the anticipated value of Defitelio/defibrotide, including the limited size of the population of VOD patients who are indicated for treatment with Defitelio/defibrotide (particularly if the FDA requires more narrow or restricted labeling than we have proposed), the need to establish U.S. pricing and reimbursement support for the product in the event we are able to obtain U.S. marketing approval for defibrotide, the possibility that we may be required to conduct time-consuming and costly clinical trials as a condition of any U.S. marketing approval for the product, the lack of experience of U.S. physicians in diagnosing and treating VOD, and challenges to our ability to develop the product for additional indications. If sales of Defitelio/defibrotide do not reach the levels we expect, our anticipated revenue from the product would be negatively affected, which could have a material adverse effect on our business, financial condition, results of operations and growth prospects.

In addition to risks specifically related to Xyrem, Erwinaze and Defitelio/defibrotide, we are subject to other challenges and risks specific to our business, as well as risks and uncertainties common to companies in the

pharmaceutical industry with development and commercial operations, including: the challenges of protecting and enhancing our intellectual property rights; delays or problems in the supply or manufacture of our products, particularly with respect to certain products as to which we maintain limited inventories, including products for which our supply demands are growing, and our dependence on single source suppliers to continue to meet our ongoing commercial demand or our requirements for clinical trial supplies; the need to obtain and maintain appropriate pricing and reimbursement for our products in an increasingly challenging environment due to, among other things, the attention being paid to healthcare cost containment and other austerity measures in the United States and worldwide, including the need to obtain and maintain reimbursement for Xyrem in the United States in an environment in which we are subject to increasingly restrictive conditions for reimbursement required by third party payors; and the challenges of compliance with the requirements of the FDA, the U.S. Drug Enforcement Administration, or DEA, and non-U.S. regulatory agencies, including with respect to product labeling, requirements for distribution, obtaining sufficient DEA quotas where needed, marketing and promotional activities, adverse event reporting and product recalls or withdrawals.

## Table of Contents

Other risks and uncertainties related to our ability to execute on our strategy include: the challenges of achieving and maintaining commercial success of our products, such as obtaining sustained acceptance and support of our products by patients, physicians and payors; the risks and costs associated with business combination or product or product candidate acquisition transactions, such as the challenges inherent in the integration of acquired businesses with our historic business, the increase in geographic dispersion among our centers of operation, taking on the operation of a manufacturing plant as a result of the Gentium Acquisition and the risks that we may acquire unanticipated liabilities along with acquired businesses or otherwise fail to realize the anticipated benefits (commercial or otherwise) from such transactions; the difficulty and uncertainty of pharmaceutical product development, including the timing thereof, and the uncertainty of clinical success, such as the risk that results from preclinical studies and/or early clinical trials may not be predictive of results obtained in later and larger clinical trials that we are conducting or that we plan to conduct for our product candidates; the inherent uncertainty associated with the regulatory approval process, especially as we continue to undertake increased activities and make growing investment in our product pipeline development projects; our potential inability to identify and acquire, in-license or develop additional products or product candidates to grow our business; and possible restrictions on our ability and flexibility to pursue certain future corporate development and other opportunities as a result of our substantial outstanding debt obligations.

### Concentrations of Risk

Financial instruments that potentially subject us to concentrations of credit risk consist of cash and cash equivalents. Our investment policy permits investments in U.S. federal government and federal agency securities, corporate bonds or commercial paper issued by U.S. corporations, money market instruments, certain qualifying money market mutual funds, certain repurchase agreements, and tax-exempt obligations of U.S. states, agencies and municipalities and places restrictions on credit ratings, maturities, and concentration by type and issuer. We are exposed to credit risk in the event of a default by the financial institutions holding our cash, cash equivalents and marketable securities and issuers of investments to the extent recorded on the balance sheet.

We are also subject to credit risk from our accounts receivable related to our product sales. We monitor our exposure within accounts receivable and record a reserve against uncollectible accounts receivable as necessary. We extend credit to pharmaceutical wholesale distributors and specialty pharmaceutical distribution companies, primarily in the United States, and to other international distributors and hospitals. Customer creditworthiness is monitored and collateral is not required. We monitor deteriorating economic conditions in certain European countries which may result in variability of the timing of cash receipts and an increase in the average length of time that it takes to collect accounts receivable outstanding. Historically, we have not experienced significant credit losses on our accounts receivable and we do not expect to have write-offs or adjustments to accounts receivable which would have a material adverse effect on our financial position, liquidity or results of operations. As of June 30, 2015, five customers accounted for 88% of gross accounts receivable, including Express Scripts Specialty Distribution Services, Inc. and its affiliates, or Express Scripts, which accounted for 70% of gross accounts receivable and IDIS Limited, or IDIS, which accounted for 8% of gross accounts receivable. As of December 31, 2014, five customers accounted for 86% of gross accounts receivable, including Express Scripts, which accounted for 66% of gross accounts receivable, and IDIS, which accounted for 11% of gross accounts receivable.

We depend on single source suppliers and manufacturers for each of our products, product candidates and their active pharmaceutical ingredients.

### Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures in the condensed consolidated financial statements and accompanying notes. Management bases its estimates on historical experience and on assumptions believed to be reasonable under the circumstances. Actual results could differ materially from those estimates.

### Net Income (Loss) Attributable to Jazz Pharmaceuticals plc per Ordinary Share

Basic net income (loss) attributable to Jazz Pharmaceuticals plc per ordinary share is based on the weighted-average number of ordinary shares outstanding. Diluted net income (loss) attributable to Jazz Pharmaceuticals plc per ordinary

share is based on the weighted-average number of ordinary shares outstanding and potentially dilutive ordinary shares outstanding.

10

---



Table of Contents

Basic and diluted net income (loss) attributable to Jazz Pharmaceuticals plc per ordinary share were computed as follows (in thousands, except per share amounts):

	Three Months Ended		Six Months Ended	
	June 30, 2015	2014	June 30, 2015	2014
Numerator:				
Net income (loss) attributable to Jazz Pharmaceuticals plc	\$88,114	\$43,659	\$158,814	\$(48,991 )
Denominator:				
Weighted-average ordinary shares used in calculating net income (loss) attributable to Jazz Pharmaceuticals plc per ordinary share - basic	61,190	59,519	60,998	59,025
Dilutive effect of employee equity incentive and purchase plans	1,900	2,293	2,030	—
Dilutive effect of warrants	—	566	—	—
Weighted-average ordinary shares used in calculating net income (loss) attributable to Jazz Pharmaceuticals plc per ordinary share - diluted	63,090	62,378	63,028	59,025

Net income (loss) attributable to Jazz Pharmaceuticals plc per ordinary share:

Basic	\$1.44	\$0.73	\$2.60	\$(0.83 )
Diluted	\$1.40	\$0.70	\$2.52	\$(0.83 )

For the six months ended June 30, 2014, potentially dilutive ordinary shares from employee equity incentive and purchase plans and warrants were not included in the diluted net loss attributable to Jazz Pharmaceuticals plc per ordinary share because the inclusion of such shares would have an anti-dilutive effect.

Potentially dilutive ordinary shares from our employee equity incentive and purchase plans, warrants and our 1.875% exchangeable senior notes due 2021, or the 2021 Notes, are determined by applying the treasury stock method to the assumed exercise of share options and warrants, the assumed vesting of outstanding restricted stock units, or RSUs, the assumed issuance of ordinary shares under our employee stock purchase plan, or ESPP, and the assumed issuance of ordinary shares upon exchange of the 2021 Notes. The potential issue of approximately 2.9 million ordinary shares issuable upon exchange of the 2021 Notes had no effect on diluted net income attributable to Jazz Pharmaceuticals plc per ordinary share because the average price of our ordinary shares for the three and six months ended June 30, 2015 did not exceed the effective exchange price of \$199.77 per ordinary share.

The following table represents the weighted-average ordinary shares that were excluded from the computation of diluted net income (loss) attributable to Jazz Pharmaceuticals plc per ordinary share for the periods presented because including them would have an anti-dilutive effect (in thousands):

	Three Months Ended		Six Months Ended	
	June 30, 2015	2014	June 30, 2015	2014
1.875% exchangeable senior notes due 2021	2,878	—	2,878	—
Options to purchase ordinary shares and RSUs	1,586	1,088	1,453	5,526
Warrants to purchase ordinary shares	—	—	—	928
Ordinary shares under ESPP	—	—	—	137

## Recent Accounting Pronouncements

In April 2015, the Financial Accounting Standards Board, or the FASB, issued Accounting Standards Update, or ASU, No. 2015-03, "Interest - Imputation of Interest", or ASU No. 2015-03. ASU No. 2015-03 requires debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the debt

liability instead of as an asset. ASU No. 2015-03 does not affect the recognition and measurement guidance for debt issuance costs. ASU No. 2015-03 will be effective for us beginning January 1, 2016 and requires retrospective application. ASU-2015-03 will represent a change in accounting principle in 2016, the year of adoption. We are currently evaluating the impact of ASU 2015-03 on the presentation of our consolidated financial statements.

Table of Contents

In April 2015, the FASB issued ASU No. 2015-05, “Intangibles-Goodwill and Other-Internal-Use Software”, or ASU No. 2015-05. ASU No. 2015-05 provides guidance on whether a cloud computing arrangement contains a software license to be accounted for as internal-use software to assist in the evaluation of the accounting for fees paid by a customer in the arrangement. ASU No. 2015-05 will be effective for us beginning January 1, 2016 and may be applied either prospectively to new cloud computing arrangements or retrospectively. We are currently evaluating the impact of ASU 2015-05 on our consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, “Revenue from Contracts with Customers”, or ASU No. 2014-09, which states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve this, an entity will need to identify the contract with a customer; identify the separate performance obligations in the contract; determine the transaction price; allocate the transaction price to the separate performance obligations in the contract; and recognize revenue when (or as) the entity satisfies each performance obligation. In July 2015, the FASB decided to defer by one year the effective date of ASU No. 2014-09 which will now be effective for us beginning January 1, 2018 and can be adopted on a full retrospective basis or on a modified retrospective basis. We are currently assessing our approach to the adoption of this standard and the potential impact on our results of operations and financial position.

## 2. Disposition

In March 2015, we sold certain products and the related business that we originally acquired as part of our acquisition of EUSA Pharma Inc. The purchase price for the products and related business was \$34.0 million, subject to pre- and post-closing purchase price adjustments. We received approximately \$33 million in cash after purchase price adjustments were made.

We recognized a loss on disposal of \$0.2 million in the six months ended June 30, 2015 within selling, general and administrative expenses in our condensed consolidated statements of operations. The related assets met the assets held for sale criteria and were reclassified to assets held for sale as of December 31, 2014. Goodwill was allocated to these assets using the relative fair value method. We have determined that the disposition of these assets did not qualify for reporting as a discontinued operation, because the sale does not represent a strategic shift that has or will have a major effect on our operations and financial results.

## 3. Fair Value Measurement

Cash and cash equivalents consisted of the following (in thousands):

	June 30, 2015				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Cash and Cash Equivalents
Cash	\$243,964	\$—	\$—	\$243,964	\$243,964
Time deposits	677,679	—	—	677,679	677,679
Totals	\$921,643	\$—	\$—	\$921,643	\$921,643
	December 31, 2014				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Cash and Cash Equivalents
Cash	\$338,262	\$—	\$—	\$338,262	\$338,262
Time deposits	345,780	—	—	345,780	345,780
Totals	\$684,042	\$—	\$—	\$684,042	\$684,042

Cash equivalents are considered available-for-sale securities. We use the specific-identification method for calculating realized gains and losses on securities sold and include them in interest expense, net in the condensed consolidated statements of operations.

Table of Contents

The following table summarizes, by major security type, our available-for-sale securities as of June 30, 2015 and December 31, 2014 that were measured at fair value on a recurring basis and were categorized using the fair value hierarchy (in thousands):

	June 30, 2015		December 31, 2014	
	Other Observable Inputs (Level 2)	Total Estimated Fair Value	Other Observable Inputs (Level 2)	Total Estimated Fair Value
Time deposits	\$677,679	\$677,679	\$345,780	\$345,780

As of June 30, 2015, our available-for-sale securities included time deposits which were measured at fair value using Level 2 inputs and their carrying values were approximately equal to their fair values. Level 2 inputs, obtained from various third party data providers, represent quoted prices for similar assets in active markets, or these inputs were derived from observable market data, or if not directly observable, were derived from or corroborated by other observable market data. There were no transfers between the different levels of the fair value hierarchy in 2015 or in 2014.

As of June 30, 2015, the estimated fair value of our 2021 Notes was approximately \$672 million. The fair value of the 2021 Notes was estimated using quoted market prices obtained from brokers (Level 2). The estimated fair value of our borrowings under our term loan and revolving credit facility and other borrowings were approximately equal to their respective book values based on the borrowing rates currently available for variable rate loans (Level 2).

As of December 31, 2014, assets measured at fair value on a non-recurring basis subsequent to initial recognition included assets classified as held for sale on the condensed consolidated balance sheet. The carrying amount of \$32.8 million for assets held for sale was equal to estimated fair value, which was based on the sales price agreed less costs to sell, and represented a Level 3 input. We completed the sale of these assets in March 2015.

## 4. Inventories

Inventories consisted of the following (in thousands):

	June 30, 2015	December 31, 2014
Raw materials	\$4,079	\$3,570
Work in process	13,759	9,870
Finished goods	12,943	16,597
Total inventories	\$30,781	\$30,037

## 5. Goodwill and Intangible Assets

The gross carrying amount of goodwill was as follows (in thousands):

Balance at December 31, 2014	\$702,713	
Foreign exchange	(38,698	)
Balance at June 30, 2015	\$664,015	

Table of Contents

The gross carrying amounts and net book values of our intangible assets were as follows (in thousands):

	June 30, 2015			December 31, 2014			
	Remaining Weighted-Average Useful Life (In years)	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Acquired developed technologies	12.4	\$ 1,337,015	\$ (280,529 )	\$ 1,056,486	\$ 1,450,606	\$ (259,889 )	\$ 1,190,717
Manufacturing contracts	2.6	11,879	(4,279 )	7,600	13,012	(3,060 )	9,952
Trademarks	—	2,887	(2,887 )	—	2,914	(2,896 )	18
Total finite-lived intangible assets		1,351,781	(287,695 )	1,064,086	1,466,532	(265,845 )	1,200,687
Acquired IPR&D assets		218,869	—	218,869	236,748	—	236,748
Total intangible assets		\$ 1,570,650	\$ (287,695 )	\$ 1,282,955	\$ 1,703,280	\$ (265,845 )	\$ 1,437,435

The decrease in the gross carrying amount of intangible assets as of June 30, 2015 compared to December 31, 2014 reflects the negative impact of foreign currency translation adjustments, primarily due to the strengthening of the U.S. dollar against the euro.

The assumptions and estimates used to determine future cash flows and remaining useful lives of our intangible and other long-lived assets are complex and subjective. They can be affected by various factors, including external factors, such as industry and economic trends, and internal factors such as changes in our business strategy and our forecasts for specific product lines.

Based on finite-lived intangible assets recorded as of June 30, 2015, and assuming the underlying assets will not be impaired and that we will not change the expected lives of the assets, future amortization expenses were estimated as follows (in thousands):

Year Ending December 31,	Estimated Amortization Expense
2015 (remainder)	\$47,863
2016	91,548
2017	91,548
2018	88,698
2019	88,477
Thereafter	655,952
Total	\$ 1,064,086

#### 6. Certain Balance Sheet Items

Property and equipment consisted of the following (in thousands):

	June 30, 2015	December 31, 2014
Construction-in-progress	\$57,876	\$37,145
Computer software	12,839	10,634
Computer equipment	10,332	7,670
Leasehold improvements	8,735	7,931
Machinery and equipment	5,750	6,408

Edgar Filing: Jazz Pharmaceuticals plc - Form 10-Q

Furniture and fixtures	2,350	2,220	
Land and buildings	1,693	1,547	
Subtotal	99,575	73,555	
Less accumulated depreciation and amortization	(19,147	) (15,192	)
Property and equipment, net	\$80,428	\$58,363	

14

---

Table of Contents

Accrued liabilities consisted of the following (in thousands):

	June 30, 2015	December 31, 2014
Rebates and other sales deductions	\$61,230	\$51,899
Employee compensation and benefits	28,062	46,143
Royalties	10,293	7,964
Sales returns reserve	8,650	14,039
Professional fees	5,622	3,295
Accrued interest	4,656	10,327
Accrued construction-in-progress	3,387	4,931
Other	24,153	25,493
Total accrued liabilities	\$146,053	\$164,091

## 7. Debt

The following table summarizes the carrying amount of our indebtedness (in thousands):

	June 30, 2015	December 31, 2014
1.875% exchangeable senior notes due 2021	\$575,000	\$575,000
Unamortized discount on 1.875% exchangeable senior notes due 2021	(117,119)	(124,735)
1.875% exchangeable senior notes due 2021, net	457,881	450,265
Term loans	747,087	890,479
Borrowings under revolving credit facility	160,000	—
Other borrowings	1,496	1,684
Total debt	1,366,464	1,342,428
Less current portion	28,478	9,428
Total long-term debt	\$1,337,986	\$1,333,000

## Credit Agreement

On June 18, 2015, Jazz Pharmaceuticals plc, as guarantor, and certain of its wholly owned subsidiaries, as borrowers, entered into a credit agreement, which we refer to as the June 2015 credit agreement, that provides for a \$750.0 million principal amount term loan, which was drawn in full at closing, and a \$750.0 million revolving credit facility, of which \$160.0 million was drawn at closing. We used the proceeds from initial borrowings under the June 2015 credit agreement to repay in full the \$893.1 million principal amount of term loans outstanding under the credit agreement that we entered into in June 2012, as subsequently amended, which we refer to as the 2012 credit agreement, and to pay related fees and expenses. The 2012 credit agreement was terminated upon repayment of the term loans outstanding thereunder.

Under the June 2015 credit agreement, the term loan matures on June 18, 2020 and the revolving credit facility terminates, and any loans outstanding thereunder become due and payable, on June 18, 2020.

Borrowings under the June 2015 credit agreement bear interest, at our option, at a rate equal to either (a) the LIBOR rate, plus an applicable margin ranging from 1.50% to 2.25% per annum, based upon our secured leverage ratio, or (b) the prime lending rate, plus an applicable margin ranging from 0.50% to 1.25% per annum, based upon our secured leverage ratio. The revolving credit facility has a commitment fee payable on the undrawn amount ranging from 0.25% to 0.35% per annum based upon our secured leverage ratio.

As of June 30, 2015, the interest rate on the term loan was 2.04% and the effective interest rate was 2.38%. As of June 30, 2015, we had drawn \$160.0 million under the revolving credit facility and a further \$1.1 million was committed for an outstanding letter of credit. As of June 30, 2015, the interest rate on borrowings under the revolving credit facility was 1.94%.

Jazz Pharmaceuticals plc and certain of our wholly-owned subsidiaries are borrowers under the June 2015 credit agreement. The borrowers' obligations under the June 2015 credit agreement, and any hedging or cash management



obligations entered into with a lender, are guaranteed on a senior secured basis by Jazz Pharmaceuticals plc and certain of its subsidiaries (including the issuer of the 2021 Notes as described below) and are secured by substantially all of Jazz Pharmaceuticals plc's, the borrowers' and the guarantor subsidiaries' assets.

Table of Contents

We may make voluntary prepayments of principal at any time without payment of a premium. We are required to make mandatory prepayments of the term loan (without payment of a premium) with (1) net cash proceeds from certain non-ordinary course asset sales (subject to reinvestment rights and other exceptions), (2) net cash proceeds from issuances of debt (other than certain permitted debt), and (3) casualty proceeds and condemnation awards (subject to reinvestment rights and other exceptions).

Principal repayments of the term loan, which are due quarterly, will begin in December 2015 and are equal to 5.0% per annum of the original principal amount of \$750.0 million during the first two years, 7.5% per annum during the third year, 10.0% per annum during the fourth year and 12.5% per annum during the fifth year, with any remaining balance payable on the maturity date.

The June 2015 credit agreement contains financial covenants that require Jazz Pharmaceuticals plc and its restricted subsidiaries to (a) not exceed a maximum secured net leverage ratio or (b) not fall below a cash interest coverage ratio. We were, as of June 30, 2015, and are currently in compliance with these financial covenants.

In connection with our entry into the June 2015 credit agreement and termination of the 2012 credit agreement, we recorded a loss on extinguishment and modification of debt of \$16.8 million, which was comprised of \$16.0 million related to the expensing of unamortized deferred financing costs and unamortized original issue discount associated with extinguished debt and \$0.8 million related to new third party fees associated with modified debt.

Exchangeable Senior Notes

The 2021 Notes were issued by Jazz Investments I Limited, or the Issuer, a 100%-owned finance subsidiary of Jazz Pharmaceuticals plc. The Issuer's obligations under the 2021 Notes are fully and unconditionally guaranteed on a senior unsecured basis by Jazz Pharmaceuticals plc. No subsidiary of Jazz Pharmaceuticals plc guaranteed the 2021 Notes. Subject to certain local law restrictions on payment of dividends, among other things, and potential negative tax consequences, we are not aware of any significant restrictions on the ability of Jazz Pharmaceuticals plc to obtain funds from the Issuer or Jazz Pharmaceuticals plc's other subsidiaries by dividend or loan, or any legal or economic restrictions on the ability of the Issuer or Jazz Pharmaceuticals plc's other subsidiaries to transfer funds to Jazz Pharmaceuticals plc in the form of cash dividends, loans or advances. There is no assurance that in the future such restrictions will not be adopted.

As of June 30, 2015, the carrying value of the equity component of the 2021 Notes, net of equity issuance costs, was \$126.9 million.

Maturities

Scheduled maturities with respect to our long-term debt are as follows (in thousands):

Year Ending December 31,	Scheduled Long-Term Debt Maturities
2015 (remainder)	\$9,684
2016	37,855
2017	42,547
2018	61,169
2019	79,791
Thereafter	1,255,450
Total	\$1,486,496

8. Commitments and ContingenciesIndemnification

In the normal course of business, we enter into agreements that contain a variety of representations and warranties and provide for general indemnification, including indemnification associated with product liability or infringement of intellectual property rights. Our exposure under these agreements is unknown because it involves future claims that may be made but have not yet been made against us. To date, we have not paid any claims or been required to defend any action related to these indemnification obligations.

We have agreed to indemnify our executive officers, directors and certain other employees for losses and costs incurred in connection with certain events or occurrences, including advancing money to cover certain costs, subject to certain limitations. The maximum potential amount of future payments we could be required to make under the indemnification obligations is

16

---

Table of Contents

unlimited; however, we maintain insurance policies that may limit our exposure and may enable us to recover a portion of any future amounts paid. Assuming the applicability of coverage and the willingness of the insurer to assume coverage, and subject to certain retention, loss limits and other policy provisions, we believe the fair value of these indemnification obligations is not significant. Accordingly, we did not recognize any liabilities relating to these obligations as of June 30, 2015 and December 31, 2014. No assurances can be given that the covering insurers will not attempt to dispute the validity, applicability, or amount of coverage without expensive litigation against these insurers, in which case we may incur substantial liabilities as a result of these indemnification obligations.

**Lease and Other Commitments**

We have noncancelable operating leases for our office buildings and we are obligated to make payments under noncancelable operating leases for automobiles used by our sales force. Future minimum lease payments under our noncancelable operating leases as of June 30, 2015 were as follows (in thousands):

Year Ending December 31,	Lease Payments
2015 (remainder)	\$5,631
2016	11,434
2017	12,267
2018	7,803
2019	7,192
Thereafter	73,273
Total	\$ 117,600

In January 2015, we entered into an agreement to lease office space located in Palo Alto, California in a building to be constructed by the landlord. We expect to occupy this office space by the end of 2017. The lease has a term of 12 years from the commencement date as defined in the lease agreement and we have an option to extend the term of the lease twice for a period of five years each. We are obligated to make lease payments totaling approximately \$88 million over the initial term of the lease. In connection with this lease, the landlord is providing a tenant improvement allowance for the costs associated with the design, development and construction of tenant improvements for the leased facility. We are obligated to fund all costs incurred in excess of the tenant improvement allowance. The scope of the planned tenant improvements do not qualify as “normal tenant improvements” under the lease accounting guidance. Accordingly, for accounting purposes, we have concluded we are the deemed owner of the building during the construction period. As of June 30, 2015, we recorded project construction costs of \$2.0 million incurred by the landlord as construction-in-progress in property and equipment, net and a corresponding financing obligation in other non-current liabilities in our condensed consolidated balance sheets. We will increase the asset and financing obligation as additional building costs are incurred by the landlord during the construction period. Rent expense of \$0.5 million and \$0.9 million associated with the ground lease during construction was recognized in the condensed consolidated statements of operations in the three and six months ended June 30, 2015, respectively.

In April 2015, we amended an existing operating sublease for office space in Palo Alto, California for additional office space and extended the term of this sublease to December 2017. As a result of the amendment, we are obligated to make additional lease payments of approximately \$10 million. We also obtained an option to extend the term of the sublease twice for a period of one year each.

As of June 30, 2015, we had \$36.4 million of noncancelable purchase commitments due within one year, primarily related to agreements with third party manufacturers.

**Legal Proceedings**

We are involved in several legal proceedings, including the following matters:

**Xyrem ANDA Matters:** On October 18, 2010, we received a notice of Paragraph IV Patent Certification, or Paragraph IV Certification, from Roxane that it had submitted an ANDA to the FDA requesting approval to market a generic version of Xyrem (sodium oxybate) oral solution. Roxane’s initial notice alleged that all five patents then listed for Xyrem in the FDA’s publication “Approved Drug Products with Therapeutic Equivalence Evaluations,” or Orange Book, on the date of the notice are invalid, unenforceable or not infringed by Roxane’s proposed generic product. On

November 22, 2010, we filed a lawsuit against Roxane in response to Roxane's initial notice in the U.S. District Court for the District of New Jersey, or the District Court, seeking a permanent injunction to prevent Roxane from introducing a generic version of Xyrem that would infringe our patents. In accordance with the Drug Price Competition and Patent Term Restoration Act of 1984, or Hatch-Waxman Act, as a result of our having filed a timely lawsuit against Roxane, FDA approval of Roxane's ANDA was stayed for 30 months, or until April 18, 2013. That stay has expired. Additional patents covering Xyrem were issued between December 2010 and December

Table of Contents

2012, and, after receiving Paragraph IV Certification notices from Roxane, we filed additional lawsuits against Roxane on February 4, 2011, May 2, 2011, October 26, 2012 and December 5, 2012 to include these additional patents in the litigation. All of the lawsuits filed against Roxane between 2010 and 2012 have been consolidated by the District Court into a single case, or the Roxane consolidated case, alleging that 10 of our patents covering Xyrem are or will be infringed by Roxane's ANDA and seeking a permanent injunction to prevent Roxane from launching a generic version of Xyrem that would infringe these patents.

In December 2013, the District Court permitted Roxane to amend its answer in the Roxane consolidated case to allege additional equitable defenses, and the parties were given additional time for discovery on those new defenses. In addition, in March 2014, the District Court granted our motion to bifurcate and stay the portion of the Roxane consolidated case regarding patents related to the distribution system for Xyrem. Although no trial date has been scheduled, based on the District Court's current schedule, we anticipate that trial on the patents in the Roxane consolidated case that are not subject to the stay could occur as early as the first quarter of 2016. We do not have any estimate of a possible trial date for trial on the patents in the Roxane consolidated case that are currently subject to the stay. The actual timing of events in this litigation may be significantly earlier or later than we currently anticipate, and we cannot predict the specific timing or outcome of events in this litigation.

On April 1, 2014 and January 15, 2015, we received additional notices of Paragraph IV Certification from Roxane regarding newly issued patents for Xyrem listed in the Orange Book. On February 20, 2015, we filed a new lawsuit against Roxane in the District Court, alleging that three of our patents covering Xyrem are infringed or will be infringed by Roxane's ANDA and seeking a permanent injunction to prevent Roxane from introducing a generic version of Xyrem that would infringe these patents. On April 20, 2015, Roxane moved to dismiss claims involving our patent covering a part of the Xyrem label that instructs prescribers on adjusting the dose of Xyrem when it is being co-administered with divalproex sodium (also known as valproate or valproic acid) on the grounds that this patent does not cover patentable subject matter. We cannot predict the timing or outcome of events in this matter or its impact on the Roxane consolidated case.

On December 10, 2012, December 12, 2012 and August 8, 2013, we received notices of Paragraph IV Certification from Amneal Pharmaceuticals, LLC, or Amneal, that it had submitted an ANDA to the FDA requesting approval to market a generic version of Xyrem. On January 18, 2013 and September 12, 2013, we filed lawsuits against Amneal in the District Court, alleging that nine of our patents covering Xyrem are infringed or will be infringed by Amneal's ANDA and seeking a permanent injunction to prevent Amneal from introducing a generic version of Xyrem that would infringe these patents. These lawsuits against Amneal were consolidated by the District Court on November 6, 2013.

On November 21, 2013 and November 24, 2013, we received notices of Paragraph IV Certification from Par Pharmaceutical, Inc., or Par, that it had submitted an ANDA to the FDA requesting approval to market a generic version of Xyrem. On December 27, 2013, we filed a lawsuit against Par in the District Court, alleging that 13 of our patents covering Xyrem are infringed or will be infringed by Par's ANDA and seeking a permanent injunction to prevent Par from introducing a generic version of Xyrem that would infringe these patents.

In April 2014, Amneal asked the District Court to consolidate its case with the Par case, stating that both cases would proceed on the schedule for the Par case. The District Court granted this request in May 2014. The order consolidating the cases provides that Amneal's 30-month stay period will be extended to coincide with the date of Par's 30-month stay period. As a result, FDA's approval of both Amneal's and Par's ANDAs is stayed until the earlier of (i) May 20, 2016, or (ii) a District Court decision finding that the identified patents are invalid, unenforceable or not infringed. We cannot predict the timing or outcome of events in the Amneal/Par consolidated case or their impact on other ongoing proceedings with Amneal or Par as described below.

On April 7, 2014 and January 19, 2015, we received additional notices of Paragraph IV Certification from Amneal regarding newly issued patents for Xyrem listed in the Orange Book. On May 20, 2014 and February 6, 2015, we filed additional lawsuits against Amneal in the District Court, alleging that four of our patents covering Xyrem are infringed or will be infringed by Amneal's ANDA and seeking a permanent injunction to prevent Amneal from introducing a generic version of Xyrem that would infringe these patents. We cannot predict the timing or outcome of

events in these matters or their impact on other ongoing proceedings with Amneal.

On July 3, 2014, August 6, 2014 and November 25, 2014, we received additional notices of Paragraph IV Certification from Par regarding newly issued patents for Xyrem listed in the Orange Book. We filed additional lawsuits against Par in the District Court on August 15, 2014, October 2, 2014 and January 8, 2015, alleging that three of our patents covering Xyrem are infringed or will be infringed by Par's ANDA and seeking a permanent injunction to prevent Par from introducing a generic version of Xyrem that would infringe these patents. We cannot predict the timing or outcome of events in these matters or their impact on other ongoing proceedings with Par.

On June 4, 2014, we received a notice of Paragraph IV Certification from Ranbaxy Laboratories Limited, or Ranbaxy, that it had submitted an ANDA to the FDA requesting approval to market a generic version of Xyrem. On June 6, 2014, we

Table of Contents

received a notice of an amended Paragraph IV Certification from Ranbaxy. On July 15, 2014, we filed a lawsuit against Ranbaxy in the District Court, alleging that 14 of our patents covering Xyrem are infringed or will be infringed by Ranbaxy's ANDA and seeking a permanent injunction to prevent Ranbaxy from introducing a generic version of Xyrem that will infringe these patents. On August 20, 2014 and December 1, 2014, we received additional notices of Paragraph IV Certification from Ranbaxy regarding newly issued patents for Xyrem listed in the Orange Book. On October 2, 2014 and January 9, 2015, we filed additional lawsuits against Ranbaxy in the District Court, alleging that two of our patents covering Xyrem are infringed or will be infringed by Ranbaxy's ANDA and seeking a permanent injunction to prevent Ranbaxy from introducing a generic version of Xyrem that would infringe these patents. We cannot predict the timing or outcome of events in these matters or their impact on other ongoing proceedings with Ranbaxy.

On October 30, 2014, we received a notice of Paragraph IV Certification from Watson Laboratories, Inc., or Watson, that it has submitted an ANDA to the FDA requesting approval to market a generic version of Xyrem. On December 11, 2014, we filed a lawsuit against Watson in the District Court, alleging that 15 of our patents covering Xyrem are or will be infringed by Watson's ANDA and seeking a permanent injunction to prevent Watson from introducing a generic version of Xyrem that would infringe these patents. On March 23, 2015, Watson moved to dismiss the portion of the case based on our Orange Book-listed patents covering the distribution system for Xyrem on the grounds that these patents do not cover patentable subject matter. We cannot predict the timing or outcome of events in this litigation.

In January 2015, Amneal, Ranbaxy and Watson proposed the consolidation of their respective cases and a consolidated schedule to the District Court, while Par sought its own proposed schedule with the District Court, notwithstanding the prior consolidation of portions of the Par and Amneal cases. In April 2015, the District Court issued an order that consolidated all then-pending lawsuits against Amneal, Par, Ranbaxy and Watson into one case, the Amneal/Par/Ranbaxy/Watson consolidated case. Under a related scheduling order issued in March 2015, the District Court would hold a Markman hearing for the Amneal/Par/Ranbaxy/Watson consolidated case no earlier than January 2016. We cannot predict the timing or outcome of events in the Amneal/Par/Ranbaxy/Watson consolidated case or their impact on other ongoing proceedings with any ANDA filer.

On March 23, 2015, March 25, 2015, March 26, 2015 and April 16, 2015, we received an additional notice of Paragraph IV Certification from each of Par, Amneal, Ranbaxy and Roxane, respectively, regarding a newly issued method of treatment patent for Xyrem listed in the Orange Book. We filed additional lawsuits against Par, Amneal and Ranbaxy in the District Court on May 7, 2015 and against Roxane on June 1, 2015, alleging that this patent is infringed or will be infringed by Par's, Amneal's, Ranbaxy's and Roxane's ANDAs and seeking a permanent injunction to prevent each of these parties from introducing a generic version of Xyrem that would infringe this patent. We cannot predict the timing or outcome of events in these matters or their impact on other ongoing proceedings with any ANDA filer.

On May 14, 2015, we received an additional notice of Paragraph IV Certification from Watson regarding newly issued patents for Xyrem listed in the Orange Book. On June 26, 2015, we filed a lawsuit against Watson in the District Court, alleging that two of our patents covering Xyrem are or will be infringed by Watson's ANDA and seeking a permanent injunction to prevent Watson from introducing a generic version of Xyrem that would infringe these patents. We cannot predict the timing or outcome of events in this matter or its impact on other ongoing proceedings with any ANDA filer.

On June 8, 2015, we received a Paragraph IV Certification from Wockhardt Bio AG, or Wockhardt, that it has submitted an ANDA to the FDA requesting approval to market a generic version of Xyrem. Wockhardt's Paragraph IV Certification alleged that 15 patents listed in the Orange Book for Xyrem are invalid, unenforceable, and/or will not be infringed by Wockhardt's proposed generic product. On July 17, 2015, we filed a lawsuit in the District Court alleging that 17 of our patents covering Xyrem are or will be infringed by Wockhardt's ANDA and seeking a permanent injunction to prevent Wockhardt from introducing a generic version of Xyrem that would infringe our patents. We cannot predict the timing or outcome of events in this matter or its impact on other ongoing proceedings with any ANDA filer.



On July 23, 2015, we received a Paragraph IV Certification from Lupin Inc., or Lupin, that it has submitted an ANDA to the FDA requesting approval to market a generic version of Xyrem. Lupin's Paragraph IV Certification alleged that 16 patents listed in the Orange Book for Xyrem are invalid, unenforceable, and/or will not be infringed by Lupin's proposed generic product. We are evaluating initiation of litigation against Lupin. We cannot predict the timing or outcome of events in this matter or its impact on other ongoing proceedings with any ANDA filer.

Also on July 23, 2015, we received an additional notice of Paragraph IV Certification from Amneal regarding a newly issued patent for Xyrem listed in the Orange Book. We expect to file a lawsuit against Amneal in the District Court alleging that our patent is or will be infringed by Amneal's ANDA and seeking a permanent injunction to prevent Amneal from introducing a generic version of Xyrem that would infringe this patent. We cannot predict the timing or outcome of events in this matter or its impact on other ongoing proceedings with any ANDA filer.

Xyrem Post-Grant Patent Review Matters: Between June and August 2014, petitions seeking covered business method, or CBM, post-grant patent review by the PTAB were filed by certain of the ANDA filers with respect to the validity of six of

Table of Contents

our patents related to the distribution system for Xyrem. In the fall of 2014, we filed preliminary responses to the petitions in which, among other things, we asserted that the challenged patents should not be subject to CBM review. In early 2015, the PTAB issued decisions denying institution of CBM review for all of these petitions. In January 2015, certain of the ANDA filers filed petitions for IPR by the PTAB with respect to the validity of six patents covering the distribution system for Xyrem. In July 2015, the PTAB issued decisions instituting IPR trials with respect to these petitions, and we expect the PTAB to issue final decisions on the validity of the patents within a year of institution. In addition, in April 2015, a hedge fund (acting with affiliated entities and individuals and proceeding under the name of the Coalition for Affordable Drugs III LLC) filed an IPR petition challenging the validity of one of our Xyrem distribution patents that is already the subject of one of the IPR petitions proceeding to trial before the PTAB. In July 2015, we filed a preliminary response to this petition, opposing the petition and stating reasons that review should not be granted. The PTAB has not yet determined whether to institute proceedings with respect to this IPR petition. We cannot predict whether additional post-grant patent review challenges will be filed by any of the ANDA filers or any other entity, the outcome of any IPR or other proceeding, whether the PTAB will institute any petitioned IPR proceeding that has not yet been instituted, or the impact any IPR or other proceeding might have on ongoing ANDA litigation proceedings or other aspects of our Xyrem business.

FazaClo ANDA Matters: Azur Pharma Public Limited Company, or Azur Pharma (prior to the business combination between Jazz Pharmaceuticals, Inc. and Azur Pharma) received notices of Paragraph IV Certifications from three generics manufacturers, Barr Laboratories, Inc., or Barr, Novel Laboratories, Inc., or Novel, and Mylan Pharmaceuticals, Inc., or Mylan, indicating that ANDAs had been filed with the FDA requesting approval to market generic versions of FazaClo® (clozapine, USP) LD orally disintegrating clozapine tablets. Azur Pharma and CIMA Labs Inc., or CIMA, a subsidiary of Teva Pharmaceutical Industries Limited, or Teva, our licensor and the entity whose drug-delivery technology is incorporated into FazaClo LD, filed a lawsuit in response to each certification claiming infringement based on such certification against Barr on August 21, 2008, against Novel on November 25, 2008 and against Mylan on July 23, 2010. Each case was filed in the U.S. District Court for the District of Delaware, or the Delaware Court. On July 6, 2011, CIMA, Azur Pharma and Teva, which had acquired Barr, entered into an agreement settling the patent litigation and Azur Pharma granted a sublicense to an affiliate of Teva of Azur Pharma's rights to have manufactured, market and sell a generic version of both FazaClo LD and FazaClo HD, as well as an option for supply of authorized generic product. The sublicense for FazaClo LD commenced in July 2012, and the sublicense for FazaClo HD commenced in May 2015. Teva exercised its option for supply of an authorized generic product for FazaClo LD and launched the authorized generic product at the end of August 2012. Teva has also exercised its option for supply of an authorized generic product for FazaClo HD. The Novel and Mylan matters had been stayed pending reexamination of the patents in the lawsuits. In September 2013 and January 2014, reexamination certificates were issued for the two patents-in-suit, and the patentability of the claims of the patents confirmed. The Delaware Court lifted the stay of litigation in the two cases in March 2014. On December 19, 2014, we and CIMA entered into an agreement with Novel settling the patent litigation against Novel, and we granted Novel a patent sublicense to manufacture, market and sell its generic version of FazaClo LD and, if applicable, FazaClo HD. Novel's launch date will be May 1, 2017, or earlier upon the occurrence of certain events. On July 13, 2015, we entered into an agreement with Mylan settling the patent litigation against Mylan, and we granted Mylan a patent sublicense to manufacture, market, and sell its generic versions of both FazaClo LD and FazaClo HD, as well as an option for supply of authorized generic product upon the occurrence of certain events. Mylan's launch date will be May 1, 2016 for FazaClo LD and May 1, 2017 for FazaClo HD, or earlier depending upon the occurrence of certain events.

Cutler Matter: On October 19, 2011, Dr. Neal Cutler, one of the original owners of FazaClo, filed a complaint against Azur Pharma and one of its subsidiaries, as well as Avanir Pharmaceuticals, Inc., or Avanir, in the California Superior Court in the County of Los Angeles, or the Superior Court. The complaint alleges that Azur Pharma and its subsidiary breached certain contractual obligations. Azur Pharma acquired rights to FazaClo from Avanir in 2007. The complaint alleges that as part of the acquisition of FazaClo, Azur Pharma's subsidiary agreed to assume certain contingent payment obligations to Dr. Cutler. The complaint further alleges that certain contingent payments are due because revenue thresholds have been achieved, entitling Dr. Cutler to a \$10.5 million and an additional \$25.0 million

contingent payment, plus unspecified punitive damages and attorneys' fees. In March 2012, the Superior Court granted our petition to compel arbitration of the dispute in New York and stayed the Superior Court litigation. In July 2012, the arbitrator dismissed the arbitration on the grounds that the parties' dispute falls outside of the scope of the arbitration clause in the applicable contract. That ruling was affirmed by the California Court of Appeal in January 2014, and the case was remanded to Superior Court for discovery and trial. Trial has been scheduled for October 2015. We cannot predict the specific timing or outcome of this litigation.

From time to time we are involved in legal proceedings arising in the ordinary course of business. We believe there is no other litigation pending that could have, individually or in the aggregate, a material adverse effect on our results of operations or financial condition.

Table of Contents

## Other Contingencies

We have not previously submitted pricing data for two radiopharmaceutical products, Quadramet® (samarium sm 153 lexitronam injection) and ProstaScint® (capromab pendetide), for Medicaid and the Public Health Service's 340B drug pricing discount program. We engaged in interactions with the Centers for Medicare and Medicaid Services, or CMS, and a trade group, the Council on Radionuclides and Radiopharmaceuticals, or CORAR, regarding the reporting of Medicaid pricing data and paying Medicaid rebates for radiopharmaceutical products. In addition to the discussions with CMS as part of CORAR, we have had separate discussions with CMS directly regarding Quadramet. We sold Quadramet to a third party in December 2013, but we retained any liabilities related to sales of the product during prior periods. Similarly, we sold ProstaScint to a third party in May 2015, but we retained any liabilities related to sales of the product during prior periods. We are currently unable to predict whether price reporting and rebates will be required for Quadramet and ProstaScint and, if so, for what period they will be required. The initiation of any reporting of Medicaid pricing data for Quadramet or ProstaScint could result in retroactive 340B ceiling price liability for these two products. We are currently unable to reasonably estimate an amount or range of a potential contingent loss. Any material liability resulting from radiopharmaceutical price reporting would negatively impact our financial results.

## 9. Shareholders' Equity

The following tables present a reconciliation of our beginning and ending balances in shareholders' equity for the six months ended June 30, 2015 and 2014, respectively (in thousands):

	Attributable to:		
	Jazz Pharmaceuticals plc	Noncontrolling interests	Total Shareholders' Equity
Shareholders' equity at January 1, 2015	\$ 1,371,144	\$ 64	\$ 1,371,208
Issuance of ordinary shares in conjunction with employee equity incentive and purchase plans	26,730	—	26,730
Employee withholding taxes related to share-based awards	(16,679)	) —	(16,679)
Share-based compensation	44,394	—	44,394
Shares repurchased	(11,690)	) —	(11,690)
Other comprehensive loss	(125,945)	) (8)	(125,953)
Net income	158,814	(1)	158,813
Shareholders' equity at June 30, 2015	\$ 1,446,768	\$ 55	\$ 1,446,823
	Attributable to:		
	Jazz Pharmaceuticals plc	Noncontrolling interests	Total Shareholders' Equity
Shareholders' equity at January 1, 2014	\$ 1,295,534	\$ —	\$ 1,295,534
Noncontrolling interests from the Gentium Acquisition	—	136,578	136,578
Acquisition of noncontrolling interests	(1,517)	) (135,123)	(136,640)
Issuance of ordinary shares in conjunction with employee equity incentive and purchase plans and warrant exercises	31,642	—	31,642
Employee withholding taxes related to share-based awards	(10,551)	) —	(10,551)
Share-based compensation	32,476	—	32,476
Tax benefit from employee share options	792	—	792
Shares repurchased	(23,487)	) —	(23,487)
Other comprehensive income	3,793	3	3,796
Net loss	(48,991)	) (1,062)	(50,053)
Shareholders' equity at June 30, 2014	\$ 1,279,691	\$ 396	\$ 1,280,087

Share Repurchase Program

In May 2013, our board of directors authorized a share repurchase program pursuant to which we may repurchase a number of ordinary shares having an aggregate repurchase price of up to \$200 million, exclusive of any brokerage commissions. In the six months ended June 30, 2015, we spent a total of \$11.7 million to purchase 0.1 million of our ordinary

21

---

Table of Contents

shares under the share repurchase program at an average total purchase price, including commissions, of \$165.05 per share. All ordinary shares repurchased by us were canceled. As of June 30, 2015, the remaining amount authorized under the share repurchase program was \$9.7 million.

**Accumulated Other Comprehensive Loss**

The components of accumulated other comprehensive loss attributable to Jazz Pharmaceuticals plc as of June 30, 2015 and December 31, 2014 were as follows (in thousands):

	Foreign Currency Translation Adjustments	Total Accumulated Other Comprehensive Loss
Balance at December 31, 2014	\$(122,097)	\$(122,097)
Other comprehensive loss	(125,945)	(125,945)
Balance at June 30, 2015	\$(248,042)	\$(248,042)

During the six months ended June 30, 2015, other comprehensive loss reflects foreign currency translation adjustments, primarily due to the strengthening of the U.S. dollar against the euro.

**10. Segment and Other Information**

Our operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision maker, or CODM. Our CODM has been identified as our chief executive officer. We have determined that we operate in one business segment, which is the development and commercialization of meaningful pharmaceutical products that address unmet medical needs. The following table presents a summary of total revenues (in thousands):

	Three Months Ended		Six Months Ended	
	June 30, 2015	2014	June 30, 2015	2014
Xyrem® (sodium oxybate) oral solution	\$247,846	\$191,366	\$460,536	\$351,744
Erwinaze®/Erwinase® (asparaginase Erwinia chrysanthemi)	46,151	47,869	96,504	94,789
Defitelio® (defibrotide)/defibrotide	15,257	20,244	32,620	32,453
Prialt® (ziconotide) intrathecal infusion	7,138	5,831	13,902	10,140
Psychiatry	9,372	11,732	18,465	21,598
Other	6,342	12,058	17,114	23,362
Product sales, net	332,106	289,100	639,141	534,086
Royalties and contract revenues	1,641	2,130	3,909	4,063
Total revenues	\$333,747	\$291,230	\$643,050	\$538,149

The following table presents a summary of total revenues attributed to geographic sources (in thousands):

	Three Months Ended		Six Months Ended	
	June 30, 2015	2014	June 30, 2015	2014
United States	\$302,564	\$247,525	\$571,811	\$462,481
Europe	24,125	30,687	56,760	55,030
All other	7,058	13,018	14,479	20,638
Total revenues	\$333,747	\$291,230	\$643,050	\$538,149

The following table presents a summary of the percentage of total revenues from customers that represented more than 10% of our total revenues:

	Three Months Ended		Six Months Ended	
	June 30, 2015	2014	June 30, 2015	2014

Edgar Filing: Jazz Pharmaceuticals plc - Form 10-Q

Express Scripts	74	% 65	% 71	% 65	%
Accredo Health Group, Inc.	11	% 13	% 12	% 14	%

22

---

Table of Contents

The following table presents total long-lived assets, consisting of property and equipment, by location (in thousands):

	June 30, 2015	December 31, 2014
Ireland	\$57,763	\$37,775
United States	11,976	9,795
Italy	8,318	8,462
Other	2,371	2,331
Total long-lived assets	\$80,428	\$58,363

## 11. Share-Based Compensation

Share-based compensation expense related to share options, RSUs and grants under our ESPP was as follows (in thousands):

	Three Months Ended		Six Months Ended	
	June 30, 2015	2014	June 30, 2015	2014
Selling, general and administrative	\$18,662	\$14,042	\$35,301	\$25,217
Research and development	3,866	3,226	7,351	5,685
Cost of product sales	772	1,284	1,467	1,465
Total share-based compensation expense, pre-tax	23,300	18,552	44,119	32,367
Tax benefit from share-based compensation expense	(6,910)	(5,416)	(13,064)	(9,702)
Total share-based compensation expense, net of tax	\$16,390	\$13,136	\$31,055	\$22,665

## Share Options

The table below shows the number of shares underlying options granted to purchase our ordinary shares, the weighted-average assumptions used in the Black-Scholes option pricing model and the resulting weighted-average grant date fair value of share options granted:

	Three Months Ended		Six Months Ended		
	June 30, 2015	2014	June 30, 2015	2014	
Shares underlying options granted (in thousands)	70	101	950	807	
Grant date fair value	\$58.57	\$53.26	\$57.57	\$61.85	
Black-Scholes option pricing model assumption information:					
Volatility	39	% 45	% 39	% 46	%
Expected term (years)	4.2	4.3	4.2	4.3	
Range of risk-free rates	1.1-1.4%	1.3-1.4%	1.1-1.4%	1.1-1.4%	
Expected dividend yield	—	% —	% —	% —	%

## Restricted Stock Units

The table below shows the number of RSUs granted covering an equal number of our ordinary shares and the weighted-average grant date fair value of RSUs granted:

	Three Months Ended		Six Months Ended	
	June 30, 2015	2014	June 30, 2015	2014
RSUs granted (in thousands)	27	51	365	392
Grant date fair value	\$177.71	\$141.36	\$174.79	\$162.48





Table of Contents

The fair value of RSUs is determined on the date of grant based on the market price of our ordinary shares on that date. The fair value of RSUs is expensed ratably over the vesting period of four years.

As of June 30, 2015, compensation cost not yet recognized related to unvested share options and RSUs was \$90.6 million and \$101.5 million, respectively, which is expected to be recognized over a weighted-average period of 2.6 years and 2.4 years, respectively.

## 12. Restructuring

In the fourth quarter of 2014, we incurred severance costs for terminated employees in connection with our decision to discontinue sales representative-led promotion of our psychiatry products starting in 2015. In addition, we initiated a restructuring plan related to the consolidation of our U.K. office locations and incurred costs of severance for terminated employees and facility closure costs in connection with this plan. The one-time termination benefits were recorded over the remaining service period where employees were required to stay through their termination date to receive the benefits. We recorded costs related to these one-time termination benefits of \$0.4 million in the six months ended June 30, 2015 within selling, general and administrative expenses in our condensed consolidated statements of operations. Facility closure costs of \$0.2 million incurred in the six months ended June 30, 2015 were recorded within selling, general and administrative expenses in our condensed consolidated statements of operations. As of June 30, 2015, we had incurred total termination benefit and facility closure costs of \$2.2 million and \$0.3 million, respectively, in connection with these plans. We do not expect to incur additional termination benefit or facility closure costs in connection with these plans.

The following table summarizes the amounts related to restructuring through June 30, 2015 (in thousands):

	Termination Benefits	Facility Closure Costs	Total
Balance at December 31, 2014	\$1,823	\$118	\$1,941
Costs incurred during the period	381	172	553
Cash payments	(2,204)	(290)	(2,494)
Balance at June 30, 2015	\$—	\$—	\$—

The balance as of December 31, 2014 was included within accrued liabilities in our condensed consolidated balance sheets.

## 13. Income Taxes

Our income tax provision for the three and six months ended June 30, 2015 was \$30.6 million and \$62.7 million, respectively, compared to \$19.4 million and \$36.4 million for the same periods in 2014. Our effective tax rates for the three months ended June 30, 2015 and 2014 were 25.8% and 30.7%, respectively. Our effective tax rate for the six months ended June 30, 2015 was 28.3%. After adjusting the loss before income tax provision for the six months ended June 30, 2014 by excluding upfront and milestone payments of \$127.0 million for rights to JZP-110, which were acquired by our subsidiary in a non-taxable jurisdiction, the effective tax rate on the resulting income before income tax provision for the six months ended June 30, 2014 was 32.1%. The decrease in the effective tax rates was primarily due to changes in income mix among the various jurisdictions in which we operate, increased originating tax credits and increased deductions available in relation to subsidiary equity. The effective tax rates for the three and six months ended June 30, 2015 were higher than the Irish statutory rate of 12.5% primarily due to income taxable at a rate higher than the Irish statutory rate, uncertain tax positions, and various expenses not deductible for tax purposes, partially offset by originating tax credits and deductions available in relation to subsidiary equity. We do not provide for Irish income taxes on undistributed earnings of our foreign operations that are intended to be indefinitely reinvested in our foreign subsidiaries.

Our deferred tax assets are comprised primarily of U.S. federal and state net operating loss carryforwards and tax credit carryforwards, foreign net operating loss carryforwards and other temporary differences. We maintain a valuation allowance against certain U.S. state and foreign deferred tax assets. Each reporting period, we evaluate the need for a valuation allowance on our deferred tax assets by jurisdiction and adjust our estimates as more information

becomes available.

We are required to recognize the financial statement effects of a tax position when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. As a result, we have established a liability for certain tax benefits which we judge may not be sustained upon examination. Our most significant tax jurisdictions are Ireland, the United States (both at the federal level and in various state jurisdictions), Italy and France. Because of our net operating loss carryforwards and tax credit carryforwards, substantially all of our tax years remain open to federal, state, and foreign tax examination. Certain of our subsidiaries are currently under examination by the French tax authorities for fiscal years 2012 and

24

---

Table of Contents

2013 and by Italian tax authorities for fiscal year 2012. We do not anticipate that the amount of our existing liability for unrecognized tax benefits will significantly change within the next 12 months.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion of our financial condition and results of operations should be read in conjunction with the condensed consolidated financial statements and the notes to condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q. This discussion contains forward-looking statements that involve risks and uncertainties. When reviewing the discussion below, you should keep in mind the substantial risks and uncertainties that could impact our business. In particular, we encourage you to review the risks and uncertainties described in Part II, Item 1A "Risk Factors" included elsewhere in this Quarterly Report on Form 10-Q. These risks and uncertainties could cause actual results to differ materially from those projected in forward-looking statements contained in this report or implied by past results and trends. Forward-looking statements are statements that attempt to forecast or anticipate future developments in our business, financial condition or results of operations. See the "Cautionary Note Regarding Forward-Looking Statements" that appears at the end of this discussion. These statements, like all statements in this report, speak only as of the date of this Quarterly Report on Form 10-Q (unless another date is indicated), and we undertake no obligation to update or revise these statements in light of future developments.

Overview

Jazz Pharmaceuticals plc is an international biopharmaceutical company focused on improving patients' lives by identifying, developing and commercializing meaningful products that address unmet medical needs. We have a diverse portfolio of products and product candidates, with a focus in the areas of sleep and hematology/oncology. Our lead marketed products are:

Xyrem® (sodium oxybate) oral solution, the only product approved by the U.S. Food and Drug Administration, or FDA, for the treatment of both cataplexy and excessive daytime sleepiness, or EDS, in patients with narcolepsy; Erwinaze® (asparaginase Erwinia chrysanthemi), a treatment approved in the United States and in certain markets in Europe (where it is marketed as Erwinase®) for patients with acute lymphoblastic leukemia, or ALL, who have developed hypersensitivity to E. coli-derived asparaginase; and

Defitelio® (defibrotide), a product approved in Europe for the treatment of severe hepatic veno-occlusive disease, or VOD, in adults and children undergoing hematopoietic stem cell transplantation, or HSCT, therapy.

Our strategy is to continue to create shareholder value by:

• Growing sales of the existing products in our portfolio, including by identifying new growth opportunities;

• Acquiring additional differentiated products that are on the market or product candidates that are in late-stage development; and

• Pursuing focused development of a pipeline of post-discovery differentiated product candidates.

In the three and six months ended June 30, 2015, our total net product sales increased by 15% and 20%, respectively, compared to the same periods in 2014, primarily due to increases in Xyrem product sales. Total net product sales are expected to increase in 2015 over 2014, primarily due to anticipated growth in sales of our lead marketed products.

For additional information regarding our net product sales, see "—Results of Operations."

On February 27, 2015, the FDA notified Jazz Pharmaceuticals, Inc., our wholly owned subsidiary, of (i) the FDA's approval of the risk evaluation and mitigation strategy, or REMS, for Xyrem in the form submitted by us in November 2014, which includes provisions requiring distribution through a single pharmacy, and (ii) the FDA's denial of our dispute resolution appeal as moot as a result of approval of the Xyrem REMS. We expect to implement the final approved Xyrem REMS by late August 2015 and to submit ongoing assessments, in each case as set forth in the FDA's Xyrem REMS approval notice.

In the Xyrem REMS approval notice, the FDA states its conclusion that the Xyrem REMS meets the applicable statutory standards. The approval notice also includes statements from the FDA that (i) the approval action should not be construed or understood as agreement with us that dispensing through a single pharmacy is the only way to ensure that the benefits of Xyrem outweigh its risks, and that the FDA has continuing concerns that limiting the distribution of Xyrem to one pharmacy imposes burdens on patient access and the healthcare delivery system and (ii) as with all REMS, the FDA intends to evaluate the Xyrem REMS on an ongoing basis and will require modifications as may be

appropriate.

During 2014, Defitelio was launched in a number of European countries. We have launched and expect to continue to launch the product in additional European countries on a rolling basis in 2015 and are in the process of making pricing and reimbursement submissions with respect to Defitelio, and discussing them with regulatory authorities, in those European countries where Defitelio is not yet launched, including in countries where pricing and reimbursement approvals are required for launch. Defibrotide has been, and continues to be, provided to patients where it is not commercially available through an expanded access treatment protocol that is open under an investigational new drug application in the United States and on a

25

---

Table of Contents

named patient basis elsewhere. In July 2015, we completed a rolling submission of a new drug application, or NDA, to the FDA for defibrotide for the treatment of VOD with evidence of multi-organ dysfunction following HSCT. We continue to execute on our research and development activities, which include clinical development of new product candidates, line extensions for existing products and the generation of additional clinical data for existing products, all in our sleep and hematology/oncology therapeutic areas. A summary of the status of our development pipeline activities is provided below:

Project	Disease Area	Status
Sleep		
JZP-110	EDS in narcolepsy	Phase 3 clinical trial initiated in the second quarter of 2015
	EDS in obstructive sleep apnea, or OSA	Two Phase 3 clinical trials initiated in the second quarter of 2015
JZP-386	EDS in narcolepsy	Phase 1 clinical trials completed
Xyrem	Cataplexy in narcolepsy in children and adolescents	Phase 3 clinical trial initiated in the fourth quarter of 2014
Hematology/Oncology		
Defibrotide	VOD with evidence of multi-organ dysfunction following HSCT	Rolling submission of NDA to the FDA completed in July 2015
JZP-416	ALL	Phase 1 clinical trial in Europe completed; enrollment suspended in pivotal Phase 2 clinical trial in North America in first quarter of 2015
Leukotac™	Steroid refractory acute graft vs. host disease, or GvHD	Phase 3 clinical trial completed in the second quarter of 2015

In the sleep area, we have ongoing and planned clinical studies for our product and product candidates, including the following:

**JZP-110.** JZP-110 is a late-stage investigational compound being developed for potential treatment of EDS in patients with narcolepsy and EDS in patients with OSA. We acquired worldwide development, manufacturing and commercial rights to JZP-110 from Aerial BioPharma LLC, or Aerial, in January 2014, other than in certain jurisdictions in Asia where SK Biopharmaceuticals Co., Ltd, or SK, retains rights. We initiated patient enrollment in our Phase 3 clinical program in the second quarter of 2015. We are conducting one Phase 3 clinical trial in patients with EDS associated with narcolepsy and two Phase 3 clinical trials in patients with EDS associated with OSA. Approximately 880 patients are expected to be enrolled in these three trials in the aggregate. In addition, we are evaluating the long-term safety of JZP-110 in an open label extension trial and expect to enroll up to 450 patients from two of our Phase 3 clinical trials in this extension trial.

**JZP-386.** JZP-386 is a deuterium-modified analog of sodium oxybate, the active pharmaceutical ingredient in Xyrem, which we licensed from Concert Pharmaceuticals, Inc. in February 2013. We have conducted preclinical research and development work on JZP-386 for its potential use in patients with narcolepsy. The first study of JZP-386 in humans to evaluate the safety, pharmacokinetics and pharmacodynamics of the compound was conducted in 2014 under an approved investigational medicinal product dossier for JZP-386 in Europe. We completed a second Phase 1 study in the second quarter of 2015. Clinical data from this Phase 1 study demonstrated that JZP-386 provided favorable deuterium-related effects, including higher serum concentrations and correspondingly increased pharmacodynamics effects at clinically relevant time points compared to Xyrem. The safety profile of JZP-386 was similar to that observed with Xyrem. We have determined that while the Phase 1 studies warrant further evaluation of JZP-386, the results do not support advancing into a later-stage clinical trial of JZP-386 at this time. We intend to explore formulation options to enhance the positive effects observed in the studies to achieve an improved product profile.

**Xyrem.** While in many patients narcolepsy can begin during childhood and adolescence, there is limited information on the treatment of pediatric narcolepsy patients with Xyrem. We have worked with the FDA and several leading specialists to design a clinical trial to generate additional data on the treatment of pediatric narcolepsy patients with Xyrem. As a result, in the fourth quarter of 2014, we initiated a Phase 3 clinical trial to assess the safety and efficacy

of Xyrem in children and adolescents aged seven to 17 who have narcolepsy with cataplexy.

In the hematology and oncology area, we also have a number of development activities ongoing, including clinical trials.

Defibrotide. We are engaged in activities related to the potential approval of defibrotide in the United States. In July 2015, we completed a rolling submission of an NDA to the FDA for defibrotide for the treatment of VOD with

Table of Contents

evidence of multi-organ dysfunction following HSCT. We are also assessing the potential for approval of defibrotide in other countries and for development of defibrotide in additional indications.

JZP-416 (formerly known as Asparec). We completed a Phase 1 clinical trial in Europe of JZP-416 (pegcrisantaspase), a PEGylated recombinant *Erwinia chrysanthemi* L-asparaginase, being developed for the treatment of patients with ALL who are hypersensitive to *E. coli*-derived asparaginase. In addition, we initiated our first study of JZP-416 in children in a pivotal Phase 2 clinical trial in North America in late 2014. In February 2015, we voluntarily suspended patient enrollment in this trial. Our decision to suspend enrollment and to discontinue treatment with JZP-416 for enrolled patients was based on the occurrence of hypersensitivity-like reactions following the administration of JZP-416 in some treated patients. We are in the process of collecting and evaluating the available data and plan to conduct additional research and analysis prior to determining whether to resume the study and determining next steps regarding the development of JZP-416.

Leukotac. We recently completed a Phase 3 clinical trial in Europe of Leukotac (inolimomab), an anti-CD25 monoclonal antibody for the treatment of steroid-refractory acute GvHD. We expect to begin data analysis in the third quarter of 2015.

In the second quarter of 2014, we initiated a pharmacokinetics study in Phase 2 to further evaluate the use of Erwinase in young adults age 18 to 39 with ALL who are hypersensitive to *E. coli*-derived asparaginase. We terminated this trial in the second quarter of 2015 based on an inability to enroll patients.

For 2015 and beyond, we expect that our research and development expenses will increase substantially from historical levels, particularly as we conduct late stage clinical trials and related development work and potentially acquire rights to additional product candidates.

Over the past two years, we have made targeted investments to strengthen our operational capabilities to support our lead marketed products and product candidates in our primary therapeutic areas. During 2014, we reorganized our operations in Europe to focus on our hematology/oncology therapeutic area following our acquisition of Gentium S.p.A. in January 2014, or the Gentium Acquisition, and streamlined our U.S. commercial operations to devote more resources to our lead marketed products. In March 2015, we sold certain products and the related business that we acquired as part of our acquisition of EUSA Pharma Inc., or the EUSA Acquisition, to allow us to focus our European commercial operations on Erwinase and Defitelio. In the Gentium Acquisition, we acquired a manufacturing facility located in Italy that produces active pharmaceutical ingredients, including defibrotide. We are also nearing completion of construction of a manufacturing and development facility in Ireland.

On June 18, 2015, we entered into a credit agreement, which we refer to as the June 2015 credit agreement, and terminated the credit agreement that we entered into in June 2012, as subsequently amended, which we refer to as the 2012 credit agreement. The June 2015 credit agreement provides for a five-year \$750.0 million principal amount term loan, which was drawn in full at closing, and a five-year \$750.0 million revolving credit facility, of which \$160.0 million was drawn at closing. We used the proceeds from initial borrowings under the June 2015 credit agreement to repay in full the \$893.1 million principal amount of term loans outstanding under the 2012 credit agreement and to pay related fees and expenses. Borrowings under the June 2015 credit agreement bear interest, at our option, at a rate equal to either (a) the LIBOR rate, plus an applicable margin ranging from 1.50% to 2.25% per annum, based upon our secured leverage ratio, or (b) the prime lending rate, plus an applicable margin ranging from 0.50% to 1.25% per annum, based upon our secured leverage ratio.

We anticipate that we will continue to face a number of challenges and risks to our business and our ability to execute our strategy in 2015. For example, our financial results remain significantly influenced by sales of Xyrem, which accounted for 74.6% and 72.1% of our net product sales in the three and six months ended June 30, 2015, respectively, and 67.0% of our net product sales for the year ended December 31, 2014. As a result, we continue to place a high priority on seeking to maintain and increase sales of Xyrem in its approved indications, while remaining focused on ensuring the safe and effective use of the product. We are also focusing on the lifecycle management of Xyrem, including seeking to enhance and enforce our intellectual property rights and to develop product, service and safety improvements for patients.



Our ability to maintain or increase Xyrem product sales is subject to a number of risks and uncertainties, including those discussed in Part II, Item 1A “Risk Factors” of this Quarterly Report on Form 10-Q. In particular, seven abbreviated new drug applications, or ANDAs, have been filed with the FDA by third parties seeking to market generic versions of Xyrem. We have filed lawsuits seeking to prevent the introduction of a generic version of Xyrem that would infringe our patents, and the litigation proceedings are ongoing. We cannot predict the timing or outcome of these proceedings. Although no trial date has been set in any of the ANDA suits, we anticipate that trial on some of the patents in the case against the first ANDA filer, Roxane Laboratories, Inc., or Roxane, could occur as early as the first quarter of 2016. In addition, certain of the ANDA filers have challenged the validity of six patents covering the distribution system for Xyrem by filing petitions for inter partes review, or IPR, by the Patent Trial and Appeal Board, or the PTAB, of the U.S. Patent and Trademark Office. In July 2015, the PTAB issued decisions instituting IPR trials with respect to these petitions, and we expect the PTAB to issue final decisions on the validity of the patents within a year of institution. Furthermore, in April 2015, a hedge fund (acting with affiliated entities and

Table of Contents

individuals and proceeding under the name of the Coalition for Affordable Drugs III LLC) filed an IPR petition challenging the validity of one of our Xyrem distribution patents that is already the subject of one of the IPR petitions proceeding to trial before the PTAB. In July 2015, we filed a preliminary response to this petition, opposing the petition and stating reasons that review should not be granted. The PTAB has not yet determined whether to institute proceedings with respect to this IPR petition. We cannot predict whether additional post-grant patent review challenges will be filed by any of the ANDA filers or any other entity, the outcome of any IPR or other proceeding, whether the PTAB will institute any petitioned IPR proceeding that has not yet been instituted, or the impact any IPR or other proceeding might have on ongoing ANDA litigation proceedings or other aspects of our Xyrem business. We expect that the approval of an ANDA that results in the launch of a generic version of Xyrem, or the approval and launch of other sodium oxybate products that compete with Xyrem, would have a material adverse effect on our business, financial condition, results of operations and growth prospects.

We are in the process of implementing the necessary systems, processes, procedures and activities to transition to the final Xyrem REMS approved by the FDA in late February 2015. While we expect to implement the Xyrem REMS by late August 2015 and to submit ongoing assessments, in each case as set forth in the FDA's Xyrem REMS approval notice, we cannot guarantee that we will be able to do so in a timely manner, that our implementation of the approved Xyrem REMS will meet FDA requirements, that the assessments will be satisfactory to the FDA, or that the Xyrem REMS will satisfy FDA's expectations in their anticipated evaluation of the Xyrem REMS on an ongoing basis. Any failure to transition to the Xyrem REMS in a timely manner and to the satisfaction of the FDA or to comply with the REMS obligations could negatively affect sales of Xyrem, result in additional costs and expenses for us, and/or take a significant amount of time, any of which could materially and adversely affect our business, financial condition, results of operations and growth prospects. In addition, we cannot predict whether the FDA will seek to require or ultimately require modifications to the Xyrem REMS, including with respect to the distribution system, or seek to otherwise impose or ultimately impose additional requirements to the Xyrem REMS, or the potential timing, terms or propriety thereof. Any such modifications or additional requirements could potentially make it more difficult or expensive for us to distribute Xyrem, make it easier for future generic competitors, and/or negatively affect sales of Xyrem.

We also expect to continue to face pressure to develop a single shared REMS with potential generic competitors for Xyrem or to license or share intellectual property pertinent to the Xyrem REMS, which is the subject of multiple issued patents, or elements of the Xyrem REMS, with generic competitors. In January 2014, the FDA held an initial meeting with us and the then-current sodium oxybate ANDA applicants to facilitate the development of a single shared REMS for sodium oxybate. The parties have had regular interactions with respect to developing a single shared REMS since the initial meeting, and we expect the interactions to continue. If we do not develop a single shared REMS or license or share intellectual property pertinent to our Xyrem REMS with generic competitors within a time frame or on terms that the FDA considers acceptable, the FDA may assert that its waiver authority permits it to allow one or more generic competitors to market a generic drug with a separate REMS that includes different, but comparable, elements to assure safe use, or ETASU, than those in our approved Xyrem REMS. We cannot predict the outcome or impact on our business of any future action that we may take with respect to the development of a single shared REMS for sodium oxybate, licensing or sharing intellectual property pertinent to our Xyrem REMS, or the FDA's response to a certification that a third party had been unable to obtain a license. In addition, the Federal Trade Commission, other governmental authorities or others could claim or determine that we are using the Xyrem REMS in an anticompetitive manner (including in light of the FDA's statement in the Xyrem REMS approval notice that the Xyrem REMS could be used in an anticompetitive manner inconsistent with applicable provisions of the Federal Food, Drug and Cosmetic Act) or have engaged in other anticompetitive practices.

Sales of our second largest product, Erwinaze/Erwinase (which we refer to in this report as Erwinaze unless otherwise indicated or the context otherwise requires), accounted for 13.9% and 15.1% of our total net product sales in the three and six months ended June 30, 2015, respectively, and 17.2% of our total net product sales for the year ended December 31, 2014. We seek to maintain and increase sales of Erwinaze, as well as to make Erwinaze more widely available, through ongoing sales and marketing and research and development activities. However, our ability to

successfully and sustainably maintain or grow sales of Erwinaze is subject to a number of risks and uncertainties, including the limited population of patients with ALL and the incidence of hypersensitivity reactions to E. coli-derived asparaginase within that population, our need to apply for and receive marketing authorizations, through the European Union's mutual recognition procedure or otherwise, in certain additional countries so we can launch promotional efforts in those countries, as well as those other risks and uncertainties discussed in Part II, Item 1A "Risk Factors" of this Quarterly Report on Form 10-Q. In particular, a significant challenge to our ability to maintain current sales levels and to increase sales is our need to avoid supply interruptions of Erwinaze due to capacity constraints, production delays, quality challenges or other manufacturing difficulties. We have limited inventory of Erwinaze, which puts us at significant risk of not being able to meet product demand. Erwinaze is licensed from and manufactured by a single source, which was Public Health England, or PHE, through March 31, 2015. As of April 1, 2015, the facility at which Erwinaze is manufactured was transferred to Porton BioPharma Limited, or PBL, a limited liability company that is wholly owned by the U.K. Secretary of State for Health. We are now working with PBL on matters related to Erwinaze supply. The current manufacturing capacity for Erwinaze is nearly completely absorbed by demand for the product. As a

Table of Contents

consequence of constrained manufacturing capacity, we have had an extremely limited ability to build an excess level of product inventory that could be used to absorb disruptions to supply resulting from any quality or other issues. If we continue to be subject to capacity constraints or experience quality or other manufacturing challenges in the future, we may be unable to build a desired excess level of product inventory, and our ability to supply the market may be compromised. Although we are taking steps to improve the Erwinaze manufacturing process, if our ongoing efforts are not successful, we could experience additional Erwinaze supply interruptions in the future, which could have a material adverse effect on our sales of and revenues from Erwinaze and limit our potential future maintenance and growth of the market for this product. In addition, while we continue to work with the manufacturer of Erwinaze to evaluate potential steps to expand production capacity to increase the supply of Erwinaze over the longer term to address worldwide demand, our ability to maintain or increase sales of Erwinaze may be limited by our ability to obtain a sufficient supply of the product.

In furtherance of our growth strategy, we have made a significant investment in Defitelio. Our ability to realize the anticipated benefits from this investment is subject to a number of risks and uncertainties, including those discussed in Part II, Item 1A “Risk Factors” of this Quarterly Report on Form 10-Q. In particular, we may not be able to successfully maintain or grow sales of Defitelio in Europe, or obtain marketing approval in other countries, including the United States, which could have a material adverse effect on our business, financial condition, results of operations and growth prospects. A key challenge to our success in maintaining or growing sales of Defitelio in Europe is our ability to obtain appropriate pricing and reimbursement approvals in those European countries where Defitelio is not yet launched. If we experience delays or unforeseen difficulties in obtaining favorable pricing and reimbursement approvals, planned launches in the affected countries would be delayed, or, if we are unable to ultimately obtain favorable pricing and reimbursement approvals in countries that represent significant markets, especially where a country’s reimbursed price influences other countries, our growth prospects in Europe could be negatively affected. We cannot predict whether our NDA submission for defibrotide in the United States will be accepted for filing or approved in a timely manner, if at all. It is possible that the FDA may ask an Oncologic Drugs Advisory Committee, or ODAC, which provides the FDA with independent expert advice and recommendations, to review our NDA. The ODAC may recommend against approval of our NDA, may recommend conditioning approval on our conducting one or more potentially time-consuming and costly clinical trials to provide supporting data either before approval or as a post-marketing commitment, or may recommend more narrow or restricted labeling than we have proposed. We also face other challenges that could impact the anticipated value of Defitelio/defibrotide, including the limited size of the population of VOD patients who are indicated for treatment with Defitelio/defibrotide (particularly if the FDA requires more narrow or restricted labeling than we have proposed), the need to establish U.S. pricing and reimbursement support for the product in the event we are able to obtain U.S. marketing approval for defibrotide, the possibility that we may be required to conduct time-consuming and costly clinical trials as a condition of any U.S. marketing approval for the product, the lack of experience of U.S. physicians in diagnosing and treating VOD, and challenges to our ability to develop the product for additional indications. If sales of Defitelio/defibrotide do not reach the levels we expect, our anticipated revenue from the product would be negatively affected, which could have a material adverse effect on our business, financial condition, results of operations and growth prospects.

The implementation of our strategy is also subject to other challenges and risks specific to our business, as well as risks and uncertainties common to companies in the pharmaceutical industry with development and commercial operations. In addition to risks specifically related to Xyrem, Erwinaze and Defitelio/defibrotide, other key challenges and risks that we face include risks and uncertainties related to:

- the challenges of protecting and enhancing our intellectual property rights;
- delays or problems in the supply or manufacture of our products, particularly with respect to certain products as to which we maintain limited inventories, including products for which our supply demands are growing, and our dependence on single source suppliers to continue to meet our ongoing commercial demand or our requirements for clinical trial supplies;
- the need to obtain and maintain appropriate pricing and reimbursement for our products in an increasingly challenging environment due to, among other things, the attention being paid to healthcare cost containment and other austerity

measures in the United States and worldwide, including the need to obtain and maintain reimbursement for Xyrem in the United States in an environment in which we are subject to increasingly restrictive conditions for reimbursement required by third party payors;

the challenges of compliance with the requirements of the FDA, the U.S. Drug Enforcement Administration, or DEA, and non-U.S. regulatory agencies, including with respect to product labeling, requirements for distribution, obtaining sufficient DEA quotas where needed, marketing and promotional activities, adverse event reporting and product recalls or withdrawals;

the challenges of achieving and maintaining commercial success of our products, such as obtaining sustained acceptance and support of our products by patients, physicians and payors;

Table of Contents

the risks and costs associated with business combination or product or product candidate acquisition transactions, such as the challenges inherent in the integration of acquired businesses with our historic business, the increase in geographic dispersion among our centers of operation, taking on the operation of a manufacturing plant as a result of the Gentium Acquisition and the risks that we may acquire unanticipated liabilities along with acquired businesses or otherwise fail to realize the anticipated benefits (commercial or otherwise) from such transactions;

the difficulty and uncertainty of pharmaceutical product development, including the timing thereof, and the uncertainty of clinical success, such as the risk that results from preclinical studies and/or early clinical trials may not be predictive of results obtained in later and larger clinical trials that we are conducting or that we plan to conduct for our product candidates;

- the inherent uncertainty associated with the regulatory approval process, especially as we continue to undertake increased activities and make growing investment in our product pipeline development projects;
- our potential inability to identify and acquire, in-license or develop additional products or product candidates to grow our business; and
- possible restrictions on our ability and flexibility to pursue certain future corporate development and other opportunities as a result of our substantial outstanding debt obligations.

All of these risks are discussed in greater detail, along with other risks, in Part II, Item 1A of this Quarterly Report on Form 10-Q.

## Results of Operations

The following table presents revenues and expenses for the three and six months ended June 30, 2015 and 2014, respectively (in thousands):

	Three Months Ended		Increase/		Six Months Ended		Increase/			
	June 30, 2015	2014 (1)	(Decrease)		June 30, 2015	2014 (1)	(Decrease)			
Product sales, net	\$332,106	\$289,100	15	%	\$639,141	\$534,086	20	%		
Royalties and contract revenues	1,641	2,130	(23	)%	3,909	4,063	(4	)%		
Cost of product sales (excluding amortization and impairment of intangible assets)	21,813	30,692	(29	)%	50,111	61,616	(19	)%		
Selling, general and administrative	107,132	100,556	7	%	219,520	206,919	6	%		
Research and development	27,833	20,090	39	%	55,014	38,199	44	%		
Acquired in-process research and development	—	—	—	%	—	127,000	N/A(2)			
Intangible asset amortization	23,668	32,795	(28	)%	48,345	63,977	(24	)%		
Impairment charges	—	32,806	N/A(2)		—	32,806	N/A(2)			
Interest expense, net	15,812	11,429	38	%	32,057	21,505	49	%		
Foreign currency (gain) loss	1,914	(74	)	N/A(2)	(331	)	(197	)	68	%
Loss on extinguishment and modification of debt	16,815	—	N/A(2)		16,815	—	N/A(2)			
Income tax provision	30,647	19,350	58	%	62,706	36,377	72	%		
Net loss attributable to noncontrolling interests, net of tax	1	73	(99	)%	1	1,062	(100	)%		

(1) Our financial results include the financial results of the historic Gentium business following the closing of the Gentium Acquisition on January 23, 2014.

(2) Comparison to prior period not meaningful.

Revenues

Edgar Filing: Jazz Pharmaceuticals plc - Form 10-Q

The following table presents product sales, royalties and contract revenues, and total revenues for the three and six months ended June 30, 2015 and 2014, respectively (in thousands):

	Three Months Ended		Increase/ (Decrease)		Six Months Ended		Increase/ (Decrease)	
	June 30, 2015	2014			June 30, 2015	2014		
Xyrem® (sodium oxybate) oral solution	\$247,846	\$191,366	30	%	\$460,536	\$351,744	31	%
Erwinaze®/Erwinase® (asparaginase Erwinia chrysanthemi)	46,151	47,869	(4)	)%	96,504	94,789	2	%
Defitelio® (defibrotide)/defibrotide	15,257	20,244	(25)	)%	32,620	32,453	1	%
Prialt® (ziconotide) intrathecal infusion	7,138	5,831	22	%	13,902	10,140	37	%
Psychiatry	9,372	11,732	(20)	)%	18,465	21,598	(15)	)%
Other	6,342	12,058	(47)	)%	17,114	23,362	(27)	)%
Product sales, net	332,106	289,100	15	%	639,141	534,086	20	%
Royalties and contract revenues	1,641	2,130	(23)	)%	3,909	4,063	(4)	)%
Total revenues	\$333,747	\$291,230	15	%	\$643,050	\$538,149	19	%

Product Sales, Net

Xyrem product sales increased in the three and six months ended June 30, 2015 compared to the same period in 2014, primarily due to a higher average net selling price and, to a lesser extent, an increase in sales volume. Price increases were instituted in August 2014 and February 2015 based on market analyses. Xyrem product sales volume increased by 7% and 10% in the three and six months ended June 30, 2015, respectively, compared to the same periods in 2014. The sales volume increase was driven by an increase in the average number of patients on Xyrem, which includes new patients, patients who have restarted Xyrem therapy and active patients who remained on Xyrem therapy. Erwinaze product sales decreased slightly in the three months ended June 30, 2015 compared to the same period in 2014, primarily due to higher chargebacks and rebates resulting from increased utilization under the 340B drug pricing discount and Medicaid programs and a change in distributors near the end of the second quarter, partially offset by increases in average net selling prices and sales volumes. Erwinaze product sales increased slightly in the six months ended June 30, 2015 compared to the same period in 2014, primarily due to increases in sales volumes and average net selling prices, partially offset by higher chargebacks and rebates resulting from increased utilization under the 340B drug pricing discount and Medicaid programs. The sales volume increase was driven primarily by existing treatment sites identifying additional ALL patients with hypersensitivity to E. coli-derived asparaginase and, to a lesser extent, a growth in new treatment sites prescribing Erwinaze. Defitelio/defibrotide product sales decreased in the three months ended June 30, 2015 compared to the same period in 2014, primarily due to the impact of foreign exchange rates on sales made in euro and the discontinuation of the cost recovery program in the U.S. in July 2014. Defitelio/defibrotide product sales increased slightly in the six months ended June 30, 2015 compared to the period beginning from the closing of the Gentium Acquisition on January 23, 2014 to June 30, 2014, primarily due to higher volumes and average net selling prices, partially offset by the impact of foreign exchange rates on sales made in euro and the discontinuation of the cost recovery program in the U.S. On a pro forma basis, Defitelio/defibrotide product sales decreased in the six months ended June 30, 2015 compared to the same period in 2014, primarily due to the impact of foreign exchange rates on sales made in euro and the discontinuation of the U.S. cost recovery program, partially offset by higher average net selling prices and sales volumes. In July 2014, we ceased our cost recovery program, and since then, patients in the U.S. receive defibrotide at no cost through an expanded access program. Prialt product sales increased in the three and six months ended June 30, 2015 compared to the same periods in 2014, primarily due to an increase in sales volumes. Psychiatry product sales decreased in the three and six months ended June 30, 2015 compared to the same periods in 2014, primarily due to generic competition. Other sales decreased in the three and six months ended June 30, 2015 compared to the same periods in 2014, primarily due to our sale of certain products and the related business that we acquired as part of the EUSA Acquisition. We expect total product sales will increase in 2015 over 2014, primarily due to anticipated growth in sales of our lead marketed products, partially offset by decreases in sales of certain other products.

Royalties and Contract Revenues

Royalties and contract revenues decreased in the three and six months ended June 30, 2015 compared to the same periods in 2014. We expect royalties and contract revenues in 2015 to be lower than 2014 due to a milestone payment of \$2.0 million that we received in 2014.



Table of Contents

## Cost of Product Sales

Cost of product sales decreased in the three months ended June 30, 2015 compared to the same period in 2014, primarily due to a change in product mix, and to a lesser extent, acquisition accounting inventory fair value step-up adjustments of \$2.5 million in the three months ended June 30, 2014, partially offset by an increase in net product sales. Cost of product sales decreased in the six months ended June 30, 2015 compared to the same period in 2014, primarily due to acquisition accounting inventory fair value step-up adjustments of \$10.5 million in the six months ended June 30, 2014, partially offset by an increase in net product sales. Gross margin as a percentage of net product sales was 93.4% and 92.2% in the three and six months ended June 30, 2015, respectively, compared to 89.4% and 88.5% for the same periods in 2014. The increase in our gross margin percentage was primarily due to a change in product mix and, to a lesser extent, a decrease in acquisition accounting inventory fair value step-up adjustments. We expect our gross margin as a percentage of net product sales in 2015 to be slightly higher than in 2014, primarily due to a change in product mix.

## Selling, General and Administrative Expenses

Selling, general and administrative expenses increased in the three months ended June 30, 2015 compared to the same period in 2014, primarily due to an increase in compensation-related expenses of \$6.7 million driven by higher headcount and an increase in other expenses of \$4.7 million related to the expansion of our business, partially offset by a decrease in transaction and integration expenses of \$4.8 million. Selling, general and administrative expenses increased in the six months ended June 30, 2015 compared to the same period in 2014, primarily due to an increase in compensation-related expenses of \$18.0 million driven by higher headcount and an increase in other expenses of \$16.9 million related to the expansion of our business, partially offset by a decrease in transaction and integration expenses of \$22.3 million. We expect that selling, general and administrative expenses will increase in 2015 compared to 2014, primarily due to higher headcount to support our larger, global organization, increases in direct marketing spend and support of our lead marketed products, increases in professional services expenses and costs of preparing for a potential launch of defibrotide in the United States.

## Research and Development Expenses

Research and development expenses consist primarily of personnel expenses, costs related to clinical studies and outside services, and other research and development costs. Personnel expenses relate primarily to salaries, benefits and share-based compensation. Clinical study and outside services costs relate primarily to services performed by clinical research organizations, materials and supplies, and other third party fees. Other research and development expenses primarily include overhead allocations consisting of various support and facilities-related costs. We do not track fully-burdened research and development expenses on a project-by-project basis. We manage our research and development expenses by identifying the research and development activities that we anticipate will be performed during a given period and then prioritizing efforts based on our assessment of what development activities are important to our business and have a reasonable probability of success, and by dynamically allocating resources accordingly. We also continually review our development pipeline projects and the status of their development and, as necessary, reallocate resources among our development pipeline projects that we believe will best support the future growth of our business.

The following table provides a breakout of our research and development expenses by major categories of expense (in thousands):

	Three Months Ended		Six Months Ended	
	June 30, 2015	2014	June 30, 2015	2014
Clinical studies and outside services	\$16,010	\$9,246	\$31,313	\$18,752
Personnel expenses	9,746	8,249	19,854	15,965
Other	2,077	2,595	3,847	3,482
Total	\$27,833	\$20,090	\$55,014	\$38,199

Research and development expenses increased by \$7.7 million and \$16.8 million in the three and six months ended June 30, 2015, respectively, compared to the same periods in 2014, primarily due to increased clinical studies and outside services costs of \$6.8 million and \$12.6 million in the three and six months ended June 30, 2015, respectively, as a result of higher costs incurred to develop our sleep and hematology/oncology product candidates, primarily related to JZP-110, as well as increased costs related to development programs for defibrotide. Personnel expenses increased by \$1.5 million and \$3.9 million in the three and six months ended June 30, 2015, respectively, compared to the same periods in 2014, primarily due to salary and benefit-related expenses (including share-based compensation) in support of our development programs.

Table of Contents

For 2015 and beyond, we expect that our research and development expenses will continue to increase substantially from historical levels due to planned clinical trials and development work. A discussion of the risks and uncertainties with respect to our research and development activities, including completing the development of our product candidates, and the consequences to our business, financial condition, results of operations and growth prospects can be found in Part II, Item 1A “Risk Factors” of this Quarterly Report on Form 10-Q.

**Acquired In-Process Research and Development**

In the first half of 2014, we acquired the worldwide development, manufacturing and commercial rights to JZP-110, other than in certain jurisdictions in Asia, for an upfront payment of \$125.0 million. We also paid a \$2.0 million milestone which was triggered on assignment of the JZP-110 rights to us.

**Intangible Asset Amortization**

Intangible asset amortization decreased in the three and six months ended June 30, 2015 compared to the same periods in 2014 primarily due to the cessation of amortization on intangible assets classified as assets held for sale as of December 31, 2014 and certain other intangible assets that were fully amortized in 2014. As a result, we expect intangible asset amortization to decrease in 2015 compared to 2014.

**Impairment Charges**

In the three and six months ended June 30, 2014, we recorded an impairment charge of \$32.8 million on acquired developed technologies related to certain products acquired as part of the EUSA Acquisition. Sales of these products were reported under “Other” products.

**Interest Expense, Net**

Interest expense, net increased by \$4.4 million and \$10.6 million in the three and six months ended June 30, 2015, respectively, compared to the same periods in 2014, primarily due to a larger debt balance. In August 2014, we issued \$575.0 million principal amount of 1.875% exchangeable senior notes due 2021, or the 2021 Notes, which remained outstanding at June 30, 2015. On June 18, 2015, we entered into the June 2015 credit agreement, which provides for a \$750.0 million principal amount term loan, which was drawn in full at closing, and a \$750.0 million revolving credit facility, of which \$160.0 million was drawn at closing. We used the proceeds from initial borrowings under the June 2015 credit agreement to repay in full the \$893.1 million principal amount of term loans outstanding under the 2012 credit agreement and to pay related fees and expenses. As a result of this refinancing, we reduced the interest rate on our term loan and revolving credit facility borrowings and extended the maturity date of our term loan and revolving credit facility from June 2018 and June 2017, respectively, to June 2020. We expect interest expense to be higher in 2015 compared to 2014 due to the increase in our debt balance and the amortization of the debt discount on the 2021 Notes, partially offset by the reduction in interest rates on borrowings under the June 2015 credit agreement as compared to the 2012 credit agreement.

**Foreign Currency (Gain) Loss**

The foreign currency (gain) loss in the three and six months ended June 30, 2015 primarily related to the translation of euro denominated net monetary liabilities, including intercompany balances, held by subsidiaries with a U.S. dollar functional currency.

**Loss on Extinguishment and Modification of Debt**

In the three and six months ended June 30, 2015, we recorded a loss of \$16.8 million in connection with a refinancing of our term loan and revolving credit facilities in June 2015, which was comprised of \$16.0 million related to the expensing of unamortized deferred financing costs and unamortized original issue discount associated with extinguished debt and \$0.8 million related to new third party fees associated with the modification of existing debt.

Table of Contents

## Income Tax Provision

Our income tax provision for the three and six months ended June 30, 2015 was \$30.6 million and \$62.7 million, respectively, compared to \$19.4 million and \$36.4 million for the same periods in 2014. Our effective tax rates for the three months ended June 30, 2015 and 2014 were 25.8% and 30.7%, respectively. Our effective tax rate for the six months ended June 30, 2015 was 28.3%. After adjusting the loss before income tax provision for the six months ended June 30, 2014 by excluding upfront and milestone payments of \$127.0 million for rights to JZP-110, which were acquired by our subsidiary in a non-taxable jurisdiction, the effective tax rate on the resulting income before income tax provision for the six months ended June 30, 2014 was 32.1%. The decrease in the effective tax rates was primarily due to changes in income mix among the various jurisdictions in which we operate, increased originating tax credits and increased deductions available in relation to subsidiary equity. The effective tax rates for the three and six months ended June 30, 2015 were higher than the Irish statutory rate of 12.5% primarily due to income taxable at a rate higher than the Irish statutory rate, uncertain tax positions, and various expenses not deductible for tax purposes, partially offset by originating tax credits and deductions available in relation to subsidiary equity. We do not provide for Irish income taxes on undistributed earnings of our foreign operations that are intended to be indefinitely reinvested in our foreign subsidiaries.

## Net Loss Attributable to Noncontrolling Interests, Net of Tax

Net loss attributable to noncontrolling interests, net of tax relates to the portion of the net loss of Gentium not attributable, directly or indirectly, to our ownership interest.

## Non-GAAP Financial Measures

To supplement our financial results presented on a U.S. generally accepted accounting principles, or GAAP basis, we use certain non-GAAP, also referred to as adjusted or non-GAAP adjusted, financial measures as shown in the table below. We believe that each of these non-GAAP financial measures is helpful in understanding our past financial performance and potential future results, particularly in light of the effect of various acquisition and divestiture transactions effected by us. They are not meant to be considered in isolation or as a substitute for comparable GAAP measures and should be read in conjunction with our consolidated financial statements prepared in accordance with GAAP. Our management regularly uses these supplemental non-GAAP financial measures internally to understand, manage and evaluate our business and make operating decisions. Compensation of our executives is based in part on the performance of our business based on certain of these non-GAAP financial measures. In addition, we believe that the presentation of these non-GAAP financial measures is useful to investors because it enhances the ability of investors to compare our results from period to period and allows for greater transparency with respect to key financial metrics we use in making operating decisions, and also because our investors and analysts regularly use them to model and track our financial performance. Investors should note that these non-GAAP financial measures are not prepared under any comprehensive set of accounting rules or principles and do not reflect all of the amounts associated with our results of operations as determined in accordance with GAAP. Investors should also note that these non-GAAP financial measures have no standardized meaning prescribed by GAAP and, therefore, have limits in their usefulness to investors. In addition, from time to time in the future there may be other items that we may exclude for purposes of our non-GAAP financial measures; and we have ceased, and may in the future cease, to exclude items that we have historically excluded for purposes of our non-GAAP financial measures. In this regard, beginning with the first quarter of 2015, we no longer include an adjustment for depreciation expense in our non-GAAP financial measures. For purposes of comparability, non-GAAP adjusted financial measures for 2014 do not include an adjustment for depreciation expense. In addition, because of the non-standardized definitions of non-GAAP financial measures, the non-GAAP financial measures used in this Quarterly Report on Form 10-Q may be calculated differently from, and therefore may not be directly comparable to, similarly titled measures used by our competitors and other companies. In the table below, adjusted net income measures attributable to Jazz Pharmaceuticals plc (and the related per share measures) exclude from GAAP net income (loss) attributable to Jazz Pharmaceuticals plc (and the related per share measures), as applicable, intangible asset amortization, share-based compensation expense, restructuring charges, transaction and integration costs, acquired in-process research and development expenses, impairment charges,

acquisition accounting inventory fair value step-up adjustments, non-cash interest expense and loss on extinguishment and modification of debt; adjust the income tax provision to the estimated amount of taxes payable in cash; and adjust for the amount attributable to noncontrolling interests.

Table of Contents

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

	Three Months Ended		Six Months Ended	
	June 30, 2015	2014 (1)	June 30, 2015	2014 (1)
GAAP reported net income (loss) attributable to Jazz Pharmaceuticals plc	\$88,114	\$43,659	\$158,814	\$(48,991)
Intangible asset amortization	23,668	32,795	48,345	63,977
Share-based compensation expense	23,300	18,552	44,119	32,367
Restructuring charges	—	—	553	—
Transaction and integration costs	—	4,907	155	22,640
Acquired in-process research and development	—	—	—	127,000
Impairment charges	—	32,806	—	32,806
Acquisition accounting inventory fair value step-up adjustments	—	2,455	—	10,477
Non-cash interest expense	6,032	1,900	12,048	3,538
Loss on extinguishment and modification of debt	16,815	—	16,815	—
Income tax adjustments (2)	(5,748)	(10,900)	(3,600)	(16,844)
Adjustments for amount attributable to noncontrolling interests (3)	(2)	(244)	(2)	(1,502)
Non-GAAP adjusted net income attributable to Jazz Pharmaceuticals plc	\$152,179	\$125,930	\$277,247	\$225,468
GAAP reported net income (loss) attributable to Jazz Pharmaceuticals plc per diluted share	\$1.40	\$0.70	\$2.52	\$(0.83)
Non-GAAP adjusted net income attributable to Jazz Pharmaceuticals plc per diluted share	\$2.41	\$2.02	\$4.40	\$3.61
Shares used in computing GAAP reported net income (loss) attributable to Jazz Pharmaceuticals plc per diluted share amounts	63,090	62,378	63,028	59,025
Shares used in computing non-GAAP adjusted net income attributable to Jazz Pharmaceuticals plc per diluted share amounts	63,090	62,378	63,028	62,451

(1) For purposes of comparability with our 2015 presentation, non-GAAP adjusted financial measures for 2014 do not include an adjustment for depreciation expense.

(2) Tax adjustments to convert the income tax provision to the estimated amount of taxes payable in cash.

(3) The noncontrolling interests' share of the above adjustments, as applicable.

### Liquidity and Capital Resources

As of June 30, 2015, we had cash and cash equivalents of \$921.6 million, borrowing availability under our revolving credit facility of \$588.9 million and long-term debt of \$1.5 billion. Our long-term debt included our \$750.0 million aggregate principal amount term loan, \$575.0 million principal amount of the 2021 Notes, borrowings under our revolving credit facility of \$160.0 million and other borrowings of \$1.5 million. We generated cash flows from operations of \$237.1 million during the six months ended June 30, 2015 and we expect to continue to generate positive cash flows from operations during 2015.

On June 18, 2015, we entered into the June 2015 credit agreement and terminated our 2012 credit agreement. The June 2015 credit agreement provides for a five-year \$750.0 million principal amount term loan, which was drawn in full at closing, and a five-year \$750.0 million revolving credit facility, of which \$160.0 million was drawn at closing. We used the proceeds from initial borrowings under the June 2015 credit agreement to repay in full the \$893.1 million principal amount of term loans outstanding under the 2012 credit agreement and to pay related fees and expenses. We expect to use future loans under the new revolving credit facility, if any, for general corporate purposes, including potential business development activities.

Table of Contents

In March 2015, we sold certain products and the related business that we originally acquired as part of the EUSA Acquisition. The purchase price for the products and related business was \$34.0 million, subject to pre- and post-closing purchase price adjustments. We received approximately \$33 million in cash after purchase price adjustments were made.

We believe that our existing cash balances, cash we expect to generate from operations and funds available under our revolving credit facility will be sufficient to fund our operations and to meet our existing obligations for the foreseeable future, including our obligations under the June 2015 credit agreement. The adequacy of our cash resources depends on many assumptions, including primarily our assumptions with respect to product sales and expenses, as well as the other factors set forth in Part II, Item 1A “Risk Factors” of this Quarterly Report on Form 10-Q under the headings “Xyrem is our largest selling product, and our inability to maintain or increase sales of Xyrem would have a material adverse effect on our business, financial condition, results of operations and growth prospects,” “If generic versions of Xyrem or other sodium oxybate products that compete with Xyrem are approved and launched, sales of Xyrem would be adversely affected,” “The manufacture, distribution and sale of Xyrem are subject to significant regulatory oversight and restrictions and the requirements of a risk evaluation and mitigation strategy, and these restrictions and requirements, as well as the potential impact of changes to these restrictions and requirements, subject us to increased risks and uncertainties, any of which could negatively impact sales of Xyrem,” and “To continue to grow our business, we will need to commit substantial resources, which could result in future losses or otherwise limit our opportunities or affect our ability to operate our business.” Our assumptions may prove to be wrong or other factors may adversely affect our business, and as a result we could exhaust or significantly decrease our available cash resources and we may not be able to generate sufficient cash to service our debt obligations which could, among other things, force us to raise additional funds and/or force us to reduce our expenses, either of which could have a material adverse effect on our business.

To continue to grow our business over the longer term, we plan to commit substantial resources to product acquisition and in-licensing, product development, clinical trials of product candidates and expansion of our commercial, manufacturing and other operations. In this regard, we have evaluated and expect to continue to evaluate a wide array of strategic transactions as part of our strategy to acquire or in-license and develop additional products and product candidates. Acquisition opportunities that we pursue could materially affect our liquidity and capital resources and may require us to incur additional indebtedness, seek equity capital or both. In addition, we may pursue new operations or continue the expansion of our existing operations, such as the construction and opening of a manufacturing and development facility in Ireland announced in February 2014, in which we expect to invest a total of approximately €45 to €50 million. Accordingly, we expect to continue to opportunistically seek access to additional capital to license or acquire additional products, product candidates or companies, to expand our operations or for general corporate purposes. Raising additional capital could be accomplished through one or more public or private debt or equity financings, collaborations or partnering arrangements. Any equity financing would be dilutive to our shareholders, and the consent of the lenders under the June 2015 credit agreement could be required for certain financings.

In May 2013, our board of directors authorized a share repurchase program pursuant to which we may repurchase a number of ordinary shares having an aggregate repurchase price of up to \$200 million, exclusive of any brokerage commissions. In the six months ended June 30, 2015, we spent a total of \$11.7 million to purchase 0.1 million of our ordinary shares under the share repurchase program at an average total purchase price, including commissions, of \$165.05 per share. All ordinary shares repurchased by us were canceled. As of June 30, 2015, the remaining amount authorized under the share repurchase program was \$9.7 million.

The following table presents a summary of our cash flows for the periods indicated (in thousands):

	Six Months Ended	
	June 30,	
	2015	2014
Net cash provided by operating activities	\$237,126	\$143,647
Net cash provided by (used in) investing activities	6,271	(970,336)



Edgar Filing: Jazz Pharmaceuticals plc - Form 10-Q

Net cash provided by financing activities	3,962	458,207
Effect of exchange rates on cash and cash equivalents	(9,758	) 233
Net increase (decrease) in cash and cash equivalents	\$237,601	\$(368,249 )

Net cash provided by operating activities of \$237.1 million for the six months ended June 30, 2015 related to net income of \$158.8 million, adjusted for non-cash items of \$105.6 million primarily related to intangible asset amortization and share-based compensation expense. This was partially offset by \$27.3 million of net cash outflow related to changes in operating assets and liabilities which included an increase of \$13.3 million in our other non-current liabilities primarily relating to reserves for uncertain tax positions, an increase of \$13.7 million in our prepaid expenses primarily due to upfront payments to a clinical research organization and a decrease in accrued liabilities of \$18.1 million primarily driven by employee-related

Table of Contents

expenses, partially offset by an increase in income taxes payable. Net cash provided by operating activities of \$143.6 million for the six months ended June 30, 2014 related to a net loss of \$50.1 million, adjusted for upfront and milestone payments of \$127.0 million in respect of our acquisition of rights to JZP-110 and non-cash items of \$128.2 million primarily related to intangible asset amortization, impairment charges, share-based compensation expense and acquisition accounting inventory fair value step-up adjustments. This was partially offset by \$61.5 million of net cash outflow related to changes in operating assets and liabilities which included a decrease of \$31.6 million in our accounts payable primarily due to the payment of transaction costs arising from the Gentium Acquisition and \$14.9 million in respect of the payment of the contingent consideration following the EUSA Acquisition.

Net cash provided by investing activities for the six months ended June 30, 2015 primarily related to net proceeds of \$33.7 million from the sale of certain products and the related business that we originally acquired as part of the EUSA Acquisition, partially offset by purchases of property and equipment of \$27.4 million primarily related to the construction of a manufacturing and development facility in Ireland. Net cash used in investing activities for the six months ended June 30, 2014 primarily related to the funding of the Gentium Acquisition, the acquisition of rights to JZP-110 and, to a lesser extent, purchases of property and equipment.

Net cash provided by financing activities for the six months ended June 30, 2015 primarily related to borrowings totaling \$901.0 million under the June 2015 credit agreement, proceeds of \$26.7 million from employee equity incentive and purchase plans, offset by a repayment of \$895.4 million for the principal amount outstanding of term loans under the 2012 credit agreement, payment of employee withholding taxes of \$16.7 million related to share-based awards and \$11.7 million used to repurchase our ordinary shares under our share repurchase program. Net cash provided by financing activities for the six months ended June 30, 2014 primarily related to net proceeds of \$636.4 million from the term loans and borrowings under our revolving credit facility from our 2012 credit agreement, as amended, proceeds of \$31.6 million from employee equity incentive and purchase plans and exercise of warrants, partially offset by \$136.6 million for the acquisition of noncontrolling interests in Gentium, \$35.1 million in respect of the payment of the contingent consideration following the EUSA Acquisition and \$23.5 million used to repurchase our ordinary shares under our share repurchase program.

Credit Agreement

On June 18, 2015, Jazz Pharmaceuticals plc, as guarantor, and certain of its wholly owned subsidiaries, as borrowers, entered into the June 2015 credit agreement, which provides for a \$750.0 million principal amount term loan, which was drawn in full at closing, and a \$750.0 million revolving credit facility, of which \$160.0 million was drawn at closing. We used the proceeds from initial borrowings under the June 2015 credit agreement to repay in full the \$893.1 million principal amount of term loans outstanding under the 2012 credit agreement and to pay related fees and expenses. The 2012 credit agreement was terminated upon repayment of the term loans under this agreement.

Under the June 2015 credit agreement, the term loan matures on June 18, 2020 and the revolving credit facility terminates, and any loans outstanding thereunder become due and payable, on June 18, 2020.

Borrowings under the June 2015 credit agreement bear interest, at our option, at a rate equal to either (a) the LIBOR rate, plus an applicable margin ranging from 1.50% to 2.25% per annum, based upon our secured leverage ratio, or (b) the prime lending rate, plus an applicable margin ranging from 0.50% to 1.25% per annum, based upon our secured leverage ratio. The revolving credit facility has a commitment fee payable on the undrawn amount ranging from 0.25% to 0.35% per annum based upon our secured leverage ratio.

As of June 30, 2015, the interest rate on the term loan was 2.04% and the effective interest rate was 2.38%. As of June 30, 2015, we had drawn \$160.0 million under the revolving credit facility and a further \$1.1 million was committed for an outstanding letter of credit. As of June 30, 2015, the interest rate on borrowings under the revolving credit facility was 1.94%.

Jazz Pharmaceuticals plc and certain of our wholly-owned subsidiaries are borrowers under the June 2015 credit agreement. The borrowers' obligations under the credit agreement, and any hedging or cash management obligations entered into with a lender, are guaranteed on a senior secured basis by Jazz Pharmaceuticals plc and certain of its subsidiaries (including the issuer of the 2021 Notes as described below) and are secured by substantially all of Jazz Pharmaceuticals plc's, the borrowers' and the guarantor subsidiaries' assets.

We may make voluntary prepayments of principal at any time without payment of a premium. We are required to make mandatory prepayments of the term loan (without payment of a premium) with (1) net cash proceeds from certain non-ordinary course asset sales (subject to reinvestment rights and other exceptions), (2) net cash proceeds from issuances of debt (other than certain permitted debt), and (3) casualty proceeds and condemnation awards (subject to reinvestment rights and other exceptions).

Table of Contents

Principal repayments of the term loan, which are due quarterly, will begin in December 2015 and are equal to 5.0% per annum of the original principal amount of \$750.0 million during the first two years, 7.5% per annum during the third year, 10.0% per annum during the fourth year and 12.5% per annum during the fifth year, with any remaining balance payable on the maturity date.

The June 2015 credit agreement contains customary representations and warranties and customary affirmative and negative covenants applicable to us and our restricted subsidiaries, including, among other things, restrictions on indebtedness, liens, investments, mergers, dispositions, prepayment of other indebtedness and dividends and other distributions. The June 2015 credit agreement contains financial covenants that require us to (a) not exceed a maximum secured net leverage ratio or (b) not fall below a cash interest coverage ratio. We were, as of June 30, 2015, and are currently in compliance with these financial covenants.

2021 Notes

In August 2014, Jazz Pharmaceuticals plc, through its wholly-owned finance subsidiary Jazz Investments I Limited, completed a private placement of \$575.0 million principal amount of the 2021 Notes. The 2021 Notes are the senior unsecured obligations of Jazz Investments I Limited and are fully and unconditionally guaranteed on a senior unsecured basis by Jazz Pharmaceuticals plc. Interest on the 2021 Notes is payable semi-annually in cash in arrears on February 15 and August 15 of each year, beginning on February 15, 2015, at a rate of 1.875% per year. In certain circumstances, we may be required to pay additional amounts as a result of any applicable tax withholding or deductions required in respect of payments on the 2021 Notes. The 2021 Notes mature on August 15, 2021, unless earlier exchanged, repurchased or redeemed.

The holders of the 2021 Notes have the ability to require us to repurchase all or a portion of their 2021 Notes for cash in the event we undergo certain fundamental changes, such as specified change of control transactions, our liquidation or dissolution or the delisting of our ordinary shares from The NASDAQ Global Select Market. Prior to August 15, 2021, we may redeem the 2021 Notes, in whole but not in part, subject to compliance with certain conditions, if we have, or on the next interest payment date would, become obligated to pay to the holder of any 2021 Note additional amounts as a result of certain tax-related events. We also may redeem the 2021 Notes on or after August 20, 2018, in whole or in part, if the last reported sale price per ordinary share has been at least 130% of the exchange price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period ending on, and including, the trading day immediately preceding the date on which we provide the notice of redemption.

The 2021 Notes are exchangeable at an initial exchange rate of 5.0057 ordinary shares per \$1,000 principal amount of 2021 Notes, which is equivalent to an initial exchange price of approximately \$199.77 per ordinary share. Upon exchange, the 2021 Notes may be settled in cash, ordinary shares or a combination of cash and ordinary shares, at our election. Our intent and policy is to settle the principal amount of the 2021 Notes in cash upon exchange. The exchange rate will be subject to adjustment in some events but will not be adjusted for any accrued and unpaid interest. In addition, following certain make-whole fundamental changes occurring prior to the maturity date of the 2021 Notes or upon our issuance of a notice of redemption, we will in certain circumstances increase the exchange rate for holders of the 2021 Notes who elect to exchange their 2021 Notes in connection with that make-whole fundamental change or during the related redemption period. Prior to February 15, 2021, the 2021 Notes will be exchangeable only upon satisfaction of certain conditions and during certain periods, and thereafter, at any time until the close of business on the second scheduled trading day immediately preceding the maturity date.

Table of Contents

## Contractual Obligations

The table below presents a summary of our contractual obligations as of June 30, 2015 (in thousands):

Contractual Obligations (1)	Payments Due By Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 years
Term and other loans - principal	\$751,496	\$28,611	\$89,782	\$633,020	\$83
Term and other loans - interest (2)	67,111	15,431	28,443	23,235	2
2021 Notes - principal	575,000	—	—	—	575,000
2021 Notes - interest (3)	70,078	10,781	21,563	21,562	16,172
Revolving credit facility - principal	160,000	—	—	160,000	—
Revolving credit facility - interest (2)	15,712	3,251	6,278	6,183	—
Revolving credit facility - commitment fee (4)	8,966	1,855	3,582	3,529	—
Purchase obligations (5)	37,960	36,399	400	431	730
Operating lease obligations (6)	117,600	11,112	22,199	14,330	69,959
Total	\$1,803,923	\$107,440	\$172,247	\$862,290	\$661,946

(1) This table does not include potential future milestone payment or royalty obligations to third parties under asset purchase, product development, license and other agreements as the timing and likelihood of such milestone payments are not known, and, in the case of royalty obligations, as the amount of such obligations are not estimable. In 2014, we signed a definitive agreement with Aerial under which we acquired worldwide development, manufacturing and commercial rights to JZP-110 (other than in certain jurisdictions in Asia where SK retains rights). Aerial and SK are currently eligible to receive milestone payments up to an aggregate of \$270.0 million based on development, regulatory and sales milestones and tiered royalties from high single digits to mid-teens based on potential future sales of JZP-110. In 2014, we entered into a definitive agreement to acquire rights to defibrotide in the United States and all other countries in the Americas from Sigma-Tau Pharmaceuticals, Inc., or Sigma-Tau. Sigma-Tau is eligible to receive milestone payments of \$25.0 million upon the acceptance for filing by the FDA of the first NDA for defibrotide for VOD and up to an additional \$150.0 million based on the timing of potential FDA approval of defibrotide for VOD. Potential future milestone payments to other third parties under other agreements could be up to an aggregate of \$286.0 million, of which up to \$120.0 million will become due and payable to Perrigo Company plc (formerly Elan Pharmaceuticals, Inc.) in tiered contingent payments, with the first such payment becoming due if net sales of Prialta of at least \$75.0 million are achieved in a calendar year. The remainder would become due and payable to other third parties upon the achievement of certain developmental, clinical, regulatory and/or commercial milestones, the timing and likelihood of which are not known. We are also obligated under these agreements to pay royalties on net sales of certain products at specified rates, which royalties are dependent on future product sales and are not provided for in the table above as they are not estimable.

(2) The interest rate for our term loan was 2.04% at June 30, 2015, which we used to estimate interest owed on the term loan outstanding on June 30, 2015 until the maturity date in June 2020. The interest rate for the revolving credit facility was 1.94% at June 30, 2015, which we used to estimate interest owed on borrowings from the revolving credit facility on June 30, 2015 until the maturity date in June 2020, assuming no change in the drawn amount as of June 30, 2015.

(3) We used the fixed interest rate of 1.875% to estimate interest owed on the 2021 Notes as of June 30, 2015 until the final maturity date in August 2021.

(4) Our revolving credit facility has a commitment fee payable on the undrawn amount ranging from 0.25% to 0.35% per annum based upon our secured leverage ratio. In the table above, we used a rate of 0.30% and assumed undrawn amounts of \$588.9 million to estimate commitment fees owed.

(5) Consists primarily of non-cancelable commitments to third party manufacturers.

Includes automobile lease payments for our sales force and the minimum lease payments for our office buildings, including a lease agreement we entered into in January 2015 to lease office space located in Palo Alto, California. We expect to occupy this office space by the end of 2017. We are obligated to make lease payments totaling (6) approximately \$88 million over the initial term of the lease. Not included in the table above are our estimated costs of approximately \$20 million associated with the design, development and construction of tenant improvements under this lease agreement, which estimate does not include a tenant improvement allowance to be provided by the landlord. Operating expenses associated with our leased office buildings are also not included in table above.

We do not provide for Irish income taxes on undistributed earnings of our foreign operations that are intended to be indefinitely reinvested in our foreign subsidiaries. In addition, our liability for unrecognized tax benefits has been excluded from the above contractual obligations table as the nature and timing of future payments, if any, cannot be reasonably

## Table of Contents

estimated. We do not anticipate that the amount of our existing liability for unrecognized tax benefits will significantly change in the next twelve months.

### Critical Accounting Estimates

To understand our financial statements, it is important to understand our critical accounting estimates. The preparation of our financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates and assumptions are required in determining the amounts to be deducted from gross revenues, in particular estimates of government rebates, which include Medicaid and TRICARE rebates, and estimated product returns. Significant estimates and assumptions are also required to determine whether to capitalize intangible assets, the amortization periods for identifiable intangible assets, the potential impairment of goodwill and other intangible assets, income taxes and share-based compensation. Some of these judgments can be subjective and complex, and, consequently, actual results may differ from these estimates. For any given individual estimate or assumption we make, there may also be other estimates or assumptions that are reasonable. Although we believe our estimates and assumptions are reasonable, they are based upon information available at the time the estimates and assumptions were made.

Our critical accounting policies and significant estimates are detailed in our Annual Report on Form 10-K for the year ended December 31, 2014. Our critical accounting policies and significant estimates have not changed substantially from those previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2014.

### Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

### Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which are subject to the “safe harbor” created by those sections. Forward-looking statements are based on our management’s beliefs and assumptions and on information currently available to our management. In some cases, you can identify forward-looking statements by terms such as “may,” “will,” “should,” “could,” “would,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “project,” “predict,” “propose,” “intend,” “continue,” “potential,” “possible,” “foreseeable,” “likely,” “unforeseen” expressions intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance, time frames or achievements to be materially different from any future results, performance, time frames or achievements expressed or implied by the forward-looking statements. We discuss many of these risks, uncertainties and other factors in this Quarterly Report on Form 10-Q in greater detail under Part II, Item 1A “Risk Factors.” Given these risks, uncertainties and other factors, you should not place undue reliance on these forward-looking statements. Also, these forward-looking statements represent our estimates and assumptions only as of the date of this filing. You should read this Quarterly Report on Form 10-Q completely and with the understanding that our actual future results may be materially different from what we expect. We hereby qualify our forward-looking statements by our cautionary statements. Except as required by law, we assume no obligation to update these forward-looking statements publicly, or to update the reasons that actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.

### Item 3. Quantitative and Qualitative Disclosures About Market Risk

During the three and six months ended June 30, 2015, there were no material changes to our market risk disclosures as set forth in Part II, Item 7A “Quantitative and Qualitative Disclosures About Market Risk” in our Annual Report on

Form 10-K for the year ended December 31, 2014, except as set forth below.

Interest Rate Risk. On June 18, 2015, we entered into the June 2015 credit agreement, which provides for a \$750.0 million principal amount term loan, which was drawn in full at closing, and a \$750.0 million revolving credit facility, of which \$160.0 million was drawn at closing. We are exposed to risks associated with changes in interest rates in connection with our term loan and borrowings under our revolving credit facility. Based on indebtedness under our term loan and revolving credit facility of \$910.0 million as of June 30, 2015, a 1.0% increase in interest rates would increase the related net interest expense for the remainder of 2015 by \$4.7 million.



Table of Contents

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. We have carried out an evaluation under the supervision and with the participation of management, including our principal executive officer and principal financial officer, of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on their evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of June 30, 2015.

Limitations on the Effectiveness of Controls. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, if any, within an organization have been detected. Accordingly, our disclosure controls and procedures are designed to provide reasonable, not absolute, assurance that the objectives of our disclosure control system are met and, as set forth above, our principal executive officer and principal financial officer have concluded, based on their evaluation as of the end of the period covered by this report, that our disclosure controls and procedures were effective to provide reasonable assurance that the objectives of our disclosure control system were met.

Changes in Internal Control over Financial Reporting. During the quarter ended June 30, 2015, there have been no changes to our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

Xyrem ANDA Matters: On October 18, 2010, we received a notice of Paragraph IV Patent Certification, or Paragraph IV Certification, from Roxane Laboratories, Inc., or Roxane, that it had submitted an abbreviated new drug application, or ANDA, to the U. S. Food and Drug Administration, or FDA, requesting approval to market a generic version of Xyrem (sodium oxybate) oral solution. Roxane’s initial notice alleged that all five patents then listed for Xyrem in the FDA’s publication “Approved Drug Products with Therapeutic Equivalence Evaluations,” or Orange Book, on the date of the notice are invalid, unenforceable or not infringed by Roxane’s proposed generic product. On November 22, 2010, we filed a lawsuit against Roxane in response to Roxane’s initial notice in the U.S. District Court for the District of New Jersey, or the District Court, seeking a permanent injunction to prevent Roxane from introducing a generic version of Xyrem that would infringe our patents. In accordance with the Drug Price Competition and Patent Term Restoration Act of 1984, or Hatch-Waxman Act, as a result of our having filed a timely lawsuit against Roxane, FDA approval of Roxane’s ANDA was stayed for 30 months, or until April 18, 2013. That stay has expired. Additional patents covering Xyrem were issued between December 2010 and December 2012, and, after receiving Paragraph IV Certification notices from Roxane, we filed additional lawsuits against Roxane on February 4, 2011, May 2, 2011, October 26, 2012 and December 5, 2012 to include these additional patents in the litigation. All of the lawsuits filed against Roxane between 2010 and 2012 have been consolidated by the District Court into a single case, or the Roxane consolidated case, alleging that 10 of our patents covering Xyrem are or will be infringed by Roxane’s ANDA and seeking a permanent injunction to prevent Roxane from launching a generic version of Xyrem that would infringe these patents.

In December 2013, the District Court permitted Roxane to amend its answer in the Roxane consolidated case to allege additional equitable defenses, and the parties were given additional time for discovery on those new defenses. In addition, in March 2014, the District Court granted our motion to bifurcate and stay the portion of the Roxane consolidated case regarding patents related to the distribution system for Xyrem. Although no trial date has been scheduled, based on the District Court’s current schedule, we anticipate that trial on the patents in the Roxane consolidated case that are not subject to the stay could occur as early as the first quarter of 2016. We do not have any estimate of a possible trial date for trial on the patents in the Roxane consolidated case that are currently subject to the stay. The actual timing of events in this litigation may be significantly earlier or later than we currently anticipate, and we cannot predict the specific timing or outcome of events in this litigation.

On April 1, 2014 and January 15, 2015, we received additional notices of Paragraph IV Certification from Roxane regarding newly issued patents for Xyrem listed in the Orange Book. On February 20, 2015, we filed a new lawsuit against Roxane in the District Court, alleging that three of our patents covering Xyrem are infringed or will be infringed by Roxane’s ANDA and seeking a permanent injunction to prevent Roxane from introducing a generic version of Xyrem that would infringe these patents. On April 20, 2015, Roxane moved to dismiss claims involving our patent covering a part of the Xyrem label that instructs prescribers on adjusting the dose of Xyrem when it is being co-administered with divalproex sodium (also known as valproate or valproic acid) on the grounds that this patent does not cover patentable subject matter. We cannot predict the timing or outcome of events in this matter or its impact on the Roxane consolidated case.

On December 10, 2012, December 12, 2012 and August 8, 2013, we received notices of Paragraph IV Certification from Amneal Pharmaceuticals, LLC, or Amneal, that it had submitted an ANDA to the FDA requesting approval to market a generic version of Xyrem. On January 18, 2013 and September 12, 2013, we filed lawsuits against Amneal in the District Court, alleging that nine of our patents covering Xyrem are infringed or will be infringed by Amneal’s ANDA and seeking a permanent injunction to prevent Amneal from introducing a generic version of Xyrem that would infringe these patents. These lawsuits against Amneal were consolidated by the District Court on November 6, 2013.

On November 21, 2013 and November 24, 2013, we received notices of Paragraph IV Certification from Par Pharmaceutical, Inc., or Par, that it had submitted an ANDA to the FDA requesting approval to market a generic

version of Xyrem. On December 27, 2013, we filed a lawsuit against Par in the District Court, alleging that 13 of our patents covering Xyrem are infringed or will be infringed by Par's ANDA and seeking a permanent injunction to prevent Par from introducing a generic version of Xyrem that would infringe these patents.

In April 2014, Amneal asked the District Court to consolidate its case with the Par case, stating that both cases would proceed on the schedule for the Par case. The District Court granted this request in May 2014. The order consolidating the cases provides that Amneal's 30-month stay period will be extended to coincide with the date of Par's 30-month stay period. As a result, FDA's approval of both Amneal's and Par's ANDAs is stayed until the earlier of (i) May 20, 2016, or (ii) a District Court decision finding that the identified patents are invalid, unenforceable or not infringed. We cannot predict the timing or outcome of events in the Amneal/Par consolidated case or their impact on other ongoing proceedings with Amneal or Par as described below.

Table of Contents

On April 7, 2014 and January 19, 2015, we received additional notices of Paragraph IV Certification from Amneal regarding newly issued patents for Xyrem listed in the Orange Book. On May 20, 2014 and February 6, 2015, we filed additional lawsuits against Amneal in the District Court, alleging that four of our patents covering Xyrem are infringed or will be infringed by Amneal's ANDA and seeking a permanent injunction to prevent Amneal from introducing a generic version of Xyrem that would infringe these patents. We cannot predict the timing or outcome of events in these matters or their impact on other ongoing proceedings with Amneal.

On July 3, 2014, August 6, 2014 and November 25, 2014, we received additional notices of Paragraph IV Certification from Par regarding newly issued patents for Xyrem listed in the Orange Book. We filed additional lawsuits against Par in the District Court on August 15, 2014, October 2, 2014 and January 8, 2015, alleging that three of our patents covering Xyrem are infringed or will be infringed by Par's ANDA and seeking a permanent injunction to prevent Par from introducing a generic version of Xyrem that would infringe these patents. We cannot predict the timing or outcome of events in these matters or their impact on other ongoing proceedings with Par.

On June 4, 2014, we received a notice of Paragraph IV Certification from Ranbaxy Laboratories Limited, or Ranbaxy, that it had submitted an ANDA to the FDA requesting approval to market a generic version of Xyrem. On June 6, 2014, we received a notice of an amended Paragraph IV Certification from Ranbaxy. On July 15, 2014, we filed a lawsuit against Ranbaxy in the District Court, alleging that 14 of our patents covering Xyrem are infringed or will be infringed by Ranbaxy's ANDA and seeking a permanent injunction to prevent Ranbaxy from introducing a generic version of Xyrem that will infringe these patents. On August 20, 2014 and December 1, 2014, we received additional notices of Paragraph IV Certification from Ranbaxy regarding newly issued patents for Xyrem listed in the Orange Book. On October 2, 2014 and January 9, 2015, we filed additional lawsuits against Ranbaxy in the District Court, alleging that two of our patents covering Xyrem are infringed or will be infringed by Ranbaxy's ANDA and seeking a permanent injunction to prevent Ranbaxy from introducing a generic version of Xyrem that would infringe these patents. We cannot predict the timing or outcome of events in these matters or their impact on other ongoing proceedings with Ranbaxy.

On October 30, 2014, we received a notice of Paragraph IV Certification from Watson Laboratories, Inc., or Watson, that it has submitted an ANDA to the FDA requesting approval to market a generic version of Xyrem. On December 11, 2014, we filed a lawsuit against Watson in the District Court, alleging that 15 of our patents covering Xyrem are or will be infringed by Watson's ANDA and seeking a permanent injunction to prevent Watson from introducing a generic version of Xyrem that would infringe these patents. On March 23, 2015, Watson moved to dismiss the portion of the case based on our Orange Book-listed patents covering the distribution system for Xyrem on the grounds that these patents do not cover patentable subject matter. We cannot predict the timing or outcome of events in this litigation.

In January 2015, Amneal, Ranbaxy and Watson proposed the consolidation of their respective cases and a consolidated schedule to the District Court, while Par sought its own proposed schedule with the District Court, notwithstanding the prior consolidation of portions of the Par and Amneal cases. In April 2015, the District Court issued an order that consolidated all then-pending lawsuits against Amneal, Par, Ranbaxy and Watson into one case, the Amneal/Par/Ranbaxy/Watson consolidated case. Under a related scheduling order issued in March 2015, the District Court would hold a Markman hearing for the Amneal/Par/Ranbaxy/Watson consolidated case no earlier than January 2016. We cannot predict the timing or outcome of events in the Amneal/Par/Ranbaxy/Watson consolidated case or their impact on other ongoing proceedings with any ANDA filer.

On March 23, 2015, March 25, 2015, March 26, 2015 and April 16, 2015, we received an additional notice of Paragraph IV Certification from each of Par, Amneal, Ranbaxy and Roxane, respectively, regarding a newly issued method of treatment patent for Xyrem listed in the Orange Book. We filed additional lawsuits against Par, Amneal and Ranbaxy in the District Court on May 7, 2015 and against Roxane on June 1, 2015, alleging that this patent is infringed or will be infringed by Par's, Amneal's, Ranbaxy's and Roxane's ANDAs and seeking a permanent injunction to prevent each of these parties from introducing a generic version of Xyrem that would infringe this patent. We cannot predict the timing or outcome of events in these matters or their impact on other ongoing proceedings with any ANDA filer.

On May 14, 2015, we received an additional notice of Paragraph IV Certification from Watson regarding newly issued patents for Xyrem listed in the Orange Book. On June 26, 2015, we filed a lawsuit against Watson in the District Court, alleging that two of our patents covering Xyrem are or will be infringed by Watson's ANDA and seeking a permanent injunction to prevent Watson from introducing a generic version of Xyrem that would infringe these patents. We cannot predict the timing or outcome of events in this matter or its impact on other ongoing proceedings with any ANDA filer.

On June 8, 2015, we received a Paragraph IV Certification from Wockhardt Bio AG, or Wockhardt, that it has submitted an ANDA to the FDA requesting approval to market a generic version of Xyrem. Wockhardt's Paragraph IV Certification alleged that 15 patents listed in the Orange Book for Xyrem are invalid, unenforceable, and/or will not be infringed by Wockhardt's proposed generic product. On July 17, 2015, we filed a lawsuit in the District Court alleging that 17 of our patents covering Xyrem are or will be infringed by Wockhardt's ANDA and seeking a permanent injunction to prevent Wockhardt from

Table of Contents

introducing a generic version of Xyrem that would infringe our patents. We cannot predict the timing or outcome of events in this matter or its impact on other ongoing proceedings with any ANDA filer.

On July 23, 2015, we received a Paragraph IV Certification from Lupin Inc., or Lupin, that it has submitted an ANDA to the FDA requesting approval to market a generic version of Xyrem. Lupin's Paragraph IV Certification alleged that 16 patents listed in the Orange Book for Xyrem are invalid, unenforceable, and/or will not be infringed by Lupin's proposed generic product. We are evaluating initiation of litigation against Lupin. We cannot predict the timing or outcome of events in this matter or its impact on other ongoing proceedings with any ANDA filer.

Also on July 23, 2015, we received an additional notice of Paragraph IV Certification from Amneal regarding a newly issued patent for Xyrem listed in the Orange Book. We expect to file a lawsuit against Amneal in the District Court alleging that our patent is or will be infringed by Amneal's ANDA and seeking a permanent injunction to prevent Amneal from introducing a generic version of Xyrem that would infringe this patent. We cannot predict the timing or outcome of events in this matter or its impact on other ongoing proceedings with any ANDA filer.

Xyrem Post-Grant Patent Review Matters: Between June and August 2014, petitions seeking covered business method, or CBM, post-grant patent review by the Patent Trial and Appeal Board, or PTAB, of the U.S. Patent and Trademark Office, or USPTO, were filed by certain of the ANDA filers with respect to the validity of six of our patents related to the distribution system for Xyrem. In the fall of 2014, we filed preliminary responses to the petitions in which, among other things, we asserted that the challenged patents should not be subject to CBM review. In early 2015, the PTAB issued decisions denying institution of CBM review for all of these petitions.

In January 2015, certain of the ANDA filers filed petitions for inter partes review, or IPR, by the PTAB with respect to the validity of six patents covering the distribution system for Xyrem. In July 2015, the PTAB issued decisions instituting IPR trials with respect to these petitions, and we expect the PTAB to issue final decisions on the validity of the patents within a year of institution. In addition, in April 2015, a hedge fund (acting with affiliated entities and individuals and proceeding under the name of the Coalition for Affordable Drugs III LLC) filed an IPR petition challenging the validity of one of our Xyrem distribution patents that is already the subject of one of the IPR petitions proceeding to trial before the PTAB. In July 2015, we filed a preliminary response to this petition, opposing the petition and stating reasons that review should not be granted. The PTAB has not yet determined whether to institute proceedings with respect to this IPR petition. We cannot predict whether additional post-grant patent review challenges will be filed by any of the ANDA filers or any other entity, the outcome of any IPR or other proceeding, whether the PTAB will institute any petitioned IPR proceeding that has not yet been instituted, or the impact any IPR or other proceeding might have on ongoing ANDA litigation proceedings or other aspects of our Xyrem business.

FazaClo ANDA Matters: Azur Pharma Public Limited Company, or Azur Pharma (prior to the business combination between Jazz Pharmaceuticals, Inc. and Azur Pharma, or the Azur Merger), received notices of Paragraph IV Certifications from three generics manufacturers, Barr Laboratories, Inc., or Barr, Novel Laboratories, Inc., or Novel, and Mylan Pharmaceuticals, Inc., or Mylan, indicating that ANDAs had been filed with the FDA requesting approval to market generic versions of FazaClo® (clozapine, USP) LD orally disintegrating clozapine tablets. Azur Pharma and CIMA Labs Inc., or CIMA, a subsidiary of Teva Pharmaceutical Industries Limited, or Teva, our licensor and the entity whose drug-delivery technology is incorporated into FazaClo LD, filed a lawsuit in response to each certification claiming infringement based on such certification against Barr on August 21, 2008, against Novel on November 25, 2008 and against Mylan on July 23, 2010. Each case was filed in the U.S. District Court for the District of Delaware, or the Delaware Court. On July 6, 2011, CIMA, Azur Pharma and Teva, which had acquired Barr, entered into an agreement settling the patent litigation and Azur Pharma granted a sublicense to an affiliate of Teva of Azur Pharma's rights to have manufactured, market and sell a generic version of both FazaClo LD and FazaClo HD, as well as an option for supply of authorized generic product. The sublicense for FazaClo LD commenced in July 2012, and the sublicense for FazaClo HD commenced in May 2015. Teva exercised its option for supply of an authorized generic product for FazaClo LD and launched the authorized generic product at the end of August 2012. Teva has also exercised its option for supply of an authorized generic product for FazaClo HD. The Novel and Mylan matters had been stayed pending reexamination of the patents in the lawsuits. In September 2013 and January 2014, reexamination certificates were issued for the two patents-in-suit, and the patentability of the claims of the patents confirmed. The

Delaware Court lifted the stay of litigation in the two cases in March 2014. On December 19, 2014, we and CIMA entered into an agreement with Novel settling the patent litigation against Novel, and we granted Novel a patent sublicense to manufacture, market and sell its generic version of FazaClo LD and, if applicable, FazaClo HD. Novel's launch date will be May 1, 2017, or earlier upon the occurrence of certain events. On July 13, 2015, we entered into an agreement with Mylan settling the patent litigation against Mylan, and we granted Mylan a patent sublicense to manufacture, market, and sell its generic versions of both FazaClo LD and FazaClo HD, as well as an option for supply of authorized generic product upon the occurrence of certain events. Mylan's launch date will be May 1, 2016 for FazaClo LD and May 1, 2017 for FazaClo HD, or earlier depending upon the occurrence of certain events.

Table of Contents

Cutler Matter: On October 19, 2011, Dr. Neal Cutler, one of the original owners of FazaClo, filed a complaint against Azur Pharma and one of its subsidiaries, as well as Avanir Pharmaceuticals, Inc., or Avanir, in the California Superior Court in the County of Los Angeles, or the Superior Court. The complaint alleges that Azur Pharma and its subsidiary breached certain contractual obligations. Azur Pharma acquired rights to FazaClo from Avanir in 2007. The complaint alleges that as part of the acquisition of FazaClo, Azur Pharma's subsidiary agreed to assume certain contingent payment obligations to Dr. Cutler. The complaint further alleges that certain contingent payments are due because revenue thresholds have been achieved, entitling Dr. Cutler to a \$10.5 million and an additional \$25.0 million contingent payment, plus unspecified punitive damages and attorneys' fees. In March 2012, the Superior Court granted our petition to compel arbitration of the dispute in New York and stayed the Superior Court litigation. In July 2012, the arbitrator dismissed the arbitration on the grounds that the parties' dispute falls outside of the scope of the arbitration clause in the applicable contract. That ruling was affirmed by the California Court of Appeal in January 2014, and the case was remanded to Superior Court for discovery and trial. Trial has been scheduled for October 2015. We cannot predict the specific timing or outcome of this litigation.

From time to time we are involved in legal proceedings arising in the ordinary course of business. We believe there is no other litigation pending that could have, individually or in the aggregate, a material adverse effect on our results of operations or financial condition.

Item 1A. Risk Factors

We have identified the following risks and uncertainties that may have a material adverse effect on our business, financial condition or results of operations. The risks described below are not the only ones we face. Additional risks not presently known to us or that we currently believe are immaterial may also significantly impair our business operations. Our business could be harmed by any of these risks. The trading price of our ordinary shares could decline due to any of these risks, and you may lose all or part of your investment. In assessing these risks, you should also refer to the other information contained in this Quarterly Report on Form 10-Q, including our condensed consolidated financial statements and accompanying notes.

We have marked with an asterisk (\*) those risks described below that reflect substantive changes from, or additions to, the risks described in our Annual Report on Form 10-K for the year ended December 31, 2014.

Risks Relating to Xyrem and the Significant Impact of Xyrem Sales

Xyrem is our largest selling product, and our inability to maintain or increase sales of Xyrem would have a material adverse effect on our business, financial condition, results of operations and growth prospects.\*

Xyrem is our largest selling product and our financial results are significantly influenced by sales of Xyrem, which accounted for 74.6% and 72.1% of our net product sales for the three and six months ended June 30, 2015, respectively, and 67.0% of our net product sales for the year ended December 31, 2014. Our future plans assume that sales of Xyrem will increase. While Xyrem product sales grew from 2012 to 2013 and from 2013 to 2014, we cannot assure you that we can maintain sales of Xyrem at or near current levels, or that Xyrem sales will continue to grow. We have periodically increased the price of Xyrem, most recently in February 2015, and we cannot assure you that price adjustments we have taken or may take in the future will not negatively affect Xyrem sales volumes.

In addition to other risks described herein, our ability to maintain or increase Xyrem product sales is subject to a number of risks and uncertainties, the most important of which are discussed in more detail below, including those related to:

- the potential introduction of a generic version of Xyrem or an alternative sodium oxybate product for treating cataplexy and/or excessive daytime sleepiness, or EDS, in narcolepsy;
- changed or increased regulatory restrictions, including changes to our final approved risk evaluation and mitigation strategy, or REMS, the development of a single shared REMS for sodium oxybate with potential generic competitors, or regulatory actions by the FDA;
- our manufacturing partners' ability to obtain sufficient quota from the U.S. Drug Enforcement Administration, or DEA, to satisfy our needs for Xyrem;
-



any supply, manufacturing or distribution problems arising with any of our manufacturing and distribution partners, all of whom are sole source providers for us;  
• any increase in restrictive conditions for reimbursement required by, and the availability of reimbursement from, third party payors;  
• changes in healthcare laws and policy, including changes in requirements for rebates, reimbursement and coverage by federal healthcare programs;

Table of Contents

continued acceptance of Xyrem by physicians and patients, even in the face of negative publicity that surfaces from time to time;

changes to our label, including new safety warnings or changes to our boxed warning, that further restrict how we market and sell Xyrem;

any failure to transition to the final approved REMS in a timely manner and to the satisfaction of the FDA; and

potential disruptions in services during such transition and potential negative reactions from physicians and patients in response to activities involved in our transition to the final approved REMS.

These and the other risks described below related to Xyrem product sales and protection of our proprietary rights could have a material adverse effect on our ability to maintain or increase sales of Xyrem.

If sales of Xyrem were to decline significantly, we might need to reduce our operating expenses or to seek to raise additional funds, which would have a material adverse effect on our business, financial condition, results of operations and growth prospects, or we might not be able to acquire, in-license or develop new products in the future to grow our business.

If generic versions of Xyrem or other sodium oxybate products that compete with Xyrem are approved and launched, sales of Xyrem would be adversely affected.\*

Although Xyrem is covered by patents covering its manufacture, formulation, distribution system and method of use, seven third parties have filed ANDAs seeking FDA approval of generic versions of Xyrem, and additional third parties may also seek to introduce generic versions of Xyrem or other sodium oxybate products for treatment of cataplexy and/or EDS in narcolepsy. If one or more companies receive FDA approval of an ANDA for a generic version of Xyrem or a new drug application, or NDA, for other sodium oxybate products, it is possible that such company or companies could introduce generic versions of Xyrem or other sodium oxybate products before our patents expire if they do not infringe our patents, if it is determined that our patents are invalid or unenforceable, or if such company or companies decide, before applicable ongoing patent litigation is concluded, to launch a sodium oxybate product at risk of potentially being held liable for damages for patent infringement.

Seven companies have sent us notices of Paragraph IV Certification that each has filed an ANDA with the FDA seeking approval to market a generic version of Xyrem before the expiration of the Orange Book-listed patents relating to Xyrem. We have filed lawsuits seeking to prevent the introduction of a generic version of Xyrem that would infringe our patents, but we cannot assure you that any of the lawsuits will prevent the introduction of a generic version of Xyrem for any particular length of time, or at all. Additional ANDAs could also be filed requesting approval to market generic versions of Xyrem. If any of these applications is approved, and a generic version of Xyrem is introduced, our sales of Xyrem would be adversely affected. Although no trial date has been set in any of the ANDA suits, we anticipate that trial on some of the patents in the Roxane case could occur as early as the first quarter of 2016. However, the actual timing of events may be significantly earlier or later than we currently anticipate, and we cannot predict the timing or outcome of events in this or the other ANDA litigation.

In addition, between June and October 2014, petitions seeking CBM post-grant patent review by the PTAB were filed by certain of the ANDA filers with respect to the validity of six of our patents covering the distribution system for Xyrem. In early 2015, the PTAB issued decisions denying institution of CBM review for all of these petitions. In January 2015, certain of the ANDA filers filed petitions for IPR by the PTAB with respect to the validity of six patents covering the distribution system for Xyrem. In July 2015, the PTAB issued decisions instituting IPR trials with respect to these petitions, and we expect the PTAB to issue final decisions on the validity of the patents within a year of institution. In addition, in April 2015, a hedge fund (acting with affiliated entities and individuals and proceeding under the name of the Coalition for Affordable Drugs III LLC) filed an IPR petition challenging the validity of one of our Xyrem distribution patents that is already the subject of one of the IPR petitions proceeding to trial before the PTAB. In July 2015, we filed a preliminary response to this petition, opposing the petition and stating reasons that review should not be granted. The PTAB has not yet determined whether to institute proceedings with respect to this IPR petition. We cannot predict whether additional post-grant patent review challenges will be filed by any of the ANDA filers or any other entity, the outcome of any IPR or other proceeding, whether the PTAB will institute any petitioned IPR proceeding that has not yet been instituted, or the impact any IPR or other proceeding might have on

ongoing ANDA litigation proceedings or other aspects of our Xyrem business.

In accordance with the Hatch-Waxman Act, as a result of our having filed a timely lawsuit against Roxane, FDA approval of Roxane's ANDA was stayed until April 18, 2013, but that stay has expired. We do not know the status of Roxane's ANDA and cannot predict what actions the FDA or Roxane may take with respect to Roxane's ANDA. If Roxane's ANDA is approved by the FDA, Roxane may seek to launch a generic version of Xyrem prior to a District Court, or potential appellate court, decision in our ongoing patent litigation. While, in the event of such commercialization, Roxane would be liable to us for damages in the event we ultimately prevail in the patent litigation, we expect that the introduction of generic competition for Xyrem would have a material adverse effect on our business, financial condition, results of operations and growth prospects. See the risk factor in Part II, Item 1A of this Quarterly Report on Form 10-Q entitled "The manufacture, distribution and sale of

Table of Contents

Xyrem are subject to significant regulatory oversight and restrictions and the requirements of a risk evaluation and mitigation strategy, and these restrictions and requirements, as well as the potential impact of changes to these restrictions and requirements, subject us to increased risks and uncertainties, any of which could negatively impact sales of Xyrem.”

Other companies could also develop products that are similar, but not identical, to Xyrem, such as an alternative formulation or an alternative formulation combined with a different delivery technology, and seek approval in the United States by referencing Xyrem and relying, to some degree, on the FDA’s approval of Xyrem and related determinations of safety and efficacy. For example, in April 2014, we learned about the completion of a “first in man” clinical trial by a company using its proprietary technology for delivery of a sodium oxybate formulation to eliminate second nighttime dosing for narcolepsy patients. This company has stated that it anticipates starting a pivotal trial in late 2015 and submitting an NDA, referencing Xyrem, to the FDA in the first half of 2017. If this company is successful in developing a sodium oxybate formulation that could be effectively used with its delivery technology and is able to obtain FDA or other regulatory approval for its product to treat narcolepsy patients, we expect the launch of such a product would have a material adverse effect on our business, financial condition, results of operations and growth prospects.

A generic manufacturer or manufacturer of an alternative sodium oxybate product would need to obtain quota from the DEA in order to manufacture in the United States both the active pharmaceutical ingredient and the finished product to compete with Xyrem. The DEA publishes an annual aggregate quota for the active pharmaceutical ingredient of Xyrem, and our supplier is required to request and justify allocation of sufficient annual manufacturing quota as well as additional manufacturing quota if needed throughout the year. Through 2011, our active pharmaceutical ingredient supplier obtained substantially all of the published annual aggregate quota for use in the manufacture of Xyrem. However, for the last few years, our supplier was allocated only a portion of the published annual aggregate quota for the active pharmaceutical ingredient. Consequently, a generic manufacturer or manufacturer of an alternative sodium oxybate product may be able to obtain a portion of the annual aggregate active pharmaceutical ingredient quota. In the past, we have also had to engage in lengthy efforts to obtain the needed quotas after the original annual quotas had first been allocated. For 2015, both our active pharmaceutical ingredient supplier and finished product manufacturer have been allocated most, but not all, of their respective requested quotas. If, in the future, we and our supplier and manufacturer cannot obtain the quotas that are needed on a timely basis, or at all, our business, financial condition, results of operations and growth prospects could be materially and adversely affected. After any introduction of a generic competitor, a significant percentage of the prescriptions written for Xyrem may be filled with the generic version, resulting in a loss in sales of Xyrem. Generic competition often also results in decreases in the prices at which branded products can be sold, particularly when there is more than one generic available in the marketplace. In addition, certain U.S. state laws allow for, and in a few instances in the absence of specific instructions from the prescribing physician mandate, the dispensing of generic products rather than branded products where a generic version is available. We expect that generic competition for Xyrem would have a material adverse effect on our business, financial condition, results of operations and growth prospects.

The manufacture, distribution and sale of Xyrem are subject to significant regulatory oversight and restrictions and the requirements of a risk evaluation and mitigation strategy, and these restrictions and requirements, as well as the potential impact of changes to these restrictions and requirements, subject us to increased risks and uncertainties, any of which could negatively impact sales of Xyrem.\*

As a condition of approval of Xyrem, the FDA mandated that we maintain a risk management and controlled distribution system, or Xyrem Risk Management Program, in conjunction with Xyrem’s approval by the FDA to ensure the safe distribution of Xyrem and minimize the risk of misuse, abuse and diversion of sodium oxybate. The Xyrem Risk Management Program included a number of elements including patient and physician education, a database of information to track and report certain information, and the use of a single central pharmacy to distribute Xyrem. The Xyrem Risk Management Program, adopted in 2002 before the FDA had authority to require REMS, was deemed to be an approved REMS pursuant to the Food and Drug Administration Amendments Act of 2007, or FDAAA. The FDAAA, which amended the Federal Food, Drug and Cosmetic Act, or FDCA, required that deemed

REMS and related documents be updated to comply with the current requirements for REMS documents. Pursuant to the FDCA, we engaged with the FDA starting in 2008 to finalize our REMS documents for Xyrem, including initiating dispute resolution procedures with the FDA in February 2014. On February 27, 2015, the FDA notified Jazz Pharmaceuticals, Inc., our wholly owned subsidiary, of (i) the FDA's approval of the REMS for Xyrem in the form submitted by us in November 2014, which includes provisions requiring distribution through a single pharmacy, and (ii) the FDA's denial of our dispute resolution appeal as moot as a result of approval of the Xyrem REMS. The Xyrem REMS approval notice included statements from the FDA that (i) the approval action should not be construed or understood as agreement with us that dispensing through a single pharmacy is the only way to ensure that the benefits of Xyrem outweigh its risks, and that the FDA has continuing concerns that limiting the distribution of Xyrem to one pharmacy imposes burdens on patient access and the healthcare delivery system, and (ii) as with all REMS, the FDA intends to evaluate the Xyrem REMS on an ongoing basis and will require modifications as may be appropriate. We cannot predict whether the FDA will seek to require or ultimately require modifications to the Xyrem REMS, including with respect to the distribution

Table of Contents

system, or seek to otherwise impose or ultimately impose additional requirements to the Xyrem REMS, or the potential timing, terms or propriety thereof. Any such modifications or additional requirements could potentially make it more difficult or expensive for us to distribute Xyrem, make it easier for future generic competitors, and/or negatively affect sales of Xyrem.

We are in the process of transitioning our Xyrem Risk Management Program to the final approved Xyrem REMS and are working with the single central pharmacy for Xyrem, Express Scripts Specialty Distribution Services and its affiliates, or ESSDS, to implement the necessary systems, processes, procedures and activities. While we expect to implement the Xyrem REMS by late August 2015 and to submit ongoing assessments, in each case as set forth in the FDA's Xyrem REMS approval notice, we cannot guarantee that we will be able to do so in a timely manner, that our implementation of the Xyrem REMS will meet FDA requirements, that the assessments will be satisfactory to the FDA, or that the Xyrem REMS will satisfy FDA's expectations in their anticipated evaluation of the Xyrem REMS on an ongoing basis. Any failure to transition to the Xyrem REMS in a timely manner and to the satisfaction of the FDA could result in enforcement action by the FDA, up to and including a warning letter or determination that Xyrem must be removed from the market. Non-compliance with our REMS obligations can lead to changes in our REMS obligations, including additional restrictions on marketing, suspension or withdrawal of marketing authorization or imposition of financial penalties or other enforcement measures. Failure to successfully transition to the Xyrem REMS or comply with our REMS obligations could negatively affect sales of Xyrem, result in additional costs and expenses for us, and/or take a significant amount of time, any of which could materially and adversely affect our business, financial condition, results of operations and growth prospects.

Section 505-1(i)(1) of the FDCA generally provides that (i) an ANDA that references a drug subject to a REMS with elements to assure safe use, or ETASU, is required to have a REMS with the same elements as the referenced drug, and (ii) the ANDA drug and the referenced drug shall use a single shared system to assure safe use. However, the FDA may waive this requirement for a single shared system and permit the ANDA holder to submit a separate but comparable REMS if the FDA either determines that the burden of creating a single shared system outweighs its benefit, or if the ANDA applicant certifies that it has been unable to obtain a license to any aspects of the REMS for the referenced drug that are covered by a patent or a trade secret. The FDCA provides that the FDA may seek to negotiate a license between the ANDA applicant and the sponsor of the referenced drug before granting a waiver of the single shared system requirement. Accordingly, we expect to continue to face pressure to develop a single shared REMS with potential generic competitors for Xyrem or to license or share intellectual property pertinent to the Xyrem REMS, which is the subject of multiple issued patents, or elements of the Xyrem REMS, with generic competitors. The FDA has stated that it expects the negotiation of a single shared REMS between an NDA holder and any ANDA applicant or applicants to proceed concurrently with the FDA's review of the ANDAs. The FDA has further stated that it typically monitors the progress of industry working groups attempting to develop shared REMS, and that it has acted to help ensure that sponsors were cooperating and that there were no obstacles to developing a single shared system. In January 2014, the FDA held an initial meeting with us and the then-current sodium oxybate ANDA applicants to facilitate the development of a single shared REMS for sodium oxybate. The parties have had regular interactions with respect to developing a single shared REMS since the initial meeting, and we expect the interactions to continue. If we do not develop a single shared REMS or license or share intellectual property pertinent to the Xyrem REMS with generic competitors within a time frame or on terms that the FDA considers acceptable, the FDA may assert that its waiver authority permits it to allow one or more generic competitors to market a generic drug with a separate REMS that includes different, but comparable, ETASU than those in our approved Xyrem REMS. We cannot predict the outcome or impact on our business of any future action that we may take with respect to the development of a single shared REMS for sodium oxybate, licensing or sharing intellectual property pertinent to the Xyrem REMS, or the FDA's response to a certification that a third party had been unable to obtain a license. See the risk factor in Part II, Item 1A of this Quarterly Report on Form 10-Q entitled "We have incurred and expect to continue to incur substantial costs as a result of litigation or other proceedings relating to patents, other intellectual property rights and related matters, and we may be unable to protect our rights to, or commercialize, our products."

The Federal Trade Commission, or FTC, has been paying increasing attention to the use of REMS by companies selling branded products, in particular to whether a REMS may be deliberately being used to reduce the risk of competition from generic drugs in a way that may be deemed to be anticompetitive. It is possible that the FTC, other governmental authorities or others could claim or determine that we are using the Xyrem REMS in an anticompetitive manner (including in light of the FDA's statement in the Xyrem REMS approval notice that the Xyrem REMS could be used in an anticompetitive manner inconsistent with applicable provisions of the FDCA) or have engaged in other anticompetitive practices. The FDCA further states that a REMS shall not be used by an NDA holder to block or delay generic drugs from entering the market. Several of the ANDA applicants have asserted that our patents covering the distribution system for Xyrem should not have been listed in the Orange Book, and that the Xyrem REMS is blocking competition. We cannot predict the outcome of these claims in the ongoing litigation, or the impact of any similar claims that may be made in the future.

The Xyrem REMS requires, among other things, that healthcare providers prescribing Xyrem be specially certified, that Xyrem be dispensed only by a central pharmacy that is specially certified, that Xyrem be dispensed and shipped only to patients who are enrolled in the Xyrem REMS with documentation of safe use conditions, that we ensure that a secure and

Table of Contents

validated central database is maintained, and that we submit our required periodic assessments on or before the due dates specified in the Xyrem REMS approval notice. The process under which enrolled patients receive Xyrem is complex and includes multiple mandatory steps taken by the central pharmacy. There may be potential disruptions in services for patients and physicians as a result of the implementation of necessary systems in the transition to the Xyrem REMS, which could potentially affect the rate at which new patients are enrolled in the Xyrem REMS and prescribed Xyrem. Sales of Xyrem could be negatively affected as a result of these potential disruptions and/or potential negative reactions from patients and physicians in response to the activities involved in our transition to the Xyrem REMS.

While we have an exclusive agreement with ESSDS, the central pharmacy for Xyrem, through June 2017, if the central pharmacy does not fulfill its contractual obligations to us, fails to meet the requirements of the Xyrem REMS applicable to the central pharmacy, provides timely notice that it wants to terminate our agreement, refuses or fails to adequately serve patients, or fails to promptly and adequately address operational challenges, whether expected or unexpected, the fulfillment of Xyrem prescriptions and our sales would be adversely affected. If we change our central pharmacy, new contracts might be required with government and other insurers who pay for Xyrem, and the terms of any new contracts could be less favorable to us than current agreements. In addition, any new central pharmacy would need to be registered with the DEA and would also need to implement the particular processes, procedures and activities necessary to distribute Xyrem under the Xyrem REMS. Transitioning to a new pharmacy could result in product shortages, which would negatively affect sales of Xyrem in the United States, result in additional costs and expenses for us and/or take a significant amount of time, any of which could materially and adversely affect our business, financial condition, results of operations and growth prospects.

As required by the FDA and other regulatory agencies, the adverse event information that we collect for Xyrem is regularly reported to the FDA and could result in the FDA requiring changes to the Xyrem label or taking or requiring us to take other actions that could have an adverse effect on Xyrem's commercial success. Our Xyrem Risk Management Program includes, and the approved Xyrem REMS similarly includes, unique features that provide more extensive information about adverse events, including deaths, than is generally available for other products that are not subject to similar risk management programs. For example, in April 2011, we learned that deaths of patients who had been prescribed Xyrem between 2003 and 2010 had not always been reported to us by ESSDS, and therefore to the FDA by us, as required. We reported these cases to the FDA when we discovered them, investigated the related data from ESSDS as well as additional data we gathered, and submitted an analysis of the data to the FDA. In October 2011, we received a warning letter from the FDA regarding certain aspects of our adverse event reporting system for Xyrem and drug safety procedures related to the deaths that we discovered in April 2011 which had not been reported. We completed the actions and submitted the data required to address the observations in the 2011 warning letter and arising from a subsequent inspection. In August 2013, we received a close-out letter from the FDA. In April 2014, we received a Form FDA 483 at the conclusion of a pharmacovigilance inspection conducted by the FDA. The Form FDA 483 included observations relating to certain aspects of our adverse drug experience, or ADE, reporting system for all of our products, including Xyrem. We responded to the Form FDA 483 with a description of the corrective actions and improvements we had implemented before or shortly following the inspection and additional improvements that we planned to implement, and have now implemented, to address the observations in the Form FDA 483. In August 2014, the FDA issued an Establishment Inspection Report to us, which indicated that the inspection is closed. Although we have implemented improvements to our ADE reporting system, there can be no assurance that the FDA or other regulatory agencies will not identify additional matters in future pharmacovigilance inspections or that we will be able to adequately address any matters identified by the FDA or other regulatory agencies in the future, and the failure to do so could have a material adverse effect on our business, financial condition, results of operations and growth prospects.

Any failure to demonstrate our substantial compliance with applicable regulatory requirements to the satisfaction of the FDA or any other regulatory authority could result in such regulatory authorities taking actions in the future, which could have a material adverse effect on Xyrem sales and therefore on our business, financial condition, results of operations and growth prospects. See also the risk factor in Part II, Item 1A of this Quarterly Report on Form 10-Q



entitled “We are subject to significant ongoing regulatory obligations and oversight, which may result in significant additional expense and limit our ability to commercialize our products.”

The FDA has required that Xyrem’s label include a boxed warning regarding the risk of abuse. A boxed warning is the strongest type of warning that the FDA can require for a drug product and warns prescribers that the drug carries a significant risk of serious or even life-threatening adverse effects. A boxed warning also means, among other things, that the product cannot be advertised through reminder ads, or ads that mention the pharmaceutical brand name but not the indication or medical condition it treats. We cannot predict whether the FDA will require additional warnings, including boxed warnings, to be included on Xyrem’s label. Moreover, Xyrem’s FDA approval under the FDA’s Subpart H regulations requires that all of the promotional materials for Xyrem be provided to the FDA for review at least 30 days prior to the intended time of first use. Warnings in the Xyrem label and any limitations on our ability to advertise and promote Xyrem may have affected, and could in the future negatively affect, Xyrem sales and therefore our business, financial condition, results of operations and growth prospects.

## Table of Contents

### Risks Relating to Our Business

While Xyrem remains our largest product, our success also depends on our ability to effectively commercialize our other products. Our inability to do so could have a material adverse effect on our business, financial condition, results of operations and growth prospects.\*

In addition to Xyrem, we are commercializing a portfolio of products, including our other lead marketed products Erwinaze/Erwinase (which we refer to in this report as Erwinaze unless otherwise indicated or the context otherwise requires) and Defitelio.

Erwinaze (called Erwinase in markets outside the United States), a biologic product, is used in conjunction with chemotherapy to treat patients with acute lymphoblastic leukemia, or ALL, with hypersensitivity to E. coli-derived asparaginase. Erwinaze was approved by the FDA under a biologics license application, or BLA, and was launched in the U.S. in November 2011. It is also being sold under marketing authorizations, named patient programs, temporary use authorizations or similar authorizations in multiple countries in Europe and elsewhere.

Erwinaze represents an important part of our strategy to grow sales of our existing products. However, our ability to successfully and sustainably maintain or grow sales of Erwinaze is subject to a number of challenges, including the limited population of patients with ALL and the incidence of hypersensitivity reactions to E. coli-derived asparaginase within that population and our need to apply for and receive marketing authorizations, through the European Union's, or EU's, mutual recognition procedure or otherwise, in certain additional countries so we can launch promotional efforts in those countries. Another significant challenge to our ability to maintain the current sales level and to increase sales is our limited inventory of Erwinaze and our need to avoid supply interruptions of Erwinaze due to capacity constraints, production delays, quality challenges or other manufacturing difficulties. See the discussion regarding Erwinaze supply issues in the risk factor in Part II, Item 1A of this Quarterly Report on Form 10-Q entitled "We depend on single source suppliers and manufacturers for each of our products, product candidates and their active pharmaceutical ingredients. The loss of any of these suppliers or manufacturers, or delays or problems in the supply or manufacture of our products for commercial sale or our product candidates for use in our clinical trials, could materially and adversely affect our business, financial condition, results of operations and growth prospects."

We also face numerous other risks that may impact Erwinaze sales, including regulatory risks, the development of new asparaginase treatments that could reduce the rate of hypersensitivity in patients with ALL, the development of new treatment protocols for ALL that may not include asparaginase-containing regimens, difficulties with obtaining and maintaining favorable pricing and reimbursement arrangements and potential competition from future biosimilar products. In addition, if we fail to comply with our obligations under our agreement with the licensor and manufacturer of Erwinaze or lose exclusive rights to Erwinaze, or otherwise fail to maintain or grow sales of Erwinaze, our growth prospects could be negatively affected.

We made a significant investment in Defitelio/defibrotide in 2014, adding the product to our portfolio as a result of our acquisition of Gentium S.p.A. in January 2014, or the Gentium Acquisition, and then securing worldwide rights to the product by acquiring rights to defibrotide in the Americas in August 2014. Our ability to realize the anticipated benefits from this investment is subject to a number of risks and uncertainties, including our ability to successfully maintain or grow sales of Defitelio in Europe, or obtain marketing approval of defibrotide in other countries, including the United States, so that we can commercialize the product in those countries. See the risk factor in Part II, Item 1A of this Quarterly Report on Form 10-Q entitled "We may not be able to successfully maintain or grow sales of Defitelio in Europe, or obtain marketing approval of defibrotide in other countries, including the United States, which could have a material adverse effect on our business, financial condition, results of operations and growth prospects."

We also face other challenges that could impact the anticipated value of Defitelio/defibrotide, including the limited size of the population of patients with hepatic veno-occlusive disease, or VOD, who are indicated for treatment with Defitelio/defibrotide, the need to establish U.S. pricing and reimbursement support for the product in the event we are able to obtain U.S. marketing approval for defibrotide, the possibility that we may be required to conduct time-consuming and costly clinical trials as a condition of any U.S. marketing approval for the product, the lack of experience of U.S. physicians in diagnosing and treating VOD, and challenges to our ability to develop the product for additional indications. If sales of Defitelio/defibrotide do not reach the levels we expect, our anticipated revenue from

the product would be negatively affected, which could have a material adverse effect on our business, financial condition, results of operations and growth prospects.

Failure to maintain or increase prescriptions and revenue from sales of our products, including Erwinaze and Defitelio, could have a material adverse effect on our business, financial condition, results of operations and growth prospects. We may choose to increase the price of our products, and we cannot assure you that price adjustments will not negatively affect our sales volumes. In addition, sales of Erwinaze may fluctuate significantly from quarter to quarter, depending on the number of patients receiving treatment, the availability of supply to meet the demand for the product, the dosing requirements of treated patients and other factors. The market price of our ordinary shares may decline if the sales of our products do not continue or grow at the rates anticipated by financial analysts or investors.

Table of Contents

In addition, if we fail to obtain approvals for certain of our products in new indications or formulations, we will be unable to commercialize our products in new indications or formulations, which could have a material adverse effect on our business, financial condition, results of operations and growth prospects.

We may not be able to successfully maintain or grow sales of Defitelio in Europe, or obtain marketing approval of defibrotide in other countries, including the United States, which could have a material adverse effect on our business, financial condition, results of operations and growth prospects.\*

During 2014, Defitelio was launched in a number of European countries. We have launched and expect to continue to launch Defitelio in additional European countries on a rolling basis in 2015 and are in the process of making pricing and reimbursement submissions with respect to Defitelio, and discussing them with regulatory authorities, in those European countries where Defitelio is not yet launched, including in countries where pricing and reimbursement approvals are required for launch. We cannot predict the timing of Defitelio's launch in countries where we are engaged in pricing and reimbursement submissions. If we experience delays or unforeseen difficulties in obtaining favorable pricing and reimbursement approvals, planned launches in the affected countries would be delayed, which could negatively impact anticipated revenue from Defitelio. The process for obtaining pricing and reimbursement approvals is complex and can vary from country to country. In addition, orphan products that have significant impact on patient survival, such as Defitelio, may be budgeted on a local rather than national level. The balance of all of these factors will determine our ability to ultimately obtain favorable pricing and reimbursement approvals. If we are unable to ultimately obtain favorable pricing and reimbursement approvals in countries that represent significant markets, especially where a country's reimbursed price influences other countries, our growth prospects in Europe could be negatively affected.

We have developed estimates of anticipated pricing, which are based on our research and understanding of the product and target market. However, due to efforts to provide for containment of health care costs, one or more countries may not support our estimated level of governmental pricing and reimbursement for Defitelio, particularly in light of the budget crises faced by a number of countries in Europe, which would negatively impact anticipated revenue from Defitelio. Furthermore, after initial pricing and reimbursement approvals, reductions in prices and changes in reimbursement levels can be triggered by multiple factors, including reference pricing systems and publication of discounts by third party payors or authorities in other countries. In the EU, prices can be reduced further by parallel distribution and parallel trade, or arbitrage between low-priced and high-priced countries. If any of these events occurs, our anticipated revenue from Defitelio would be negatively affected.

Due to the limited amount of historical sales data from commercialization of Defitelio in Europe, our Defitelio sales will be difficult to predict from period to period, particularly since we may experience delays and unforeseen difficulties in obtaining favorable pricing and reimbursement approvals in additional countries. As a result, you should not rely on Defitelio sales results or trends in any period as being indicative of future performance. In addition, if sales of Defitelio do not reach the levels we expect, our anticipated revenue from Defitelio would be negatively affected, which could have a material adverse effect on our business, financial condition, results of operations and growth prospects.

Defitelio was authorized under "exceptional circumstances" because it was not possible to obtain complete information about the product due to the rarity of the disease and because ethical considerations prevented conducting a study directly comparing Defitelio with best supportive care or a placebo. A marketing authorization granted under exceptional circumstances is subject to approval conditions and an annual reassessment of the risk-benefit balance by the European Medicines Agency, or EMA. As a result, if we fail to meet the approval condition for Defitelio, which requires that we set up a patient registry to investigate the long-term safety, health outcomes and patterns of utilization of Defitelio during normal use, or if it is determined that the balance of risks and benefits of using Defitelio changes materially, the EMA could vary, suspend or withdraw the marketing authorization for Defitelio. This could negatively impact our anticipated revenue from Defitelio and could have a material adverse effect on our business, financial condition, results of operations and growth prospects.

At the time of the Gentium Acquisition, Gentium had licensed to Sigma-Tau Pharmaceuticals, Inc., or Sigma-Tau, the rights to defibrotide for the treatment and prevention of VOD in North America, Central America and South America.

We acquired these rights from Sigma-Tau in August 2014. Defibrotide has been, and continues to be, made available as an investigational drug to patients diagnosed with VOD in the United States through an expanded access treatment protocol open under an investigational new drug application. We are engaged in activities related to the potential approval of defibrotide in the United States. In July 2015, we completed a rolling submission of an NDA to the FDA for defibrotide for the treatment of VOD with evidence of multi-organ dysfunction following hematopoietic stem cell transplantation, or HSCT. We cannot predict whether our NDA will be accepted for filing or approved in a timely manner, if at all. In this regard, a prior NDA submission by Gentium seeking approval in the United States for defibrotide for the treatment of VOD was voluntarily withdrawn from consideration in 2011 in order to address issues raised by the FDA. With respect to our NDA submission, it is possible that the FDA may ask an Oncologic Drugs Advisory Committee, or ODAC, which provides the FDA with independent expert advice and recommendations, to review our NDA. The ODAC may recommend against approval of our NDA, may recommend conditioning approval on our conducting one or more potentially time-consuming and costly clinical trials to provide supporting data either before approval or as a post-marketing commitment, or may recommend more narrow or restricted

Table of Contents

labeling than we have proposed. The FDA will consider the ODAC's recommendations when making decisions regarding our NDA, although the FDA is not bound by such recommendations. In addition, although the FDA has granted Fast Track designation to defibrotide to treat severe VOD in HSCT recipients, this designation does not guarantee that we will be able to take advantage of the expedited review procedures and does not increase the likelihood that defibrotide will receive marketing approval.

We are also assessing the potential for approval of defibrotide in other countries and for development of defibrotide in additional indications. We cannot know when, if ever, defibrotide will be approved in any other country or under what circumstances, and what, if any, additional clinical or other development activities will be required in order to potentially obtain such regulatory approval and the cost associated with such required activities, if any. If we fail to obtain approval for defibrotide in other countries or for new indications, our anticipated revenue from defibrotide and our growth prospects would be negatively affected.

The marketing authorization application Gentium initially filed with the EMA in 2011 sought approval for defibrotide for the treatment and prevention of VOD in adults and children. The approval Gentium received in October 2013 was for the narrower indication of treatment of severe VOD in adults and children undergoing HSCT therapy. The scope of any future approvals we receive may negatively affect defibrotide's growth prospects.

We cannot predict whether historical revenues from named patient programs for our hematology/oncology products will continue or whether we will be able to continue to distribute those products on a named patient basis.

In certain European countries, reimbursement for products that have not yet received marketing authorization may be provided through national named patient programs. Erwinase and defibrotide are available on a named patient basis in many countries where they are not commercially available. Such reimbursement may cease to be available if authorization for a named patient program expires or is terminated. While we generate revenue from the distribution of these products through named patient programs, we cannot predict whether historical revenues from these programs will continue, whether we will be able to continue to distribute our products on a named patient basis in these countries, whether we will be able to commercialize our products in countries where the products have historically been available on a named patient basis, or whether commercial revenues will exceed revenues historically generated from sales on a named patient basis. Any failure to maintain revenues from sales of Erwinase and/or defibrotide on a named patient basis and/or to generate revenues from commercial sales of these products exceeding historical sales on a named patient basis could have a material adverse effect on our business, financial condition, results of operations and growth prospects.

We depend on single source suppliers and manufacturers for each of our products, product candidates and their active pharmaceutical ingredients. The loss of any of these suppliers or manufacturers, or delays or problems in the supply or manufacture of our products for commercial sale or our product candidates for use in our clinical trials, could materially and adversely affect our business, financial condition, results of operations and growth prospects.\*

The manufacture of pharmaceutical products requires significant expertise and capital investment, including the development of process controls required to consistently produce the active pharmaceutical ingredient and the finished product in sufficient quantities while meeting detailed product specifications on a repeated basis. Manufacturers of pharmaceutical products often encounter difficulties in production, including difficulties with production costs and yields, process controls, quality control and quality assurance, including testing of stability, impurities and impurity levels and other product specifications by validated test methods, and compliance with strictly enforced U.S., state and non-U.S. regulations. If we or any of our third party suppliers or manufacturers encounter these or any other manufacturing, quality or compliance difficulties with respect to any of our products, particularly Xyrem and Erwinase since we maintain limited inventories for these products, we may be unable to meet commercial demand for such products, which could adversely affect our business, financial condition, results of operations and growth prospects.

Other than the manufacturing plant in Italy where we produce some active pharmaceutical ingredients, including the defibrotide drug substance, we do not currently have our own manufacturing capability for our products or product candidates, or their active pharmaceutical ingredients, or the capability to package our products. The availability of our products for commercial sale depends upon our ability to procure the ingredients, raw materials, packaging

materials and finished products we need from third parties. In part due to the limited market size for our products and product candidates, we have entered into supply and manufacturing agreements with suppliers and manufacturers, each of which is currently our single source for each of our marketed products and for the active pharmaceutical ingredients used in some of these products. These single source arrangements put us at risk of interruption in supply in the event of manufacturing, quality or compliance difficulties at our suppliers. For example, we are currently experiencing a delay in manufacturing of Prialt® (ziconotide) intrathecal infusion in one of our three vial sizes. As a result of this delay and limited inventory, we are likely to experience a temporary interruption to our supply of the impacted vial size of Prialt, which could inconvenience patients and physicians and negatively impact confidence in our product.

Table of Contents

We maintain limited inventories of Xyrem and Erwinaze, as well as the ingredients or raw materials used to make them. Our limited inventory puts us at significant risk of not being able to meet product demand. The current manufacturing capacity for Erwinaze is nearly completely absorbed by demand for the product. As a consequence of constrained manufacturing capacity, we have had extremely limited ability to build an excess level of product inventory that could be used to absorb disruptions to supply resulting from quality or other issues. If we continue to be subject to capacity constraints or experience quality or other manufacturing challenges in the future, we may be unable to build a desired excess level of product inventory, and our ability to supply the market may be compromised. Although we are taking steps to improve the Erwinaze manufacturing process, if our ongoing efforts are not successful, or we are subject to other challenges described elsewhere in this risk factor, we could experience additional Erwinaze supply interruptions in the future, which could have a material adverse effect on our sales of and revenues from Erwinaze and limit our potential maintenance and growth of the market for this product. If, for any reason, our suppliers and manufacturers, including any new suppliers, do not continue to supply us with our products or product candidates in a timely fashion and in compliance with applicable quality and regulatory requirements, or otherwise fail or refuse to comply with their obligations to us under our supply and manufacturing arrangements, we may not have adequate remedies for any breach, and their failure to supply us could result in a shortage of our products or product candidates, which could adversely affect our business, financial condition, results of operations and growth prospects.

In addition, if one of our suppliers or manufacturers fails or refuses to supply us for any reason, it would take a significant amount of time and expense to qualify a new supplier or manufacturer. The loss of one of our suppliers or manufacturers could require us to obtain regulatory clearance in the form of a “prior approval supplement” and to incur validation and other costs associated with the transfer of the active pharmaceutical ingredient or product manufacturing process. We believe that it could take up to two years, or longer in certain cases, to qualify a new supplier or manufacturer, and we may not be able to obtain active pharmaceutical ingredients or finished products from new suppliers or manufacturers on acceptable terms and at reasonable prices, or at all. Should we lose either an active pharmaceutical ingredient supplier or a finished product manufacturer, we may not, as applicable, have sufficient salable product to meet market demands or a sufficient quantity of a product candidate for use in clinical trials while we wait for FDA or similar international regulatory body approval of a new supplier or manufacturer. Siegfried (USA) Inc., subsequently renamed Siegfried USA, LLC, or Siegfried, has been our sole supplier of sodium oxybate since 2012. We expect that Siegfried will continue to be our sole supplier of sodium oxybate for the foreseeable future, and we cannot assure you that Siegfried can or will continue to supply on a timely basis, or at all, sufficient quantities of active pharmaceutical ingredient to enable the manufacture of the quantities of Xyrem that we need.

Erwinaze is licensed from and manufactured by a single source, which was Public Health England, or PHE, through March 31, 2015. As of April 1, 2015, the facility at which Erwinaze is manufactured was transferred to Porton BioPharma Limited, or PBL, a limited liability company that is wholly owned by the U.K. Secretary of State for Health. The FDA’s approval of the BLA for Erwinaze includes a number of post-marketing commitments related to the manufacture of Erwinaze. Inability to comply with regulatory requirements, including compliance with manufacturing-related post-marketing commitments that are part of the BLA approval, as well as other requirements monitored by the FDA, could adversely affect Erwinaze supply and could result in FDA approval being revoked or product recalls, either of which could have a material adverse effect on our sales of and revenues from Erwinaze and limit our potential future maintenance and growth of the market for this product. In addition, if the FDA or any non-U.S. regulatory authority mandates any changes to the specifications for Erwinaze, we may face challenges having product produced to meet such specifications, and our supplier may increase its price to supply Erwinaze meeting such specifications, which may result in additional costs to us and may decrease any profit we would otherwise achieve with Erwinaze.

Although there have been long-term plans to expand production capacity of Erwinaze and we are now working with PBL on matters related to Erwinaze supply, we cannot assure you that our supplier will be able to continue to supply our ongoing commercial needs for the product in a timely manner, or at all, especially if our demand for product



increases. If production difficulties occur as described elsewhere in this risk factor and result in a disruption to supply or capacity constraints, we do not have the right to engage a backup supplier for Erwinaze except in very limited circumstances, such as following the termination of the agreement by us due to the uncured material breach or the cessation of manufacturing by our supplier. If we are required to engage a backup or alternative supplier, the transfer of technical expertise and manufacturing process to the backup or alternative supplier would be difficult, costly and time-consuming, might not be successful and would increase the likelihood of a delay or interruption in manufacturing or a shortage of supply of Erwinaze. While we continue to work with our supplier to evaluate potential steps to increase the supply of Erwinaze over the longer term to address worldwide demand, our ability to maintain or increase sales of Erwinaze may be limited by our ability to obtain a sufficient supply of the product. Failure to obtain a sufficient supply of Erwinaze could have a material adverse effect on our business, financial condition, results of operations and growth prospects.

Table of Contents

We are our sole supplier of, and we believe that we are currently the sole worldwide producer of, the defibrotide drug compound. We manufacture the defibrotide drug compound in a single facility located in Villa Guardia, near Como, Italy. This facility could be damaged by fire, flood, earthquake, power loss, telecommunication and information system failure, terrorism or similar events. Any of these events could cause a delay or interruption in manufacturing and potentially a supply shortage of defibrotide, which could negatively impact our anticipated revenues. Patheon UK Limited, or Patheon UK, currently processes the defibrotide compound into its finished vial form, and is the sole provider of our commercial supply of the finished product in the EU and of our future clinical supply. If Patheon UK does not or is not able to perform these services for any reason, it may take time and resources to implement and execute the necessary technology transfer to another processor, and such delay could negatively impact our product launch and anticipated revenues and potentially cause us to breach contractual obligations with customers or to violate local laws requiring us to deliver the product to those in need.

We are also in the process of evaluating an appropriate provider to process defibrotide into finished product for the U.S. market in preparation for the potential approval of the product by the FDA. Part of the process to obtain FDA approval for defibrotide is to obtain certification from the FDA that the facilities we and our third party provider operate are in compliance with the FDA's current Good Manufacturing Practices, or cGMP, requirements. The FDA may deny approval to manufacture defibrotide if the FDA determines that either our facility or our third party provider's facility does not meet applicable manufacturing and quality requirements. Following initial approval, if any, the FDA will continue to inspect and evaluate these facilities for ongoing compliance with applicable requirements. In addition, defibrotide is derived from porcine DNA. Our supplier of porcine materials may also be evaluated and inspected by the FDA in connection with our application for approval of defibrotide in the United States. If our supplier experiences safety or other issues that impact its ability to supply porcine materials to us as needed, we may not be able to find alternative suppliers in a timely fashion, which could negatively impact our supply of defibrotide. In order to conduct and complete our clinical program for JZP-110 or to potentially conduct future clinical trials for JZP-386, if any, we need to have sufficient quantities of clinical product manufactured and available for use. There can be no assurance that our suppliers will be able to produce or provide sufficient clinical supplies of JZP-110 or, if trials proceed, JZP-386 in a timely manner. Any delay in receiving adequate supplies of JZP-110 or JZP-386 for our studies could negatively impact our development programs.

The DEA limits the quantity of certain Schedule I controlled substances that may be produced in the United States in any given calendar year through a quota system. Because the active pharmaceutical ingredient of Xyrem, sodium oxybate, is a Schedule I controlled substance, our supplier of sodium oxybate, as well as our finished product manufacturer, must each obtain separate DEA quotas in order to supply us with sodium oxybate and Xyrem. Since the DEA typically grants quotas on an annual basis, our sodium oxybate supplier and Xyrem manufacturer are required to request and justify allocation of sufficient annual DEA quotas as well as additional DEA quotas if our commercial or clinical requirements exceed the allocated quotas throughout the year. In the past, we have had to engage in lengthy efforts to obtain the needed quotas after the original annual quotas had first been allocated. For 2015, both our active pharmaceutical ingredient supplier and finished product manufacturer were allocated most, but not all, of their respective requested quotas. If, in the future, we and our supplier and manufacturer cannot obtain the quotas that are needed on a timely basis, or at all, our business, financial condition, results of operations and growth prospects could be materially and adversely affected.

In addition, the FDA and similar international regulatory bodies must approve manufacturers of the active and inactive pharmaceutical ingredients and certain packaging materials used in our products. If there are delays in qualifying new manufacturers or facilities or a new manufacturer is unable to obtain a sufficient quota from the DEA, if required, or to otherwise meet FDA or similar international regulatory body's requirements for approval, there could be a shortage of the affected products for the marketplace or for use in clinical studies, or both, particularly since we do not have secondary sources for supply and manufacture of the active pharmaceutical ingredients for our products or backup manufacturers for our finished products.

Failure by us or our third party suppliers or manufacturers to comply with regulatory requirements could adversely affect our or their ability to supply products or ingredients. All facilities and manufacturing techniques used for the

manufacture of pharmaceutical products must be operated in conformity with applicable current cGMP requirements. DEA regulations also govern facilities where controlled substances such as Xyrem's active pharmaceutical ingredient are manufactured. Our manufacturing facility in Italy and manufacturing facilities of our suppliers have been and are subject to periodic unannounced inspection by the FDA, the EMA, the DEA, the Italian Health Authority and other regulatory authorities, including state authorities and similar authorities in other jurisdictions, to confirm compliance with cGMP and other requirements. For example, the FDA inspected the facility where Erwinaze is manufactured in January 2015 and issued a Form FDA 483 with observations relating to the manufacturing process. We and our third party manufacturers must continually expend time, money and effort in production, record-keeping and quality assurance and control to ensure that our products and product candidates meet applicable specifications and other requirements for product safety, efficacy and quality. Failure to comply with applicable legal and regulatory requirements subjects us and our suppliers to possible legal or regulatory action, including

Table of Contents

restrictions on supply or shutdown, which may adversely affect our or a supplier's ability to supply the ingredients or finished products we need.

Our ability to develop and deliver products in a timely and competitive manner depends on our third party suppliers and manufacturers being able to continue to meet our ongoing commercial needs. Any delay in supplying, or failure to supply, products by any of our suppliers or manufacturers could result in our inability to meet the commercial demand for our products, or our needs for use in clinical trials, and could adversely affect our business, financial condition, results of operations and growth prospects.

We have substantially expanded our international footprint and operations, and we may expand further in the future, but we do not yet have substantial historical experience in international markets and may not achieve the results that we, our shareholders or analysts who cover our business expect.\*

We are headquartered in Dublin, Ireland and have multiple offices in the United States, the United Kingdom, Italy and other countries in Europe. Our headcount has grown to approximately 855 in August 2015. This includes employees in fourteen countries in North America and Europe, a European commercial presence, a complex distribution network for products in Europe and additional territories, a manufacturing facility in Italy and a manufacturing facility under construction in Ireland. In addition, we may expand our international operations into other countries in the future, either organically or by acquisition. While we have acquired significant management and other personnel with substantial international experience, conducting our business in multiple countries subjects us to a variety of risks and complexities that may materially and adversely affect our business, results of operations, financial condition and growth prospects, including, among other things:

- the increased complexity and costs inherent in managing international operations;
- diverse regulatory, financial and legal requirements, and any future changes to such requirements, in one or more countries where we are located or do business;
- country-specific tax, labor and employment laws and regulations;
- applicable trade laws, tariffs, export quotas, custom duties or other trade restrictions and any changes to them;
- challenges inherent in efficiently managing employees in diverse geographies, including the need to adapt systems, policies, benefits and compliance programs to differing labor and other regulations, as well as maintaining positive interactions with unionized employees in one of our international locations;
- liabilities for activities of, or related to, our international operations, products or product candidates;
- changes in currency rates; and
- regulations relating to data security and the unauthorized use of, or access to, commercial and personal information.

As a result of our rapid growth, our business and corporate structure has become substantially more complex. There can be no assurance that we will effectively manage the increased complexity without experiencing operating inefficiencies or control deficiencies. Significant management time and effort is required to effectively manage the increased complexity of our company, and our failure to successfully do so could have a material adverse effect on our business, financial condition, results of operations and growth prospects.

In recent years, the global economy has been impacted by the effects of an ongoing global financial crisis, including the European sovereign debt crisis, which has caused extreme disruption in the financial markets, including severely diminished liquidity and credit availability. In addition, we expect to continue to grow our product sales in Europe. Continuing worldwide economic instability, including challenges faced by the Eurozone and certain of the countries in Europe and the ongoing budgetary difficulties faced by a number of EU member states, including Greece and Spain, has led and may continue to lead to substantial delays in payment and payment partially with government bonds rather than cash for medicinal drug products, which could negatively impact our revenues and profitability. The commercial success of our products depends upon their market acceptance by physicians, patients, third party payors and the medical community.\*

Physicians may not prescribe our products, in which case we would not generate the revenues we anticipate from product sales. Market acceptance of any of our products by physicians, patients, third party payors and the medical community depends on:

-

the clinical indications for which a product is approved, including any restrictions placed upon the product in connection with its approval, such as a REMS, patient registry or labeling restrictions;  
the prevalence of the disease or condition for which the product is approved and the severity of side effects;  
acceptance by physicians and patients of each product as a safe and effective treatment;

Table of Contents

perceived advantages over alternative treatments;  
relative convenience and ease of administration;  
physician and patient assessment of the burdens associated with obtaining or maintaining the certifications required under the Xyrem REMS;  
the cost of treatment in relation to alternative treatments, including generic products;  
the extent to which the product is approved for inclusion on formularies of hospitals and managed care organizations; and  
the conditions for reimbursement required by, and the availability of reimbursement from, third party payors.

Because of our dependence upon market acceptance of our products, any adverse publicity associated with harm to patients or other adverse events resulting from the use or misuse of our products or any similar products distributed by other companies, including generic versions of our products, could materially and adversely affect our business, financial condition, results of operations and growth prospects. For example, from time to time, there is negative publicity about illicit gamma-hydroxybutyrate, or GHB, and its effects, including with respect to illegal use, overdoses, serious injury and death. Because sodium oxybate, the active pharmaceutical ingredient in Xyrem, is a derivative of GHB, Xyrem sometimes also receives negative mention in publicity relating to GHB. Patients, physicians and regulators may therefore view Xyrem as the same as or similar to illicit GHB. In addition, there are regulators and some law enforcement agencies that oppose the prescription and use of Xyrem generally because of its connection to GHB. Xyrem's label includes information about adverse events from GHB.

In addition, we have periodically increased the price of Xyrem and may do so again in the future. We also have made and may in the future make similar price increases on our other products. Price increases on our products and negative publicity regarding price increases generally, whether on our products or products distributed by other pharmaceutical companies, could negatively affect market acceptance of our products.

For additional discussion about payor acceptance, see the risk factor in Part II, Item 1A of this Quarterly Report on Form 10-Q entitled "Price approvals and reimbursement may not be available for our products, which could diminish our sales or affect our ability to sell our products profitably."

We may not be able to successfully identify and acquire, in-license or develop additional products or product candidates to grow our business, and, even if we are able to do so, we may not be able to successfully manage the risks associated with integrating any products or product candidates we may acquire in the future into our product portfolio or we may otherwise fail to realize the anticipated benefits of these acquisitions.\*

We intend to grow our business over the long term by acquiring or in-licensing and developing additional products and product candidates that we believe have significant commercial potential. Future growth through acquisition or in-licensing will depend upon the availability of suitable products and product candidates for acquisition or in-licensing on acceptable prices, terms and conditions. Any growth through development will depend upon our identifying and obtaining product candidates, our ability to develop those product candidates and the availability of funding to complete the development of, obtain regulatory approval for and commercialize these product candidates. Even if appropriate opportunities are available, we may not be able to successfully identify them, or we may not have the financial resources necessary to pursue them. Other companies, many of which may have substantially greater financial, marketing and sales resources, compete with us for these opportunities. In order to compete successfully to acquire attractive products or product candidates in the current business climate, we may have to pay higher prices for assets than may have been paid historically, which may make it more difficult for us to realize an adequate return on any acquisition.

Even if we are able to successfully identify and acquire, in-license or develop additional products or product candidates, we cannot assure you that we will be able to successfully manage the risks associated with integrating any products or product candidates or the risks arising from anticipated and unanticipated problems in connection with an acquisition or in-licensing. In any event, we may not be able to realize the anticipated benefits of any acquisition or in-licensing for a variety of reasons, including the possibility that a product candidate proves not to be safe or effective in later clinical trials, a product fails to reach its forecasted commercial potential or the integration of a product or product candidate gives rise to unforeseen difficulties and expenditures. Any failure in identifying and

managing these risks and uncertainties effectively would have a material adverse effect on our business. In addition, product and product candidate acquisitions create other uncertainties and risks, particularly when the acquisition takes the form of a merger or other business consolidation. Our business acquisitions have required, and any similar future transactions will also require, significant efforts and expenditures, including with respect to transition activities and integrating the acquired business with our historical business. We may encounter unexpected difficulties, or incur unexpected costs, in connection with potential acquisitions and similar transactions, which include:

high acquisition costs;

Table of Contents

- the need to incur substantial debt or engage in dilutive issuances of equity securities to pay for acquisitions;
- the potential disruption of our historical core business;
- the strain on, and need to continue to expand, our existing operational, technical, financial and administrative infrastructure;
- the difficulties in assimilating employees and corporate cultures;
- the failure to retain key managers and other personnel;
- the challenges in controlling additional costs and expenses in connection with and as a result of any acquisition;
- the need to write down assets or recognize impairment charges;
- the diversion of our management's attention to integration of operations and corporate and administrative infrastructures; and
- any unanticipated liabilities for activities of or related to the acquired business or its operations, products or product candidates.

If any of these or other factors impair our ability to integrate any acquired business efficiently and successfully, we may be required to spend time or money on integration activities that otherwise would be spent on the development and expansion of our business. If we fail to integrate or otherwise manage an acquired business successfully and in a timely manner, resulting operating inefficiencies could increase costs and expenses more than we planned, could negatively impact the market price of our ordinary shares and could otherwise distract us from execution of our strategy. Failure to maintain effective financial controls and reporting systems and procedures could also impact our ability to produce timely and accurate financial statements.

Conducting clinical trials is costly and time-consuming, and the outcomes are uncertain. A failure to prove that our product candidates are safe and effective in clinical trials, or to generate data in clinical trials to support expansion of the therapeutic uses for our existing products, could materially and adversely affect our business, financial condition, results of operations and growth prospects.\*

Since 2014, we have made significant investments into expanding our product development pipeline and expect to continue to increase our research and development organization. Significant clinical, development and financial resources will be required to progress product candidates through clinical trials and the regulatory approval process to develop them into commercially viable products. We have a number of product candidates under development. We also intend to pursue clinical development of other product candidates that we may acquire or in-license in the future. Any failure or delay in completing clinical trials for our product candidates would prevent or delay the commercialization of our product candidates, which could materially and adversely affect our business, financial condition, results of operations and growth prospects.

As a condition to regulatory approval, each product candidate must undergo extensive and expensive preclinical studies and clinical trials to demonstrate to a statistically significant degree that the product candidate is safe and effective. The results at any stage of the development process may lack the desired safety, efficacy or pharmacokinetic characteristics. Results of limited preclinical studies, including studies of our product candidates in animal models, may not predict the results of human clinical trials of those product candidates. Similarly, results from early clinical trials may not be predictive of results obtained in later and larger clinical trials, and product candidates in later clinical trials may fail to show the desired safety and efficacy despite having progressed successfully through initial clinical testing. In that case, the FDA or any equivalent non-U.S. regulatory agency may determine our data is not sufficiently compelling to warrant marketing approval and may require us to engage in additional clinical trials or provide further analysis which may be costly and time-consuming. A number of companies in the pharmaceutical industry, including us, have suffered significant setbacks in clinical trials, even in advanced clinical trials after showing positive results in preclinical studies or earlier clinical trials. If a product candidate fails at any stage of development, it will not receive regulatory approval, we will not be able to commercialize it, and we will not receive any return on our investment in that product candidate.

Our development pipeline projects may not be successful, and any adverse events or other information generated during the course of studies related to existing products could result in action by the FDA or any non-U.S. regulatory agency which may restrict our ability to sell, or sales of, currently marketed products, or such events or other



information could otherwise have a material adverse effect on a related commercial product. Any failure or delay in completing clinical trials for line extensions or the generation of additional clinical data could materially and adversely affect the maintenance and growth of the markets for the related marketed products, which could adversely affect our business, financial condition, results of operations and overall growth prospects.

In addition to issues relating to the results generated in clinical trials, clinical trials can be delayed or halted for a variety of reasons, including:

56

---

Table of Contents

- delays or failures in obtaining regulatory authorization to commence a trial because of safety concerns of regulators relating to our product candidates or similar product candidates of our competitors or failure to follow regulatory guidelines;
- delays or failures in obtaining clinical materials and manufacturing sufficient quantities of the product candidate for use in trials;
- delays or failures in reaching agreement on acceptable terms with prospective study sites;
- delays or failures in obtaining approval of our clinical trial protocol from an institutional review board, also known as Ethics Committees in Europe, to conduct a clinical trial at a prospective study site;
- delays or failures in recruiting patients to participate in a clinical trial;
- failure of our clinical trials and clinical investigators to be in compliance with the FDA and other regulatory agencies' good clinical practice guidelines;
- unforeseen safety issues, including negative results from ongoing preclinical studies and clinical trials and adverse events associated with product candidates;
- inability to monitor patients adequately during or after treatment;
- difficulty monitoring multiple study sites;
- failure of our third party clinical trial managers to satisfactorily perform their contractual duties, comply with regulations or meet expected deadlines; or
- insufficient funds to complete the trials.

For example, we initiated our first study of JZP-416 in children in a pivotal Phase 2 trial in North America in late 2014. In February 2015, we voluntarily suspended patient enrollment in this trial. Our decision to suspend enrollment and to discontinue treatment with JZP-416 for enrolled patients is based on the occurrence of hypersensitivity-like reactions following the administration of JZP-416 in some treated patients. We are in the process of collecting and evaluating the available data and plan to conduct additional research and analysis prior to determining whether to resume the study and determining next steps regarding the development of JZP-416. We cannot predict whether we will continue development of JZP-416 or resume enrollment in the pivotal Phase 2 clinical trial in a timely fashion, if at all. Under our license agreement with Alizé Pharma II, or Alizé, under which we obtained rights to develop and commercialize JZP-416, we are subject to contractual obligations to meet certain development milestones within the applicable timeframes provided under the license agreement. Our ability to meet some of these milestones is uncertain, and depends upon a number of factors, including our ability to obtain clinical material, to recruit study centers with appropriate expertise and patient populations and to develop a clinical program meeting the development requirements of both the FDA and European regulatory authorities in a timely fashion. If our development activities are delayed for reasons that are not excused under our license agreement, we may have to pay Alizé for extensions to meet our licensing obligations or we may lose our rights to develop and commercialize JZP-416.

The FDA has granted Fast Track designation to the investigation of JZP-416 for ALL. Defibrotide has also been granted Fast Track designation by the FDA to treat severe VOD in HSCT recipients. The Fast Track program is designed to enable more frequent interactions with the FDA during drug development and to expedite new drug candidate review. Although we have obtained Fast Track designation from the FDA for JZP-416 and defibrotide, receipt of Fast Track designation may not result in a faster development process, review or approval compared to drugs considered for approval under conventional FDA procedures, and Fast Track designation may be withdrawn by the FDA at any time. In addition, Fast Track designation does not guarantee that we will be able to take advantage of the expedited review procedures and does not increase the likelihood that either JZP-416 or defibrotide will receive regulatory approval.

The clinical trial we initiated in the second quarter of 2014 to further evaluate the use of Erwinaze in young adults age 18 to 39 with ALL who are hypersensitive to E. coli-derived asparaginase had not enrolled a patient as of April 2015, which led to our decision to terminate the trial. Accordingly, we no longer have an ongoing trial to generate additional clinical data to support the expansion of Erwinaze's therapeutic use in young adults or otherwise, which could materially and adversely affect the growth of the market for Erwinaze.

We rely on third parties to conduct our clinical trials, and if they do not properly and successfully perform their legal and regulatory obligations, as well as their contractual obligations to us, we may not be able to obtain regulatory approvals for our product candidates.

We rely on contract research organizations and other third parties to assist us in designing, managing, monitoring and otherwise carrying out our clinical trials, including with respect to site selection, contract negotiation and data management. We do not control these third parties and, as a result, they may not treat our clinical studies as a high priority, or in the manner in which we would prefer, which could result in delays. We are responsible for confirming that each of our clinical trials is

Table of Contents

conducted in accordance with its general investigational plan and protocol, as well as the FDA's and non-U.S. regulatory agencies' requirements, commonly referred to as good clinical practices, for conducting, recording and reporting the results of clinical trials to ensure that the data and results are credible and accurate and that the trial participants are adequately protected. The FDA and non-U.S. regulatory agencies enforce good clinical practices through periodic inspections of trial sponsors, principal investigators and trial sites. If we, contract research organizations or other third parties assisting us or our study sites fail to comply with applicable good clinical practices, the clinical data generated in our clinical trials may be deemed unreliable and the FDA or its non-U.S. counterparts may require us to perform additional clinical trials before approving our marketing applications. We cannot assure you that, upon inspection, the FDA or non-U.S. regulatory agencies will determine that any of our clinical trials comply with good clinical practices. In addition, our clinical trials must be conducted with product produced under the FDA's cGMP regulations and similar regulations outside of the United States. Our failure, or the failure of our product manufacturers, to comply with these regulations may require us to repeat or redesign clinical trials, which would delay the regulatory approval process.

If third parties do not successfully carry out their duties under their agreements with us, if the quality or accuracy of the data they obtain is compromised due to failure to adhere to our clinical protocols, including dosing requirements, or regulatory requirements, or if they otherwise fail to comply with clinical trial protocols or meet expected deadlines, our clinical trials may not meet regulatory requirements. If our clinical trials do not meet regulatory requirements or if these third parties need to be replaced, our clinical trials may be extended, delayed, suspended or terminated. If any of these events occur, we may not be able to obtain regulatory approval of our product candidates or succeed in our efforts to create approved line extensions for certain of our existing products or generate additional useful clinical data in support of these products.

We face substantial competition from other companies, including companies with greater resources, including larger sales organizations and more experience working with large and diverse product portfolios, than we have.\*

The commercial potential of our current products and any future products may be reduced or eliminated if our competitors develop or acquire and commercialize generic or branded products that are safer or more effective, have fewer side effects, are easier to administer or are less expensive than our products. Many of our competitors, particularly large pharmaceutical and life sciences companies, have substantially greater financial, operational and human resources than we do. They can spend more on, and have more expertise in, research and development, regulatory, manufacturing, distribution and sales activities. As a result, our competitors may obtain FDA or other regulatory approvals for their product candidates more rapidly than we can and may market their products more effectively than we do. Smaller or earlier stage companies may also prove to be significant competitors, particularly through focused development programs and collaborative arrangements with large, established companies. For example, a number of companies are developing new immunotherapy treatments for relapsed or refractory ALL patients, including one treatment that was recently approved. The development of these new treatments could negatively impact our ability to maintain and grow sales of Erwinaze in patient populations where the benefit of an asparaginase-containing regime is not well established.

In addition, many of our competitors are able to deploy more personnel to market and sell their products than we do. We currently have a relatively small number of sales representatives compared with the number of sales representatives of most other pharmaceutical companies with marketed products. Each of our sales representatives is responsible for a territory of significant size. The continued growth of our current products and the launch of any future products may require expansion of our sales force and sales support organization internationally, and we may need to commit significant additional funds, management and other resources to the growth of our sales organization. We may not be able to achieve any necessary growth in a timely or cost-effective manner or realize a positive return on our investment, and we may not have the financial resources to achieve the necessary growth in a timely manner or at all. We also have to compete with other pharmaceutical and life sciences companies to recruit, hire, train and retain sales and marketing personnel, and turnover in our sales force and marketing personnel could negatively affect sales of our products. If our specialty sales force and sales organization are not appropriately sized to adequately promote any current or potential future products, the commercial potential of our current products and any future products may

be diminished.

We compete with a significant number of pharmaceutical and life sciences companies with extensive sales, marketing and promotional experience in hematology/oncology markets, and our failure to compete effectively in this area could negatively affect our sales of Erwinaze, Defitelio and other products.

We also face competition, and may in the future face additional competition, from manufacturers of generic drugs. Generic competition often results in decreases in the prices at which branded products can be sold, particularly when there is more than one generic available in the marketplace. In addition, legislation enacted in the United States allows for, and in a few instances in the absence of specific instructions from the prescribing physician mandates, the dispensing of generic products rather than branded products where a generic version is available. Other companies could also develop products that are similar, but not identical, to our marketed products, such as an alternative formulation of our product or an alternative formulation combined with a different delivery technology, and seek approval in the United States by referencing our products and relying, to some degree, on the FDA's finding that our products are safe and effective. See the risk factor in Part II,

58

---

Table of Contents

Item 1A of this Quarterly Report on Form 10-Q entitled “If generic versions of Xyrem or other sodium oxybate products that compete with Xyrem are approved and launched, sales of Xyrem would be adversely affected.”

Our products and product candidates may also compete in the future with new products currently under development by others. Any products that we develop are likely to be in a highly competitive market, and many of our competitors may succeed in developing products that may render our products obsolete or noncompetitive.

If we fail to attract, retain and motivate key personnel or to retain the members of our executive management team, our operations and our future growth may be adversely affected.

Our success and our ability to grow depend in part on our continued ability to attract, retain and motivate highly qualified personnel and on our ability to develop and maintain important relationships with leading academic institutions, clinicians and scientists. We are highly dependent upon our executive management team and other critical personnel, all of whom work on many complex matters that are essential to our success. We do not carry “key person” insurance. The loss of services of one or more members of our executive management team or other key personnel could delay or prevent the successful completion of some of our vital activities. Any employee may terminate his or her employment at any time without notice or with only short notice and without cause or good reason. The resulting loss of institutional knowledge may negatively impact our operations and future growth.

In addition, to grow our company we will need additional personnel. Competition for qualified personnel in the pharmaceutical industry is very intense. If we are unable to attract, retain and motivate quality individuals, including in our research and development operations, which are continuing to expand, our business, financial condition, results of operations and growth prospects could be adversely affected.

We also depend on the unique abilities, industry experience and institutional knowledge of the members of our board of directors to efficiently set company strategy and effectively guide our executive management team. We cannot be certain that future board turnover will not negatively affect our business.

Significant disruptions of information technology systems or breaches of data security could adversely affect our business.\*

We are increasingly dependent on information technology systems and infrastructure, including mobile technologies, to operate our business. In the ordinary course of our business, we collect, store and transmit large amounts of confidential information, including intellectual property, proprietary business information and personally identifiable information. It is critical that we do so in a secure manner to maintain the confidentiality and integrity of such confidential information. We have also outsourced elements of our information technology infrastructure, and as a result we manage a number of third party vendors who may or could have access to our confidential information. The size and complexity of our information technology systems, and those of third party vendors with whom we contract, and the volume of data we retain, make such systems potentially vulnerable to breakdown, malicious intrusion, security breaches and other cyber-attacks. From time to time, our systems have been subject to cyber-attacks. A security breach or privacy violation that leads to disclosure or modification of or prevents access to patient information, including personally identifiable information or protected health information, could harm our reputation, compel us to comply with federal and/or state breach notification laws and foreign law equivalents, subject us to mandatory corrective action, require us to verify the correctness of database contents and otherwise subject us to liability under laws and regulations that protect personal data, any of which could disrupt our business and/or result in increased costs or loss of revenue. If we are unable to prevent such security breaches or privacy violations or implement satisfactory remedial measures, our operations could be disrupted, and we may suffer loss of reputation, financial loss and other regulatory penalties because of lost or misappropriated information, including sensitive patient data. In addition, these breaches and other inappropriate access can be difficult to detect, and any delay in identifying them may lead to increased harm of the type described above. Moreover, the prevalent use of mobile devices that access confidential information increases the risk of data security breaches, which could lead to the loss of confidential information, trade secrets or other intellectual property. While we have implemented security measures to protect our data security and information technology systems, such measures may not prevent such events. Significant disruptions of our information technology systems or breaches of data security could adversely affect our business.

Risks Related to Our Intellectual Property

It is difficult and costly to protect our proprietary rights, and we may not be able to ensure their protection.\* Our commercial success depends in part on obtaining and maintaining patent protection of our products and product candidates and their use and the methods used to manufacture and distribute them, as well as successfully defending these patents against third party challenges, and successfully protecting our trade secrets. Our ability to protect our products and product candidates from unauthorized making, using, selling, offering to sell or importation by third parties depends on the extent to which we have rights under valid and enforceable patents or have trade secrets that cover these activities.

Table of Contents

The patent position of pharmaceutical companies can be highly uncertain and involve complex legal, regulatory and factual questions. We own a portfolio of United States and non-U.S. patents and patent applications and have licensed rights to a number of issued patents and patent applications that cover or relate to our products and product candidates, including Xyrem and Defitelio. Changes in either the patent laws or in interpretations of patent laws in the United States and other countries may diminish the value of our intellectual property. Even if we are able to obtain patents covering our products and product candidates, any patent may be challenged, invalidated, held unenforceable or circumvented, potentially including by FDA approval of an ANDA that avoids infringement of our intellectual property.

On September 16, 2011, the Leahy-Smith America Invents Act, or the America Invents Act, was signed into law. The final substantive provisions of the America Invents Act, including the first to file system, became effective on March 16, 2013. The America Invents Act includes a number of significant changes to U.S. patent law. These changes include provisions that affect the way patent applications are being filed, prosecuted and litigated. For example, the America Invents Act enacted proceedings involving post-issuance patent review procedures, such as IPR, CBM reviews and other post grant reviews. These proceedings are conducted before the PTAB. Each proceeding has different eligibility criteria and different patentability challenges that can be raised. The IPR process permits any person (except a party who has been litigating the patent for more than a year) to challenge the validity of the patent on the grounds that it was anticipated or made obvious by prior art. The America Invents Act and its implementation could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of our issued patents, all of which could have a material adverse effect on our business, financial condition, results of operations and growth prospects. We cannot predict what impact, if any, amendments to the America Invents Act or other patent-related legislation, or judicial decisions interpreting such legislation, will have on such uncertainties and costs.

Although Xyrem is covered by patents covering its formulation, distribution system and method of use, third parties are seeking to introduce generic versions of Xyrem, and additional third parties may also attempt to invalidate or design around the patents, or assert that they are invalid or otherwise unenforceable, and seek to introduce generic versions of Xyrem or other sodium oxybate products for treatment of cataplexy and/or EDS in narcolepsy. If one or more companies receive FDA approval of an ANDA for generic versions of Xyrem or an NDA for other sodium oxybate products, it is possible that such company or companies could introduce generic versions of Xyrem or other sodium oxybate products before our patents expire, if it is determined that our patents are invalid, unenforceable or non-infringed, or if such company or companies decide, before applicable ongoing patent litigation is concluded, to launch competition to Xyrem at risk of potentially being held liable for damages for patent infringement.

Seven abbreviated new drug applications, or ANDAs, have been filed with the U.S. Food and Drug Administration, or FDA, by third parties seeking to market generic versions of Xyrem. We have filed lawsuits seeking to prevent the introduction of a generic version of Xyrem that would infringe our patents, but we cannot assure you that any of the lawsuits will prevent the introduction of a generic version of Xyrem for any particular length of time, or at all.

Additional ANDAs could also be filed requesting approval to market generic versions of Xyrem. If any of these applications is approved, and a generic version of Xyrem is introduced, our sales of Xyrem would be adversely affected. Although no trial date has been set in any of the ANDA suits, we anticipate that trial on some of the patents in the Roxane case could occur as early as the first quarter of 2016. However, the actual timing of events may be significantly earlier or later than we currently anticipate, and we cannot predict the timing or outcome of events in this or the other ANDA litigation.

In addition, certain of the ANDA filers have challenged the validity of six patents covering the distribution system for Xyrem by filing petitions for IPR by the PTAB. In July 2015, the PTAB issued decisions instituting IPR trials with respect to these petitions, and we expect the PTAB to issue final decisions on the validity of the patents within a year of institution. In addition, in April 2015, a hedge fund (acting with affiliated entities and individuals and proceeding under the name of the Coalition for Affordable Drugs III LLC) filed an IPR petition challenging the validity of one of our Xyrem distribution patents that is already the subject of one of the IPR petitions proceeding to trial before the PTAB. In July 2015, we filed a preliminary response to this petition, opposing the petition and stating reasons that



review should not be granted. The PTAB has not yet determined whether to institute proceedings with respect to this IPR petition. We cannot predict whether additional post-grant patent review challenges will be filed by any of the ANDA filers or any other entity, the outcome of any IPR or other proceeding, whether the PTAB will institute any petitioned IPR proceeding that has not yet been instituted, or the impact any IPR or other proceeding might have on ongoing ANDA litigation proceedings or other aspects of our Xyrem business.

In April 2014, we became aware of the completion of a “first in man” clinical trial by a company using its proprietary technology for delivery of a sodium oxybate formulation to eliminate second nighttime dosing for narcolepsy patients. This company has stated that it anticipates starting a pivotal trial in late 2015 and submitting an NDA, referencing Xyrem, to the FDA in the first half of 2017. See the risk factor in Part II, Item 1A of this Quarterly Report on Form 10-Q entitled “If generic versions of Xyrem or other sodium oxybate products that compete with Xyrem are approved and launched, sales of Xyrem would be adversely affected.”

Table of Contents

The existence of a patent will not necessarily prevent other companies from developing similar or therapeutically equivalent products or protect us from claims of third parties that our products infringe their issued patents, which may require licensing and the payment of significant fees or royalties. Competitors may successfully challenge our patents, produce similar products that do not infringe our patents, or manufacture products in countries where we have not applied for patent protection or that do not respect our patents. Accordingly, we cannot predict the breadth of claims that may be allowed or enforced in our patents, our licensed patents or in third party patents.

The degree of future protection to be afforded by our proprietary rights is uncertain because legal means afford only limited protection and may not adequately protect our rights or permit us to gain or keep our competitive advantage. For example:

- others may be able to make products that are similar to our product candidates but that are not covered by the claims of our patents, or for which we are not licensed under our license agreements;
- we or our licensors or partners might not have been the first to invent or file, as appropriate, subject matters covered by our issued patents or pending patent applications or the pending patent applications or issued patents of our licensors or partners;
- others may independently develop similar or alternative products without infringing our intellectual property rights;
- our pending patent applications may not result in issued patents;
- our issued patents and the issued patents of our licensors or partners may not provide us with any competitive advantages, or may be held invalid or unenforceable as a result of legal challenges by third parties;
- our issued patents may not cover our competitors' products;
- our issued patents and the issued patents of our licensors or partners may be vulnerable to legal challenges as a result of changes in applicable law;
- we may not develop additional proprietary products that are patentable; or
- the patents of others may have an adverse effect on our business.

We also may rely on trade secrets and other unpatented proprietary information to protect our technology, especially where we do not believe patent protection is appropriate or obtainable. However, trade secrets are difficult to protect. Although we use reasonable efforts to protect our trade secrets and other unpatented proprietary information, our employees, consultants, advisors and partners may unintentionally or willfully disclose our proprietary information to competitors, and we may not have adequate remedies for such disclosures.

If our employees, consultants, advisors and partners develop inventions or processes independently, or jointly with us, that may be applicable to our products under development, disputes may arise about ownership or proprietary rights to those inventions and processes. Enforcing a claim that a third party illegally obtained and is using any of our inventions or trade secrets is expensive and time-consuming, and the outcome is unpredictable. In addition, courts outside of the United States are sometimes less willing to protect trade secrets. Moreover, our competitors may independently develop equivalent knowledge, methods and know-how.

Certain of the products we sell have no patent protection and, as a result, potential competitors face fewer barriers in introducing competing products. We rely on trade secrets and other unpatented proprietary information to protect our commercial position with respect to such products, which we may be unable to do. In some instances, we also rely on regulatory exclusivity. For example, Erwinaze has no patent protection. In addition to protection using trade secrets, Erwinaze has orphan drug exclusivity in the United States for a seven-year period from its FDA approval, which precludes approval of another product with the same principal molecular structure for the same indication until November 2018. Erwinaze, as a biologic product approved under a BLA, is also subject to the U.S. Biologics Price Competition and Innovation Act, or BPCIA. Under the BPCIA, Erwinaze is expected to receive exclusivity that prevents approval of a biosimilar in the United States through late 2023. Because the BPCIA is a relatively new law, we anticipate that its impact on both reference product sponsors and biosimilar applicants will evolve over a period of years. Its implementation likely will be shaped by a variety of factors, including FDA issuance of guidance documents, proposed regulations, and decisions in the course of considering specific applications. As a result, it is possible that a potential competing drug product might obtain FDA approval before the orphan drug and expected BPCIA exclusivity periods have expired, which would adversely affect sales of Erwinaze. In the EU, the regulatory

data protection and thus regulatory exclusivity period for Erwinase has lapsed. This also means that any new marketing authorizations for Erwinase in other EU member states will not receive any regulatory data protection. If a biosimilar product to Erwinase is approved in the United States as interchangeable to Erwinase or in other countries where Erwinase is sold, a significant percentage of the prescriptions that would have been written for Erwinase may be filled with the biosimilar version, resulting in a loss in sales of Erwinase, and there may be a decrease in the price at which Erwinase can be

Table of Contents

sold. Competition from a biosimilar product to Erwinaze could have a material adverse effect on our business, financial condition, results of operations and growth prospects.

Similarly, although there are patent applications for JZP-416 pending in the United States and the product is covered by some patents outside of the United States, it is not yet covered by any U.S. patents. JZP-416 was granted orphan drug designation for the treatment of ALL by the EMA and by the FDA subject to certain conditions. JZP-416 is still in the early stage of clinical development and in February 2015, we voluntarily suspended enrollment in our first study of JZP-416 in children in a pivotal Phase 2 trial in North America. See the risk factor in Part II, Item 1A of this Quarterly Report on Form 10-Q entitled “Conducting clinical trials is costly and time-consuming, and the outcomes are uncertain. A failure to prove that our product candidates are safe and effective in clinical trials, or to generate data in clinical trials to support expansion of the therapeutic uses for our existing products, could materially and adversely affect our business, financial condition, results of operations and growth prospects.” There is no guarantee that we will continue development of JZP-416 or resume enrollment in the pivotal Phase 2 clinical trial or that JZP-416 will succeed in clinical trials, that we will be able to file marketing applications for it, that it will receive marketing approval, or that JZP-416 will meet the conditions for orphan drug exclusivity. If we continue development, but fail to obtain orphan drug exclusivity and/or exclusivity under the BCPIA, and if we also fail to successfully execute on other strategies to protect our intellectual property with respect to JZP-416, including protection by one or more issued patents, JZP-416 would be subject to competition, which could have a material adverse effect on our ability to recognize any return on our investment in the development of this product as well as on our future growth prospects. Our research and development collaborators may have rights to publish data and other information to which we have rights. In addition, we sometimes engage individuals or entities to conduct research that may be relevant to our business. While the ability of these individuals or entities to publish or otherwise publicly disclose data and other information generated during the course of their research is subject to contractual limitations, these contractual provisions may be insufficient or inadequate to protect our trade secrets and may impair our patent rights. If we do not apply for patent protection prior to such publication, or if we cannot otherwise maintain the confidentiality of our innovations and other confidential information, then our ability to obtain patent protection or protect our proprietary information may be jeopardized. Moreover, a dispute may arise with our research and development collaborators over the ownership of rights to jointly developed intellectual property. Such disputes, if not successfully resolved, could lead to a loss of rights and possibly prevent us from pursuing certain new products or product candidates. We have incurred and expect to continue to incur substantial costs as a result of litigation or other proceedings relating to patents, other intellectual property rights and related matters, and we may be unable to protect our rights to, or commercialize, our products.\*

Our ability, and that of our partners, to commercialize any approved products will depend, in part, on our ability to obtain patents, enforce those patents and operate without infringing the proprietary rights of third parties. The patent positions of pharmaceutical companies can be highly uncertain and involve complex legal and factual questions. We have filed multiple U.S. patent applications and non-U.S. counterparts, and may file additional U.S. and non-U.S. patent applications. There can be no assurance that any issued patents we own or control will provide sufficient protection to conduct our business as presently conducted or as proposed to be conducted. Moreover, for a variety of reasons, including the existence of relevant prior research performed and the existence of conflicting patent applications submitted in the same manner or similar fields, there can be no assurance that any patents will issue from the patent applications owned by us, or that we will remain free from infringement claims by third parties.

If we choose to go to court to stop a third party from infringing our patents, our licensed patents or our partners’ patents, that third party has the right to ask the court to rule that these patents are invalid and/or should not be enforced. These lawsuits and administrative proceedings are expensive and consume time and other resources, and we may not be successful in these proceedings or in stopping infringement. In addition, there is a risk that a court will decide that these patents are not valid or infringed, or that the PTAB will decide that certain patents are not valid, and that we do not have the right to stop a third party from using the patented subject matter.

For example, seven companies have notified us that they have filed ANDAs with the FDA seeking FDA approval to market a generic version of Xyrem. We have filed lawsuits seeking to prevent the introduction of a generic version of

Xyrem that would infringe our patents, and the litigation proceedings are ongoing. In addition, certain of the ANDA filers have challenged the validity of six patents covering the distribution system for Xyrem by filing petitions for IPR by the PTAB. In July 2015, the PTAB issued decisions instituting IPR with respect to these petitions, and we expect the PTAB to issue final decisions on the validity of the patents within a year of institution. The IPR process under the America Invents Act permits any person, whether they are accused of infringing the patent at issue or not, to challenge the validity of certain patents with the PTAB. As a result, entities associated with hedge funds have begun challenging valuable pharmaceutical patents through the IPR process. In April 2015, a hedge fund (acting with affiliated entities and individuals and proceeding under the name of the Coalition for Affordable Drugs III LLC) filed an IPR petition challenging the validity of one of our Xyrem distribution patents that is already the subject of one of the IPR petitions proceeding to trial before the PTAB. In July 2015, we filed a preliminary

Table of Contents

response to this petition, opposing the petition and stating reasons that review should not be granted. The PTAB has not yet determined whether to institute proceedings with respect to this IPR petition. We cannot predict whether additional post-grant patent review challenges will be filed by any of the ANDA filers or any other entity, the outcome of any IPR or other proceeding, whether the PTAB will institute any petitioned IPR proceeding that has not yet been instituted, or the impact any IPR or other proceeding might have on ongoing ANDA litigation proceedings or other aspects of our Xyrem business. See the risk factor in Part II, Item 1A of this Quarterly Report on Form 10-Q entitled “It is difficult and costly to protect our proprietary rights, and we may not be able to ensure their protection.” We cannot assure you that our pending lawsuits, other lawsuits or proceedings we may file in the future, or our defense against any lawsuits or other proceeding that have been or will be brought against us will be successful in stopping the infringement of our patents, that any such litigation or other proceedings will be cost-effective, or that any of them will have a satisfactory result for us.

A third party may claim that we or our manufacturing or commercialization partners are using inventions covered by the third party’s patent rights, or that we or such partners are infringing, misappropriating or otherwise violating other intellectual property rights, and may go to court to stop us from engaging in our normal operations and activities, including making or selling our products. Such lawsuits are costly and could affect our results of operations and divert the attention of management and development personnel. There is a risk that a court could decide that we or our partners are infringing, misappropriating or otherwise violating third party patent or other intellectual property rights, which could be very costly to us and have a material adverse effect on our business.

In the pharmaceutical and life sciences industry, like other industries, it is not always clear to industry participants, including us, which patents cover various types of products or methods. The coverage of patents is subject to interpretation by the courts, and the interpretation is not always uniform. If we are sued for patent infringement, we would need to demonstrate that our products or methods do not infringe the patent claims of the relevant patent and/or that the patent claims are invalid or unenforceable, which we may not be able to do.

Because some patent applications in the United States may be maintained in secrecy until the patents are issued, because patent applications in the United States and many non-U.S. jurisdictions are typically not published until 18 months after their priority date, and because publications in the scientific literature often lag behind actual discoveries, we cannot be certain that others have not filed patent applications for inventions covered by our or our licensors’ issued patents or pending applications, or that we or our licensors were the first inventors. Our competitors may have filed, and may in the future file, patent applications covering subject matter similar to ours. Any such patent application may have priority over our or our licensors’ patents or applications and could further require us to obtain rights to issued patents covering such subject matter. If another party has filed a U.S. patent application on inventions similar to ours, we may have to participate in an interference proceeding declared by the USPTO to determine priority of invention in the United States. The costs of these proceedings could be substantial, and it is possible that such efforts would be unsuccessful, resulting in a loss of our U.S. patent position with respect to such inventions. Patent interferences are limited or unavailable for patent applications filed after March 16, 2013.

Some of our competitors may be able to sustain the costs of complex patent and other intellectual property litigation more effectively than we can because they have substantially greater resources. In addition, any uncertainties resulting from the initiation and continuation of any litigation could have a material adverse effect on our ability to raise the funds necessary to continue our operations.

We own patents that cover, among other things, the formulation and method of use covering the administration for Xyrem. In July 2014, the USPTO issued us a new method of use patent relating to the safe and effective use of Xyrem by decreasing the dose of Xyrem when used concomitantly with divalproex sodium (also known as valproate or valproic acid), which information was added to the Xyrem label in April 2014. In June 2015, the USPTO issued us another new method of use patent relating to decreasing the dose of Xyrem when used concomitantly with divalproex sodium. Both of these patents have been listed in the Orange Book. We have filed lawsuits against each of the Xyrem ANDA filers alleging infringement of the July 2014 patent and seeking a permanent injunction to prevent these Xyrem ANDA filers from introducing a generic version of Xyrem that would infringe this patent. In April 2015, Roxane moved to dismiss claims involving the July 2014 patent on the grounds that it does not cover patentable

subject matter. While we believe the additional safety information is critical for the safe use of Xyrem and should be required to be included in the label for any proposed generic form of Xyrem, we do not know whether the FDA will require any proposed generic form of Xyrem to include this information in its product label or whether we will be successful in maintaining the validity of the applicable patents and protecting the patents from infringement.

We also own method of use patents and trade secrets that cover elements of the Xyrem REMS, including patents that cover the use of a single central pharmacy to distribute Xyrem. The Xyrem REMS approval notice includes statements from the FDA that (i) the approval action should not be construed or understood as agreement with us that dispensing through a single pharmacy is the only way to ensure that the benefits of Xyrem outweigh its risks, and that the FDA has continuing concerns that limiting the distribution of Xyrem to one pharmacy imposes burdens on patient access and the healthcare delivery system and (ii) as with all REMS, the FDA intends to evaluate the Xyrem REMS on an ongoing basis and will require modifications as may be appropriate. We cannot predict whether the FDA will seek to require or ultimately require

Table of Contents

modifications to the Xyrem REMS, including with respect to the Xyrem distribution system, or seek to otherwise impose or ultimately impose additional requirements to the Xyrem REMS, or the potential timing, terms or propriety thereof. Any such modifications or additional requirements could potentially make it easier for future generic competitors, make it more difficult or expensive for us to distribute Xyrem and/or negatively affect sales of Xyrem. In particular, depending on the nature of any such modifications or additional requirements, the ability of our existing patents to protect our Xyrem distribution system from generic competitors may be reduced. In addition, the extent of protection provided by our method of use patents covering the distribution of Xyrem depends on the nature of the distribution system that may be used by any generic competitor, including whether the distribution system is as restricted as the distribution system set forth in the Xyrem REMS. If a generic competitor is able to obtain ANDA approval for a generic version of Xyrem based on a REMS that does not fall within the scope of any of the claims of our distribution patents, those patents will not be a barrier to the generic version's entry into the market. We cannot be certain whether our existing distribution patents or patents that may be granted in the future will be construed to cover any generic REMS or risk management plan that might be approved by the FDA. For example, in March 2015, one of the ANDA filers moved to dismiss claims involving our distribution patents on the grounds that they do not cover patentable subject matter. The interpretation of intellectual property protections and the effect of these protections are extremely complex, and we cannot predict the impact of any of these matters on our business.

**Risks Related to Our Industry**

The regulatory approval process is expensive, time-consuming and uncertain and may prevent us or our partners from obtaining approvals for the commercialization of some or all of our product candidates.

The manufacturing, labeling, packaging, adverse event reporting, storage, advertising, promotion, sale, distribution, recordkeeping, importing and exporting of our products and our research and development activities are subject to extensive regulation by the FDA, the European Commission, or EC, the competent authorities of the EU member states and other regulatory authorities. Regulations differ from country to country. As a result of these regulations, product development, approval and commercialization processes are expensive and time-consuming. For example, we are not permitted to market a pharmaceutical product in the United States or in the EU member states until we receive approval from the FDA, the EC or the competent authorities of the EU member states, as applicable. An application for marketing approval must contain information demonstrating the quality, safety and efficacy of the pharmaceutical product, including data from preclinical and clinical trials, information pertaining to the preparation and manufacture of the active pharmaceutical ingredient, analytical methods, product formulation, details on the manufacture and stability of the finished pharmaceutical product and proposed product packaging and labeling. Submission of an application for marketing authorization does not assure approval for marketing in any jurisdiction, and we may encounter significant difficulties or costs in our efforts to obtain approval to market products. If we are unable to obtain regulatory approval of our product candidates, we will not be able to commercialize them and recoup our research and development costs. Any delay or failure in obtaining approval of a drug candidate, or receiving approval for narrower indications than sought, can have a negative impact on our financial performance.

If the FDA, the EC or the competent authorities of the EU member states determine that a REMS or the imposition of post-marketing obligations is necessary to ensure that the benefits of the drug outweigh the risks, we may be required to include a proposed REMS as part of an NDA or BLA or to propose post-marketing obligations to be included in the marketing authorization for our products in the EU. We may also be required to include a patient package insert or a medication guide to provide information to consumers about the product's risks and benefits, a plan for communication to healthcare providers, and restrictions on the product's distribution. For example, the FDA requires a REMS for Xyrem, discussed in detail under the risk factor "The manufacture, distribution and sale of Xyrem are subject to significant regulatory oversight and restrictions and the requirements of a risk evaluation and mitigation strategy, and these restrictions and requirements, as well as the potential impact of changes to these restrictions and requirements, subject us to increased risks and uncertainties, any of which could negatively impact sales of Xyrem" above, and other products that we sell are or may become subject to a REMS specific to our product or shared with other products in the same class of drug. We cannot predict the impact that any new REMS requirements applicable to any of our products would have on our business.



As another example, the marketing authorization in the EU for Defitelio requires us to comply with a number of post-marketing obligations, including obligations relating to the establishment of a patient registry to investigate the long-term safety, health outcomes and patterns of utilization of Defitelio during normal use. If we fail to meet the post-marketing obligations imposed as part of the marketing authorization for Defitelio or if it is determined that the balance of risks and benefits of using Defitelio changes materially, the EMA could vary, suspend or withdraw the marketing authorization for Defitelio.

Table of Contents

Changes in healthcare law and implementing regulations, including those based on recently enacted legislation, as well as changes in healthcare policy, may impact our business in ways that we cannot currently predict and these changes could have a material adverse effect on our business and financial condition.

The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010, together the Healthcare Reform Act, is a sweeping measure intended to expand healthcare coverage within the United States, primarily through the imposition of health insurance mandates on employers and individuals and expansion of the Medicaid program. This law substantially changes the way healthcare is financed by both governmental and private insurers, and significantly impacts the pharmaceutical industry. The Healthcare Reform Act contains a number of provisions that are expected to impact our business and operations, in some cases in ways we cannot currently predict. Changes that may affect our business include those governing enrollment in federal healthcare programs, reimbursement changes, benefits for patients within a coverage gap in the Medicare Part D prescription drug program (commonly known as the “donut hole”), rules regarding prescription drug benefits under the health insurance exchanges, changes to the Medicare Drug Rebate program, expansion of the Public Health Service’s 340B drug pricing discount program, fraud and abuse and enforcement. These changes will impact existing government healthcare programs and will result in the development of new programs, including Medicare payment for performance initiatives and improvements to the physician quality reporting system and feedback program.

Details of the changes to the Medicaid Drug Rebate program and the 340B program are discussed under the risk factor “If we fail to comply with our reporting and payment obligations under the Medicaid Drug Rebate program or other governmental pricing programs, we could be subject to additional reimbursement requirements, penalties, sanctions and fines, which could have a material adverse effect on our business, financial condition, results of operations and growth prospects.”

Some states have elected not to expand their Medicaid programs by raising the income limit to 133% of the federal poverty level, as is permitted under the Healthcare Reform Act. For each state that does not choose to expand its Medicaid program, there may be fewer insured patients overall, which could impact our sales, business and financial condition. Where Medicaid patients receive insurance coverage under any of the new options made available through the Healthcare Reform Act, the possibility exists that manufacturers may be required to pay Medicaid rebates on drugs used under these circumstances, a decision that could impact manufacturer revenues. In addition, the federal government has also announced delays in the implementation of key provisions of the Healthcare Reform Act, including the employer mandate. The implications of these delays for our sales, business and financial condition, if any, are not yet clear.

Moreover, legislative changes to the Healthcare Reform Act remain possible. We expect that the Healthcare Reform Act, as currently enacted or as it may be amended in the future, and other healthcare reform measures that may be adopted in the future, could have a material adverse effect on our industry generally and on our ability to maintain or increase sales of our existing products or to successfully commercialize our product candidates, if approved.

In addition to the Healthcare Reform Act, there will continue to be proposals by legislators at both the federal and state levels, regulators and third party payors to keep healthcare costs down while expanding individual healthcare benefits. Likewise, in the countries in the EU, legislators, policymakers and healthcare insurance funds continue to propose and implement cost-containing measures to keep healthcare costs down, due in part to the attention being paid to healthcare cost containment and other austerity measures in the EU. Certain of these changes could impose limitations on the prices we will be able to charge for our products and any approved product candidates or the amounts of reimbursement available for these products from governmental agencies or third party payors, may increase the tax obligations on pharmaceutical companies such as ours, or may facilitate the introduction of generic competition with respect to our products. Further, an increasing number of EU member states and other foreign countries use prices for medicinal products established in other countries as “reference prices” to help determine the price of the product in their own territory. Consequently, a downward trend in prices of medicinal products in some countries could contribute to similar downward trends elsewhere. In addition, the ongoing budgetary difficulties faced by a number of EU member states, including Greece and Spain, have led and may continue to lead to substantial delays in payment and payment partially with government bonds rather than cash for medicinal drug products, which

could negatively impact our revenues and profitability. Moreover, in order to obtain reimbursement for our products in some countries, including some EU member states, we may be required to conduct clinical trials that compare the cost-effectiveness of our products to other available therapies. There can be no assurance that our products will obtain favorable reimbursement status in any country.

To help patients afford our products, we have various programs to assist them, including patient assistance programs, a Xyrem free product voucher program and co-pay coupon programs for certain products. Co-pay coupon programs, including our program for Xyrem, have received some negative publicity related to their use to promote branded pharmaceutical products over other less costly alternatives. In recent years, other pharmaceutical manufacturers have been named in class action lawsuits challenging the legality of their co-pay programs under a variety of federal and state laws. In addition, at least one insurer has directed its network pharmacies to no longer accept co-pay coupons for certain specialty drugs the insurer identified. Our co-pay coupon programs could become the target of similar lawsuits or insurer actions. In addition, in

Table of Contents

November 2013, Centers for Medicare and Medicaid Services, or CMS, issued guidance to the issuers of qualified health plans sold through the Healthcare Reform Act's marketplaces encouraging such plans to reject patient cost-sharing support from third parties and indicating that CMS intends to monitor the provision of such support and may take regulatory action to limit it in the future. In September 2014, the Office of Inspector General, or OIG, of the U.S. Department of Health and Human Services, or HHS, issued a Special Advisory Bulletin warning manufacturers that they may be subject to sanctions under the federal anti-kickback statute and/or civil monetary penalty laws if they do not take appropriate steps to exclude Medicare Part D beneficiaries from using co-pay coupons. It is possible that the outcome of litigation against other manufacturers, changes in insurer policies regarding co-pay coupons, and/or the introduction and enactment of new legislation or regulatory action could restrict or otherwise negatively affect these programs, which could result in fewer patients using affected products, which could include Xyrem, and therefore could have a material adverse effect on our sales, business and financial condition.

We are subject to significant ongoing regulatory obligations and oversight, which may result in significant additional expense and limit our ability to commercialize our products.\*

**Oversight by FDA and Equivalent Non-U.S. Regulatory Authorities**

We are subject to significant ongoing regulatory obligations with respect to our marketed products, such as safety reporting requirements and additional post-marketing obligations, including regulatory oversight of the promotion and marketing of our products. In addition, research, testing, manufacturing, labeling, packaging, adverse event reporting, storage, advertising, promotion, sale, distribution, recordkeeping, importing and exporting of our products are, and any of our product candidates that may be approved by the FDA, the EC, the competent authorities of the EU member states and other non-U.S. regulatory authorities will be, subject to extensive and ongoing regulatory requirements.

These requirements apply both to us and to third parties we contract with to perform services and supply us with products. Failure by us or any of our third party partners, including suppliers, manufacturers, distributors and our respective central pharmacies for Xyrem and for Prialt, to comply with applicable requirements could subject us to administrative or judicial sanctions or other negative consequences, such as delays in approval or refusal to approve a product candidate, withdrawal, suspension or variation of product approval, untitled letters, warning letters, fines and other monetary penalties, unanticipated expenditures, product recall, withdrawal or seizure, total or partial suspension of production or distribution, interruption of manufacturing or clinical trials, operating restrictions, injunctions; suspension of licenses, civil penalties and/or criminal prosecution, any of which could have a significant impact on our sales, business and financial condition.

We monitor adverse events resulting from the use of our commercial products, as do the regulatory authorities, and we file periodic reports with the authorities concerning adverse events. The authorities review these events and reports, and if they determine that any events and/or reports indicate a trend or signal, they can require a change in a product label, restrict sales and marketing and/or require or conduct other actions, potentially including withdrawal or suspension of the product from the market, any of which could result in reduced market acceptance and demand for our products, could harm our reputation and our ability to market our products in the future, and could have a material adverse effect on our business, financial condition, results of operations and growth prospects.

The FDA also periodically inspects the sponsor's records related to safety reporting. Following such inspections, the FDA may issue notices on Form FDA 483 and warning letters that could cause us to modify certain activities. A Form FDA 483 notice, if issued at the conclusion of an FDA inspection, can list conditions the FDA investigators believe may have violated relevant FDA regulations or guidance. Failure to adequately and promptly correct the observation(s) can result in further regulatory enforcement action. For example, in April 2014, we received a Form FDA 483 at the conclusion of a pharmacovigilance inspection conducted by the FDA. The Form FDA 483 included observations relating to certain aspects of our ADE reporting system for all of our products, including Xyrem. We responded to the Form FDA 483 with a description of the corrective actions and improvements we had implemented before or shortly following the inspection and additional improvements that we planned to implement, and have now implemented, to address the observations in the Form FDA 483. In August 2014, the FDA issued an Establishment Inspection Report to us, which indicates that the inspection is closed. Although we have implemented improvements to our ADE reporting system, there can be no assurance that the FDA or other regulatory agencies will not identify

additional matters in future pharmacovigilance inspections or that we will be able to adequately address any matters identified by the FDA or other regulatory agencies in the future, and the failure to do so could have a material adverse effect on our business, financial condition, results of operations and growth prospects.

If we receive regulatory approvals to sell our products, the FDA, the EC, the competent authorities of the EU member states and other non-U.S. regulatory authorities where our products are approved may impose significant restrictions on the indicated uses or marketing of our products, or impose requirements for burdensome post-approval study commitments. The terms of any product approval, including labeling, may be more restrictive than we desire and could affect the commercial potential of the product. If we become aware of problems with any of our products in the United States, the EU or elsewhere in the world or at our contract manufacturers' facilities, a regulatory agency may impose restrictions on our products, our contract manufacturers, our partners or us. In such an instance, we could experience a significant drop in the sales of the affected products, our product revenues and reputation in the marketplace may suffer, and we could become the target of lawsuits. For

Table of Contents

example, Medtronic Inc., or Medtronic, recently announced a consent decree with the FDA related to Medtronic's SynchroMed® II implantable infusion pump systems. Our product Prialt is approved for administration to patients via that pump. While the consent decree does not impact existing patients with the pump, physicians who want to implant the pump in new patients are required to complete a certification process to document medical necessity. While the approved indication for Prialt is one of the conditions eligible to support a showing of medical necessity provided by the consent decree, we cannot predict the impact of this new certification requirement on sales of Prialt.

The EU has adopted new legislation related to pharmacovigilance, or the assessment and monitoring of the safety of medicinal products, and this new legislation enhanced the authority of the EMA and the competent authorities of the EU member states to require companies to conduct additional post-approval clinical efficacy and safety studies and increased the burden on companies with respect to additional monitoring, adverse event management and reporting. Under the legislation and its related regulations and guidelines, we may be required to conduct a labor intensive collection of data regarding the risks and benefits of marketed products and may be required to engage in ongoing assessments of those risks and benefits, including the possible requirement to conduct additional clinical studies, which may be time-consuming and expensive and could impact our profitability. Non-compliance with such obligations can lead to the variation, suspension or withdrawal of marketing authorization or imposition of financial penalties or other enforcement measures.

The FDA approved the BLA for Erwinaze in the United States in November 2011, subject to certain post-marketing requirements, including developing and validating assays and conducting certain non-clinical studies. In addition, the BLA approval for Erwinaze is subject to compliance with numerous post-marketing commitments, including certain commitments which must be met by the product's manufacturer with respect to product manufacturing, which are outside of our control. While activities are underway to complete the post-marketing requirements and to comply with the post-marketing commitments, if we and/or the manufacturer fails to do so within the timeframe established by the FDA, or if the results of the non-clinical studies raise concerns or other issues for the FDA, our approval to market Erwinaze in the United States may be withdrawn or otherwise jeopardized.

The marketing authorization in the EU for Defitelio requires us to comply with a number of post-marketing obligations. These include obligations relating to the establishment of a patient registry. We may be unable to comply with this or other post-marketing obligations imposed as part of the marketing authorization for Defitelio. Failure to comply with these requirements may lead to the suspension, variation or withdrawal of the marketing authorization for Defitelio in the EU.

Erwinase and defibrotide are available on a named patient basis in many countries where they are not commercially available. While we believe we have satisfied the regulations regarding our communications and medical affairs activities in those countries, if any such country's regulatory authorities determine that we are promoting Erwinase or defibrotide without proper authorization, we could be found to be in violation of pharmaceutical advertising law or the regulations permitting sales under named patient programs. In that case, we may be subject to financial or other penalties.

The FDA, the competent authorities of the EU member states and other governmental authorities require advertising and promotional labeling to be truthful and not misleading, and products to be marketed only for their approved indications and in accordance with the provisions of the approved label. The FDA routinely provides its interpretations of that authority in informal communications and also in more formal communications such as untitled letters or warning letters, and although such communications may not be considered final agency decisions, companies may decide not to contest the agency's interpretations so as to avoid disputes with the FDA, even if they believe the claims to be truthful, not misleading and otherwise lawful.

The FDA, the competent authorities of the EU member states and other governmental authorities also actively investigate allegations of off-label promotion activities in order to enforce regulations prohibiting these types of activities. A company that is found to have promoted an approved product for off-label uses may be subject to significant liability, including civil and administrative financial penalties and other remedies as well as criminal financial penalties and other sanctions. Even when a company is not determined to have engaged in off-label promotion, the allegation from government authorities or market participants that a company has engaged in such

activities could have a significant impact on the company's sales, business and financial condition. The U.S. government has also required companies to enter into complex corporate integrity agreements and/or non-prosecution agreements that impose significant reporting and other burdens on the affected companies. For example, a predecessor company to Jazz Pharmaceuticals, Inc. was investigated for off-label promotion of Xyrem, and, while Jazz Pharmaceuticals, Inc. was not prosecuted, as part of the settlement Jazz Pharmaceuticals, Inc. entered into a corporate integrity agreement with the OIG, which extended through mid-2012. The investigation resulted in significant fines and penalties, which Jazz Pharmaceuticals, Inc. has paid, and the corporate integrity agreement required us to maintain a comprehensive compliance program. For all of our products, it is important that we maintain a comprehensive compliance program. Failure to maintain a comprehensive and effective compliance program, and to integrate the operations of acquired businesses into a combined comprehensive and effective compliance program on a timely basis, could subject us to a range of regulatory actions that could affect our ability to commercialize our products and could harm or prevent sales of the affected products, or could substantially increase the costs and expenses of commercializing and marketing our products.

Table of Contents

Other Regulatory Authorities

We are also subject to regulation by other regional, national, state and local agencies, including the DEA, the U.S. Department of Justice, or DOJ, the FTC, the U.S. Department of Commerce, or DOC, the OIG and other regulatory bodies, as well as governmental authorities in those non-U.S. countries in which we commercialize our products. In addition to the FDCA, other federal, state and non-U.S. statutes and regulations govern to varying degrees the research, development, manufacturing and commercial activities relating to prescription pharmaceutical products, including preclinical testing, approval, production, labeling, sale, distribution, import, export, post-market surveillance, advertising, dissemination of information, promotion, marketing, and pricing to government purchasers and government healthcare programs. Our partners, including our suppliers, manufacturers and distributors and the central pharmacy for Xyrem, are subject to many of the same requirements.

These requirements include obtaining sufficient quota from the DEA each year to manufacture sodium oxybate and Xyrem in the United States. In addition to quota requirements, the DEA imposes various registration, importing, exporting, recordkeeping and reporting requirements, labeling and packaging requirements, security controls and a restriction on prescription refills on certain pharmaceutical products under the Controlled Substances Act, or CSA. The states also impose similar requirements for handling controlled substances. The United States and the EU member states are parties to the Convention on Psychotropic Substances (1971), or the 1971 Convention. In October 2012, the World Health Organization sent a recommendation to the United Nations Commission on Narcotic Drugs, or CND, to reschedule GHB, under the 1971 Convention from its current Schedule IV status to Schedule II status. In March 2013, the CND voted to reschedule GHB from Schedule IV to Schedule II under the 1971 Convention. While the DEA imposes its own scheduling requirements in the United States under the CSA, the United States is obligated as a signatory to the 1971 Convention to ensure that drug scheduling in the United States is consistent with its obligations under the international treaties. Because sodium oxybate, the active pharmaceutical ingredient in Xyrem, is a derivative of GHB, the international rescheduling of GHB means that Xyrem and/or sodium oxybate may be subject to more restrictive registration, recordkeeping, reporting, importing, exporting and other requirements in the EU and certain other countries than the restrictions currently in place. In the United States, under DEA regulations, the Xyrem finished product is currently classified as a Schedule III controlled substance, with sodium oxybate, classified as a Schedule I controlled substance. Although the HHS has taken the position in the past that the United States would not be required to alter the domestic control of GHB should it be rescheduled to Schedule II under the 1971 Convention, we cannot guarantee that international rescheduling of GHB from Schedule IV to Schedule II will not impact restrictions on Xyrem in the United States. Failure by us or any of our partners, including suppliers, manufacturers and distributors, to comply with the requirements of the CSA and other regulatory bodies could result in, among other things, additional operating costs to us, delays in shipments outside or into the United States and adverse regulatory actions.

The U.S. federal healthcare program anti-kickback statute prohibits, among other things, knowingly and willfully offering, paying, soliciting, or receiving remuneration to induce or in return for purchasing, leasing, ordering or arranging for or recommending the purchase, lease or order of any healthcare item or service reimbursable under Medicare, Medicaid or other federally financed healthcare programs. This statute has been interpreted to apply to arrangements between pharmaceutical companies on one hand and prescribers, purchasers and formulary managers on the other. Although there are a number of statutory exemptions and regulatory safe harbors protecting certain common manufacturer business arrangements and activities from prosecution and administrative sanction, the exemptions and safe harbors are drawn narrowly, and practices that involve remuneration intended to induce prescribing, purchases or recommendations of our products may be subject to scrutiny if they do not qualify for an exemption or safe harbor. We seek to comply with the exemptions and safe harbors whenever possible, but our practices may not in all cases meet all of the criteria for safe harbor protection from anti-kickback liability.

The U.S. federal False Claims Act, or False Claims Act, prohibits, among other things, any person from knowingly presenting, or causing to be presented, a false claim for payment of federal funds, or knowingly making, or causing to be made, a false statement to get a false claim paid. Many pharmaceutical and other healthcare companies have been investigated and have reached substantial financial settlements with the federal government under the False Claims



Act for a variety of alleged improper marketing activities, including providing free product to customers with the expectation that the customers would bill federal programs for the product; providing consulting fees, grants, free travel, and other benefits to physicians to induce them to prescribe the company's products; and inflating prices reported to private price publication services, which are used to set drug reimbursement rates under government healthcare programs. In addition, in recent years the government has pursued False Claims Act cases against a number of pharmaceutical companies for causing false claims to be submitted as a result of the marketing of their products for unapproved uses. Pharmaceutical and other healthcare companies also are subject to other federal false claim laws, including federal criminal healthcare fraud and false statement statutes that extend to non-government health benefit programs.

In addition, the Physician Payment Sunshine provisions of the Healthcare Reform Act require extensive tracking of payments and transfers of value to physicians and teaching hospitals and public reporting of the data collected. On September 30, 2014, CMS published the first set of data collected under the Sunshine provisions. On or before the 90th day of each calendar year starting in 2015, manufacturers covered under the Sunshine provisions are required to submit a report

Table of Contents

disclosing payments and transfers of value made in the preceding calendar year, and CMS then will publish the reported data on or before June 30 of the reporting year. It is widely anticipated that public reporting under the Physician Payment Sunshine provisions will result in increased scrutiny of the financial relationships between industry, teaching hospitals and physicians, and such scrutiny may negatively impact our ability to engage with physicians on matters of importance to us. In addition, if the data reflected in our reports are found to be in violation of any of the Physician Payment Sunshine provisions or any other U.S. federal, state or local regulations that may apply, we may be subject to significant civil, criminal and administrative penalties, damages or fines.

The majority of states also have statutes or regulations similar to the federal anti-kickback law and false claims laws, which apply to items and services reimbursed under Medicaid and other state programs, or, in several states, apply regardless of the payor. A number of states now require pharmaceutical companies to report expenses relating to the marketing and promotion of pharmaceutical products and to report gifts and payments to individual physicians in the states. Other states restrict when pharmaceutical companies may provide meals to prescribers or engage in other marketing related activities. Still other states require the posting of information relating to clinical studies and their outcomes. In addition, California, Connecticut, Massachusetts and Nevada require pharmaceutical companies to implement compliance programs or marketing codes of conduct. Other states have considered similar proposals in recent years. Non-U.S. governments often have similar regulations which we also will be subject to in those countries where we market and sell products.

In the EU, the advertising and promotion of our products are subject to EU member states' laws governing promotion of medicinal products, interactions with physicians, misleading and comparative advertising and unfair commercial practices. In addition, other legislation adopted by individual EU member states may apply to the advertising and promotion of medicinal products. These laws require that promotional materials and advertising in relation to medicinal products comply with the product's Summary of Product Characteristics, or SmPC, as approved by the competent authorities. The SmPC is the document that provides information to physicians concerning the safe and effective use of the medicinal product. It forms an intrinsic and integral part of the marketing authorization granted for the medicinal product. Promotion of a medicinal product that does not comply with the SmPC is considered to constitute off-label promotion. The off-label promotion of medicinal products is prohibited in the EU. The applicable laws at EU level and in the individual EU member states also prohibit the direct-to-consumer advertising of prescription-only medicinal products. Violations of the rules governing the promotion of medicinal products in the EU could be penalized by administrative measures, fines and imprisonment. These laws may further limit or restrict the advertising and promotion of our products to the general public and may also impose limitations on our promotional activities with health care professionals.

Interactions between pharmaceutical companies and physicians are also governed by strict laws, regulations, industry self-regulation codes of conduct and physicians' codes of professional conduct in the individual EU member states. The provision of benefits or advantages to physicians to induce or encourage the prescription, recommendation, endorsement, purchase, supply, order or use of medicinal products is prohibited in the EU. The provision of benefits or advantages to physicians is also governed by the national anti-bribery laws of the EU member states. One example is the U.K. Bribery Act of 2010, or U.K. Bribery Act. As further discussed below, the U.K. Bribery Act applies to any company incorporated in or "carrying on business" in the U.K., irrespective of where in the world the alleged bribery activity occurs, which could have implications for our interactions with physicians both in and outside the U.K.

Violation of these laws could result in substantial fines and imprisonment. Payments made to physicians in certain EU member states also must be publicly disclosed. Moreover, agreements with physicians must often be the subject of prior notification and approval by the physician's employer, his/her competent professional organization, and/or the competent authorities of the individual EU member states. Failure to comply with these requirements could result in reputational risk, public reprimands, administrative penalties, fines or imprisonment.

Our business activities outside of the United States are subject to the U.S. Foreign Corrupt Practices Act, or FCPA, and similar anti-bribery or anti-corruption laws, regulations or rules of other countries in which we operate, including the U.K. Bribery Act. The FCPA and similar anti-corruption laws generally prohibit the offering, promising, giving, or authorizing others to give anything of value, either directly or indirectly, to non-U.S. government officials in order

to improperly influence any act or decision, secure any other improper advantage, or obtain or retain business. The FCPA also requires public companies to make and keep books and records that accurately and fairly reflect the transactions of the company and to devise and maintain an adequate system of internal accounting controls. The U.K. Bribery Act prohibits giving, offering, or promising bribes to any person, including non-U.K. government officials and private persons, as well as requesting, agreeing to receive, or accepting bribes from any person. In addition, under the U.K. Bribery Act, companies which carry on a business or part of a business in the U.K. may be held liable for bribes given, offered or promised to any person, including non-U.K. government officials and private persons, by employees and persons associated with the company in order to obtain or retain business or a business advantage for the company. Liability is strict, with no element of a corrupt state of mind, but a defense of having in place adequate procedures designed to prevent bribery is available. Furthermore, under the U.K. Bribery Act there is no exception for facilitation payments. As described above, our business is heavily regulated and therefore involves significant interaction with public officials, including officials of non-U.S. governments. Additionally, in many other countries, the health

Table of Contents

care providers who prescribe pharmaceuticals are employed by their government, and the purchasers of pharmaceuticals are government entities; therefore, our dealings with these prescribers and purchasers may be subject to regulation under the FCPA. Recently the U.S. Securities and Exchange Commission, or SEC, and the DOJ have increased their FCPA enforcement activities with respect to pharmaceutical companies. In addition, under the Dodd-Frank Wall Street Reform and Consumer Protection Act, private individuals who report to the SEC original information that leads to successful enforcement actions may be eligible for a monetary award. We are engaged in ongoing efforts that are designed to ensure our compliance with these laws, including due diligence, training, policies, procedures and internal controls. However, there is no certainty that all employees and third party business partners (including our distributors, wholesalers, agents, contractors, and other partners) will comply with anti-bribery laws. In particular, we do not control the actions of manufacturers and other third party agents, although we may be liable for their actions. Violation of these laws may result in civil or criminal sanctions, which could include monetary fines, criminal penalties, and disgorgement of past profits, which could have a material adverse impact on our business and financial condition.

We are also subject to laws and regulations covering data privacy and the protection of health-related and other personal information. The legislative and regulatory landscape for privacy and data protection continues to evolve, and there has been an increasing focus on privacy and data protection issues which may affect our business, including recently enacted laws in all jurisdictions where we operate. Numerous federal and state laws, including state security breach notification laws, state health information privacy laws and federal and state consumer protection laws, govern the collection, use and disclosure of personal information. In addition, we obtain patient health information from most healthcare providers who prescribe our products and research institutions we collaborate with, and they are subject to privacy and security requirements under the Health Insurance Portability and Accountability Act of 1996, as amended by the Health Information Technology for Economic and Clinical Health Act, or HIPAA. Although we are not directly subject to HIPAA other than with respect to providing certain employee benefits, we could potentially be subject to criminal penalties if we knowingly obtain or disclose individually identifiable health information maintained by a HIPAA-covered entity in a manner that is not authorized or permitted by HIPAA. Moreover, EU member states and other jurisdictions have adopted data protection laws and regulations which impose significant compliance obligations. For example, the EU Data Protection Directive, as implemented into national laws by the EU member states, imposes strict obligations and restrictions on the ability to collect, analyze and transfer personal data, including health data from clinical trials and adverse event reporting. Furthermore, there is a move toward the public disclosure of clinical trial data in the EU, which also adds to the complexity of processing health data from clinical trials. Public disclosure of clinical trial data is provided for in the new EU Clinical Trials Regulation, EMA disclosure initiatives, and voluntary commitments by industry. Data protection authorities from the different EU member states may interpret the EU Data Protection Directive and national laws differently, which adds to the complexity of processing personal data in the EU, and guidance on implementation and compliance practices are often updated or otherwise revised. Failing to comply with these laws could lead to government enforcement actions and significant penalties against us, and adversely impact our operating results. The EU Data Protection Directive prohibits the transfer of personal data to countries outside of the European Economic Area, or EEA, such as the United States, which are not considered by the EC to provide an adequate level of data protection. There are also similar restrictions imposed on transfer of data from Switzerland to the United States. However, there are a number of legal mechanisms to allow for the transfer of personal data from the EEA and Switzerland to the United States, including, among others, a voluntary U.S. - EU Safe Harbor Framework, a voluntary U.S. - Switzerland Safe Harbor Framework and the EU's set of standard form contractual clauses for the transfer of personal data out of the EEA to third countries where different data protection rules apply. Our U.S. subsidiary, Jazz Pharmaceuticals, Inc., has certified compliance with the U.S. - EU Safe Harbor Framework and the U.S. - Switzerland Safe Harbor Framework through the DOC. A proposal for an EU Data Protection Regulation, intended to replace the current EU Data Protection Directive, is currently under consideration. The proposed EU Data Protection Regulation, if adopted, is expected to introduce new data protection requirements and substantial fines for breaches of the data protection rules. If the draft EU Data Protection Regulation is adopted in its current form it may increase our responsibility and liability in relation to personal data that we

process and we may be required to put in place additional mechanisms ensuring compliance with the new EU data protection rules.

The number and complexity of both U.S. federal and state laws continue to increase, and additional governmental resources are being added to enforce these laws and to prosecute companies and individuals who are believed to be violating them. In particular, the Healthcare Reform Act includes a number of provisions aimed at strengthening the government's ability to pursue anti-kickback and false claims cases against pharmaceutical manufacturers and other healthcare entities, including substantially increased funding for healthcare fraud enforcement activities, enhanced investigative powers, and amendments to the False Claims Act that make it easier for the government and whistleblowers to pursue cases for alleged kickback and false claim violations. While it is too early to predict what effect these changes will have on our business, whistleblower lawsuits and direct government enforcement have increased in recent years, and we anticipate that scrutiny of pharmaceutical sales and marketing practices will continue for the foreseeable future. We could be subject to a whistleblower lawsuit, government investigation or enforcement action. Responding to a whistleblower lawsuit, government investigation or enforcement action, defending any claims raised, and paying any resulting fines, damages, penalties or settlement amounts

Table of Contents

would be expensive and time-consuming, and could have a material adverse effect on our reputation, business, financial condition, results of operations and growth prospects.

Compliance with U.S. federal and state, EU and EU member state national laws that apply to pharmaceutical manufacturers is difficult and time-consuming, and companies that violate these laws may face substantial penalties. The potential sanctions include civil monetary penalties, exclusion of a company's products from reimbursement under government programs, criminal fines and imprisonment. Because of the breadth of these laws and, in some cases, the lack of extensive legal guidance in the form of regulations or court decisions, it is possible that some of our business activities could be subject to challenge under one or more of these laws. For example, the FTC has been paying increasing attention to the use of REMS by companies selling branded products, in particular to whether REMS may be being deliberately used to reduce the risk of competition from generic drugs in a way that may be deemed to be anticompetitive. It is possible that the FTC, other governmental authorities or others could claim or determine that we are using the Xyrem REMS in an anticompetitive manner (including in light of the FDA's statement in the Xyrem REMS approval notice that the Xyrem REMS could be used in an anticompetitive manner inconsistent with applicable provisions of the FDCA) or have engaged in other anticompetitive practices. The FDCA further states that a REMS shall not be used by an NDA holder to block or delay generic drugs from entering the market. Several of the ANDA applicants have asserted that our patents covering the distribution system for Xyrem should not have been listed in the Orange Book, and that the Xyrem REMS is blocking competition. We cannot predict the outcome of these claims in the ongoing litigation, or the impact of any similar claims that may be made in the future. Such a challenge or any other challenge that we or our business partners have failed to comply with applicable laws and regulations could have a material adverse effect on our business, financial condition, results of operations and growth prospects. If we or the other parties with whom we work fail to comply with applicable regulatory requirements, we or they could be subject to a range of regulatory actions that could affect our ability to commercialize our products and could harm or prevent sales of the affected products, or could substantially increase the costs and expenses of commercializing and marketing our products. Any threatened or actual government enforcement action could also generate adverse publicity and require that we devote substantial resources that could otherwise be used in other aspects of our business.

We manufacture certain active pharmaceutical ingredients, including the defibrotide drug substance, at our manufacturing facilities in Italy. In addition, we have engaged a third party manufacturer to process defibrotide into the finished product in Italy. Our manufacturing facilities and those of our third party manufacturer are subject to continuing regulation by the Italian Health Authority and other Italian regulatory authorities with respect to the manufacturing of active pharmaceutical ingredients, including the defibrotide drug substance or its finished form. These facilities are also subject to inspection and regulation by the EMA with respect to the manufacturing of the defibrotide drug substance and its finished form. Also, part of the process to obtain approval for defibrotide is to pass a pre-approval inspection by the EMA, Italian Health Authority and the FDA to ensure that these facilities are in compliance with cGMP. Following initial approval in a jurisdiction, the applicable authorities will continue to inspect our manufacturing facilities and those of our third party manufacturer, in some cases, unannounced, to confirm ongoing compliance with cGMP. The cGMP requirements govern quality control of the manufacturing process and documentation policies and procedures, and we and our third party manufacturers will need to ensure that all of our processes, methods and equipment are compliant with cGMP. These authorities may deny approval to manufacture our products, require us to stop manufacturing our products, deny approval to the sale of our products or suspend the sale of our products, if they determine that either our facilities or our third party manufacturer's facility in Italy does not meet the standards of compliance required under applicable regulations.

If we fail to comply with our reporting and payment obligations under the Medicaid Drug Rebate program or other governmental pricing programs, we could be subject to additional reimbursement requirements, penalties, sanctions and fines, which could have a material adverse effect on our business, financial condition, results of operations and growth prospects.\*

We participate in and have certain price reporting obligations to the Medicaid Drug Rebate program, several state Medicaid supplemental rebate and other governmental pricing programs, and we have obligations to report average

sales price under the Medicare program.

Under the Medicaid Drug Rebate program, we are required to pay a rebate to each state Medicaid program for our covered outpatient drugs that are dispensed to Medicaid beneficiaries and paid for by a state Medicaid program as a condition of having federal funds being made available to the states for our drugs under Medicaid and Medicare Part B. Those rebates are based on pricing data reported by us on a monthly and quarterly basis to CMS, the federal agency that administers the Medicaid Drug Rebate program. These data include the average manufacturer price and, in the case of innovator products, the best price for each drug which, in general, represents the lowest price available from the manufacturer to any entity in the United States in any pricing structure, calculated to include all sales and associated rebates, discounts and other price concessions. Such data previously have not been submitted for Quadramet® (samarium sm 153 lexidronam injection) and ProstaScint® (capromab pendetide), which are radiopharmaceutical products. We engaged in interactions with CMS and a trade group, the Council on Radionuclides and Radiopharmaceuticals, or CORAR, regarding the reporting of Medicaid pricing data

Table of Contents

and paying Medicaid rebates for radiopharmaceutical products. In addition to the discussions with CMS as part of CORAR, we have had separate discussions with CMS directly regarding Quadramet. We sold Quadramet to a third party in December 2013, but we retained any liabilities related to sales of the product during prior periods. Similarly, we sold ProstaScint to a third party in May 2015, but we retained any liabilities related to sales of the product during prior periods. We are currently unable to predict whether price reporting and rebates will be required for Quadramet and ProstaScint and, if so, for what period they will be required. We are currently unable to reasonably estimate an amount or range of a potential contingent loss related to the payment of rebates for Quadramet or ProstaScint. Any material liability resulting from radiopharmaceutical price reporting and rebates would negatively impact our financial results.

The Healthcare Reform Act made significant changes to the Medicaid Drug Rebate program. Effective March 23, 2010, rebate liability expanded from fee-for-service Medicaid utilization to include the utilization of Medicaid managed care organizations as well. With regard to the amount of the rebates owed, the Healthcare Reform Act increased the minimum Medicaid rebate from 15.1% to 23.1% of the average manufacturer price for most innovator products and from 11.0% to 13.0% for non-innovator products; changed the calculation of the rebate for certain innovator products that qualify as line extensions of existing drugs; and capped the total rebate amount for innovator drugs at 100% of the average manufacturer price. In addition, the Healthcare Reform Act and subsequent legislation changed the definition of average manufacturer price. Finally, the Healthcare Reform Act requires pharmaceutical manufacturers of branded prescription drugs to pay a branded prescription drug fee to the federal government. Each individual pharmaceutical manufacturer pays a prorated share of the branded prescription drug fee of \$3.0 billion in 2015, based on the dollar value of its branded prescription drug sales to certain federal programs identified in the law. Sales of “orphan drugs” - those designated under section 526 of the FDCA - are excluded from this fee as long as no non-orphan indications have been approved for such orphan drugs.

In 2012, CMS issued proposed regulations to implement the changes to the Medicaid Drug Rebate program under the Healthcare Reform Act but has not yet issued final regulations. CMS is currently expected to release the final regulations in 2015. Moreover, in the future, Congress could enact legislation that further increases Medicaid drug rebates or other costs and charges associated with participating in the Medicaid Drug Rebate program. The issuance of regulations and coverage expansion by various governmental agencies relating to the Medicaid Drug Rebate program has and will continue to increase our costs and the complexity of compliance, has been and will be time-consuming, and could have a material adverse effect on our results of operations.

Federal law requires that any company that participates in the Medicaid Drug Rebate program also participate in the Public Health Service’s 340B drug pricing discount program in order for federal funds to be available for the manufacturer’s drugs under Medicaid and Medicare Part B. The 340B pricing program requires participating manufacturers to agree to charge statutorily-defined covered entities no more than the 340B “ceiling price” for the manufacturer’s covered outpatient drugs. These 340B covered entities include a variety of community health clinics and other entities that receive health services grants from the Public Health Service, as well as hospitals that serve a disproportionate share of low-income patients, and the Healthcare Reform Act expanded the list of covered entities to include certain free-standing cancer hospitals, critical access hospitals, rural referral centers and sole community hospitals. The 340B ceiling price is calculated using a statutory formula, which is based on the average manufacturer price and rebate amount for the covered outpatient drug as calculated under the Medicaid Drug Rebate program. Changes to the definition of average manufacturer price and the Medicaid rebate amount under the Healthcare Reform Act and CMS’s issuance of final regulations implementing those changes also could affect our 340B ceiling price calculations and negatively impact our results of operations. The initiation of any reporting of Medicaid pricing data for ProstaScint and Quadramet could result in retroactive 340B ceiling price liability for these two products. We are currently unable to reasonably estimate an amount or range of a contingent loss. Any material liability resulting from radiopharmaceutical price reporting would negatively impact our financial results.

The Healthcare Reform Act also exempts “orphan drugs” from the ceiling price requirements for the covered entities added to the program by the Healthcare Reform Act. An interpretive rule to implement this statutory orphan drug exemption under a narrow interpretation was issued in July 2014 by the Health Resources and Services



Administration, or HRSA, which administers the 340B program. However, a pending legal challenge to the validity of this interpretive rule has made the application of the statutory orphan drug exception uncertain. If the HRSA's narrow interpretation of the scope of the orphan drug exemption prevails, it could potentially negatively impact the price we are paid for certain of our products by certain entities for some uses and increase the complexity of compliance with the 340B program.

The Healthcare Reform Act also obligates the Secretary of the HHS to create regulations and processes to improve the integrity of the 340B program and to update the agreement that manufacturers must sign to participate in the 340B program to obligate a manufacturer to offer the 340B price to covered entities if the manufacturer makes the drug available to any other purchaser at any price and to report to the government the ceiling prices for its drugs. The HSRA recently issued a proposed regulation regarding the calculation of the 340B ceiling price and the imposition of civil monetary penalties on manufacturers that knowingly and intentionally overcharge covered entities. The HRSA is currently expected to issue additional proposed regulations and guidance in 2015 that will address many aspects of the 340B program. Any final regulations and guidance could affect our obligations under the 340B program in ways we cannot anticipate. In addition, legislation may be introduced

Table of Contents

that, if passed, would further expand the 340B program to additional covered entities or would require participating manufacturers to agree to provide 340B discounted pricing on drugs used in the inpatient setting.

Federal law also requires that a company that participates in the Medicaid Drug Rebate program report average sales price information each quarter to CMS for certain categories of drugs that are paid under the Medicare Part B program. Manufacturers calculate the average sales price based on a statutorily defined formula as well as regulations and interpretations of the statute by CMS. CMS uses these submissions to determine payment rates for drugs under Medicare Part B. Statutory or regulatory changes or CMS binding guidance could affect the average sales price calculations for our products and the resulting Medicare payment rate, and could negatively impact our results of operations.

Pricing and rebate calculations vary among products and programs. The calculations are complex and are often subject to interpretation by us, governmental or regulatory agencies and the courts. The Medicaid rebate amount is computed each quarter based on our submission to CMS of our current average manufacturer prices and best prices for the quarter. If we become aware that our reporting for a prior quarter was incorrect, or has changed as a result of recalculation of the pricing data, we are obligated to resubmit the corrected data for a period not to exceed twelve quarters from the quarter in which the data originally were due. Such restatements and recalculations increase our costs for complying with the laws and regulations governing the Medicaid Drug Rebate program. Any corrections to our rebate calculations could result in an overage or underage in our rebate liability for past quarters, depending on the nature of the correction. Price recalculations also may affect the ceiling price at which we are required to offer our products to certain covered entities, such as safety-net providers, under the 340B drug discount program.

We are liable for errors associated with our submission of pricing data. In addition to retroactive rebates and the potential for 340B program refunds, if we are found to have knowingly submitted any false price information to the government, we may be liable for civil monetary penalties in the amount of \$100,000 per item of false information. If we are found to have made a misrepresentation in the reporting of our average sales price, the Medicare statute provides for civil monetary penalties of up to \$10,000 for each misrepresentation for each day in which the misrepresentation was applied. Our failure to submit the required price data on a timely basis could result in a civil monetary penalty of \$10,000 per day for each day the information is late beyond the due date. Such failure also could be grounds for CMS to terminate our Medicaid drug rebate agreement, pursuant to which we participate in the Medicaid program. In the event that CMS terminates our rebate agreement, federal payments may not be available under Medicaid or Medicare Part B for our covered outpatient drugs.

In September 2010, CMS and the OIG indicated that they intend to pursue more aggressively those companies who fail to report these data to the government in a timely manner. Governmental agencies may also make changes in program interpretations, requirements or conditions of participation, some of which may have implications for amounts previously estimated or paid. We cannot assure you that our submissions will not be found by CMS to be incomplete or incorrect.

In order to be eligible to have our products paid for with federal funds under the Medicaid and Medicare Part B programs and purchased by certain federal agencies and grantees, we participate in the Department of Veterans Affairs, or VA, Federal Supply Schedule, or FSS, pricing program. Under this program, we are obligated to make our products available for procurement on an FSS contract and charge a price to four federal agencies - VA, U.S. Department of Defense, DoD, Public Health Service, and Coast Guard - that is no higher than the statutory Federal Ceiling Price, or FCP. The FCP is based on the non-federal average manufacturer price, or Non-FAMP, which we calculate and report to the VA on a quarterly and annual basis. Pursuant to applicable law, knowing provision of false information in connection with a Non-FAMP filing can subject a manufacturer to penalties of \$100,000 for each item of false information.

FSS contracts are federal procurement contracts that include standard government terms and conditions, separate pricing for each product, and extensive disclosure and certification requirements. All items on FSS contracts are subject to a standard FSS contract clause that requires FSS contract price reductions under certain circumstances where pricing is reduced to an agreed "tracking customer." Further, in addition to the "Big Four" agencies, all other federal agencies and some non-federal entities are authorized to access FSS contracts. FSS contractors are permitted to

charge FSS purchasers other than the Big Four agencies “negotiated pricing” for covered drugs that is not capped by the FCP; instead, such pricing is negotiated based on a mandatory disclosure of the contractor’s commercial “most favored customer” pricing. We offer one single FCP-based FSS contract price to all FSS purchasers for all products.

We also participate in the Tricare Retail Pharmacy program, under which we pay quarterly rebates on utilization of innovator products that are dispensed through the Tricare Retail Pharmacy network to Tricare beneficiaries. The rebates are calculated as the difference between the annual Non-FAMP and FCP. We are required to list our covered products on a Tricare Agreement in order for these products to be eligible for DoD formulary inclusion.

If we overcharge the government in connection with our FSS contract or Tricare Agreement, whether due to a misstated FCP or otherwise, we are required to refund the difference to the government. Failure to make necessary disclosures and/or to identify contract overcharges can result in allegations against us under the False Claims Act and other laws and regulations. Unexpected refunds to the government, and responding to a government investigation or enforcement action, would be

Table of Contents

expensive and time-consuming, and could have a material adverse effect on our business, financial condition, results of operations and growth prospects.

Price approvals and reimbursement may not be available for our products, which could diminish our sales or affect our ability to sell our products profitably.\*

In both U.S. and non-U.S. markets, our ability to commercialize our products successfully, and to attract commercialization partners for our products, depends in significant part on the availability of adequate financial coverage and reimbursement from third party payors, including, in the United States, governmental payors such as the Medicare and Medicaid programs, managed care organizations and private health insurers. In many countries, price approvals must be obtained before products can be placed on the market or submitted for reimbursement. Third party payors, including government payors, decide which drugs can be reimbursed and establish reimbursement and co-pay levels and conditions for reimbursement. Third party payors are increasingly challenging the prices charged for medical products and services and examining their cost effectiveness, in addition to their safety and efficacy. In some cases, for example, third party payors try to encourage the use of less expensive generic products through their prescription benefits coverage and reimbursement and co-pay policies. We may need to conduct expensive pharmacoeconomic and/or clinical studies in order to demonstrate the cost-effectiveness of our products. Even with such studies, our products may be considered less safe, less effective or less cost-effective than other products, and third party payors may not provide and maintain price approvals, coverage and reimbursement for our products or any of our product candidates that we commercialize, in whole or in part.

Political, economic and regulatory influences are subjecting the healthcare industry in the United States to fundamental changes. There have been, and we expect there will continue to be, legislative and regulatory proposals to change the healthcare system in ways that could impact our ability to sell our products profitably. We anticipate that the U.S. Congress, state legislatures and the private sector will continue to consider and may adopt healthcare policies intended to curb rising healthcare costs. These cost containment measures include: controls on government-funded reimbursement for drugs; new or increased requirements to pay prescription drug rebates to government health care programs, controls on healthcare providers; challenges to the pricing of drugs or limits or prohibitions on reimbursement for specific products through other means; requirements to try less expensive products or generics before a more expensive branded product; changes in drug importation laws; expansion of use of managed care systems in which healthcare providers contract to provide comprehensive healthcare for a fixed cost per person; and public funding for cost effectiveness research, which may be used by government and private third party payors to make coverage and payment decisions. For example, much attention has been paid to legislation proposing federal rebates on Medicare Part D and Medicare Advantage utilization for drugs issued to certain groups of lower income beneficiaries and the desire to change the provisions that treat these dual-eligible patients differently from traditional Medicare patients. Any such changes could have a negative impact on revenues from sales of our products.

In addition, beginning April 1, 2013, Medicare payments for all items and services, including drugs and biologics, were reduced by 2% under the sequestration (i.e., automatic spending reductions) required by the Budget Control Act of 2011, as amended by the American Taxpayer Relief Act of 2012. The Bipartisan Budget Act of 2013 extended the 2% reduction to 2023, and the Protecting Access to Medicare Act of 2014 extended the 2% reduction, on average, to 2024. These cuts reduce reimbursement payments related to our products, which could potentially negatively impact our revenue.

Third party payors' practices may affect the conditions required for reimbursement of our products, as well as the availability of reimbursement for our products, including Xyrem and Defitelio. Our business could be materially harmed if the Medicaid program, Medicare program or other third party payors in the United States or elsewhere were to deny reimbursement for our products or provide reimbursement only on unfavorable terms. This risk is particularly significant with respect to Xyrem in the United States and to Defitelio in Europe, in part due to payor sensitivity to the price of these products. Third party payors often require prior authorization for, require reauthorization for continuation of, or refuse to provide, reimbursement for our products, and others may do so in the future. Patients who cannot meet the conditions imposed by third party payors for prior authorizations or reauthorizations may not be able to obtain the prescribed medication due to an inability to afford the medication. For example, we are experiencing

increasingly restrictive conditions for reimbursement required by some third party payors for Xyrem. While this increase has not had a material effect on the overall level of reimbursement coverage for Xyrem, it may do so in the future. In addition, increases in reimbursement-related activities have extended the time required to fill prescriptions and could continue to do so in the future. Further, there is increasing consolidation among third party payors, which is resulting in fewer and larger third party payors with increased negotiating power. In particular, a small number of third party payors cover a significant portion of Xyrem patients, so an adverse change in the conditions for reimbursement by one of these payors that results in an inability of a significant number of covered patients to meet the requirements for reimbursement would have a material impact on Xyrem revenues. If we are unsuccessful in maintaining reimbursement for our products in a timely manner and at acceptable levels, if reimbursement for our products by third party payors is subject to overly restrictive conditions, or if third party payors refuse to provide reimbursement, the level of reimbursement for our products could be negatively impacted, which could have a material adverse effect on our business, financial condition, results of operations and growth prospects.

Table of Contents

Our business could also be harmed if the Medicaid program, Medicare program or other reimbursing bodies or payors limit the indications for which our products will be reimbursed to a smaller set of indications than we believe is appropriate or limit the circumstances under which our products will be reimbursed to a smaller set of circumstances than we believe is appropriate. In addition, third party payors draw on diagnostic criteria to establish reimbursement guidelines. Meaningful changes to the diagnostic criteria for narcolepsy are included in the fifth edition of the Diagnostic and Statistical Manual of Mental Disorders (DSM-5) published in May 2013, and the third edition of International Classification of Sleep Disorders (ICSD-3) published in February 2014. As a result, third party payors may make changes to the coverage and reimbursement for our products, which may have a negative impact on revenues from our products, including Xyrem.

In many countries, procedures to obtain price approvals, coverage and reimbursement can take considerable time after the receipt of marketing approval. During 2014, Defitelio was launched in a number of European countries. We have launched and expect to continue to launch the product in additional European countries on a rolling basis in 2015. We are in the process of making pricing and reimbursement submissions with respect to Defitelio, and discussing them with regulatory authorities, in those European countries where Defitelio is not yet launched, including in countries where pricing and reimbursement approvals are required for launch. We cannot predict the timing of Defitelio's launch in countries where we are awaiting pricing and reimbursement approvals. If we experience delays or unforeseen difficulties in obtaining favorable pricing and reimbursement approvals, planned launches in the affected countries would be delayed, or, if we are unable to ultimately obtain favorable pricing and reimbursement approvals in countries that represent significant markets, especially where a country's reimbursed price influences other countries, our growth prospects in Europe could be negatively affected. See the risk factor in Part II, Item 1A of this Quarterly Report on Form 10-Q entitled "We may not be able to successfully maintain or grow sales of Defitelio in Europe, or obtain marketing approval of defibrotide in other countries, including the United States, which could have a material adverse effect on our business, financial condition, results of operations and growth prospects."

We cannot predict actions third party payors may take, or whether they will limit the price approvals, coverage and level of reimbursement for our products or refuse to provide and maintain any approvals or coverage at all. For example, because some of our products compete in a market with both branded and generic products, obtaining and maintaining price approvals and reimbursement coverage by government and private payors may be more challenging than for new chemical entities for which no therapeutic alternatives exist. Additionally, in many countries, reimbursement guidelines and incentives provided to prescribing physicians by third party payors may have a significant impact on the prescribing physicians' willingness to prescribe our products. For example, the U.S. federal government follows a Medicare severity diagnosis-related group, or MS-DRG, payment system for certain institutional services provided under Medicare, which some states also use for Medicaid. The MS-DRG system entitles a healthcare facility to a fixed reimbursement based on discharge diagnoses rather than actual costs incurred in providing inpatient treatment, thereby increasing the incentive for the facility to limit or control expenditures for many healthcare products. For our products used in the inpatient setting, there may not be sufficient reimbursement under the MS-DRG to fully cover the cost of our products. We cannot be sure that reimbursement amounts, or the lack of reimbursement, will not reduce the demand for, or the price of, our products. If reimbursement is not available or is available only at limited levels, we may not be able to effectively commercialize our products.

Third party payors frequently require that drug companies negotiate agreements with them that provide discounts or rebates from list prices. We have agreed to provide such discounts and rebates to some third party payors in relation to our products. We expect increasing pressure to offer larger discounts or discounts to a greater number of third party payors to maintain acceptable reimbursement levels and access for patients at co-pay levels that are reasonable and customary. In addition, if our competitors reduce the prices of their products, or otherwise demonstrate that they are better or more cost effective than our products, this may result in a greater level of reimbursement for their products relative to our products, which would reduce our sales and harm our results of operations. The process for determining whether a payor will provide coverage for a product may be separate from the process for setting the price or reimbursement rate that the payor will pay for the product once coverage is approved. Third party payors may limit coverage to specific products on an approved list, or formulary, which might not include all of the approved products

for a particular indication. For example, third party payors have started to require discounts and/or exclusivity arrangements with some drug manufacturers in exchange for including a specific product on their formularies. Any such requirements could have a negative impact on revenues from sales of our products.

Payors also are increasingly considering new metrics as the basis for reimbursement rates, such as average sales price, average manufacturer price and actual acquisition cost. The existing data for reimbursement based on these metrics is relatively limited, although certain states have begun to survey acquisition cost data for the purpose of setting Medicaid reimbursement rates and since November 2013, CMS has been publishing final National Average Drug Acquisition Cost, or NADAC, data, which reflect retail community pharmacy invoice costs, on a weekly basis.

Therefore, it may be difficult to project the impact of these evolving reimbursement mechanics on the willingness of payors to cover our products. Any failure to cover our products appropriately, in addition to legislative and regulatory changes and others that may occur in the future, could impact our ability to maximize revenues in the federal marketplace. As discussed above, recent legislative changes to the 340B drug pricing program, the Medicaid Drug Rebate program, and the Medicare Part D prescription drug benefit and

Table of Contents

expanding utilization of these programs have had and could continue to have an adverse effect on our revenues. A significant portion of our revenue from sales of Erwinaze is obtained through government payors, including Medicaid, and any failure to qualify for reimbursement for Erwinaze under those programs would have a material adverse effect on revenues from sales of Erwinaze.

We expect to experience pricing pressure in the United States in connection with the sale of our products due to managed healthcare, the increasing influence of health maintenance organizations and additional legislative proposals. In various EU member states we expect to be subject to continuous cost-cutting measures, such as lower maximum prices, lower or lack of reimbursement coverage and incentives to use cheaper, usually generic, products as an alternative. If we fail to successfully secure and maintain reimbursement coverage for our products or are significantly delayed in doing so, we will have difficulty achieving market acceptance of our products and our business will be harmed. We have periodically increased the price of Xyrem, most recently in February 2015, and we have made and may in the future make similar price increases on our other products. We cannot assure you that such price adjustments will not negatively affect our ability to secure and maintain reimbursement coverage for our products, which could negatively impact our sales volumes and revenue.

Health Technology Assessment, or HTA, of medicinal products is becoming an increasingly common part of the pricing and reimbursement procedures in some EU member states. These EU member states include the United Kingdom, France, Germany and Sweden. The HTA process, which is governed by the national laws of these countries, is the procedure according to which the assessment of the public health impact, therapeutic impact and the economic and societal impact of use of a given medicinal product in the national healthcare systems of the individual country is conducted. HTA generally focuses on the clinical efficacy and effectiveness, safety, cost, and cost-effectiveness of individual medicinal products, as well as their potential implications for the healthcare system. Those elements of medicinal products are compared with other treatment options available on the market. The outcome of HTA regarding specific medicinal products will often influence the pricing and reimbursement status granted to these medicinal products by the competent authorities of individual EU member states. The extent to which pricing and reimbursement decisions are influenced by the HTA of the specific medicinal product vary between EU member states and cannot be determined or anticipated in relation to our products at the present time. If we are unable to ultimately obtain favorable pricing and reimbursement approvals in countries that represent significant markets, especially where a country's reimbursed price influences other countries, our growth prospects in Europe could be negatively affected.

In the EU, our products are marketed through various channels and within different legal frameworks. In certain EU member states, reimbursement for unauthorized products may be provided through national named patient programs. Such reimbursement may no longer be available if authorization for named patient programs expire or are terminated. In other EU member states, authorization and reimbursement policies may also delay commercialization of our products, or may adversely affect our ability to sell our products on a profitable basis. After initial price and reimbursement approvals, reductions in prices and changes in reimbursement levels can be triggered by multiple factors, including reference pricing systems and publication of discounts by third party payors or authorities in other countries. In the EU, prices can be reduced further by parallel distribution and parallel trade, or arbitrage between low-priced and high-priced member states.

We are unable to predict what additional legislation, regulations or policies, if any, relating to the healthcare industry or third party coverage and reimbursement may be enacted in the future or what effect such legislation, regulations or policies would have on our business. Any cost containment measures, including those listed above, or other healthcare system reforms that are adopted, could negatively affect our growth prospects in Europe.

There also continue to be legislative proposals to amend U.S. laws to allow the importation into the United States of prescription drugs, which can be sold at prices that are regulated by the governments of various non-U.S. countries. For example, in October 2013, the State of Maine enacted a bill to allow residents of the state to purchase prescription drugs from other countries, including Canada. The potential importation of prescription drugs could pose significant safety concerns for patients, increase the risk of counterfeit products becoming available in the market, and could also have a negative impact on prescription drug prices in the United States. For example, the potential importation of



Xyrem without the safeguard of our Xyrem REMS could harm patients and could also negatively impact Xyrem revenues.

Product liability and product recalls could harm our business.

The development, manufacture, testing, marketing and sale of pharmaceutical products are associated with significant risks of product liability claims or recalls. Side effects or adverse events known or reported to be associated with, or manufacturing defects in, the products sold by us could exacerbate a patient's condition, or could result in serious injury or impairments or even death. This could result in product liability claims and/or recalls of one or more of our products. Some of our products, including Xyrem and Prialt, have boxed warnings in their labels. In addition, in the EU, Defitelio's label includes an inverted black triangle that indicates the product is subject to additional monitoring to permit quick identification of new safety information, as a condition of authorization of Defitelio under "exceptional circumstances." In many countries, including in EU member states, national laws provide for strict (no-fault) liability which applies even where damages are

Table of Contents

caused both by a defect in a product and by the act or omission of a third party.

Product liability claims may be brought by individuals seeking relief for themselves, or by groups seeking to represent a class of injured patients. Further, third party payors, either individually or as a putative class, may bring actions seeking to recover monies spent on one of our products. While we have not had to defend against any product liability claims to date, as sales of our products increase, we believe it is likely product liability claims will be made against us. The risk of product liability claims may also increase if a company receives a warning letter from a regulatory agency. We cannot predict the frequency, outcome or cost to defend any such claims.

Product liability insurance coverage is expensive, can be difficult to obtain and may not be available in the future on acceptable terms, or at all. Our product liability insurance may not cover all of the future liabilities we might incur in connection with the development, manufacture or sale of our products. In addition, we may not continue to be able to obtain insurance on satisfactory terms or in adequate amounts.

A successful claim or claims brought against us in excess of available insurance coverage could subject us to significant liabilities and could have a material adverse effect on our business, financial condition, results of operations and growth prospects. Such claims could also harm our reputation and the reputation of our products, adversely affecting our ability to market our products successfully. In addition, defending a product liability lawsuit is expensive and can divert the attention of key employees from operating our business.

Product recalls may be issued at our discretion or at the discretion of our suppliers, government agencies and other entities that have regulatory authority for pharmaceutical sales. Any recall of our products could materially adversely affect our business by rendering us unable to sell that product for some time and by adversely affecting our reputation. A recall could also result in product liability claims by individuals and third party payors. In addition, product liability claims could result in an investigation of the safety or efficacy of our products, our manufacturing processes and facilities, or our marketing programs conducted by the FDA, the EMA, or the competent authorities of the EU member states. Such investigations could also potentially lead to a recall of our products or more serious enforcement actions, limitations on the indications for which they may be used, or suspension, variation, or withdrawal of approval. Any such regulatory action by the FDA, the EMA or the competent authorities of the EU member states could lead to product liability lawsuits as well.

We use, or will use, hazardous materials in our current and planned manufacturing facilities, and any claims relating to the improper handling, storage, release or disposal of these materials could be time-consuming and expensive. Our operations are subject to complex and increasingly stringent environmental, health and safety laws and regulations in the countries where we operate and, in particular, in Italy where we have, and in Ireland where we are building, manufacturing facilities. Environmental and health and safety authorities in the relevant jurisdictions administer laws, which implement EU directives and regulations governing, among other matters, the emission of pollutants into the air (including the workplace), the discharge of pollutants into bodies of water, the storage, use, handling and disposal of hazardous substances, the exposure of persons to hazardous substances, and the general health, safety and welfare of employees and members of the public. Our manufacturing of active pharmaceutical ingredients in Italy involves, and our planned manufacturing activities in Ireland will also involve, the controlled storage, use and disposal of chemicals and solvents. For our facility in Italy, we have obtained certification under the UNI EN ISO 14001 Standard for our environmental management system and have an Eco-management and Audit Scheme (EMAS). Our environmental policy is designed to comply with current EU laws and regulations on environmental protection, to provide for continuous improvement of our manufacturing performance, to protect our employees' health, to protect the safety of people working at our location in Italy and to respect the safety of people living close to our plant and in the surrounding community. Although we believe that our safety procedures for handling and disposing of these hazardous materials comply with the standards prescribed by these EU laws and regulations, we cannot completely eliminate the risk of contamination or injury from hazardous materials. If an accident occurs, an injured party could seek to hold us liable for any damages that result and any liability could exceed the limits or fall outside the coverage of our insurance. We may not be able to maintain insurance on acceptable terms, or at all. We may incur significant costs to comply with current or future EU environmental laws and regulations.

Risks Relating to Our Financial Condition

We have incurred substantial debt, which could impair our flexibility and access to capital and adversely affect our financial position.\*

As of June 30, 2015, we had total indebtedness of approximately \$1.5 billion, which included \$910.0 million of outstanding secured indebtedness under a credit agreement that we entered into in June 2015, which we refer to as our credit agreement, and \$575.0 million of outstanding indebtedness under our 1.875% exchangeable senior notes due 2021, or the 2021 Notes, which were issued in August 2014. Our debt may:

• limit our ability to borrow additional funds for working capital, capital expenditures, acquisitions or other general business purposes;

Table of Contents

- limit our ability to use our cash flow or obtain additional financing for future working capital, capital expenditures, acquisitions or other general business purposes;
- require us to use a substantial portion of our cash flow from operations to make debt service payments;
- limit our flexibility to plan for, or react to, changes in our business and industry;
- result in dilution to our existing shareholders in the event exchanges of our 2021 Notes are settled in our ordinary shares;
- place us at a competitive disadvantage compared to our less leveraged competitors; and
- increase our vulnerability to the impact of adverse economic and industry conditions.

Our ability to meet our debt service obligations will depend on our future performance, which will be subject to financial, business and other factors affecting our operations, many of which are beyond our control. If we do not have sufficient funds to meet our debt service obligations, we may be required to refinance or restructure all or part of our existing debt, sell assets, borrow more money or sell securities, none of which we can assure you that we would be able to do in a timely manner, or at all.

Covenants in our credit agreement restrict our business and operations in many ways and if we do not effectively manage our covenants, our financial conditions and results of operations could be adversely affected.\*

Our credit agreement provides for a \$750.0 million principal amount term loan due in June 2020 and a \$750.0 million revolving credit facility, with loans under such revolving credit facility due in June 2020, subject to early mandatory repayments under certain circumstances. Our credit agreement contains various covenants that limit our ability and/or our restricted subsidiaries' ability to, among other things:

- incur or assume liens or additional debt or provide guarantees in respect of obligations of other persons;
- issue redeemable preferred stock;
- pay dividends or distributions or redeem or repurchase capital stock;
- prepay, redeem or repurchase certain debt;
- make loans, investments, acquisitions (including acquisitions of exclusive licenses) and capital expenditures;
- enter into agreements that restrict distributions from our subsidiaries;
- sell assets and capital stock of our subsidiaries;
- enter into certain transactions with affiliates; and
- consolidate or merge with or into, or sell substantially all of our assets to, another person.

Our credit agreement also includes financial covenants that require us to maintain a maximum secured leverage ratio and a minimum interest coverage ratio. Our ability to comply with these financial covenants may be affected by events beyond our control. In addition, the covenants under our credit agreement could restrict our operations, particularly our ability to respond to changes in our business or to take specified actions to take advantage of certain business opportunities that may be presented to us. Our failure to comply with any of the covenants could result in a default under the credit agreement, which could permit the lenders to declare all or part of any outstanding borrowings to be immediately due and payable, or to refuse to permit additional borrowings under the revolving credit facility. A default under our credit agreement could also lead to a default under agreements governing our current or future indebtedness, including the indenture governing our 2021 Notes.

In addition, the holders of our 2021 Notes have the ability to require us to repurchase their notes for cash if we undergo certain fundamental changes, such as specified change of control transactions, our liquidation or dissolution, or the delisting of our ordinary shares from The NASDAQ Global Select Market. Moreover, upon exchange of the 2021 Notes, unless we elect to cause to be delivered solely ordinary shares to settle such exchange, we will be required to make cash payments in respect of the 2021 Notes being exchanged. In this regard, it is our intent and policy to settle the principal amount of the 2021 Notes in cash upon exchange. However, we may not have enough available cash or be able to obtain financing at the time we are required to make any required repurchases of surrendered 2021 Notes or to pay cash upon exchanges of 2021 Notes. Our failure to repurchase 2021 Notes at a time when the repurchase is required by the indenture governing the 2021 Notes or to pay any cash payable on future exchanges of the 2021 Notes as required by the indenture governing the 2021 Notes would constitute a default under that indenture. A default under that indenture could also lead to a default under agreements governing our current or

future indebtedness, including our credit agreement. If the repayment of the related indebtedness were to be accelerated, we may not have sufficient funds to repay the related indebtedness, which could have a material adverse effect on our financial condition and our business. In this regard, if we are unable to repay amounts under our credit

Table of Contents

agreement, the lenders under the credit agreement could proceed against the collateral granted to them to secure that debt, which would seriously harm our business.

We may not be able to generate sufficient cash to service our debt obligations.\*

Our ability to make payments on and to refinance our debt will depend on our future financial and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. We may be unable to maintain a level of positive cash flows from operating activities sufficient to permit us to pay the principal and interest on our debt.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay investments and capital expenditures, seek additional capital or restructure or refinance our debt. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. In the absence of such cash flows and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. Our credit agreement restricts our ability to dispose of assets, use the proceeds from any disposition of assets and refinance our indebtedness. We may not be able to consummate or obtain proceeds from such dispositions, and any such proceeds may not be adequate to meet any debt service obligations then due.

In addition, our borrowings under our credit agreement are, and are expected to continue to be, at variable rates of interest and expose us to interest rate risk. If interest rates increase, our debt service obligations on the variable rate indebtedness would increase even if the amount borrowed remained the same, and our net income would decrease. To continue to grow our business, we will need to commit substantial resources, which could result in future losses or otherwise limit our opportunities or affect our ability to operate our business.\*

The scope of our business and operations has grown substantially since the beginning of 2012 through a series of transactions, including the Azur Merger, our acquisition of EUSA Pharma Inc. and the Gentium Acquisition. To continue to grow our business over the longer term, we will need to commit substantial additional resources to in-licensing and/or acquiring new products and product candidates, and to costly and time-consuming product development and clinical trials of our product candidates. We also intend to continue to invest in our commercial operations in an effort to grow sales of our current products. Our future capital requirements will depend on many factors, including many of those discussed above, such as:

- the revenues from our commercial products, which may be affected by many factors, including the extent of generic competition for our products;
- the costs of our commercial operations;
- the costs of integration activities related to any future strategic transactions we may engage in;
- the cost of acquiring and/or licensing any new products and product candidates;
- the scope, rate of progress, results and costs of our development and clinical activities;
- the cost and timing of obtaining regulatory approvals and of compliance with laws and regulations;
- the cost of preparing, filing, prosecuting, defending and enforcing patent claims and other intellectual property rights;
- the cost of investigations, litigation and/or settlements related to regulatory oversight and third party claims; and
- changes in laws and regulations, including, for example, healthcare reform legislation.

Our strategy includes the expansion of our business through the acquisition or in-licensing and development of additional marketed or product candidates that are in late-stage development. We cannot assure you that we will continue to identify attractive opportunities. Even if appropriate opportunities are available, in order to compete successfully to acquire attractive products or product candidates in the current business climate, we may have to pay higher prices for assets than may have been paid historically, and we may not have the financial resources necessary to pursue them. As a result, we may be unable to expand our business if we do not have sufficient capital or cannot borrow or raise additional capital on attractive terms. In particular, our substantial indebtedness may limit our ability to borrow additional funds for acquisitions or to use our cash flow or obtain additional financing for future acquisitions. In addition, if we use a substantial amount of our funds to acquire or in-license products or product candidates, we may not have sufficient additional funds to conduct all of our operations in the manner we would otherwise choose.

We may not be able to access the capital and credit markets on terms that are favorable to us, or at all. During the past several years, domestic and international financial markets have experienced extreme disruption from time to time, including, among other things, high volatility and significant declines in stock prices and severely diminished liquidity and credit availability for both borrowers and investors. We expect to opportunistically seek access to the capital and

Table of Contents

credit markets to supplement our existing cash balances, cash we expect to generate from operations and funds available under our revolving credit facility to satisfy our needs for working capital, capital expenditures and debt service requirements or to continue to grow our business over the longer term through product acquisition and in-licensing, product development and clinical trials of product candidates, and expansion of our commercial operations. In the event of adverse capital and credit market conditions, we may not be able to obtain capital market financing or credit on favorable terms, or at all, which could have a material adverse effect on our business and growth prospects. Changes in our credit ratings issued by nationally recognized credit rating agencies could adversely affect our cost of financing and have an adverse effect on the market price of our securities.

We may not be able to successfully maintain our tax rates, which could adversely affect our business and financial condition, results of operations and growth prospects.

We are incorporated in Ireland and maintain subsidiaries in North America and a number of other foreign jurisdictions. We are able to achieve a low average tax rate through the performance of certain functions and ownership of certain assets in tax-efficient jurisdictions, together with intra-group service and transfer pricing agreements, each on an arm's length basis. However, changes in tax laws in any of these jurisdictions could adversely affect our ability to do so in the future. Taxing authorities, such as the U.S. Internal Revenue Service, or the IRS, actively audit and otherwise challenge these types of arrangements, and have done so in the pharmaceutical industry. The IRS or other taxing authority may challenge our structure and transfer pricing arrangements through an audit or lawsuit. Responding to or defending such a challenge could be expensive and consume time and other resources, and divert management's time and focus from operating our business. We generally cannot predict whether taxing authorities will conduct an audit or file a lawsuit challenging this structure, the cost involved in responding to any such audit or lawsuit, or the outcome. If we are unsuccessful, 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 require us to reduce our operating expenses, decrease efforts in support of our products or seek to raise additional funds, all of which could have a material adverse effect on our business, financial condition, results of operations and growth prospects.

The IRS may not agree with the conclusion that we should be treated as a foreign corporation for U.S. federal tax purposes.

Although we are incorporated in Ireland, the IRS may assert that we should be treated as a U.S. corporation (and, therefore, a U.S. tax resident) for U.S. federal tax purposes pursuant to Section 7874 of the Internal Revenue Code of 1986, as amended, or the Code. For U.S. federal tax purposes, a corporation generally is considered a tax resident in the jurisdiction of its organization or incorporation. Because we are an Irish incorporated entity, we would be classified as a foreign corporation (and, therefore, a non-U.S. tax resident) under these rules. Section 7874 of the Code provides an exception under which a foreign incorporated entity may, in certain circumstances, be treated as a U.S. corporation for U.S. federal tax purposes. Because we indirectly acquired all of Jazz Pharmaceuticals, Inc.'s assets through the acquisition of the shares of Jazz Pharmaceuticals, Inc. common stock in the Azur Merger, the IRS could assert that we should be treated as a U.S. corporation for U.S. federal tax purposes under Section 7874. For us to be treated as a foreign corporation for U.S. federal tax purposes under Section 7874 of the Code, either (1) the former stockholders of Jazz Pharmaceuticals, Inc. must have owned (within the meaning of Section 7874 of the Code) less than 80% (by both vote and value) of our ordinary shares by reason of holding shares in Jazz Pharmaceuticals, Inc. (the "ownership test"), or (2) we must have substantial business activities in Ireland after the Azur Merger (taking into account the activities of our expanded affiliated group). The Jazz Pharmaceuticals, Inc. stockholders owned less than 80% of our share capital immediately after the Azur Merger by reason of their ownership of shares of Jazz Pharmaceuticals, Inc. common stock. As a result, we believe that we should be treated as a foreign corporation for U.S. federal tax purposes under current law. It is possible that the IRS could disagree with the position that the ownership test is satisfied and assert that Section 7874 of the Code applies to treat us as a U.S. corporation following the Azur Merger. There is limited guidance regarding the Code Section 7874 provisions, including the application of the ownership test described above. The IRS continues to scrutinize transactions that are potentially subject to Section 7874, and issued new final and temporary regulations under Section 7874 in June 2012 and in January 2014,



as well as a notice in September 2014 outlining further regulations the IRS plans to issue. We do not expect these regulations to affect the U.S. tax consequences of the Azur Merger. Nevertheless, new statutory and/or regulatory provisions under Section 7874 of the Code or otherwise could be enacted that adversely affect our status as a foreign corporation for U.S. federal tax purposes, and any such provisions could have retroactive application to us, Jazz Pharmaceuticals, Inc., our respective shareholders and/or the Azur Merger. See the risk factor in Part I, Item 1A of this Annual Report on Form 10-K entitled “Future changes to the tax laws under which we expect to be treated as a foreign corporation for U.S. federal tax purposes or in other tax laws relating to multinational corporations could adversely affect us.”

Section 7874 of the Code limits Jazz Pharmaceuticals, Inc.’s ability to utilize its U.S. tax attributes to offset certain U.S. taxable income, if any, generated by certain taxable transactions.\*

Following certain acquisitions of a U.S. corporation by a foreign corporation, Section 7874 of the Code can limit the ability of the acquired U.S. corporation and its U.S. affiliates to utilize U.S. tax attributes such as net operating losses, or NOLs,

Table of Contents

to offset U.S. taxable income resulting from certain transactions. Based on the limited guidance available, this limitation applies to us. As a result, after the Azur Merger, Jazz Pharmaceuticals, Inc. has not been able and will continue to be unable, for a period of time, to utilize its U.S. tax attributes to offset its U.S. taxable income, if any, resulting from certain taxable transactions. Notwithstanding this limitation, we plan to fully utilize Jazz Pharmaceuticals, Inc.'s U.S. NOLs prior to their expiration. As a result of this limitation, however, it may take Jazz Pharmaceuticals, Inc. longer to use its NOLs. Moreover, contrary to these plans, it is possible that the limitation under Section 7874 of the Code on the utilization of U.S. tax attributes could prevent Jazz Pharmaceuticals, Inc. from fully utilizing its U.S. tax attributes prior to their expiration if Jazz Pharmaceuticals, Inc. does not generate sufficient taxable income.

Jazz Pharmaceuticals, Inc.'s ability to use its net operating losses to offset potential taxable income and related income taxes that would otherwise be due could be subject to further limitations if we do not generate taxable income in a timely manner or if the "ownership change" provisions of Sections 382 and 383 of the Code result in further annual limitations.\*

Jazz Pharmaceuticals, Inc. has a significant amount of NOLs. Our ability to use these NOLs to offset potential future taxable income and related income taxes that would otherwise be due is dependent upon our generation of future taxable income before the expiration dates of the NOLs, and we cannot predict with certainty when, or whether, Jazz Pharmaceuticals, Inc. will generate sufficient taxable income to use all of the NOLs. In addition, realization of NOLs to offset potential future taxable income and related income taxes that would otherwise be due is subject to annual limitations under the "ownership change" provisions of Sections 382 and 383 of the Code and similar state provisions, which may result in the expiration of additional NOLs before future utilization. In general, an "ownership change" occurs if, during a three-year rolling period, there is a change of 50% or more in the percentage ownership of a company by 5% shareholders (and certain persons treated as 5% shareholders), as defined in the Code and the U.S. Treasury Department regulations, or Treasury Regulations, promulgated thereunder. In this regard, we currently estimate that, as a result of these ownership change provisions, we have an annual limitation on the utilization of certain NOLs of \$28.8 million for 2015, \$28.9 million for 2016, \$15.0 million for 2017, \$1.4 million for 2018 and a combined total of \$4.9 million for 2019 to 2026.

However, Sections 382 and 383 of the Code are extremely complex provisions with respect to which there are many uncertainties, and we have not requested a ruling from the IRS to confirm our analysis of the ownership change limitations related to the NOLs generated by Jazz Pharmaceuticals, Inc. Therefore, we have not established whether the IRS would agree with our analysis regarding the application of Sections 382 and 383 of the Code. If the IRS were to disagree with our analysis, or if Jazz Pharmaceuticals, Inc. experiences additional ownership changes in the future, we could be subject to further annual limitations on the use of the NOLs to offset potential taxable income and related income taxes that would otherwise be due.

Future changes to the tax laws under which we expect to be treated as a foreign corporation for U.S. federal tax purposes or in other tax laws relating to multinational corporations could adversely affect us.

As described above, under current law, we believe that we should be treated as a foreign corporation for U.S. federal tax purposes. However, changes to the Code or the Treasury Regulations or other IRS guidance promulgated thereunder, including under Section 7874 of the Code, could adversely affect our status as a foreign corporation for U.S. federal tax purposes or could otherwise affect our effective tax rate, and any such changes could have prospective or retroactive application. In addition, recent legislative proposals have aimed to expand the scope of U.S. corporate tax residence. This legislation, if passed, could adversely affect us.

In addition, the U.S. Congress, the Organization for Economic Co-operation and Development and other government agencies in jurisdictions where we and our affiliates do business have had an extended focus on issues related to the taxation of multinational corporations. One example is in the area of "base erosion and profit shifting," where payments are made between affiliates from a jurisdiction with high tax rates to a jurisdiction with lower tax rates. As a result, the tax laws in the United States and other countries in which we and our affiliates do business could change on a prospective or retroactive basis, and any such changes could adversely affect us.

We have significant intangible assets and goodwill. Consequently, the future impairment of our intangible assets and goodwill may significantly impact our profitability.\*

As of June 30, 2015, we had recorded \$1.9 billion of intangible assets and goodwill related to our past acquisitions. Intangible assets and goodwill are subject to an impairment analysis whenever events or changes in circumstances indicate the carrying amount of the asset may not be recoverable. Additionally, goodwill and indefinite-lived assets are subject to an impairment test at least annually.

Events giving rise to impairment are an inherent risk in the pharmaceutical industry and cannot be predicted. As a result of the significance of intangible assets and goodwill, our results of operations and financial position in future periods could be negatively impacted should future impairments of intangible assets or goodwill occur.

Table of Contents

Our financial results have been and may continue to be adversely affected by foreign currency exchange rate fluctuations.\*

We have significant operations in Europe as well as in the United States, but we report revenues, costs and earnings in U.S. dollars. Our primary currency translation exposures relate to our subsidiaries that have functional currencies denominated in the euro and the British pound. Exchange rates between the U.S. dollar and each of the euro and British pound have fluctuated and are likely to continue to fluctuate from period to period. Because our financial results are reported in U.S. dollars, we are exposed to foreign currency exchange risk as the functional currency financial statements of non-U.S. subsidiaries are translated to U.S. dollars for reporting purposes. To the extent that revenue and expense transactions are not denominated in the functional currency, we are also subject to the risk of transaction losses. For example, because our Defitelio and Erwinase product sales outside of the United States are primarily denominated in the euro, our sales of those products have been and may continue to be adversely affected by fluctuations in foreign currency exchange rates. In this regard, when the U.S. dollar strengthens against a foreign currency, the relative value of sales made in the foreign currency decreases. Conversely, when the U.S. dollar weakens against a foreign currency, the relative value of such sales increases. Accordingly, increases in the value of the U.S. dollar relative to foreign currencies, primarily the euro, could adversely affect our foreign revenues, perhaps significantly. In addition, as we continue to expand our international operations, we will conduct more transactions in currencies other than the U.S. dollar, which could increase our foreign currency exchange risk. Given the volatility of exchange rates, continued concerns regarding European sovereign debt and instability of the euro, as well as our expanding operations, we cannot assure you that we will be able to effectively manage currency transaction and/or translation risks. We have not entered into derivative instruments to offset the impact of foreign currency exchange rate fluctuations. Fluctuations in foreign currency exchange rates could have a material adverse effect on our results of operations and financial condition.

**Risks Relating to Our Ordinary Shares**

The market price of our ordinary shares has been volatile and may continue to be volatile in the future, and the value of your investment could decline significantly.\*

The market price for our ordinary shares has fluctuated significantly from time to time, varying between a high of \$191.01 on April 27, 2015 and a low of \$120.38 on May 9, 2014 during the period from January 1, 2014 through June 30, 2015. The market price of our ordinary shares is likely to continue to be volatile and subject to significant price and volume fluctuations in response to market, industry and other factors, including the risk factors described above. In addition, the stock market in general, including the market for life sciences companies, has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of those companies. These broad market and industry factors may seriously harm the market price of our ordinary shares, regardless of our operating performance.

Our share price may be dependent upon the valuations and recommendations of the analysts who cover our business. If our results do not meet these analysts' forecasts, the expectations of our investors or the financial guidance we provide to investors in any period, the market price of our ordinary shares could decline. In the past, following periods of volatility in the market or significant price decline, securities class-action litigation has often been instituted against companies. Such litigation, if instituted against us, could result in substantial costs and diversion of management's attention and resources, which could materially and adversely affect our business, financial condition, results of operations and growth prospects.

In addition, the market price of our ordinary shares may decline if the effects of our past transactions, including the Gentium Acquisition and/or potential future acquisitions, on the financial results of our company are not consistent with the expectations of financial analysts or investors. The market price of our ordinary shares could also be affected by possible sales of our ordinary shares by holders of our 2021 Notes who may view the 2021 Notes as a more attractive means of equity participation in our company and by hedging or arbitrage trading activity involving our ordinary shares by the holders of these notes.

Future sales of our ordinary shares in the public market could cause our share price to fall.\*

Sales of a substantial number of our ordinary shares in the public market, including sales by members of our management or board of directors, or the perception that these sales might occur, could depress the market price of our ordinary shares and could impair our ability to raise capital through the sale of additional equity or equity-related securities. As of July 31, 2015, we had 61,339,267 ordinary shares outstanding, all of which shares are eligible for sale in the public market, subject in some cases to the volume limitations and manner of sale and other requirements under Rule 144. In addition, future issuances by us of our ordinary shares upon the exercise or settlement of equity-based awards and exchanges of our 2021 Notes would dilute existing shareholders' ownership interest in our company and any sales in the public market of these ordinary shares, or the perception that these sales might occur, could also adversely affect the market price of our ordinary shares.

Moreover, we have in the past and may in the future grant rights to some of our shareholders that require us to register the resale of our ordinary shares on behalf of these shareholders and/or facilitate offerings of ordinary shares held by these shareholders, including in connection with potential future acquisitions of additional products, product candidates, or

Table of Contents

companies. For example, consistent with our obligations under then-existing registration rights agreements, we entered into underwriting agreements with certain underwriters and selling shareholders pursuant to which selling shareholders sold an aggregate of approximately 13 million ordinary shares in two separate registered public offerings in March 2012 and in March 2013. We have also filed registration statements to register the sale of our ordinary shares reserved for issuance under our equity incentive and employee stock purchase plans, and intend to file additional registration statements to register any shares automatically added each year to the share reserves under these plans.

Irish law differs from the laws in effect in the United States and may afford less protection to holders of our securities.\*

It may not be possible to enforce court judgments obtained in the United States against us in Ireland based on the civil liability provisions of the U.S. federal or state securities laws. In addition, there is some uncertainty as to whether the courts of Ireland would recognize or enforce judgments of U.S. courts obtained against us or our directors or officers based on the civil liabilities provisions of the U.S. federal or state securities laws or hear actions against us or those persons based on those laws. We have been advised that the United States currently does not have a treaty with Ireland providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters. Therefore, a final judgment for the payment of money rendered by any U.S. federal or state court based on civil liability, whether or not based solely on U.S. federal or state securities laws, would not automatically be enforceable in Ireland.

As an Irish company, we are governed by the Irish Companies Act 2014, which differs in some material respects from laws generally applicable to U.S. corporations and shareholders, including, among others, differences relating to interested director and officer transactions and shareholder lawsuits. Likewise, the duties of directors and officers of an Irish company generally are owed to the company only. Shareholders of Irish companies generally do not have a personal right of action against directors or officers of the company and may exercise such rights of action on behalf of the company only in limited circumstances. Accordingly, holders of our securities may have more difficulty protecting their interests than would holders of securities of a corporation incorporated in a jurisdiction of the United States.

Provisions of our articles of association, Irish law and the indenture governing our 2021 Notes could delay or prevent a takeover of us by a third party.

Our articles of association could delay, defer or prevent a third party from acquiring us, despite the possible benefit to our shareholders, or otherwise adversely affect the price of our ordinary shares. For example, our articles of association:

- impose advance notice requirements for shareholder proposals and nominations of directors to be considered at shareholder meetings;
- stagger the terms of our board of directors into three classes;
- require the approval of a supermajority of the voting power of the shares of our share capital entitled to vote generally at a meeting of shareholders to amend or repeal our articles of association; and
- permit our board of directors to issue one or more series of preferred shares with rights and preferences, as our shareholders may determine by ordinary resolution.

In addition, several mandatory provisions of Irish law could prevent or delay an acquisition of us. For example, Irish law does not permit shareholders of an Irish public limited company to take action by written consent with less than unanimous consent. We are also subject to various provisions of Irish law relating to mandatory bids, voluntary bids, requirements to make a cash offer and minimum price requirements, as well as substantial acquisition rules and rules requiring the disclosure of interests in its shares in certain circumstances. Furthermore, the indenture governing our 2021 Notes requires us to repurchase the notes for cash if we undergo certain fundamental changes and, in certain circumstances, to increase the exchange rate for a holder of 2021 Notes. A takeover of us may trigger the requirement that we purchase our 2021 Notes and/or increase the exchange rate, which could make it more costly for a potential acquiror to engage in a business combination transaction with us.

These provisions may discourage potential takeover attempts, discourage bids for our ordinary shares at a premium over the market price or adversely affect the market price of, and the voting and other rights of the holders of, our

ordinary shares. These provisions could also discourage proxy contests and make it more difficult for you and other shareholders to elect directors other than the candidates nominated by our board.

We have never declared or paid dividends on our capital stock and we do not anticipate paying dividends in the foreseeable future.

Other than funds we have allocated for the purposes of supporting our share repurchase program announced in May 2013, we anticipate that we will retain all earnings, if any, to support our operations and our proprietary drug development programs, acquire or in-license additional products and product candidates, and pursue other opportunities. If we propose to pay dividends in the future, we must do so in accordance with Irish law, which provides that distributions including dividend

Table of Contents

payments, share repurchases and redemptions be funded from “distributable reserves.” In addition, our ability to pay cash dividends on or repurchase our ordinary shares is restricted under the terms of our credit agreement. Any future determination as to the payment of dividends will, subject to Irish legal requirements, be at the sole discretion of our board of directors and will depend on our financial condition, results of operations, capital requirements, compliance with the terms of our credit agreement and other factors our board of directors deems relevant. Accordingly, holders of our ordinary shares must rely on increases in the trading price of their shares for returns on their investment in the foreseeable future.

A transfer of our ordinary shares may be subject to Irish stamp duty.\*

In certain circumstances, the transfer of shares in an Irish incorporated company will be subject to Irish stamp duty, which is a legal obligation of the buyer. This duty is currently charged at the rate of 1.0% of the price paid or the market value of the shares acquired, if higher. Because our ordinary shares are traded on a recognized stock exchange in the United States, an exemption of this stamp duty is available to transfers by shareholders who hold our ordinary shares beneficially through brokers which in turn hold those shares through the Depository Trust Company, or DTC, to holders who also hold through DTC. However, a transfer by a record holder who holds our ordinary shares directly in his, her or its own name could be subject to this stamp duty. We, in our absolute discretion and insofar as the Irish Companies Act 2014 or any other applicable law permit, may, or may provide that a subsidiary of ours will, pay Irish stamp duty arising on a transfer of our ordinary shares on behalf of the transferee of such ordinary shares. If stamp duty resulting from the transfer of our ordinary shares which would otherwise be payable by the transferee is paid by us or any of our subsidiaries on behalf of the transferee, then in those circumstances, we will, on our behalf or on behalf of our subsidiary (as the case may be), be entitled to (i) seek reimbursement of the stamp duty from the transferee, (ii) set-off the stamp duty against any dividends payable to the transferee of those ordinary shares and (iii) claim a first and permanent lien on the ordinary shares on which stamp duty has been paid by us or our subsidiary for the amount of stamp duty paid. Our lien shall extend to all dividends paid on those ordinary shares.

Dividends paid by us may be subject to Irish dividend withholding tax.

In certain circumstances, as an Irish tax resident company, we will be required to deduct Irish dividend withholding tax (currently at the rate of 20%) from dividends paid to our shareholders. Shareholders that are resident in the United States, EU countries (other than Ireland) or other countries with which Ireland has signed a tax treaty (whether the treaty has been ratified or not) generally should not be subject to Irish withholding tax so long as the shareholder has provided its broker, for onward transmission to our qualifying intermediary or other designated agent (in the case of shares held beneficially), or us or our transfer agent (in the case of shares held directly), with all the necessary documentation by the appropriate due date prior to payment of the dividend. However, some shareholders may be subject to withholding tax, which could adversely affect the price of our ordinary shares.

Our auditor, like other independent registered public accounting firms operating in Ireland and a number of other European countries, is not currently permitted to be subject to inspection by the U.S. Public Company Accounting Oversight Board, or the PCAOB, and as such, our investors currently do not have the benefits of PCAOB oversight. As an auditor of companies that are publicly-traded in the United States and as a firm registered with the PCAOB, our independent registered public accounting firm is required by the laws of the United States to undergo regular inspections by the PCAOB to assess its compliance with the laws of the United States and the professional standards of the PCAOB. However, because our auditor is located in Ireland, a jurisdiction where the PCAOB is currently unable to conduct inspections, our auditor is not currently inspected by the PCAOB. Inspections of other auditors conducted by the PCAOB outside of Ireland have at times identified deficiencies in those auditor’s audit procedures and quality control procedures, which may be addressed as part of the inspection process to improve future audit quality. The lack of PCAOB inspections in Ireland prevents the PCAOB from regularly evaluating our auditor’s audits and its quality control procedures. In addition, the inability of the PCAOB to conduct auditor inspections in Ireland makes it more difficult to evaluate the effectiveness of our auditor’s audit procedures or quality control procedures as compared to auditors located outside of Ireland that are subject to regular PCAOB inspections. As a result, our investors are deprived of the benefits of PCAOB inspections, and may lose confidence in our reported financial information and procedures and the quality of our financial statements.





Table of ContentsItem 2. Unregistered Sales of Equity Securities and Use of Proceeds  
Issuer Purchases of Equity Securities

The following table summarizes purchases of our ordinary shares made by or on behalf of us or any of our “affiliated purchasers” as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934, as amended, during each fiscal month during the three-month period ended June 30, 2015:

	Total Number of Shares Purchased (1)	Average Price Paid per Share (2)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (3)	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs (4)
April 1 - April 30, 2015	8,000	\$ 169.01	8,000	\$9,655,369
May 1 - May 31, 2015	—	\$—	—	\$9,655,369
June 1 - June 30, 2015	—	\$—	—	\$9,655,369
Total	8,000	\$ 169.01	8,000	

(1) This table does not include ordinary shares that we withheld in order to satisfy minimum tax withholding requirements in connection with the vesting or exercise of restricted stock units.

(2) Average price paid per ordinary share includes brokerage commissions.

(3) The ordinary shares reported in the table above were purchased pursuant to our publicly announced share repurchase program. On May 7, 2013, we announced that our board of directors authorized the use of up to \$200 million to repurchase our ordinary shares. This authorization has no expiration date.

(4) The dollar amount shown represents, as of the end of each period, the approximate dollar value of ordinary shares that may yet be purchased under our publicly announced share repurchase program, exclusive of any brokerage commissions. The timing and amount of repurchases will depend on a variety of factors, including the price of our ordinary shares, alternative investment opportunities, restrictions under our credit agreement, corporate and regulatory requirements and market conditions, and may be discontinued at any time without prior notice.

Table of Contents

## Item 5. Other Information

## Results of Matters Presented at the 2015 Annual General Meeting of Shareholders

On July 30, 2015, we held our 2015 annual general meeting of shareholders, or the Annual Meeting, at our corporate headquarters in Dublin, Ireland. At the Annual Meeting, our shareholders voted on four proposals, each of which is described in more detail in our definitive proxy statement on Schedule 14A as filed with the SEC on June 10, 2015, or the Proxy Statement. The results of the matters presented at the Annual Meeting, based on the presence in person or by proxy of holders of 55,606,648 of the 61,224,745 ordinary shares entitled to vote, are described below.

## Proposal 1

Proposal 1 was to elect each of the four nominees for director to a three-year term as a Class I director of the company to serve until our 2018 annual general meeting of shareholders and until his or her successor is elected and qualified.

Each of the four nominees for director was elected as follows:

Director Nominees	For	Against	Abstain	Broker Non-Votes
Peter Gray	51,081,824	358,775	376,038	3,790,011
Kenneth W. O'Keefe	51,082,352	362,284	372,001	3,790,011
Elmar Schnee	51,190,684	254,015	371,938	3,790,011
Catherine A. Sohn	51,126,355	318,002	372,280	3,790,011

## Proposal 2

Proposal 2 was to approve the appointment of KPMG as the independent auditors of the company for the fiscal year ending December 31, 2015 and to authorize the board of directors, acting through the audit committee, to determine the auditors' remuneration. This proposal was approved as follows:

For	Against	Abstain	Broker Non-Votes
54,713,711	524,988	367,949	—

## Proposal 3

Proposal 3 was to authorize the company and/or any subsidiary of the company to make market purchases of the company's ordinary shares. This proposal was approved as follows:

For	Against	Abstain	Broker Non-Votes
51,083,918	242,038	490,681	3,790,011

## Proposal 4

Proposal 4 was to approve, on an advisory basis, the compensation of the company's named executive officers as disclosed in the Proxy Statement. This proposal was approved as follows:

For	Against	Abstain	Broker Non-Votes
50,602,292	829,492	384,853	3,790,011

Table of Contents

Item 6. Exhibits

Exhibit Number	Description of Document
2.1	Agreement and Plan of Merger and Reorganization, dated as of September 19, 2011, by and among Azur Pharma Limited (now Jazz Pharmaceuticals plc), Jaguar Merger Sub Inc., Jazz Pharmaceuticals, Inc. and Seamus Mulligan, solely in his capacity as the Indemnitors' Representative (incorporated herein by reference to Exhibit 2.1 in Jazz Pharmaceuticals, Inc.'s current report on Form 8-K (File No. 001-33500), as filed with the SEC on September 19, 2011).
2.2	Letter Agreement, dated as of January 17, 2012, by and among Jazz Pharmaceuticals plc, Jaguar Merger Sub Inc. Jazz Pharmaceuticals, Inc. and Seamus Mulligan, solely in his capacity as the Indemnitors' Representative (incorporated by reference to Exhibit 2.2 in Jazz Pharmaceuticals plc's current report on Form 8-K (File No. 001-33500), as filed with the SEC on January 18, 2012).
2.3	Agreement and Plan of Merger, dated as of April 26, 2012, by and among Jazz Pharmaceuticals plc, Jewel Merger Sub Inc., EUSA Pharma Inc., and Essex Woodlands Health Ventures, Inc., Mayflower L.P., and Bryan Morton, in their capacity as the representatives of the equity holders of EUSA Pharma Inc. (incorporated herein by reference to Exhibit 2.1 in Jazz Pharmaceuticals plc's current report on Form 8-K (File No. 001-33500), as filed with the SEC on April 27, 2012).
2.4	Assignment, dated as of June 11, 2012, by and between Jazz Pharmaceuticals plc and Jazz Pharmaceuticals, Inc. (incorporated herein by reference to Exhibit 2.1B in Jazz Pharmaceuticals plc's current report on Form 8-K (File No. 001-33500), as filed with the SEC on June 12, 2012).
2.5	Tender Offer Agreement, dated December 19, 2013, by and among Jazz Pharmaceuticals Public Limited Company, Jazz Pharmaceuticals Italy S.r.l. and Gentium S.p.A. (incorporated herein by reference to Exhibit 2.1 in Jazz Pharmaceuticals plc's current report on Form 8-K/A (File No. 001-33500), as filed with the SEC on December 20, 2013).
2.6†	Asset Purchase Agreement, dated January 13, 2014, by and among Jazz Pharmaceuticals International III Limited, Aerial BioPharma, LLC and Jazz Pharmaceuticals plc (incorporated herein by reference to Exhibit 2.1 in Jazz Pharmaceuticals plc's current report on Form 8-K (File No. 001-33500), as filed with the SEC on January 13, 2014).
2.7†	Assignment Agreement, dated July 1, 2014, by and among Jazz Pharmaceuticals International II Limited, Sigma-Tau Pharmaceuticals, Inc., Jazz Pharmaceuticals plc and Gentium S.p.A. (incorporated herein by reference to Exhibit 2.1 in Jazz Pharmaceuticals plc's current report on Form 8-K (File No. 001-33500), as filed with the SEC on August 5, 2014).
2.8	Amended and Restated Agreement for the Acquisition of the Topaz Portfolio Business of Jazz Pharmaceuticals plc, dated March 20, 2015, between Jazz Pharmaceuticals plc and Essex Bidco Limited (incorporated herein by reference to Exhibit 2.1 in Jazz Pharmaceuticals plc's current report on Form 8-K (File No. 001-33500), as filed with the SEC on March 23, 2015).
3.1	Memorandum and Articles of Association of Jazz Pharmaceuticals plc (incorporated herein by reference to Exhibit 3.1 in Jazz Pharmaceuticals plc's current report on Form 8-K (File No. 001-33500), as filed with the SEC on January 18, 2012).
4.1	Reference is made to Exhibit 3.1.
4.2A	Investor Rights Agreement, dated July 7, 2009 by and between Jazz Pharmaceuticals, Inc. and the other parties named therein (incorporated herein by reference to Exhibit 10.88 in Jazz Pharmaceuticals, Inc.'s current report on Form 8-K (File No. 001-33500), as filed with the SEC on July 7, 2009).
4.2B	Assignment, Assumption and Amendment Agreement, dated as of January 18, 2012, by and among Jazz Pharmaceuticals, Inc., Jazz Pharmaceuticals plc and the other parties named therein (incorporated herein by reference to Exhibit 4.7B in the annual report on Form 10-K (File No. 001-33500) for the period ended December 31, 2011, as filed by Jazz Pharmaceuticals plc on behalf of and as successor to Jazz

Edgar Filing: Jazz Pharmaceuticals plc - Form 10-Q

Pharmaceuticals, Inc. with the SEC on February 28, 2012).

- 4.3A Indenture, dated as of August 13, 2014, by and among Jazz Pharmaceuticals plc, Jazz Investments I Limited and U.S. Bank National Association (incorporated herein by reference to Exhibit 4.1 in Jazz Pharmaceuticals plc's current report on Form 8-K (File No. 001-33500), as filed with the SEC on August 13, 2014).
- 4.3B Form of 1.875% Exchangeable Senior Note due 2021 (included in Exhibit 4.3A).  
Credit Agreement, dated as of June 18, 2015, among the Jazz Pharmaceuticals Public Limited Company, Jazz Securities Limited, Jazz Pharmaceuticals, Inc., Jazz Financing I Limited, Jazz Pharmaceuticals Ireland Limited, the lenders party thereto and Bank of America, N.A., as Collateral Agent, Administrative Agent, Swing Line Lender and L/C Issuer (incorporated herein by reference to Exhibit 10.1 in Jazz Pharmaceuticals plc's current report on Form 8-K (File No. 0001-33500), as filed with the SEC on June 18, 2015).
- 10.1
- 10.2+ Jazz Pharmaceuticals plc Non-Employee Director Compensation Policy (approved April 30, 2015).

Table of Contents

Exhibit Number	Description of Document
10.3	Novation Agreement relating to Royalty Bearing Licence Agreement and Supply Agreement re Erwinia-Derived Asparaginase, dated as of May 13, 2015, by and among EUSA Pharma SAS, the Secretary of State for Health acting through Public Health England and Porton Biopharma Limited.
31.1	Certification of Chief Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
31.2	Certification of Chief Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
32.1*	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

---

+Indicates management contract or compensatory plan.

Confidential treatment has been granted for portions of this exhibit. Omitted portions have been filed separately with the SEC.

The certifications attached as Exhibit 32.1 accompany this Quarterly Report on Form 10-Q pursuant to 18 U.S.C.

\*Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and shall not be deemed “filed” by the Registrant for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: August 5, 2015

Jazz Pharmaceuticals Public Limited Company  
(Registrant)

/s/ Bruce C. Cozadd  
Bruce C. Cozadd  
Chairman and Chief Executive Officer and Director  
(Principal Executive Officer)

/s/ Matthew P. Young  
Matthew P. Young  
Executive Vice President and Chief Financial Officer  
(Principal Financial Officer)

/s/ Karen J. Wilson  
Karen J. Wilson  
Senior Vice President, Finance  
(Principal Accounting Officer)

---

Table of Contents

EXHIBIT INDEX

Exhibit Number	Description of Document
2.1	Agreement and Plan of Merger and Reorganization, dated as of September 19, 2011, by and among Azur Pharma Limited (now Jazz Pharmaceuticals plc), Jaguar Merger Sub Inc., Jazz Pharmaceuticals, Inc. and Seamus Mulligan, solely in his capacity as the Indemnitors' Representative (incorporated herein by reference to Exhibit 2.1 in Jazz Pharmaceuticals, Inc.'s current report on Form 8-K (File No. 001-33500), as filed with the SEC on September 19, 2011).
2.2	Letter Agreement, dated as of January 17, 2012, by and among Jazz Pharmaceuticals plc, Jaguar Merger Sub Inc. Jazz Pharmaceuticals, Inc. and Seamus Mulligan, solely in his capacity as the Indemnitors' Representative (incorporated by reference to Exhibit 2.2 in Jazz Pharmaceuticals plc's current report on Form 8-K (File No. 001-33500), as filed with the SEC on January 18, 2012).
2.3	Agreement and Plan of Merger, dated as of April 26, 2012, by and among Jazz Pharmaceuticals plc, Jewel Merger Sub Inc., EUSA Pharma Inc., and Essex Woodlands Health Ventures, Inc., Mayflower L.P., and Bryan Morton, in their capacity as the representatives of the equity holders of EUSA Pharma Inc. (incorporated herein by reference to Exhibit 2.1 in Jazz Pharmaceuticals plc's current report on Form 8-K (File No. 001-33500), as filed with the SEC on April 27, 2012).
2.4	Assignment, dated as of June 11, 2012, by and among Jazz Pharmaceuticals plc and Jazz Pharmaceuticals, Inc. (incorporated herein by reference to Exhibit 2.1B in Jazz Pharmaceuticals plc's current report on Form 8-K (File No. 001-33500), as filed with the SEC on June 12, 2012).
2.5	Tender Offer Agreement, dated December 19, 2013, by and among Jazz Pharmaceuticals Public Limited Company, Jazz Pharmaceuticals Italy S.r.l. and Gentium S.p.A. (incorporated herein by reference to Exhibit 2.1 in Jazz Pharmaceuticals plc's current report on Form 8-K/A (File No. 001-33500), as filed with the SEC on December 20, 2013).
2.6†	Asset Purchase Agreement, dated January 13, 2014, by and between Jazz Pharmaceuticals International III Limited, Aerial BioPharma, LLC and Jazz Pharmaceuticals plc (incorporated herein by reference to Exhibit 2.1 in Jazz Pharmaceuticals plc's current report on Form 8-K (File No. 001-33500), as filed with the SEC on January 13, 2014).
2.7†	Assignment Agreement, dated July 1, 2014, by and among Jazz Pharmaceuticals International II Limited, Sigma-Tau Pharmaceuticals, Inc., Jazz Pharmaceuticals plc and Gentium S.p.A. (incorporated herein by reference to Exhibit 2.1 in Jazz Pharmaceuticals plc's current report on Form 8-K (File No. 001-33500), as filed with the SEC on August 5, 2014).
2.8	Amended and Restated Agreement for the Acquisition of the Topaz Portfolio Business of Jazz Pharmaceuticals plc, dated March 20, 2015, between Jazz Pharmaceuticals plc and Essex Bidco Limited (incorporated herein by reference to Exhibit 2.1 in Jazz Pharmaceuticals plc's current report on Form 8-K (File No. 001-33500), as filed with the SEC on March 23, 2015).
3.1	Memorandum and Articles of Association of Jazz Pharmaceuticals plc (incorporated herein by reference to Exhibit 3.1 in Jazz Pharmaceuticals plc's current report on Form 8-K (File No. 001-33500), as filed with the SEC on January 18, 2012).
4.1	Reference is made to Exhibit 3.1.
4.2A	Investor Rights Agreement, dated July 7, 2009 by and between Jazz Pharmaceuticals, Inc. and the other parties named therein (incorporated herein by reference to Exhibit 10.88 in Jazz Pharmaceuticals, Inc.'s current report on Form 8-K (File No. 001-33500), as filed with the SEC on July 7, 2009).
4.2B	Assignment, Assumption and Amendment Agreement, dated as of January 18, 2012, by and among Jazz Pharmaceuticals, Inc., Jazz Pharmaceuticals plc and the other parties named therein (incorporated herein by reference to Exhibit 4.7B in the annual report on Form 10-K (File No. 001-33500) for the period ended



## Edgar Filing: Jazz Pharmaceuticals plc - Form 10-Q

December 31, 2011, as filed by Jazz Pharmaceuticals plc on behalf of and as successor to Jazz Pharmaceuticals, Inc. with the SEC on February 28, 2012).

4.3A Indenture, dated as of August 13, 2014, by and among Jazz Pharmaceuticals plc, Jazz Investments I Limited and U.S. Bank National Association (incorporated herein by reference to Exhibit 4.1 in Jazz Pharmaceuticals plc's current report on Form 8-K (File No. 001-33500), as filed with the SEC on August 13, 2014).

4.3B Form of 1.875% Exchangeable Senior Note due 2021 (included in Exhibit 4.3A).

10.1 Credit Agreement, dated as of June 18, 2015, among the Jazz Pharmaceuticals Public Limited Company, Jazz Securities Limited, Jazz Pharmaceuticals, Inc., Jazz Financing I Limited, Jazz Pharmaceuticals Ireland Limited, the lenders party thereto and Bank of America, N.A., as Collateral Agent, Administrative Agent, Swing Line Lender and L/C Issuer (incorporated herein by reference to Exhibit 10.1 in Jazz Pharmaceuticals plc's current report on Form 8-K (File No. 0001-33500), as filed with the SEC on June 18, 2015).

10.2+ Jazz Pharmaceuticals plc Non-Employee Director Compensation Policy (approved April 30, 2015).

---

Table of Contents

10.3	Novation Agreement relating to Royalty Bearing Licence Agreement and Supply Agreement re Erwinia-Derived Asparaginase, dated as of May 13, 2015, by and among EUSA Pharma SAS, the Secretary of State for Health acting through Public Health England and Porton Biopharma Limited.
31.1	Certification of Chief Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
31.2	Certification of Chief Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
32.1*	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

---

+Indicates management contract or compensatory plan.

Confidential treatment has been granted for portions of this exhibit. Omitted portions have been filed separately with the SEC.

The certifications attached as Exhibit 32.1 accompany this Quarterly Report on Form 10-Q pursuant to 18 U.S.C.

\*Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and shall not be deemed “filed” by the Registrant for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.