UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2014

OR

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

Commission File Number 001-35299

ALKERMES PUBLIC LIMITED COMPANY

(Exact name of registrant as specified in its charter)

Ireland	**98-1007018**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Connaught House

1 Burlington Road

Dublin 4, Ireland

(Address of principal executive offices)

+ 353-1-772-8000

(Registrant s telephone number, including area code)

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

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

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

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

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

The number of the registrant s ordinary shares, $0.01 par value, outstanding as of July 25, 2014 was 145,827,889 shares.

Table of Contents

ALKERMES PLC AND SUBSIDIARIES

QUARTERLY REPORT ON FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2014

Table of Contents

Cautionary Note Concerning Forward-Looking Statements

This document contains and incorporates by reference 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. In some cases, these statements can be identified by the use of forward-looking terminology such as may, will, could, should, would, expect, anticipate, continue, believe, plan, other similar words. These statements discuss future expectations, and contain projections of results of operations or of financial condition, or state trends and known uncertainties or other forward-looking information. Forward-looking statements in this Quarterly Report on Form 10-Q (Form 10-Q) include, without limitation, statements regarding:

- our expectations regarding our financial performance, including revenues, expenses, gross margins, liquidity, capital expenditures and income taxes;
- our expectations regarding our products, including the development, regulatory review (including expectations about regulatory approval and regulatory timelines) and therapeutic and commercial scope and potential of such products and the costs and expenses related thereto;
- our expectations regarding the initiation, timing and results of clinical trials of our products;
- our expectations regarding the competitive landscape, and changes therein, related to our products, including our development programs;
- our expectations regarding the financial impact of currency exchange rate fluctuations and valuations;
- our expectations regarding future amortization of intangible assets;
- our expectations regarding our collaborations and other significant agreements relating to our products, including our development programs;
- our expectations regarding the impact of adoption of new accounting pronouncements;
- our expectations regarding near-term changes in the nature of our market risk exposures or in management s objectives and strategies with respect to managing such exposures;
- our ability to comply with restrictive covenants of our indebtedness and our ability to fund our debt service obligations; and
- our expectations regarding future capital requirements and capital expenditures and our ability to finance our operations and capital requirements.

Actual results might differ materially from those expressed or implied by the forward-looking statements contained in this Form 10-Q because these forward-looking statements are subject to risks, assumptions and uncertainties. You are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this Form 10-Q. Except as required by applicable law or regulation, we do not undertake any obligation to update publicly or revise any forward-looking statements in this Form 10-Q, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Form 10-Q might not occur. For more information regarding the risk and uncertainties of our business, see Item 1A Risk Factors of our Transition Report on

Form 10-K for the nine-month period ended December 31, 2013 (the Transition Report) and any subsequent reports filed with the Securities and Exchange Commission.

Unless otherwise indicated, information contained in this Form 10-Q concerning the disorders targeted by our products and the markets in which we operate is based on information from various third-party sources (including, without limitation, industry publications, medical and clinical journals and studies, surveys and forecasts) as well as our internal research. Our internal research involves assumptions that we have made, which we believe are reasonable, based on data from those and other similar sources and on our knowledge of the markets for our marketed and development products. Our internal research has not been verified by any independent source, and we have not independently verified any third-party information. These projections, assumptions and estimates are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in Item 1A Risk Factors of our Transition Report. These and other factors could cause results to differ materially from those expressed in the estimates included in this Form 10-Q.

Note Regarding Company

Alkermes plc (as used in this report, together with our subsidiaries, Alkermes, the Company, us, we, and our) is a fully integrated, g biopharmaceutical company that applies its scientific expertise and proprietary technologies to research, develop and commercialize, both with partners and on our own, pharmaceutical products that are designed to address unmet medical needs of patients in major therapeutic areas. We have a diversified portfolio of more than 20 commercial drug products and a clinical pipeline of product candidates that address central nervous system (CNS) disorders such as addiction, schizophrenia and depression.

Table of Contents

Note Regarding Trademarks

We are the owner of various U.S. federal trademark registrations (®) and registration applications (TM), including LinkeRx® and VIVITROL®. The following are trademarks of the respective companies listed: ABILIFY® Otsuka Pharmaceutical Co., Ltd.; AMPYRA® and FAMPYRA® Acorda Therapeutics, Inc.; BYDUREON® and BYETTA® Amylin Pharmaceuticals, LLC; FOCALIN XR® and RITALIN LA® Novartis AG; INVEGA® SUSTENNA®, XEPLION®, and RISPERDAL® CONSTA® Johnson & Johnson Corp. (or its affiliate); MEGACE® E.R. Squibb & Sons, LLC; TECFIDERA® Biogen Idec MA Inc.; TRICOR® Fournier Industrie et Sante Corporation; and ZYPREXA® Eli Lilly and Company. Other trademarks, trade names and service marks appearing in this Form 10-Q are the property of their respective owners. Solely for convenience, the trademarks and trade names in this Form 10-Q are referred to without the ® and symbols, but such references should not be construed as any indicator that their respective owners will not assert, to the fullest extent under applicable law, their rights thereto.

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements:

ALKERMES PLC AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(unaudited)

	June 30, 2014	December 31, 2013
	(In thousands, except share and per share amounts)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 188,322	$ 167,562
Investments short-term	450,167	194,669
Receivables	139,316	134,154
Inventory	57,066	46,218
Prepaid expenses and other current assets	52,048	27,535
Total current assets	886,919	570,138
PROPERTY, PLANT AND EQUIPMENT, NET	264,247	274,490
INTANGIBLE ASSETS NET	509,900	537,565
GOODWILL	92,740	92,740
INVESTMENTS LONG-TERM	75,405	87,764
OTHER ASSETS	28,381	14,891
TOTAL ASSETS	$ 1,857,592	$ 1,577,588
LIABILITIES AND SHAREHOLDERS EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 93,033	$ 91,173
Long-term debt current	6,750	6,750
Deferred revenue current	2,377	2,974
Total current liabilities	102,160	100,897
LONG-TERM DEBT	354,382	357,543
DEFERRED TAX LIABILITIES, NET LONG-TERM	26,122	29,169
OTHER LONG-TERM LIABILITIES	11,596	12,580
DEFERRED REVENUE LONG-TERM	11,507	12,213
Total liabilities	505,767	512,402
COMMITMENTS AND CONTINGENCIES (Note 16)		
SHAREHOLDERS EQUITY:		
Preferred shares, par value, $0.01 per share; 50,000,000 shares authorized; zero issued and outstanding at June 30, 2014 and December 31, 2013, respectively		
Ordinary shares, par value, $0.01 per share; 450,000,000 shares authorized; 146,646,177 and 138,482,571 shares issued; 145,663,941 and 137,792,626 shares outstanding at June 30, 2014 and December 31, 2013, respectively	1,464	1,382
Treasury shares, at cost (982,236 and 689,945 shares at June 30, 2014 and December 31, 2013, respectively)	(30,861)	(17,833)

Additional paid-in capital		1,886,827		1,553,337
Accumulated other comprehensive (loss) income		(2,712)		10,574
Accumulated deficit		(502,893)		(482,274)
Total shareholders equity		1,351,825		1,065,186
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$	1,857,592	$	1,577,588

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

Table of Contents

ALKERMES PLC AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME

(unaudited)

	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
	(In thousands, except per share amounts)			
REVENUES:				
Manufacturing and royalty revenues	$ 130,366	$ 119,788	$ 241,646	$ 266,707
Product sales, net	21,595	17,379	38,674	32,005
Research and development revenue	1,463	1,464	3,316	3,341
Total revenues	153,424	138,631	283,636	302,053
EXPENSES:				
Cost of goods manufactured and sold (exclusive of amortization of acquired intangible assets shown below)	43,290	45,991	82,129	93,982
Research and development	67,207	33,462	119,347	69,262
Selling, general and administrative	50,663	32,933	93,213	67,612
Amortization of acquired intangible assets	15,089	12,716	27,665	23,038
Restructuring				12,300
Impairment of long-lived assets				3,346
Total expenses	176,249	125,102	322,354	269,540
OPERATING (LOSS) INCOME	(22,825)	13,529	(38,718)	32,513
OTHER INCOME (EXPENSE), NET:				
Interest income	323	161	834	332
Interest expense	(3,385)	(3,468)	(6,741)	(14,941)
Gain on sale of investment in Acceleron Pharma Inc.	15,296		15,296	
Gain on sale of property, plant and equipment	12,285		12,285	
Other income (expense), net	518	(170)	(1,332)	14
Total other income (expense), net	25,037	(3,477)	20,342	(14,595)
INCOME (LOSS) BEFORE INCOME TAXES	2,212	10,052	(18,376)	17,918
INCOME TAX (BENEFIT) PROVISION	(1,523)	2,718	2,243	7,585
NET INCOME (LOSS)	$ 3,735	$ 7,334	$ (20,619)	$ 10,333
EARNINGS (LOSS) PER ORDINARY SHARE:				
Basic	$ 0.03	$ 0.05	$ (0.14)	$ 0.08
Diluted	$ 0.02	$ 0.05	$ (0.14)	$ 0.07
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES OUTSTANDING:				
Basic	144,913	134,602	144,140	133,941
Diluted	154,300	143,369	144,140	141,822
COMPREHENSIVE (LOSS) INCOME:				
Net income (loss)	$ 3,735	$ 7,334	$ (20,619)	$ 10,333
Holding gains (losses), net of tax of $6,174, none, $7,627 and none, respectively	4,540	(408)	2,009	(265)
Reclassification of unrealized gains to realized gains	(15,296)		(15,296)	
COMPREHENSIVE (LOSS) INCOME	$ (7,021)	$ 6,926	$ (33,906)	$ 10,068

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

6

Table of Contents

ALKERMES PLC AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	$ (20,619)	$ 10,333
Adjustments to reconcile net (loss) income to cash flows from operating activities:		
Depreciation and amortization	47,486	42,048
Share-based compensation expense	32,758	16,690
Excess tax benefit from share-based compensation	(6,984)	(11,730)
Impairment of long-lived assets		3,346
(Gain) loss on sale of property, plant and equipment	(12,160)	391
(Gain) on sale of investment of Acceleron Pharma Inc.	(15,296)	
Deferred income taxes	(10,664)	(1,732)
Loss on debt refinancing transaction		7,541
Prepayment penalty in connection with debt refinancing		(3,733)
Other non-cash charges	9,965	1,169
Changes in assets and liabilities:		
Receivables	(5,162)	(10,743)
Inventory, prepaid expenses and other assets	(19,714)	(1,036)
Accounts payable and accrued expenses	3,693	16,929
Deferred revenue	(1,304)	(974)
Other long-term liabilities	3,306	(448)
Cash flows provided by operating activities	5,305	68,051
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions of property, plant and equipment	(11,438)	(11,884)
Proceeds from the sale of property, plant and equipment	14,361	125
Purchases of investments	(433,203)	(175,619)
Sales and maturities of investments	184,446	70,149
Cash flows used in investing activities	(245,834)	(117,229)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from the issuance of ordinary shares, net	248,406	
Proceeds from the issuance of ordinary shares under share-based compensation arrangements	21,821	31,926
Excess tax benefit from share-based compensation	6,984	11,730
Employee taxes paid related to net share settlement of equity awards	(12,546)	(8,523)
Principal payments of long-term debt	(3,376)	(5,450)
Cash flows provided by financing activities	261,289	29,683
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	20,760	(19,495)
CASH AND CASH EQUIVALENTS Beginning of period	167,562	135,892
CASH AND CASH EQUIVALENTS End of period	$ 188,322	$ 116,397
SUPPLEMENTAL CASH FLOW DISCLOSURE:		
Non-cash investing and financing activities:		
Purchased capital expenditures included in accounts payable and accrued expenses	$ 1,491	$ 1,056

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

Table of Contents

ALKERMES PLC AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED STATEMENTS (Unaudited)

1. THE COMPANY

Alkermes plc (Alkermes) is a fully integrated, global biopharmaceutical company that applies its scientific expertise and proprietary technologies to research, develop and commercialize, both with partners and on its own, pharmaceutical products that are designed to address unmet medical needs of patients in major therapeutic areas. Alkermes has a diversified portfolio of more than 20 commercial drug products and a clinical pipeline of product candidates that address CNS disorders such as addiction, schizophrenia and depression. Headquartered in Dublin, Ireland, Alkermes has a research and development (R&D) center in Waltham, Massachusetts; R&D and manufacturing facilities in Athlone, Ireland; and manufacturing facilities in Gainesville, Georgia and Wilmington, Ohio.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying condensed consolidated financial statements of the Company for the three and six months ended June 30, 2014 and 2013 are unaudited and have been prepared on a basis substantially consistent with the audited financial statements for the nine-month transition period ended December 31, 2013 (the Transition Period). The year-end condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America (U.S.) (commonly referred to as GAAP). In the opinion of management, the condensed consolidated financial statements include all adjustments, which are of a normal recurring nature, that are necessary to present fairly the results of operations for the reported periods.

These financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto of Alkermes, which are contained in the Company s Transition Report on Form 10-K, which has been filed with the U.S. Securities and Exchange Commission (SEC). The results of the Company s operations for any interim period are not necessarily indicative of the results of the Company s operations for any other interim period, including the Transition Period, or for a full fiscal year.

Principles of Consolidation

The condensed consolidated financial statements include the accounts of Alkermes plc and its wholly owned subsidiaries as disclosed in Note 2: *Summary of Significant Accounting Policies* within Part II, Item 8 of our Transition Report. During the six months ended June 30, 2014, the following wholly owned subsidiaries were added: Alkermes Science Three Limited; Alkermes Science Four Limited; and Alkermes Science Five Limited. Intercompany accounts and transactions have been eliminated.

Use of Estimates

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

Segment Information

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

Table of Contents

ALKERMES PLC AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED STATEMENTS (Continued)

New Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board (FASB) or other standard-setting bodies that are adopted by the Company as of the specified effective date. Unless otherwise discussed, the Company believes that the impact of recently issued standards that are not yet effective will not have a material impact on its financial position or results of operations upon adoption.

In July 2013, the FASB adopted clarifying guidance on the presentation of unrecognized tax benefits when various qualifying tax credits exist. The amendment requires that unrecognized tax benefits be presented on the consolidated balance sheet as a reduction to deferred tax assets created by net operating losses (NOLs) or other tax credits from prior periods that occur in the same taxing jurisdiction. To the extent that the unrecognized tax benefit exceeds these NOLs or other tax credits, it shall be presented as a liability. This update, required to be adopted for all annual periods and interim reporting periods beginning after December 15, 2013, was adopted by the Company on January 1, 2014. The adoption of this standard did not have a material impact on the presentation of the Company s financial position.

In June 2014, the FASB issued guidance that clarifies the accounting for share-based payments when the terms of an award provide that a performance target could be achieved after the requisite service period. Existing GAAP does not contain explicit guidance on how to account for these share-based payments. The new guidance requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. Entities have the option of prospectively applying the guidance to awards granted or modified after the effective date or retrospectively applying the guidance to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements. The guidance becomes effective for the Company in its year ending December 31, 2016 and early adoption is permitted. The Company is currently assessing the impact that this standard will have on its consolidated financial statements.

In May 2014, the FASB issued guidance that outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The guidance is based on the principle that an entity should recognize revenue to depict the transfer of 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. The guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to fulfill a contract. Entities have the option of using either a full retrospective or a modified retrospective approach for the adoption of the new standard. The guidance becomes effective for the Company in its year ending December 31, 2017 and early adoption is not permitted. The Company is currently assessing the impact that this standard will have on its consolidated financial statements.

Table of Contents

ALKERMES PLC AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED STATEMENTS (Continued)

3. INVESTMENTS

Investments consisted of the following:

	Amortized Cost	Gains	Gross Unrealized Losses: Less than One Year	Gross Unrealized Losses: Greater than One Year	Estimated Fair Value
			(In thousands)		
June 30, 2014					
Short-term investments:					
Available-for-sale securities:					
U.S. government and agency debt securities	$ 223,404	$ 192	$	$	$ 223,596
Corporate debt securities	178,720	153	(30)		178,843
International government agency debt securities	46,492	37	(2)		46,527
	448,616	382	(32)		448,966
Money market funds	1,201				1,201
Total short-term investments	449,817	382	(32)		450,167
Long-term investments:					
Available-for-sale securities:					
U.S. government and agency debt securities	42,082		(43)	(13)	42,026
Corporate debt securities	25,793		(17)	(22)	25,754
International government agency debt securities	6,080		(2)		6,078
	73,955		(62)	(35)	73,858
Held-to-maturity securities:					
Certificates of deposit	1,547				1,547
Total long-term investments	75,502		(62)	(35)	75,405
Total investments	$ 525,319	$ 382	$ (94)	$ (35)	$ 525,572
December 31, 2013					
Short-term investments:					
Available-for-sale securities:					
U.S. government and agency debt securities	$ 130,669	$ 80	$ (1)	$	$ 130,748
Corporate debt securities	38,614	64	(30)		38,648
International government agency debt securities	24,097	8	(33)		24,072
	193,380	152	(64)		193,468
Money market funds	1,201				1,201
Total short-term investments	194,581	152	(64)		194,669
Long-term investments:					
Available-for-sale securities:					

Equity securities		8,732		21,253						29,985
U.S. government and agency debt securities		28,503				(61)		(3)		28,439
Corporate debt securities		20,266				(30)		(75)		20,161
International government agency debt securities		7,691				(5)				7,686
		65,192		21,253		(96)		(78)		86,271
Held-to-maturity securities:										
Certificates of deposit		1,493								1,493
Total long-term investments		66,685		21,253		(96)		(78)		87,764
Total investments	$	261,266	$	21,405	$	(160)	$	(78)	$	282,433

Table of Contents

ALKERMES PLC AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED STATEMENTS (Continued)

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

[redacted]

Proceeds from the sales and maturities of marketable securities	$	184,446	$	70,149
Realized gains	$	15,304	$	46
Realized losses	$	10	$	5

During the three months ended June 30, 2014, the Company sold its investment in Acceleron Pharma Inc. (Acceleron), which consisted of common stock and warrants to purchase the common stock of Acceleron. The Company received net proceeds of $24.0 million and realized a gain of $15.3 million from the sale of this investment. The Company reclassified the gain from accumulated other comprehensive (loss) income to gain on sale of investment in Acceleron in its condensed consolidated Statements of Operations and Comprehensive (Loss) Income.

The Company s available-for-sale and held-to-maturity securities at June 30, 2014 had contractual maturities in the following periods:

	Available-for-sale				Held-to-maturity			
(In thousands)		**Amortized Cost**		**Estimated Fair Value**		**Amortized Cost**		**Estimated Fair Value**
Within 1 year	$	296,062	$	296,166	$	1,547	$	1,547
After 1 year through 5 years		226,509		226,658				
Total	$	522,571	$	522,824	$	1,547	$	1,547

At June 30, 2014, the Company believed that the unrealized losses on its available-for-sale investments were temporary. The investments with unrealized losses consisted primarily of U.S. government and agency debt securities and corporate debt securities. In making the determination that the decline in fair value of these securities was temporary, the Company considered various factors, including but not limited to: the length of time each security was in an unrealized loss position; the extent to which fair value was less than cost; financial condition and near-term prospects of the issuers; and the Company s intent not to sell these securities and the assessment that it is more likely than not that the Company would not be required to sell these securities before the recovery of their amortized cost basis.

The Company s investment in Civitas Therapeutics, Inc. (Civitas) was zero and $2.0 million at June 30, 2014 and December 31, 2013, respectively, which was recorded within Other Assets in the accompanying condensed consolidated balance sheets. During the six months ended June 30, 2014, the Company recorded a reduction in its investment in Civitas of $2.0 million, which represented the Company s proportionate share of Civitas net losses for this period. As the Company s interest in Civitas has reached zero, the Company will no longer record its proportionate share of Civitas net losses until such time as the Company s share of Civitas net income exceeds its share of Civitas net losses not recognized during the period the equity method was suspended.

11

Table of Contents

ALKERMES PLC AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED STATEMENTS (Continued)

4. FAIR VALUE MEASUREMENTS

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

(In thousands)	June 30, 2014	Level 1	Level 2	Level 3
Assets:				
Cash equivalents	$ 1,201	$ 1,201	$	$
U.S. government and agency debt securities	265,622	126,594	139,028	
Corporate debt securities	204,597		204,597	
International government agency debt securities	52,605		52,605	
Total	$ 524,025	$ 127,795	$ 396,230	$
Liabilities:				
Interest rate swap contract	$ (92)	$	$ (92)	$
Total	$ (92)	$	$ (92)	$

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

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

There were no transfers of any securities from Level 1 to Level 2 or from Level 2 to Level 1 during the six months ended June 30, 2014. The following table is a rollforward of the fair value of the Company s investments whose fair value was determined using Level 3 inputs at June 30, 2014:

(In thousands)		Fair Value
Balance, January 1, 2014	$	1,526
Total unrealized losses included in other comprehensive (loss) income		(383)
Sale of equity securities		(1,143)
Balance, June 30, 2014	$	

Table of Contents

ALKERMES PLC AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED STATEMENTS (Continued)

During the three months ended June 30, 2014, the Company sold its Level 3 investment, which consisted of warrants to purchase the common stock of Acceleron.

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

The Company entered into an interest rate swap agreement in September 2011, which is described in greater detail in Note 11, *Derivative Instruments*. The fair value of the Company s interest rate swap agreement was based on an income approach, which excludes accrued interest, and takes into consideration then-current interest rates and the then-current creditworthiness of the Company or the counterparty, as applicable.

The carrying amounts reflected in the condensed consolidated balance sheets for cash and cash equivalents, accounts receivable, other current assets, accounts payable and accrued expenses approximate fair value due to their short-term nature. The fair value of the remaining financial instruments not currently recognized at fair value on the Company s condensed consolidated balance sheets consisted of the $300.0 million, seven-year term loan bearing interest at LIBOR plus 2.75% with a LIBOR floor of 0.75% (Term Loan B-1) and the $75.0 million, four-year term loan bearing interest at LIBOR plus 2.75%, with no LIBOR floor (Term Loan B-2 and together with Term Loan B-1, the Term Loan Facility). The estimated fair value of these term loans, which was based on quoted market price indications (Level 2 in the fair value hierarchy) and may not be representative of actual values that could have been or will be realized in the future, was as follows at June 30, 2014:

(In thousands)	Carrying Value	Estimated Fair Value
Term Loan B-1	$ 292,784	$ 294,013
Term Loan B-2	$ 68,348	$ 68,438

5. INVENTORY

Inventory is stated at the lower of cost or market value. Cost is determined using the first-in, first-out method. Inventory consisted of the following:

(In thousands)	June 30, 2014	December 31, 2013
Raw materials	$ 18,890	$ 18,410

Work in process		19,762		15,581
Finished goods		18,414		12,227
Total inventory	$	57,066	$	46,218

Table of Contents

ALKERMES PLC AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED STATEMENTS (Continued)

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following:

(In thousands)	June 30, 2014	December 31, 2013
Land	$ 8,163	$ 8,440
Building and improvements	148,298	148,044
Furniture, fixture and equipment	225,166	220,984
Leasehold improvements	24,000	23,980
Construction in progress	31,699	26,688
Subtotal	437,326	428,136
Less: accumulated depreciation	(173,079)	(153,646)
Total property, plant and equipment, net	$ 264,247	$ 274,490

During the three months ended June 30, 2014, the Company sold certain of its land, buildings and equipment at its Athlone, Ireland facility that had a carrying value of $2.2 million in exchange for $17.5 million. $3.0 million of the sale proceeds will remain in escrow pending the completion of certain additional services the Company is obligated to perform, and will be recognized as Gain on sale of property, plant and equipment as the services are provided.

7. GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets consisted of the following:

		June 30, 2014		
(In thousands)	Weighted Amortizable Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Goodwill		$ 92,740	$	$ 92,740
Finite-lived intangible assets:				
Collaboration agreements	12	$ 499,700	$ (102,810)	$ 396,890
NanoCrystal technology	13	74,600	(10,760)	63,840
OCR technology	12	66,300	(17,130)	49,170
Total		$ 640,600	$ (130,700)	$ 509,900

The Company recorded, as Amortization of acquired intangible assets in the accompanying condensed consolidated Statements of Operations and Comprehensive (Loss) Income, $27.7 million and $23.0 million of amortization expense related to its finite-lived intangible assets during the six months ended June 30, 2014 and 2013, respectively, all of which related to cost of goods manufactured and sold. Based on the Company s most recent analysis, amortization of intangible assets included within its condensed consolidated balance sheet at June 30, 2014 is expected to be approximately $60.0 million, $65.0 million, $70.0 million, $70.0 million and $70.0 million in the years ending December 31, 2014 through 2018, respectively. Although the Company believes such available information and assumptions are reasonable, given the inherent risks and uncertainties underlying its expectations regarding such future revenues, there is the potential for the Company s actual results to vary significantly from such expectations. If revenues are projected to change, the related amortization of the intangible assets will change in proportion to the change in revenues.

Table of Contents

ALKERMES PLC AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED STATEMENTS (Continued)

8. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following:

(In thousands)		June 30, 2014		December 31, 2013
Accounts payable	$	21,261	$	19,493
Accrued compensation		23,196		28,101
Accrued restructuring		8,161		7,296
Accrued other		40,415		