

AMARIN CORP PLC\UK  
Form 10-Q  
August 06, 2015  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**FORM 10-Q**

☒ **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 No. 000-21392**

**Amarin Corporation plc**  
**(Exact Name of Registrant as Specified in its Charter)**

**England and Wales  
(State or Other Jurisdiction of**

**Not applicable  
(I.R.S. Employer**

**Incorporation or Organization)**

**Identification No.)**

**2 Pembroke House, Upper Pembroke Street 28-32  
(Address of Principal Executive Offices)**

**Dublin 2, Ireland  
(Zip Code)**

**Registrant's telephone number, including area code: +353 (0) 1 6699 020**

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 (§229.405 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 ☒ 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 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 Act). YES ☐ NO ☒

182,529,985 shares held as American Depositary Shares (ADSs), each representing one Ordinary Share, 50 pence par value per share, and 865,904 ordinary shares, were outstanding as of August 1, 2015.

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**Table of Contents****PART I****AMARIN CORPORATION PLC****CONDENSED CONSOLIDATED BALANCE SHEETS****(Unaudited, in thousands, except share amounts)**

	<b>June 30, 2015</b>	<b>December 31, 2014</b>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 136,050	\$ 119,539
Restricted cash	600	600
Accounts receivable, net	9,943	7,842
Inventory	20,499	13,733
Deferred tax assets	934	934
Prepaid and other current assets	1,308	2,633
<b>Total current assets</b>	<b>169,334</b>	<b>145,281</b>
Property, plant and equipment, net	296	381
Deferred tax assets	13,287	12,556
Other non-current assets	2,508	2,826
Intangible asset, net	9,740	10,063
<b>TOTAL ASSETS</b>	<b>\$ 195,165</b>	<b>\$ 171,107</b>
<b>LIABILITIES AND STOCKHOLDERS DEFICIT</b>		
Current Liabilities:		
Accounts payable	\$ 13,006	\$ 8,525
Current portion of long-term debt	15,405	15,394
Deferred revenue, current	856	
Accrued expenses and other current liabilities	21,004	16,387
<b>Total current liabilities</b>	<b>50,271</b>	<b>40,306</b>
Long-Term Liabilities:		
Exchangeable senior notes, net of discount	124,629	121,846
Long-term debt	90,522	89,617
Long-term debt derivative liabilities	6,700	7,400
Deferred revenue, long-term	13,769	
Other long-term liabilities	626	386

Total liabilities	286,517	259,555
<b>Commitments and contingencies (Note 7)</b>		
<b>Stockholders' Deficit:</b>		
Common stock, £0.50 par, unlimited authorized; 183,395,889 issued, 183,261,552 outstanding as of June 30, 2015; 174,610,451 issued, 174,590,372 outstanding as of December 31, 2014	149,842	143,113
Series A Convertible Preferred Stock, £0.05 par, unlimited authorized; 289,317,460 issued and outstanding as of June 30, 2015 (equivalent to 28,931,746 ordinary shares upon future consolidation and redesignation at a 10:1 ratio); zero shares issued and outstanding as of December 31, 2014	21,375	
Additional paid-in capital	802,846	738,890
Treasury stock; 134,337 shares as of June 30, 2015; 20,079 shares as of December 31, 2014	(334)	(217)
Accumulated deficit	(1,065,081)	(970,234)
Total stockholders' deficit	(91,352)	(88,448)
<b>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT</b>	<b>\$ 195,165</b>	<b>\$ 171,107</b>

See notes to condensed consolidated financial statements.

**Table of Contents****AMARIN CORPORATION PLC****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(Unaudited, in thousands, except per share amounts)**

	<b>Three months ended June 30,</b>		<b>Six months ended June 30,</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Product revenue, net	\$ 17,707	\$ 12,606	\$ 33,265	\$ 23,573
Licensing revenue			375	
Total revenue, net	17,707	12,606	33,640	23,573
Less: Cost of goods sold	6,381	5,025	12,008	9,271
Gross margin	11,326	7,581	21,632	14,302
Operating expenses:				
Selling, general and administrative	26,054	21,094	50,795	41,679
Research and development	12,009	11,727	24,623	23,434
Total operating expenses	38,063	32,821	75,418	65,113
Operating loss	(26,737)	(25,240)	(53,786)	(50,811)
(Loss) gain on change in fair value of derivative liabilities	(600)	3,011	(136)	7,404
Gain on extinguishment of debt		38,034		38,034
Interest expense, net	(4,807)	(4,296)	(9,692)	(8,689)
Other income (expense), net	95	4,225	(33)	4,241
(Loss) income from operations before taxes	(32,049)	15,734	(63,647)	(9,821)
Benefit from (provision for) income taxes	537	(411)	1,009	(836)
Net (loss) income	\$ (31,512)	\$ 15,323	\$ (62,638)	\$ (10,657)
Preferred stock purchase option			(868)	
Preferred stock beneficial conversion feature	(31,341)		(31,341)	
Net (loss) income applicable to common shareholders	\$ (62,853)	\$ 15,323	\$ (94,847)	\$ (10,657)
(Loss) earnings per share:				
Basic	\$ (0.35)	\$ 0.09	\$ (0.53)	\$ (0.06)
Diluted	\$ (0.35)	\$ 0.08	\$ (0.53)	\$ (0.07)

Weighted average shares:

Basic	180,464	172,886	178,036	172,879
Diluted	180,464	207,674	178,036	173,876

See notes to condensed consolidated financial statements.

**Table of Contents****AMARIN CORPORATION PLC****CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' DEFICIT****(Unaudited, in thousands, except share amounts)**

	<b>Common Shares</b>	<b>Preferred Shares</b>	<b>Treasury Shares</b>	<b>Common Stock</b>	<b>Preferred Stock</b>	<b>Additional Paid-in Capital</b>	<b>Treasury Shares</b>	<b>Accumulated Deficit</b>	<b>Total</b>
<b>December 31, 2014</b>	<b>174,610,451</b>		<b>(20,079)</b>	<b>\$ 143,113</b>	<b>\$</b>	<b>\$ 738,890</b>	<b>\$ (217)</b>	<b>\$ (970,234)</b>	<b>\$ (88,448)</b>
Issuance of Series A Convertible Preferred Stock, net		352,150,790			26,179	25,970			52,149
Conversion of Series A Convertible Preferred Stock, net	6,283,333	(62,833,330)		4,804	(4,804)	(187)			(187)
Preferred stock purchase option						1,814		(868)	946
Preferred stock beneficial conversion feature						31,341		(31,341)	
Exercise of stock options	18,020			13		18			31
Exercise of warrants	1,844,585			1,429		1,284			2,713
Vesting of restricted stock units	639,500		(114,258)	483		(483)	(117)		(117)
Tax provision on stock-based compensation						(641)			(641)
Stock-based compensation						4,840			4,840
Loss for the period								(62,638)	(62,638)



<b>June 30, 2015</b>	<b>183,395,889</b>	<b>289,317,460</b>	<b>(134,337)</b>	<b>\$ 149,842</b>	<b>\$ 21,375</b>	<b>\$ 802,846</b>	<b>\$ (334)</b>	<b>\$ (1,065,081)</b>	<b>\$ (91,352)</b>
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See notes to condensed consolidated financial statements.

**Table of Contents****AMARIN CORPORATION PLC****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited, in thousands)**

	<b>Six Months Ended June 30,</b>	
	<b>2015</b>	<b>2014</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (62,638)	\$ (10,657)
Adjustments to reconcile loss to net cash used in operating activities:		
Depreciation and amortization	85	107
Stock-based compensation	6,258	4,351
Stock-based compensation warrants	(9)	(177)
Excess tax provision on (benefit from) stock-based awards	641	(1)
Amortization of debt discount and debt issuance costs	3,688	2,267
Amortization of intangible asset	323	323
Loss (gain) on changes in fair value of derivative liabilities	136	(7,404)
Gain on extinguishment of debt		(38,034)
Deferred income taxes	(731)	7
Changes in assets and liabilities:		
Restricted cash		400
Accounts receivable	(2,101)	(2,719)
Inventories	(6,766)	9,548
Prepaid and other current assets	1,325	(1,312)
Other non-current assets	318	1,722
Accrued interest payable	11	1,696
Deferred revenue	14,625	(1,703)
Accounts payable and other current liabilities	6,976	2,779
Other non-current liabilities	240	
Net cash used in operating activities	(37,619)	(38,807)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Net cash used in investing activities		
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from issuance of preferred stock, net of transaction costs	52,149	
Proceeds from exercise of stock options, net of transaction costs	31	284
Proceeds from exercise of warrants, net of transaction costs	2,713	
Debt issuance costs		(2,425)
Excess tax (provision on) benefit from stock-based awards	(641)	1
Acquisition of treasury stock	(117)	
Payments under capital leases	(5)	(39)

Net cash provided by (used in) financing activities	54,130	(2,179)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>16,511</b>	<b>(40,986)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>119,539</b>	<b>191,514</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 136,050</b>	<b>\$ 150,528</b>
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest	\$ 5,829	\$ 4,732
Income taxes	\$ 171	\$ 414
Non-cash transactions:		
Transfer of preferred stock purchase option derivative liability to equity	\$ 868	\$
Conversion of Series A Convertible Preferred Stock into common stock	\$ 4,804	\$
Accretion of preferred stock beneficial conversion feature	\$ 31,341	\$
Reacquisition of conversion option in convertible notes	\$	\$ 10,100

See notes to condensed consolidated financial statements.

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**AMARIN CORPORATION PLC**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

For purposes of this Quarterly Report on Form 10-Q, our ordinary shares may also be referred to as common shares or common stock.

**(1) Nature of Business and Basis of Presentation**

**Nature of Business**

Amarin Corporation plc (Amarin or the Company) is a biopharmaceutical company with expertise in lipid science focused on the commercialization and development of therapeutics to improve cardiovascular health.

The Company's lead product, Vascepa® (icosapent ethyl) capsules, is approved by the U.S. Food and Drug Administration, or FDA, for use as an adjunct to diet to reduce triglyceride levels in adult patients with severe (TG ≥500 mg/dL) hypertriglyceridemia. Vascepa is available in the United States by prescription only. The Company began selling and marketing Vascepa in the United States in January 2013. The Company sells Vascepa principally to a limited number of major wholesalers, as well as selected regional wholesalers and specialty pharmacy providers, or collectively, its Distributors, that in turn resell Vascepa to retail pharmacies for subsequent resale to patients and health care providers. The Company markets Vascepa through its sales force of approximately 150 sales professionals, including sales representatives and their managers. In May 2014, Kowa Pharmaceuticals America, Inc. commenced co-promotion of Vascepa in accordance with a co-promotion agreement the Company entered into with Kowa Pharmaceuticals America, Inc. Kowa Pharmaceuticals America, Inc. co-promotes Vascepa through its approximately 250 sales representatives who now devote a substantial portion of their time to promoting Vascepa in conjunction with the promotion of Kowa Pharmaceutical America, Inc.'s primary product, a branded statin for patients with high cholesterol. The Company operates in one business segment.

The Company is also developing Vascepa for potential additional indications for use. In particular, the Company is conducting a cardiovascular outcomes study of Vascepa, titled REDUCE-IT (Reduction of Cardiovascular Events with EPA Intervention Trial). The REDUCE-IT study, the data of which remain blinded to the Company, is designed to evaluate the efficacy of Vascepa in reducing major cardiovascular events in a high-risk patient population on statin therapy.

**Basis of Presentation**

The condensed consolidated financial statements included herein have been prepared by the Company, without audit, in accordance with accounting principles generally accepted in the United States of America (the U.S. or the United States) and pursuant to the rules and regulations of the Securities and Exchange Commission, or the SEC. Certain information in the footnote disclosures of the financial statements has been condensed or omitted where it substantially duplicates information provided in the Company's latest audited consolidated financial statements, in accordance with the rules and regulations of the SEC. These condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes included in its Annual Report on Form 10-K for the fiscal year ended December 31, 2014, or the 2014 Form 10-K, filed with the SEC. The balance sheet amounts as of December 31, 2014 in this report were derived from the Company's audited 2014 consolidated financial statements included in the 2014 Form 10-K.

The condensed consolidated financial statements reflect all adjustments of a normal and recurring nature that, in the opinion of management, are necessary to present fairly the Company's financial position, results of operations and cash flows for the periods indicated. The preparation of the Company's condensed consolidated financial statements in conformity with U.S. Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The results of operations for the three and six months ended June 30, 2015 and June 30, 2014, respectively, are not necessarily indicative of the results for the entire fiscal year or any future period.

The accompanying condensed consolidated financial statements of the Company and subsidiaries have been prepared on a basis which assumes that the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

As of June 30, 2015, the Company had cash and cash equivalents of \$136.0 million. The Company's condensed consolidated balance sheets also include derivative liabilities as well as long-term debt and exchangeable senior notes. The outstanding January 2012 exchangeable senior notes, or the 2012 Notes, and May 2014 exchangeable senior notes, or the 2014 Notes, may be redeemed on or

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after January 19, 2017 and January 19, 2019, respectively, at the option of the holders and it is not puttable by the holders prior to these dates except upon the occurrence of certain contingent events. The 2012 Notes are exchangeable under certain circumstances into cash, American Depositary Shares, or ADSs, or a combination of cash and ADSs, at the Company's election. The 2014 Notes are exchangeable under certain circumstances into ADSs. Accordingly, the long-term debt and exchangeable senior notes do not represent a short-term claim on the liquid assets of the Company.

The Company believes its cash and cash equivalents will be sufficient to fund its projected operations for at least the next twelve months.

**(2) Significant Accounting Policies**

**Principles of Consolidation**

The condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

**Use of Estimates**

Accounting estimates are based on historical experience and other factors that are considered reasonable under the circumstances. Estimates are used in determining such items as provisions for sales returns, rebates and incentives, chargebacks, and other sales allowances, depreciable/amortizable lives, asset impairments, valuation allowance on deferred taxes, amounts recorded for licensing revenue, contingencies and accruals and valuations of derivative and long-term debt instruments. Because of the uncertainties inherent in such estimates, actual results may differ from these estimates. Management periodically evaluates estimates used in the preparation of the condensed consolidated financial statements for continued reasonableness.

**Use of Forecasted Financial Information in Accounting Estimates**

The use of forecasted financial information is inherent in many of the Company's accounting estimates, including but not limited to, determining the estimated fair values of derivatives, debt instruments and intangible assets, and evaluating the need for valuation allowances for deferred tax assets. Such forecasted financial information is comprised of numerous assumptions regarding the Company's future revenues, cash flows, and operational results. Management believes that its financial forecasts are reasonable and appropriate based upon current facts and circumstances. Because of the inherent nature of forecasts, however, actual results may differ from these forecasts. Management regularly reviews the information related to these forecasts and adjusts the carrying amounts of the applicable assets prospectively, if and when actual results differ from previous estimates.

**Revenue Recognition**

The Company sells Vascepa principally to a limited number of major wholesalers, as well as selected regional wholesalers and specialty pharmacy providers, or collectively, its Distributors, that in turn resell Vascepa to retail pharmacies for subsequent resale to patients and health care providers. Patients are required to have a prescription in order to purchase Vascepa. In accordance with GAAP, the Company's revenue recognition policy requires that: (i) there is persuasive evidence that an arrangement exists between the Company and the Distributor, (ii) delivery has occurred, (iii) collectability is reasonably assured and (iv) the price is fixed or determinable.

The Company commenced its commercial launch in the United States in January 2013. Prior to 2013, the Company recognized no revenue from Vascepa sales. In accordance with GAAP, until the Company had the ability to reliably estimate returns of Vascepa from its Distributors, revenue was recognized based on the resale of Vascepa for the purposes of filling patient prescriptions, and not based on sales from the Company to such Distributors. Beginning in January 2014, the Company concluded that it had developed sufficient history such that it can reliably estimate returns and as a result, began to recognize revenue based on sales to its Distributors. The change in revenue recognition methodology resulted in the recognition of previously deferred revenue. As of December 31, 2013, the Company had deferred approximately \$1.7 million in amounts billed to Distributors that was not recognized as revenue. This change in revenue recognition methodology resulted in the recognition of such deferred revenues in the three months ended March 31, 2014.

The Company has contracts with its primary Distributors and delivery occurs when a Distributor receives Vascepa. The Company evaluates the creditworthiness of each of its Distributors to determine whether revenues can be recognized upon delivery, subject to satisfaction of the other requirements, or whether recognition is required to be delayed until receipt of payment or when the product is utilized. In order to conclude that the price is fixed or determinable, the Company must be able to (i) calculate its gross product

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revenues from the sales to Distributors and (ii) reasonably estimate its net product revenues. The Company calculates gross product revenues based on the wholesale acquisition cost that the Company charges its Distributors for Vascepa. The Company estimates its net product revenues by deducting from its gross product revenues (a) trade allowances, such as invoice discounts for prompt payment and distributor fees, (b) estimated government and private payor rebates, chargebacks and discounts, such as Medicaid reimbursements, (c) reserves for expected product returns and (d) estimated costs of incentives offered to certain indirect customers, including patients.

*Trade Allowances:* The Company generally provides invoice discounts on Vascepa sales to its Distributors for prompt payment and pays fees for distribution services, such as fees for certain data that Distributors provide to the Company. The payment terms for sales to Distributors generally include a 2% discount for payment within 30 days while the fees for distribution services are based on contractual rates agreed with the respective Distributors. Based on the Company's judgment and experience, the Company expects its Distributors to earn these discounts and fees, and deducts the full amount of these discounts and fees from its gross product revenues and accounts receivable at the time such revenues are recognized.

*Rebates, Chargebacks and Discounts:* The Company contracts with Medicaid, other government agencies and various private organizations, or collectively, Third-party Payors, so that Vascepa will be eligible for purchase by, or partial or full reimbursement from, such Third-party Payors. The Company estimates the rebates, chargebacks and discounts it will provide to Third-party Payors and deducts these estimated amounts from its gross product revenues at the time the revenues are recognized. The Company estimates the rebates, chargebacks and discounts that it will provide to Third-party Payors based upon (i) the Company's contracts with these Third-party Payors, (ii) the government-mandated discounts applicable to government-funded programs, (iii) information obtained from the Company's Distributors and (iv) information obtained from other third parties regarding the payor mix for Vascepa.

*Product Returns:* The Company's Distributors have the right to return unopened unprescribed Vascepa during the 18-month period beginning six months prior to the labeled expiration date and ending twelve months after the labeled expiration date. The expiration date for Vascepa is three years after it has been converted into capsule form, which is the last step in the manufacturing process for Vascepa and generally occurs within a few months before Vascepa is delivered to Distributors. As of June 30, 2015, the Company had experienced a de minimis quantity of product returns. The Company estimates future product returns on sales of Vascepa based on: (i) data provided to the Company by its Distributors (including weekly reporting of Distributors' sales and inventory held by Distributors that provided the Company with visibility into the distribution channel in order to determine what quantities were sold to retail pharmacies and other providers), (ii) information provided to the Company from retail pharmacies, (iii) data provided to the Company by a third party data provider which collects and publishes prescription data, and other third parties, (iv) historical industry information regarding return rates for similar pharmaceutical products, (v) the estimated remaining shelf life of Vascepa previously shipped and currently being shipped to Distributors and (vi) contractual agreements intended to limit the amount of inventory maintained by the Company's Distributors.

*Other Incentives:* Other incentives that the Company offers to indirect customers include co-pay mitigation rebates provided by the Company to commercially insured patients who have coverage for Vascepa and who reside in states that permit co-pay mitigation programs. The Company's co-pay mitigation program is intended to reduce each participating patient's portion of the financial responsibility for Vascepa's purchase price to a specified dollar amount. Based upon the terms of the program and information regarding programs provided for similar specialty pharmaceutical products, the Company estimates the average co-pay mitigation amounts and the percentage of patients that it expects to participate in the program in order to establish its accruals for co-pay mitigation rebates and deducts these estimated amounts from its gross product revenues at the time the revenues are recognized. The Company adjusts its accruals for co-pay mitigation rebates based on actual redemption activity and estimates regarding the portion of issued co-pay mitigation rebates that it estimates will be redeemed.





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The following tables summarize activity in each of the net product revenue allowance and reserve categories described above for the six months ended June 30, 2015 and 2014 (in thousands):

	<b>Trade Allowances</b>	<b>Rebates, Chargebacks and Discounts</b>	<b>Product Returns</b>	<b>Other Incentives</b>	<b>Total</b>
<b>Balance as of December 31, 2014</b>	<b>\$ 2,207</b>	<b>\$ 3,610</b>	<b>\$ 481</b>	<b>\$ 792</b>	<b>\$ 7,090</b>
Provision related to current period sales	6,044	11,957	276	3,691	21,968
Provision related to prior period sales	(113)	(44)			(157)
Credits/payments made for current period sales	(3,810)	(6,243)		(2,149)	(12,202)
Credits/payments made for prior period sales	(2,039)	(3,531)	(14)	(792)	(6,376)
<b>Balance as of June 30, 2015</b>	<b>\$ 2,289</b>	<b>\$ 5,749</b>	<b>\$ 743</b>	<b>\$ 1,542</b>	<b>\$ 10,323</b>

	<b>Trade Allowances</b>	<b>Rebates, Chargebacks and Discounts</b>	<b>Product Returns</b>	<b>Other Incentives</b>	<b>Total</b>
<b>Balance as of December 31, 2013</b>	<b>\$ 1,071</b>	<b>\$ 1,137</b>	<b>\$ 72</b>	<b>\$ 189</b>	<b>\$ 2,469</b>
Provision related to current period sales	3,325	4,978	163	2,254	10,720
Provision related to prior period sales			12		12
Credits/payments made for current period sales	(2,082)	(3,301)		(2,218)	(7,601)
Credits/payments made for prior period sales	(926)	(910)			(1,836)
<b>Balance as of June 30, 2014</b>	<b>\$ 1,388</b>	<b>\$ 1,904</b>	<b>\$ 247</b>	<b>\$ 225</b>	<b>\$ 3,764</b>

*Multiple-Element Arrangements and Licensing Revenue*

When evaluating multiple-element arrangements, the Company identifies the deliverables included within the agreement and evaluates which deliverables represent separate units of accounting based on whether the delivered element has stand-alone value to the customer or if the arrangement includes a general right of return for delivered items.

The consideration received is allocated between each of the separable elements in the arrangement using the relative selling price method. The selling price used for each separable element will be based on vendor specific objective evidence ( VSOE ) if available, third party evidence if VSOE is not available, or estimated selling price if neither VSOE nor third party evidence is available. Revenue is then recognized as each of the separable elements to which the revenue has been allocated is delivered.

The Company may receive up-front, non-refundable payments when licensing its intellectual property in conjunction with research, development and commercialization agreements. In determining the units of accounting, management evaluates whether the license has stand-alone value from the undelivered elements to the collaborative partner based on the consideration of the relevant facts and circumstances for each arrangement. Factors considered in this determination include the stage of development of the license delivered, research and development capabilities of the partner and the ability of partners to develop and commercialize Vascepa independent of the Company.

When management believes the license to its intellectual property does not have stand-alone value from the other deliverables to be provided in the arrangement, the Company generally recognizes revenue attributable to the license over the Company's contractual or estimated performance period. Any unrecognized portion of license revenue is classified within deferred revenue in the accompanying condensed consolidated balance sheets. When management believes the license to its intellectual property has stand-alone value, the Company recognizes revenue attributed to the license upon delivery. The periods over which revenue is recognized is subject to estimates by management and may change over the course of the agreement. Such a change could have a material impact on the amount of revenue the Company records in future periods.

#### *Milestones*

Contingent consideration from activities that is earned upon the achievement of a substantive milestone is recognized in its entirety in the period in which the milestone is achieved. At the inception of each arrangement that includes milestone payments, the Company evaluates whether each milestone is substantive. This evaluation includes an assessment of whether: (a) the consideration is

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commensurate with either (1) the entity's performance to achieve the milestone, or (2) the enhancement of the value of the delivered item(s) as a result of a specific outcome resulting from the entity's performance to achieve the milestone, (b) the consideration relates solely to past performance and (c) the consideration is reasonable relative to all of the deliverables and payment terms within the arrangement. The Company evaluates factors such as the scientific, clinical, regulatory, commercial and other risks that must be overcome to achieve the respective milestone, the level of effort and investment required and whether the milestone consideration is reasonable relative to all deliverables and payment terms in the arrangement in making this assessment.

**Distribution Costs**

The Company records distribution costs related to shipping product to its customers, primarily through the use of common carriers or external distribution services, in cost of goods sold.

**Cash and Cash Equivalents**

Cash and cash equivalents consist of cash, deposits with banks and short-term highly liquid money market instruments with remaining maturities at the date of purchase of 90 days or less. Restricted cash represents cash and cash equivalents pledged to guarantee repayment of certain expenses which may be incurred for business travel under corporate credit cards held by employees.

**Accounts Receivable, net**

Accounts receivable, net, comprised of trade receivables, are generally due within 30 days and are stated at amounts due from customers. The Company does not currently maintain an allowance for doubtful accounts and has not historically experienced any credit losses.

The following table summarizes the impact of accounts receivable reserves on the gross trade accounts receivable balances as of June 30, 2015 and December 31, 2014 (in thousands):

	<b>June 30, 2015</b>	<b>December 31, 2014</b>
Gross trade accounts receivable	\$ 12,329	\$ 10,215
Trade allowances	(2,289)	(2,207)
Chargebacks	(97)	(166)
Accounts receivable, net	\$ 9,943	\$ 7,842

**Inventory**

The Company states inventories at the lower of cost or market value. Cost is determined based on actual cost using the average cost method. An allowance is established when management determines that certain inventories may not be saleable. If inventory cost exceeds expected market value due to obsolescence, damage or quantities in excess of expected demand, the Company will reduce the carrying value of such inventory to market value. The Company received FDA approval for Vascepa on July 26, 2012 and after that date began capitalizing inventory purchases of saleable product from approved suppliers. Until an active pharmaceutical ingredient, or API, supplier is approved, all Vascepa API purchased from such supplier is included as a component of research and development expense. Upon sNDA approval of each additional supplier, the Company capitalizes subsequent Vascepa API purchases from such

supplier as inventory. Purchases of Vascepa API received and expensed before such regulatory approvals is not subsequently capitalized, and all such purchases are quarantined and not used for commercial supply until such time as the sNDA for the supplier that produced the API is approved. The Company expenses inventory identified for use as marketing samples when they are packaged. The average cost reflects the actual purchase price of Vascepa API.

**Property, Plant and Equipment**

The Company provides for depreciation and amortization using the straight-line method by charges to operations in amounts that depreciate the cost of the fixed asset over its estimated useful life. The estimated useful lives, by asset classification, are as follows:

<b>Asset Classification</b>	<b>Useful Lives</b>
Computer equipment and software	3 - 5 years
Furniture and fixtures	5 years
Leasehold improvements	Lesser of useful life or lease term

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Upon retirement or sale of assets, the cost of the assets disposed and the related accumulated depreciation are removed from the balance sheet and any resulting gain or loss is credited or expensed to operations. Repairs and maintenance costs are expensed as incurred.

### **Long-Lived Asset Impairment**

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of these assets is determined by comparing the forecasted undiscounted net cash flows of the operation to which the assets relate to their carrying amount. If impairment is indicated, the assets are written down to fair value. Fair value is determined based on discounted forecasted cash flows or appraised values, depending on the nature of the assets.

### **Intangible Asset, net**

Intangible assets consist of a milestone payment paid to the former shareholders of Laxdale Limited related to the 2004 acquisition of the rights to Vascepa, which is the result of Vascepa receiving marketing approval for the first indication and is amortized over its estimated useful life on a straight-line basis. See Note 7 Commitments and Contingencies for further information regarding other obligations related to the acquisition of Laxdale Limited.

### **Beneficial Conversion Feature**

The Company issued Series A preference shares that contain a conversion feature whereby such shares are convertible into ordinary shares at a fixed rate. The conversion price on the date of issuance was less than the market price of the Company's ordinary shares. It was determined that this discount represents a contingent beneficial conversion feature, which was valued based on the difference between the conversion price and the market price of the ordinary shares on the date of issuance, which is the commitment date. This feature is analogous to a preference dividend and was recorded as a non-cash return to preferred shareholders through accumulated deficit upon the earliest possible date of conversion, which occurred in the three months ended June 30, 2015 upon effectiveness of the related resale Registration Statement on Form S-3. See Note 8 Equity for further discussion.

### **Costs for Patent Litigation and Legal Proceedings**

Costs for patent litigation or other legal proceedings are expensed as incurred and included in selling, general and administrative expenses.

### **Research and Development Costs**

The Company charges research and development costs to operations as incurred. Research and development expenses are comprised of costs incurred by the Company in performing research and development activities, including: salary and benefits; stock-based compensation expense; laboratory supplies and other direct expenses; contractual services, including clinical trial and pharmaceutical development costs; commercial supply investment in its drug candidates; and infrastructure costs, including facilities costs and depreciation expense. In addition, research and development costs include the costs of product supply received from suppliers when such receipt by the Company is prior to regulatory approval of the supplier.

### **Selling, General and Administrative Costs**

The Company charges selling, general and administrative costs to operations as incurred. Selling, general and administrative costs include costs of salaries, programs and infrastructure necessary for the general conduct of the Company's business, including those incurred as a result of the commercialization of Vascepa in the United States for the MARINE indication as well as co-promotion fees payable to Kowa Pharmaceuticals America, Inc.

**Income Taxes**

Deferred tax assets and liabilities are recognized for the future tax consequences of differences between the carrying amounts and tax bases of assets and liabilities and operating loss carryforwards and other attributes using enacted rates expected to be in effect when those differences reverse. Valuation allowances are provided against deferred tax assets that are not more likely than not to be realized.

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The Company provides reserves for potential payments of tax to various tax authorities or does not recognize tax benefits related to uncertain tax positions and other issues. Tax benefits for uncertain tax positions are based on a determination of whether a tax benefit taken by the Company in its tax filings or positions is more likely than not to be realized, assuming that the matter in question will be decided based on its technical merits. The Company's policy is to record interest and penalties in the provision for income taxes.

The Company regularly assesses the realizability of deferred tax assets. Changes in historical earnings performance and future earnings projections, among other factors, may cause the Company to adjust its valuation allowance on deferred tax assets, which would impact the Company's income tax expense in the period in which it is determined that these factors have changed.

## **Derivative Instruments**

Derivative financial liabilities are recorded at fair value, with gains and losses arising for changes in fair value recognized in the statement of operations at each period end while such instruments are outstanding. If the Company issues shares to discharge the liability, the derivative financial liability is derecognized and common stock and additional paid-in capital are recognized on the issuance of those shares. The warrants are valued using a Black-Scholes option pricing model due to the nature of instrument. The long-term debt redemption features are valued using probability-weighted models incorporating management estimates for potential change in control, and by determining the fair value of the debt with and without the change in control provision included.

If the terms of warrants that initially require the warrant to be classified as a derivative financial liability lapse, the derivative financial liability is reclassified out of financial liabilities into equity at its fair value on that date. The cash proceeds received from exercises of warrants are recorded in common stock and additional paid-in capital.

## **Loss or Earnings per Share**

Basic net loss or earnings per share is determined by dividing net loss or income by the weighted average shares of common stock outstanding during the period. Diluted net loss or earnings per share is determined by dividing net loss or income by diluted weighted average shares outstanding. Diluted weighted average shares reflects the dilutive effect, if any, of potentially dilutive common shares, such as common stock options and warrants calculated using the treasury stock method and convertible notes using the if-converted method. In periods with reported net operating losses, all common stock options and warrants are deemed anti-dilutive such that basic net loss per share and diluted net loss per share are equal. However, in certain periods in which there is a gain recorded pursuant to the change in fair value of the warrant derivative liability, for diluted net loss per share purposes, the impact of such gains is reversed and the treasury stock method is used to determine diluted net loss per share.

The Company's preferred stock is entitled to receive dividends on an as-if-converted basis in the same form as dividends actually paid on common shares. Accordingly, the preferred stock is considered a participating security and the Company is required to apply the two-class method to consider the impact of the preferred stock on the calculation of basic and diluted earnings per share. The Company is currently in a net loss position and is therefore not required to present the two-class method, however, in the event the Company is in a net income position, the two-class method must be applied by allocating all earnings during the period to common shares and preferred stock based on their contractual entitlements assuming all earnings were distributed.

The calculation of net loss or income and the number of shares used to compute basic and diluted net loss or earnings per share for the three and six months ended June 30, 2015 and 2014 are as follows:



<b>In thousands</b>	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>June 30, 2015</b>	<b>June 30, 2014</b>	<b>June 30, 2015</b>	<b>June 30, 2014</b>
Net (loss) income	\$ (31,512)	\$ 15,323	\$ (62,638)	\$ (10,657)
Preferred stock purchase option (see Note 8)			(868)	
Preferred stock beneficial conversion feature (see Note 8)	(31,341)		(31,341)	
Net (loss) income applicable to common shareholders basic	(62,853)	15,323	(94,847)	(10,657)
Gain on warrant derivative liability		(1,416)	(119)	(2,381)
Gain on exchangeable senior notes derivative liability		(200)		
Exchangeable senior notes interest		1,960		
Net (loss) income diluted	(62,853)	15,667	(94,966)	(13,038)
Net (loss) earnings per share basic	(0.35)	0.09	(0.53)	(0.06)
Weighted average shares outstanding basic	180,464	172,886	178,036	172,879
Effect of dilutive warrants		963		997
Effect of dilutive stock options		277		
Effect of dilutive restricted stock		2,022		
Effect of dilutive exchangeable senior notes (if converted)		31,526		
Weighted average shares outstanding diluted	180,464	207,674	178,036	173,876
Net (loss) earnings per share diluted	\$ (0.35)	\$ 0.08	\$ (0.53)	\$ (0.07)

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For the three and six months ended June 30, 2015 and 2014, the following potentially dilutive securities were not included in the computation of net loss or earnings per share because the effect would be anti-dilutive:

<b>In thousands</b>	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>June 30, 2015</b>	<b>June 30, 2014</b>	<b>June 30, 2015</b>	<b>June 30, 2014</b>
Stock options	11,750	10,644	11,750	11,864
Restricted stock and restricted stock units	4,046		4,046	2,305
Warrants				1,685
Exchangeable senior notes (if converted)	49,215		49,215	49,215
Preferred stock (if converted)	28,932		28,932	

**Debt Instruments**

Debt instruments are initially recorded at fair value, with coupon interest and amortization of debt issuance discounts recognized in the statement of operations as interest expense each period in which such instruments are outstanding. If the Company issues shares to discharge the liability, the debt obligation is derecognized and common stock and additional paid-in capital are recognized on the issuance of those shares. The conversion features in both the 2012 Notes and 2014 Notes qualify for the exception from derivative accounting in accordance with ASC 815-40. The 2012 Notes may be settled, at the Company's discretion, in any combination of ADSs or cash upon conversion and have been accounted for in accordance with ASC 470-20. Under ASC 470-20, the fair value of the liability component of the 2012 Notes was determined and deducted from the initial proceeds to determine the proceeds allocated to the conversion option, which has been recorded in equity. The difference between the initial fair value of the liability component and the amount repayable is amortized over the expected term of the instrument. The conversion feature in the 2014 Notes may only be settled in ADSs upon conversion and has been accounted for as part of the debt host.

The conversion options in both the 2012 Notes and 2014 Notes continue to be evaluated on a quarterly basis to determine if they still receive an exception from derivative accounting in accordance with ASC 815-40. The 2014 Notes were recognized initially at fair value as part of an extinguishment of a portion of the 2012 Notes (see further discussion in Note 6). As a result, the debt was initially recognized at a discount of \$27.9 million. This discount will be amortized through interest expense over the expected term of the note.

**Stock-Based Compensation**

Stock-based compensation cost is generally measured at the grant date, based on the fair value of the award, and is recognized as compensation expense over the requisite service period. For awards with performance conditions, if the achievement of the performance conditions is deemed probable, the Company recognizes compensation expense based on the fair value of the award over the estimated service period. The Company reassesses the probability of achievement of the performance conditions for such awards each reporting period.

**Concentration of Credit Risk**

Financial instruments that potentially subject the Company to credit risk consist primarily of cash and cash equivalents and accounts receivable. The Company maintains substantially all of its cash and cash equivalents in financial institutions believed to be of high-credit quality.

A significant portion of the Company's sales are to wholesalers in the pharmaceutical industry. The Company monitors the creditworthiness of customers to whom it grants credit terms and has not experienced any credit losses. The Company does not require collateral or any other security to support credit sales. The Company's top three customers accounted for 95% of gross product sales for each of the six months ended June 30, 2015 and 2014, and represented 96% of the gross accounts receivable balance as of June 30, 2015 and 2014. The Company has not experienced any write-offs of its accounts receivable.

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### **Concentration of Suppliers**

The Company has contractual freedom to source the API for Vascepa and has entered into supply agreements with multiple suppliers. The Company's supply of product for commercial sale and clinical trials is dependent upon relationships with third party manufacturers and key suppliers, in particular suppliers of API for Vascepa.

The Company has had a Vascepa API supply agreement with Nisshin Pharma, Inc., or Nisshin, since 2010. In 2011, the Company entered into API supply agreements with two additional suppliers, Chemport, Inc., or Chemport, and BASF (formerly Equateq Limited). In 2012, the Company entered into, and in 2014 terminated, an API supply agreement with a fourth supplier, a consortium of companies led by Slanmhor Pharmaceutical, Inc. (Slanmhor). The Company terminated its API supply agreement with BASF in February 2014. In June 2015, the Company entered into an API supply agreement with Finorga SAS (Novasep), which was formerly part of the Slanmhor consortium. For the six months ended June 30, 2015 and 2014, all of the Company's net product sales were generated from API purchased from Nisshin and Chemport.

The Company cannot provide assurance that its efforts to procure uninterrupted supply of Vascepa API to meet market demand will continue to be successful or that it will be able to renew current API supply agreements on favorable terms or at all. Significant alteration to or termination of the Company's current API supply chain or its failure to enter into new and similar agreements, if needed, could have a material adverse effect on its business, condition (financial and other), prospects or results of operations.

The Company currently has manufacturing agreements with several FDA-approved commercial API encapsulators for Vascepa manufacturing: Patheon, Inc. (formerly Banner Pharmacaps), Catalent Pharma Solutions, and Capsugel Plöermel SAS, LLC. Each of these companies have qualified their manufacturing processes and are capable of manufacturing Vascepa. There can be no guarantee that these or other suppliers with which the Company may contract in the future to encapsulate API will continue to be qualified to manufacture the product to its specifications or that these and any future suppliers will have the manufacturing capacity to meeting anticipated demand for Vascepa.

### **Foreign Currency**

All subsidiaries use the U.S. dollar as the functional currency. Monetary assets and liabilities denominated in a foreign currency are remeasured into U.S. dollars at period-end exchange rates. Gains and losses from the remeasurement are included in other income (expense), net in the condensed consolidated statements of operations. For transactions settled during the applicable period, gains and losses are included in other income (expense), net in the condensed consolidated statements of operations.

### **Debt Issuance Costs**

Debt issuance costs are initially recorded as a deferred cost and amortized to interest expense using the effective interest method over the expected term of the related debt. Unamortized debt issuance costs related to extinguishment of debt are expensed at the time the debt is extinguished and recorded in other income (expense), net in the condensed consolidated statements of operations.

### **Fair Value of Financial Instruments**

The Company provides disclosure of financial assets and financial liabilities that are carried at fair value based on the price that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between

market participants at the measurement date. Fair value measurements may be classified based on the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities using the following three levels:

Level 1 Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2 Inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (i.e., interest rates, yield curves, etc.) and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market corroborated inputs).

Level 3 Unobservable inputs that reflect the Company's estimates of the assumptions that market participants would use in pricing the asset or liability. The Company develops these inputs based on the best information available, including its own data.

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The following tables present information about the Company's assets and liabilities as of June 30, 2015 and December 31, 2014 that are measured at fair value on a recurring basis and indicate the fair value hierarchy of the valuation techniques the Company utilized to determine such fair value:

<i>In thousands</i>		Total	June 30, 2015		
			Level 1	Level 2	Level 3
<b>Asset:</b>					
Cash equivalents	money markets	\$ 40,170	\$ 40,170	\$	\$
<b>Liabilities:</b>					
Long-term debt	derivative liabilities	\$ 6,700	\$	\$	\$ 6,700

<i>In thousands</i>	Total	December 31, 2014		
		Level 1	Level 2	Level 3
<b>Asset:</b>				
Cash equivalents money markets	\$ 65,156	\$ 65,156	\$	\$
<b>Liabilities:</b>				
Warrant derivative liability	\$ 119	\$	\$	\$ 119
Long-term debt derivative liability	\$ 7,400	\$	\$	\$ 7,400

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The carrying amounts of cash, cash equivalents, accounts payable and accrued liabilities approximate fair value because of their short-term nature. The carrying amounts and the estimated fair values of debt instruments as of June 30, 2015 and December 31, 2014 are as follows:

In thousands	June 30, 2015		December 31, 2014	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Long-term debt December 2012 financing	\$ 90,522	\$ 85,700	\$ 89,617	\$ 81,000
2012 Notes	31,266	27,066	31,266	25,689
2014 Notes	93,363	131,406	90,580	75,533

The estimated fair value of the long-term debt pursuant to the December 2012 financing is calculated utilizing the same Level 3 inputs utilized in valuing the related derivative liability (see Long-Term Debt Derivative Liabilities below). The estimated fair value of the 2012 Notes and 2014 Notes is calculated based on Level 1 quoted bond prices. The carrying value of the 2012 Notes as of June 30, 2015 and December 31, 2014 does not include a debt discount, as it had been fully amortized as non-cash interest expense over the expected term of the 2012 Notes. The carrying value of the 2014 Notes as of June 30, 2015 and December 31, 2014 includes a debt discount of \$25.4 million and \$28.2 million, respectively, which is being amortized as non-cash interest expense over the expected term of the 2014 Notes. The change in the estimated fair values of these liabilities from December 31, 2014 to June 30, 2015 is largely related to the quoted bond prices.

**Derivative Liabilities***Warrant Derivative Liability*

The Company's warrant derivative liability is carried at fair value and is classified as Level 3 in the fair value hierarchy due to the use of significant unobservable inputs. Effective October 16, 2014, the Company entered into a series of warrant amendment agreements (collectively, the Warrant Amendments) in order to extend the expiration date of certain outstanding warrants (collectively, the Warrants) from its previously scheduled expiration date of October 16, 2014 to the close of business on February 27, 2015. Of the 8,087,388 warrants outstanding as of December 31, 2014, 1,844,585 warrants were exercised and the remaining 6,242,803 warrants expired on February 27, 2015. As such, no warrants were outstanding as of June 30, 2015 and the related derivative liability was extinguished.

As of December 31, 2014, the fair value of the warrant derivative liability was determined to be \$0.1 million using the Black-Scholes option valuation applying the following assumptions: (i) risk-free rate of 0.04%, (ii) remaining term of 0.16 years, (iii) no dividend yield, (iv) volatility of 79%, and (v) the stock price on the date of measurement. As there were no warrants outstanding as of June 30, 2015, the warrant derivative liability was extinguished. The \$0.1 million decrease in the fair value of the warrants during the six months ended June 30, 2015 was recognized as a \$0.1 million gain on change in fair value of derivative liability.

*Long-Term Debt Redemption Features*

The Company's December 2012 financing agreement with BioPharma Secured Debt Fund II Holdings Cayman LP (discussed in Note 6 below) contains a redemption feature whereby, upon a change of control, the Company would have been required to pay \$140 million, less any previously repaid amount, if the change of control occurred on or before December 31, 2013, or required to repay \$150 million, less any previously repaid amount, if the change of

control event occurs after December 31, 2013. The Company determined this redemption feature to be an embedded derivative, which is carried at fair value and is classified as Level 3 in the fair value hierarchy due to the use of significant unobservable inputs. The fair value of the embedded derivative was calculated using a probability-weighted model incorporating management estimates of future revenues and for a potential change in control, and by determining the fair value of the debt with and without the change in control provision included. The difference between the two was determined to be the fair value of the embedded derivative. As of June 30, 2015, the fair value of the derivative was determined to be \$5.6 million, and the debt was valued by comparing debt issues of similar companies with (i) remaining terms of between 2.6 and 5.6 years, (ii) coupon rates of between 8.9% and 12.5% and (iii) market yields of between 10.0% and 16.4%. The Company recognized a \$0.8 million loss on change in fair value of derivative liability for the six months ended June 30, 2015. As of December 31, 2014, the fair value of the derivative was determined to be \$4.8 million, and the debt was valued by comparing debt issues of similar companies with (i) remaining terms of between 2.3 and 3.6 years, (ii) coupon rates of between 9.8% and 10.8% and (iii) market yields of between 10.0% and 16.8%.



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The Company's 2014 Notes contain a redemption feature whereby, upon occurrence of a change in control, the Company would be required to repurchase the notes. The Company determined this redemption feature to be an embedded derivative, requiring bifurcation in accordance with ASC 815. The derivative is carried at fair value and is classified as Level 3 in the fair value hierarchy due to the use of significant unobservable inputs. The fair value of the embedded derivative was calculated using a probability-weighted model incorporating management estimates of the probability of a change in control occurring, and by determining the fair value of the debt with and without the change in control provision included. The difference between the two was determined to be the fair value of the embedded derivative. As of June 30, 2015, the fair value of the derivative was determined to be \$1.1 million, and the debt was valued by using (i) the estimated remaining term of the notes, (ii) a bond yield of 19.0%, (iii) a risk-free interest rate of 3.0% and (iv) volatility of 79.0%. The Company recognized a \$1.5 million gain on change in fair value of derivative liability for the six months ended June 30, 2015. As of December 31, 2014, the fair value of the derivative was determined to be \$2.6 million, and the debt was valued by using (i) the estimated remaining term of the notes, (ii) a bond yield of 24.8%, (iii) a risk-free interest rate of 2.7% and (iv) volatility of 82.0%.

*Preferred Stock Purchase Option Derivative Liability*

Pursuant to a pre-existing contractual right to participate in certain private placement transactions effected by the Company in connection with the subscription agreement executed on March 5, 2015, the Company determined that such right represented a derivative liability (see Note 8). This preferred stock purchase option derivative liability was carried at fair value and classified as Level 3 in the fair value hierarchy due to the use of significant unobservable inputs. The fair value of this liability was calculated using a Black-Scholes model and was determined to be \$0.9 million at inception. On March 30, 2015, this right was exercised and the liability was marked to fair value through such date. The liability was then reclassified to permanent equity on such date.

Any changes in the assumptions used to value the derivative liabilities, including the probability of a change in control, could result in a material change to the carrying value of such liabilities.

The change in the fair value of derivative liabilities for the six months ended June 30, 2015 and 2014 is as follows (in thousands):

	October 2009 Warrants	Long-Term Debt Derivative Liabilities	Preferred Stock Purchase Option	Totals
<b>Balance as of December 31, 2014</b>	<b>\$ 119</b>	<b>\$ 7,400</b>	<b>\$</b>	<b>\$ 7,519</b>
Record derivative liability			868	868
(Gain) loss on change in fair value of derivative liabilities	(110)	(700)	946	136
Compensation income for change in fair value of warrants issued to former employees	(9)			(9)
Transfer derivative liability to equity			(1,814)	(1,814)
<b>Balance as of June 30, 2015</b>	<b>\$</b>	<b>\$ 6,700</b>	<b>\$</b>	<b>\$ 6,700</b>

	<b>October 2009 Warrants</b>	<b>Long-Term Debt Derivative Liability</b>	<b>Totals</b>
<b>Balance as of December 31, 2013</b>	<b>\$ 6,894</b>	<b>\$ 11,100</b>	<b>\$ 17,994</b>
Record initial fair value of derivative liability on senior notes		3,500	3,500
Gain on change in fair value of derivative liability	(2,204)	(5,200)	(7,404)
Compensation income for change in fair value of warrants issued to former employees	(177)		(177)
<b>Balance as of June 30, 2014</b>	<b>\$ 4,513</b>	<b>\$ 9,400</b>	<b>\$ 13,913</b>

**Table of Contents****Segment and Geographical Information**

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated on a regular basis by the chief operating decision-maker, or decision-making group, in deciding how to allocate resources to an individual segment and in assessing performance of the segment. The Company currently operates in one business segment, which is the development and commercialization of Vascepa. A single management team that reports to the Company's chief decision-maker, who is the Chief Executive Officer, comprehensively manages the business. Accordingly, the Company does not have separately reportable segments.

**Recent Accounting Pronouncements**

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board, or FASB, and are adopted by the Company as of the specified effective date. The Company considered the following recent accounting pronouncements which were not yet adopted as of June 30, 2015:

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This amendment provides principles for recognizing revenue for the transfer of promised goods or services to customers with the consideration to which the entity expects to be entitled in exchange for those goods or services, and is effective for annual periods beginning after December 15, 2016 (the original effective date). In April 2015, the FASB issued a proposal, which was subsequently adopted in July 2015, to defer the original effective date of this standard by one year, such that the amendment is effective for the Company's fiscal year beginning January 1, 2018. Early adoption is permitted, but not before the original effective date. The Company is currently evaluating the accounting, transition and disclosure requirements of the standard and cannot currently estimate the financial statement impact of adoption.

In June 2014, the FASB issued guidance for accounting for share-based payments when the terms of an award provide that a performance target could be achieved after the requisite service period. The standard states that a performance target in a share-based payment that affects vesting and that could be achieved after the requisite service period should be accounted for as a performance condition. As such, the performance target should not be reflected in estimating the grant-date fair value of the award. The Company is required to adopt this standard in the first quarter of fiscal 2016 and early adoption is permitted. This standard is not expected to have an impact on the Company's condensed consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements - Going Concern, Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern (Subtopic 205-40)*. ASU 2014-15 requires management to assess an entity's ability to continue as a going concern by incorporating and expanding upon certain principles that are currently in U.S. auditing standards. Specifically, the ASU (i) provides a definition of the term substantial doubt, (ii) requires an evaluation every reporting period including interim periods, (iii) provides principles for considering the mitigating effect of management's plans, (iv) requires certain disclosures when substantial doubt is alleviated as a result of consideration of management's plans, (v) requires an express statement and other disclosures when substantial doubt is not alleviated and (vi) requires an assessment for a period of one year after the date that the financial statements are issued (or available to be issued). This standard is effective for fiscal years ending after December 15, 2016, and for annual and interim periods thereafter. Early application is permitted. The Company is currently evaluating the accounting, transition and disclosure requirements of the standard and cannot currently estimate the financial statement impact of adoption.

In April 2015, the FASB issued ASU No. 2015-03, *Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. The amendments in this ASU require that debt issuance costs related to a

recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The Company is required to adopt this standard in the first quarter of fiscal 2016 on a retrospective basis. The implementation of this standard will result in the reclassification of certain debt issuance costs from other assets to a reduction in the carrying amount of the related debt liability within the condensed consolidated balance sheets.

In July 2015, the FASB issued Accounting Standards Update (ASU) No. 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory*. The amendments in this ASU require that in-scope inventory should be measured at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The amendments do not apply to inventory that is measured using last-in, first-out (LIFO) or the retail inventory method but applies to all other inventory, which include inventory that is measured using first-in, first-out (FIFO) or average cost. This standard is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. Early application is permitted. We are currently evaluating the accounting, transition and disclosure requirements of the standard and cannot currently estimate the financial statement impact of adoption.

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The Company believes that the impact of other recently issued but not yet adopted accounting pronouncements will not have a material impact on condensed consolidated financial position, results of operations, and cash flows, or do not apply to the Company's operations.

**(3) Intangible Assets**

Intangible assets consist of the historical acquisition cost of certain technology rights for Vascepa and have an estimated remaining useful life of 15.1 years. The carrying value as of June 30, 2015 and December 31, 2014 is as follows (in thousands):

	<b>June 30, 2015</b>	<b>December 31, 2014</b>
Technology rights	\$ 11,624	\$ 11,624
Accumulated amortization	(1,884)	(1,561)
	\$ 9,740	\$ 10,063

**(4) Inventory**

After approval of Vascepa on July 26, 2012 by the FDA, the Company began capitalizing its purchases of saleable inventory of Vascepa from suppliers that have been qualified by the FDA. Inventories as of June 30, 2015 and December 31, 2014 consist of the following (in thousands):

	<b>June 30, 2015</b>	<b>December 31, 2014</b>
Raw materials	\$ 6,358	\$ 5,225
Work in process	8,754	4,757
Finished goods	5,387	3,751
Total inventory	\$ 20,499	\$ 13,733

**(5) Warrants and Warrant Derivative Liability****October 2009 Warrants Derivative Liability**

On October 16, 2009, the Company completed a \$70.0 million private placement with both existing and new investors resulting in \$62.3 million in net proceeds and an additional \$3.6 million from bridge notes converted in conjunction with the private placement. In consideration for the \$62.3 million in net cash proceeds Amarin issued 66.4 million units, each unit consisting of (i) one ADS (representing one ordinary share) at a purchase price of \$1.00 and (ii) a warrant with a five year term to purchase 0.5 of an ADS at an exercise price of \$1.50 per ADS. In consideration for the conversion of \$3.6 million of convertible bridge notes, Amarin issued 4.0 million units, each unit consisting of (i) one ADS (representing one ordinary share) at a purchase price of \$0.90 and (ii) a warrant with a five year term to purchase 0.5 of an ADS at an exercise price of \$1.50 per ADS. The total number of warrants issued in conjunction

with the financing was 35.2 million.

In conjunction with the October 2009 financing, the Company issued an additional 0.9 million warrants to three former officers. The warrants issued in connection with the October 2009 financing contained a pricing variability feature which provided for an increase to the exercise price if the exchange rate between the U.S. dollar and British pound adjusts such that the warrants could be exercised at a price less than the £0.5 par value of the common stock that is, if the exchange rate exceeded U.S. \$3.00 per £1.0 sterling. Due to the potential variable nature of the exercise price, the warrants are not considered to be indexed to the Company's common stock. Accordingly, the warrants do not qualify for the exception to classify the warrants within equity and are classified as a derivative liability.

The fair value of this warrant derivative liability is remeasured at each reporting period, with changes in fair value recognized in the statement of operations. Upon exercise, the fair value of the warrants exercised is remeasured and reclassified from warrant derivative liability to additional paid-in-capital. Although the warrants contain a pricing variability feature, the number of warrants issuable remains fixed. Therefore, the maximum number of common shares issuable as a result of the October 2009 private placement is 36.1 million. The change in fair value of the warrant derivative liability is discussed in Note 2.

In October 2014, the Company and the holders of the remaining October 2009 warrants mutually agreed to extend the expiration date of such warrants from October 16, 2014 to February 27, 2015. Of the 8,087,388 warrants outstanding as of December 31, 2014, 1,844,585 warrants were exercised, resulting in net proceeds to the Company of \$2.7 million, and the remaining 6,242,803 warrants expired on February 27, 2015. As such, no warrants were outstanding as of June 30, 2015.

**Table of Contents****July 2009 Warrants**

The Company issued several warrants in July 2009. As of June 30, 2015 and December 31, 2014, there were no July 2009 warrants outstanding. During the year ended December 31, 2014, 1,684,888 of the July 2009 warrants were exercised, resulting in proceeds to the Company of \$1.7 million.

**(6) Debt****Long-Term Debt December 2012 Financing**

On December 6, 2012, the Company entered into an agreement with BioPharma Secured Debt Fund II Holdings Cayman LP, or BioPharma. Under this agreement, the Company granted to BioPharma a security interest in future receivables associated with the Vascepa patent rights, in exchange for \$100 million received at the closing of the agreement which occurred in December 2012. Under these terms, the Company continues to own all Vascepa intellectual property rights, however, such rights, as described below, could be used by BioPharma as collateral for repayment of the remaining unpaid balance under this agreement if the Company defaults on making required payments under the agreement. In the agreement, the Company agreed to repay BioPharma up to \$150 million with such repayment based on a portion of revenues and receivables generated from Vascepa after the date of the agreement. As of June 30, 2015, the remaining amount to be repaid to BioPharma is \$141.2 million. During the three and six months ended June 30, 2015, the Company made repayments under the agreement of \$1.6 million and \$3.2 million, respectively, to BioPharma and an additional \$1.8 million is scheduled to be paid in August 2015. These payments were calculated based on the threshold limitation, as described below, as opposed to the scheduled quarterly repayments. Additional quarterly repayments, subject to the threshold limitation, are scheduled to be paid. The maximum quarterly amounts which could be due for payment, except upon a change of control and subject each quarter to the threshold limitation, is in accordance with the following schedule: \$10.0 million in the fourth quarter of 2015 and first quarter of 2016, \$15.0 million per quarter in each of the next four quarters, and a final payment of \$13.0 million scheduled for payment in May 2017. All such payments reduce the remainder of the \$150 million in aggregate payments to BioPharma. These quarterly payments are subject to a quarterly threshold amount whereby, if a calculated threshold, based on quarterly Vascepa revenues, is not achieved, the quarterly payment payable in that quarter can at the Company's election be reduced and with the reduction carried forward without interest for payment in a future period. The payment of any carried forward amount is subject to similarly calculated threshold repayment amounts based on Vascepa revenue levels. Except upon a change of control in Amarin, the agreement does not expire until \$150 million in aggregate has been repaid. Except in the event of the Company's default, there is no compounding of interest and no scheduled cliff payment due under this agreement. Rather, payment is intended, subject to the threshold limitation, until \$150 million in aggregate has been repaid, including payments made previously. The Company can prepay an amount equal to \$150 million less any previously repaid amount.

The Company currently estimates that its Vascepa revenue levels will not be high enough in each quarter to support repayment to BioPharma in accordance with the maximum quarterly amounts in the repayment schedule. For each quarterly period since the inception of the debt, revenues were below the contractual threshold amount such that cash payments were calculated for each period reflecting the optional reduction amount as opposed to the contractual threshold payment due for each quarterly period. In accordance with the agreement with BioPharma, quarterly differences between the calculated optional reduction amounts and the repayment schedule amounts are rescheduled for payment beginning in the second quarter of 2017. Any such deferred repayments will remain subject to continued application of the quarterly ceiling in amounts due established by the calculated threshold limitation based on quarterly Vascepa revenues. No additional interest expense or liability is incurred as a result of such deferred repayments. These estimates will be reevaluated each reporting period by the Company and adjusted if necessary,

prospectively.

The Company determined the redemption feature upon a change of control to be an embedded derivative requiring bifurcation. The fair value of the embedded derivative was calculated by determining the fair value of the debt with the change in control provision included and also without the change in control provision. The difference between the two fair values of the debt was determined to be the fair value of the embedded derivative, and upon closing the Company recorded a derivative liability of \$14.6 million as a reduction to the note payable. The fair value of this derivative liability is remeasured at each reporting period, with changes in fair value recognized in the statement of operations and any changes in the assumptions used in measuring the fair value of the derivative liability could result in a material increase or decrease in its carrying value. The Company recognized a loss on change in fair value of derivative liability of \$0.8 million and a gain on change in fair value of derivative liability of \$5.0 million during the six months ended June 30, 2015 and 2014, respectively.

During the six months ended June 30, 2015, the Company recorded \$3.2 million and \$0.9 million of cash and non-cash interest expense, respectively, in connection with the BioPharma debt. During the six months ended June 30, 2014, the Company recorded \$3.8 million and \$1.0 million of cash and non-cash interest expense, respectively. The Company will periodically evaluate the remaining term of the agreement and the effective interest will be recalculated each period based on the Company's most current estimate of repayment.

To secure the obligations under the agreement with BioPharma, the Company granted BioPharma a security interest in the Company's patents, trademarks, trade names, domain names, copyrights, know-how and regulatory approvals related to the covered products, all books and records relating to the foregoing and all proceeds of the foregoing, referred to collectively as the collateral. If the Company (i) fails to deliver a payment when due and does not remedy that failure within a specific notice period, (ii) fails to maintain a first-priority perfected security interest in the collateral in the United States and does not remedy that failure after receiving notice of such failure or (iii) becomes subject to an event of bankruptcy, then BioPharma may attempt to collect the maximum amount payable by the Company under this agreement (after deducting any payments the Company has already made).



**Table of Contents****January 2012 Exchangeable Senior Notes**

In January 2012, the Company issued \$150.0 million in principal amount of 3.5% exchangeable senior notes due 2032, a portion of which were subsequently exchanged (see discussion of May 2014 Exchangeable Senior Notes below). The 2012 Notes were issued by Corsicanto Limited, an Irish limited company acquired by Amarin in January 2012. Corsicanto Limited is a wholly-owned subsidiary of Amarin. The general, unsecured, senior obligations are fully and unconditionally guaranteed by Amarin but not by any of the Company's other subsidiaries. Corsicanto Limited has no assets, operations, revenues or cash flows other than those related to the issuance, administration and repayment of the 2012 Notes and 2014 Notes. There are no significant restrictions on the ability of Amarin to obtain funds from Corsicanto Limited in the form of cash dividends, loans, or advances. Net proceeds to the Company, after payment of underwriting fees and expenses, were approximately \$144.3 million.

The 2012 Notes have a stated interest rate of 3.5% per year, payable semiannually in arrears on January 15 and July 15 of each year beginning on July 15, 2012, and ending upon the 2012 Notes' maturity on January 15, 2032. The 2012 Notes are subject to repurchase by the Company at the option of the holders on each of January 19, 2017, January 19, 2022, and January 19, 2027, at a price equal to 100% of the principal amount of the 2012 Notes to be repurchased, plus accrued and unpaid interest to, but excluding, the repurchase date. The 2012 Notes are exchangeable under certain circumstances into cash, ADSs, or a combination of cash and ADSs, at the Company's election, with an initial exchange rate of 113.4752 ADSs per \$1,000 principal amount of 2012 Notes (equivalent to an initial exchange price of approximately \$8.8125 per ADS), subject to adjustment in certain circumstances, including adjustment if the Company pays cash dividends. If the Company elected physical settlement, the net remaining outstanding portion of the 2012 Notes would be exchangeable into 3,547,916 ADSs after the May 2014 exchange of a portion of the 2012 Notes (see below for further discussion of the May 2014 exchange). Based on the closing price of the Company's stock as of June 30, 2015, the principal amount of the 2012 Notes would exceed the value of the shares if converted on that date by \$22.5 million.

Additional covenants include: (i) limitations on future indebtedness under certain circumstances, (ii) the timely filing of documents and reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 with both the SEC and the Trustee and (iii) maintaining the tradability of the 2012 Notes. The Company is required to use commercially reasonable efforts to procure and maintain the listing of the 2012 Notes on the Global Exchange Market operated under the supervision of the Irish Stock Exchange (or other recognized stock exchange as defined in the Note Indenture) prior to July 15, 2012. If the 2012 Notes are not freely tradable, as a result of restrictions pursuant to U.S. securities law or the terms of the Indenture or the 2012 Notes, the Company shall pay additional interest on the 2012 Notes at the rate of 0.50% per annum of the principal amount of 2012 Notes outstanding for each day during such period for which the Company's failure to file has occurred and is continuing or for which the 2012 Notes are not freely tradable.

The Company may not redeem the 2012 Notes prior to January 19, 2017, other than in connection with certain changes in the tax law of a relevant taxing jurisdiction that results in additional amounts becoming due with respect to payments and/or deliveries on the 2012 Notes. On or after January 19, 2017 and prior to the maturity date, the Company may redeem for cash all or part of the 2012 Notes at a redemption price equal to 100% of the principal amount of the 2012 Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. There is no prepayment penalty or sinking fund provided for the 2012 Notes. If the Company undergoes a change in control, holders may require the Company to repurchase for cash all or part of their 2012 Notes at a repurchase price equal to 100% of the principal amount of the 2012 Notes to be repurchased, plus accrued and unpaid interest to, but excluding, the change in control repurchase date. The 2012 Notes are the Company's senior unsecured obligations and rank senior in right of payment to the Company's future indebtedness that is expressly subordinated in right of payment to the 2012 Notes and equal in right of payment to the Company's future unsecured indebtedness that is not

so subordinated. The 2012 Notes are effectively junior in right of payment to future secured indebtedness to the extent of the value of the assets securing such indebtedness.

The 2012 Notes are exchangeable under certain circumstances. At the time of issuance, the Company calculated the fair value of the liability component of the outstanding 2012 Notes to be \$126.2 million, and the excess of the principal amount of the debt over the liability component of \$23.8 million was allocated to the conversion option resulting in a discount on the debt and corresponding increase in equity as a result of the cash settlement feature. The discount created from allocating proceeds to the conversion option was amortized to interest expense using the effective interest method over the 2012 Notes' estimated remaining life, which was calculated to be a period of twenty-four months. As of June 30, 2015 and December 31, 2014, the discount created from the allocation of the proceeds to the conversion option was fully amortized. The conversion option will not be subsequently remeasured as long as it continues to meet the criteria for equity classification.

The Company also recorded a debt discount to reflect the value of the underwriter's discounts and offering costs. A portion of the debt discount from underwriter's discounts and offering costs was allocated to the equity and liability components of the 2012 Notes in proportion to the proceeds allocated to each component. The portion of the debt discount from underwriter's discounts and offering

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costs allocated to the liability component was amortized as interest expense over the estimated life of the 2012 Notes of twenty-four months. As of June 30, 2015 and December 31, 2014, the debt discount was fully amortized and the carrying value of the 2012 Notes was \$31.3 million after an exchange of a portion of the 2012 Notes (see below for further discussion of the May 2014 exchange).

### **May 2014 Exchangeable Senior Notes**

In May 2014, the Company entered into separate, privately negotiated exchange agreements with certain holders of the 2012 Notes pursuant to which Corsicanto exchanged \$118.7 million in aggregate principal amount of the existing 2012 Notes for \$118.7 million in aggregate principal amount of new 3.50% May 2014 Exchangeable Senior Notes due 2032, following which \$31.3 million in aggregate principal amount of the 2012 Notes remained outstanding with terms unchanged (the 2012 Notes and 2014 Notes are referred to collectively as the Notes ).

The 2014 Notes have a stated interest rate of 3.5% per year, payable semiannually in arrears on January 15 and July 15 of each year beginning on July 15, 2014, and ending upon the 2014 Notes maturity on January 15, 2032, unless earlier repurchased or redeemed by Corsicanto or exchanged by the holders. At any time after the issuance of the 2014 Notes and prior to the close of business on the second business day immediately preceding January 15, 2032, holders may exchange the 2014 Notes at their option. If prior to January 15, 2018, a make-whole fundamental change (as defined in the Indenture) occurs or the Company elects to redeem the 2014 Notes in connection with certain changes in tax law, in each case as described in the Indenture, and a holder elects to exchange its 2014 Notes in connection with such make-whole fundamental change or election, as the case may be, such holder may be entitled to an increase in the exchange rate as described in the Indenture. In the event of physical settlement, the 2014 Notes would be exchangeable into 45,666,925 ADSs. The initial exchange rate is 384.6154 ADSs per \$1,000 principal amount of the 2014 Notes (equivalent to an initial exchange price of approximately \$2.60 per ADS, or the Exchange Price), subject to adjustment in certain circumstances. The exchange rate is subject to adjustment from time to time upon the occurrence of certain events, including, but not limited to, the payment of cash dividends. Based on the closing price of the Company's stock as of June 30, 2015, the principal amount of the 2014 Notes would exceed the value of the shares if converted on that date by \$6.4 million.

Prior to January 19, 2018, the Company may not redeem the 2014 Notes at its option other than in connection with certain changes in the tax law of a relevant taxing jurisdiction that results in additional amounts (as defined in the Indenture) becoming due with respect to payments and/or deliveries on the 2014 Notes. On or after January 19, 2018, the Company may redeem for cash all or a portion of the 2014 Notes at a redemption price of 100% of the aggregate principal amount of the 2014 Notes to be redeemed, plus accrued and unpaid interest to, but not including, the redemption date. If a fundamental change (as defined in the Indenture) occurs, holders may require the Company to repurchase all or part of their 2014 Notes for cash at a fundamental change repurchase price equal to 100% of the aggregate principal amount of the 2014 Notes to be repurchased, plus accrued and unpaid interest to, but not including, the fundamental change repurchase date. In addition, holders of the 2014 Notes may require the Company to repurchase all or any portion of the 2014 Notes on each of January 19, 2019, January 19, 2024 and January 19, 2029 for cash at a price equal to 100% of the aggregate principal amount of the 2014 Notes to be repurchased, plus accrued and unpaid interest to, but not including, the repurchase date.

The Company may elect at its option to cause all or any portion of the 2014 Notes to be mandatorily exchanged in whole or in part at any time prior to the close of business on the business day preceding January 15, 2032 if the Daily VWAP (as defined in the Indenture) equals or exceeds 110% of the Exchange Price then in effect for at least 20 VWAP Trading Days (as defined in the Indenture) in any 30 VWAP Trading Day period. The Company may only exercise its optional exchange rights upon satisfaction of specified equity conditions, including that the ADSs issuable upon exchange of the 2014 Notes be eligible for resale without registration by non-affiliates and listed on The

NASDAQ Global Market, its related exchanges or the New York Stock Exchange. If Corsicanto elects to exercise its optional exchange rights on or prior to January 15, 2018, each holder whose 2014 Notes are exchanged will upon exchange receive a specified number of additional ADSs as set forth in the Indenture. Upon such a declaration of acceleration, such principal and accrued and unpaid interest, if any, will be due and payable immediately. Upon the occurrence of certain events of bankruptcy, insolvency or reorganization involving Corsicanto, 100% of the principal of and accrued and unpaid interest, if any, on all of the 2014 Notes will become due and payable automatically. Notwithstanding the foregoing, the Indenture will provide that, to the extent Corsicanto elects and for up to 360 days, the sole remedy for an event of default relating to certain failures by Corsicanto or the Company, as the case may be, to comply with certain reporting covenants in the Indenture consists exclusively of the right to receive additional interest on the 2014 Notes. Additional covenants pertaining to the 2012 Notes (as described above for the January 2012 Exchangeable Senior Notes) are also applicable to the May 2014 Notes.

As a result of the note exchange (as described above), the Company assessed both quantitative and qualitative aspects of the features of the 2014 Notes as compared to the 2012 Notes. Such assessment resulted in the conclusion that the features of the 2014 Notes represent a substantive modification from the 2012 Notes as the terms of the exchange resulted in a substantive modification to the embedded conversion feature within the 2012 Notes, and as such should be accounted for as an extinguishment of debt. In accordance with ASC 470-20, the Company extinguished the 2012 Notes by recording a gain on extinguishment of the liability component of

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\$38.0 million and repurchase of the conversion option in equity through a reduction to additional paid-in capital of \$10.1 million. The 2014 Notes were recorded at fair value of \$90.8 million representing a \$27.9 million discount to par. In addition the Company recognized \$2.5 million in underwriter's fees and offering costs and recognized those costs as deferred assets. The Company further allocated \$3.5 million of the \$90.8 million fair value of the 2014 Notes to the derivative liability related to the fundamental change redemption feature (as described above), which will be measured at fair value on an ongoing basis. During the six months ended June 30, 2015, the Company recognized a \$1.5 million gain on the change in fair value of the redemption feature. The fair value of this derivative liability is remeasured at each reporting period, with changes in fair value recognized in the statement of operations and any changes in the assumptions used in measuring the fair value of the derivative liability could result in a material increase or decrease in its carrying value.

Because the conversion option in the 2014 Notes receives an exception from derivative accounting and only requires gross physical settlement in shares, the embedded option does not require separate accounting and is therefore accounted for as part of the debt host at amortized cost. The debt discount is being amortized as interest expense over the estimated life of the 2014 Notes and recognized in the statement of operations as interest expense. As of June 30, 2015 and December 31, 2014, the carrying value of the 2014 Notes, net of the unamortized debt discount, was \$93.4 million and \$90.6 million, respectively. During the six months ended June 30, 2015, the Company recognized aggregate interest expense of \$5.6 million related to the Notes, of which \$3.0 million represents amortization of the debt discount and \$2.6 million represents contractual coupon interest. During the six months ended June 30, 2014, the Company recognized aggregate interest expense of \$3.9 million related to the Notes, of which \$1.3 million represents non-cash interest and \$2.6 million represents contractual coupon interest.

At June 30, 2015 and December 31, 2014, the Company had accrued interest on the Notes of \$2.4 million, which is included in other current liabilities. The Company made the contractual interest payments due on the Notes during the six months ended June 30, 2015 and 2014 of \$2.6 million.

**(7) Commitments and Contingencies****Litigation**

In the ordinary course of business, the Company is from time to time involved in lawsuits, claims, investigations, proceedings, and threats of litigation relating to its business. Item 3. Legal Proceedings of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014 includes a discussion of the Company's current legal proceedings. There have been no material changes to those disclosures as of the date of this filing other than as set forth below.

On May 7, 2015, the Company and a group of independent physicians filed a federal lawsuit to permit the Company to share truthful and non-misleading information, including, but not limited to, the ANCHOR trial clinical data, with healthcare professionals in the United States about certain uses of Vascepa not included with approved FDA labeling of Vascepa and thus not permitted under the FDA's interpretation of applicable law. The lawsuit, captioned *Amarin Pharma, Inc., et al. v. Food & Drug Administration, et al.* (1:15-cv-03588-PAE), was filed in the United States District Court for the Southern District of New York and seeks a judicial declaration based on several legal theories. The Company intends to litigate the case vigorously, but cannot predict the outcome of this litigation.

On May 28, 2015, the U.S. District Court for the District of Columbia granted the Company's motion for summary judgment in the Company's lawsuit against the FDA, captioned *Amarin Pharmaceuticals Ireland Ltd. v. Food & Drug Administration, et al.*, Civ. A. No. 14-0324 (D.D.C.). This lawsuit sought an order requiring FDA to recognize

five-year, New Chemical Entity ( NCE ) marketing exclusivity for Vascepa. The decision vacated the FDA's denial of the Company's claim for such exclusivity and remanded to the FDA for proceedings consistent with the decision. On July 22, 2015, Watson Laboratories Inc., the purported first Vascepa ANDA filer, filed a motion to intervene and a notice of appeal of the Court's decision. The Company intends to litigate the case vigorously, but cannot predict the outcome of this litigation. FDA did not seek to appeal the Court's decision prior to the July 28, 2015 deadline for appeal.

Based on the May 28, 2015 U.S. District Court for the District of Columbia order granting the Company's motion for summary judgment in the NCE litigation, on June 26, 2015, the parties to the related Vascepa patent litigation that followed acceptance by FDA of abbreviated new drug applications, or ANDAs, to Vascepa agreed to a full stay of proceeding in that patent litigation. Based on subsequent FDA notification to the ANDA filers that FDA had changed the status of their ANDAs to submitted, but no longer accepted, the Company believes the statutory basis for the patent litigation (accepted ANDAs) no longer exists. Thus, on July 24, 2015, the Company moved to dismiss the pending patent infringement lawsuits against each of the Vascepa ANDA applicants. The Company cannot predict the outcome of this motion to dismiss or litigation. If the motion to dismiss is granted, the Company plans to defend the exclusivity of Vascepa through patent litigation after notification that FDA has accepted an ANDA application related to Vascepa which, assuming NCE exclusivity, the Company would expect no sooner than July 2016.

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On June 29, 2015, the U.S. District Court for the District of New Jersey granted the Company's motion to dismiss the putative consolidated class action lawsuit captioned *In re Amarin Corporation plc, Securities Litigation*, No. 3:13-cv-06663 (D.N.J. Nov. 1, 2013). The class action was dismissed without prejudice with leave for plaintiffs to file an amended complaint. The lawsuit sought unspecified monetary damages and attorneys' fees and costs alleging that Amarin and certain of its current and former officers and directors made misstatements and omissions regarding the FDA's willingness to approve Vascepa's ANCHOR indication and related contributing factors and the potential relevance of data from the ongoing REDUCE-IT trial to that potential approval. On July 29, 2015, plaintiffs filed an amended complaint alleging facts similar to those in the original complaint. Like the first complaint, the amended complaint seeks unspecified monetary damages and attorneys' fees and costs. The Company believes it has valid defenses and will vigorously defend against this lawsuit, but cannot predict the outcome. The Company is not able to reasonably estimate the loss exposure, if any, associated with the claims. The Company has insurance coverage that is anticipated to cover any significant loss exposure that may arise from this action after payment of the associated deductible obligation under such insurance coverage.

**Milestone and Supply Purchase Obligations**

The Company entered into several product development agreements with, subject to performance obligations, certain milestone and supply purchase obligations.

The Company has Vascepa API supply agreements with three independent companies for the purchase of qualified API supply: Nisshin Pharma, Inc., or Nisshin, Chemport, Inc., or Chemport, and Finorga SAS, or Novasep. The Company's agreements with Chemport and Novasep contain minimum purchase obligations and a provision requiring the Company to pay in cash for any shortfall in the minimum purchase obligations. To date, the Company has met or exceeded its minimum purchase obligations. The Company has no royalty, milestone or minimum purchase commitments with Nisshin.

Pursuant to the agreements with the Company's API suppliers, there is a total of \$53.3 million that is potentially payable over the term of such agreements based on minimum purchase obligations.

Under the 2004 share repurchase agreement with Laxdale Limited, or Laxdale, upon receipt of marketing approval in Europe for the first indication for Vascepa (or first indication of any product containing Amarin Neuroscience intellectual property acquired from Laxdale in 2004), the Company must make an aggregate stock or cash payment to the former shareholders of Laxdale (at the sole option of each of the sellers) of £7.5 million (approximately \$11.8 million as of June 30, 2015). Also under the Laxdale agreement, upon receipt of a marketing approval in the United States or Europe for a further indication of Vascepa (or further indication of any other product using Amarin Neuroscience intellectual property), the Company must make an aggregate stock or cash payment (at the sole option of each of the sellers) of £5 million (approximately \$7.9 million as of June 30, 2015) for each of the two potential market approvals (i.e. £10 million maximum, or approximately \$15.7 million as of June 30, 2015).

The Company has no provision for any of the obligations above since the amounts are either not probable or able to be estimated as of June 30, 2015.

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**(8) Equity**

**Warrants**

During the six months ended June 30, 2015, the Company issued 1,844,585 shares upon the exercise of warrants, resulting in gross and net proceeds of \$2.8 million and \$2.7 million, respectively.

**Incentive Equity Awards**

During the six months ended June 30, 2015 and 2014, the Company issued 18,020 and 215,000 shares, respectively, as a result of the exercise of stock options, resulting in gross and net proceeds of \$31 thousand and \$0.3 million, respectively, for each period.

On January 29, 2015, the Company granted a total of 2,564,251 restricted stock units ( RSUs ) and 1,622,500 stock options to employees under the Amarin Corporation plc 2011 Stock Incentive Plan (the 2011 Plan ). The RSUs vest annually over a three year period and the stock options vest monthly over a four year period. Also on January 29, 2015, the Company granted 5,455,500 RSUs to employees under the 2011 Plan that vest upon the achievement of certain performance conditions.

On March 11, 2014, the Company granted a total of 173,348 RSUs and 205,890 stock options to members of the Company s Board of Directors under the 2011 Plan. The RSUs vest in equal installments over a three year period commencing with each installment vesting each year upon the earlier of the anniversary of the grant date or the Company s annual general meeting of shareholders in such anniversary year. Upon termination of service to the Company, each Director shall be entitled to a payment equal to the fair market value of one share of Amarin common stock, which is required to be made in shares. The stock options vest in full upon the earlier of the anniversary of the grant date or the Company s annual general meeting of shareholders in such anniversary year. The stock options will become fully vested upon a change of control of the Company.

On January 8, 2014, the Company granted a total of 2,082,000 RSUs and 2,605,500 stock options to employees under the 2011 Plan. The RSUs vest annually over a three year period and the stock options vest monthly over a four year period. During the six months ended June 30, 2015, the Company issued 639,500 common shares related to the vesting of these RSUs, of which 114,258 shares were retained as treasury shares as settlement of employee tax obligations.

**Preferred Stock**

On March 5, 2015, the Company entered into a subscription agreement with four institutional investors (the Purchasers ), including both existing and new investors, for the private placement of \$52.8 million of restricted American Depositary Shares, each representing one (1) share of Amarin s Series A Convertible Preference Shares, par value £0.05 per share, in the capital of the Company ( Series A Preference Shares ). The closing of the private placement occurred on March 30, 2015.

For each restricted American Depositary Share, the Purchasers paid a negotiated price of \$0.15 (equating to \$1.50 on an as-converted to ordinary share basis), resulting in \$52.8 million in aggregate gross proceeds to the Company, before deducting estimated offering expenses of approximately \$0.7 million. The net proceeds are reflected as preferred stock in the accompanying condensed consolidated balance sheets.

Each ten (10) Series A Preference Shares may be consolidated and redesignated as one (1) ordinary share, par value £0.50 per share, in the capital of the Company, each ordinary share to be represented by American Depositary Shares



( ADSs ), provided that consolidation will be prohibited if, as a result, the holder of such Series A Preference Shares and its affiliates would beneficially own more than 4.99% of the total number of Amarin ordinary shares or ADSs outstanding following such redesignation (the Beneficial Ownership Limitation ). By written notice to the Company, a holder may from time to time increase or decrease the Beneficial Ownership Limitation to any other percentage not in excess of 19.9% specified in such notice; provided that any such increase will not be effective until the sixty-first (61st) day after such notice is delivered to the Company. This consolidation and redesignation may be effected by a holder of Series A Preference Shares following the first to occur of the resale of the ADSs representing the ordinary shares being registered for resale under the Securities Act pursuant to an effective registration statement, following any sale of the ADSs representing the ordinary shares pursuant to Rule 144 under the Securities Act, or if such ADSs representing the ordinary shares are eligible for sale under Rule 144, following the expiration of the one-year holding requirement under Rule 144. During the six months ended June 30, 2015, at the request of the holders, a portion of the Series A Preference Shares were consolidated and redesignated, resulting in the issuance of 6,283,333 ADSs such that a maximum of 28,931,746 ordinary shares remain issuable upon future consolidation and redesignation of the remaining Series A Preference Shares, subject to certain adjustments for dilutive events.

Except as otherwise provided in the Series A Preference Share Terms or as required by applicable law, the Series A Preference Shares have no voting rights. However, as long as any Series A Preference Shares are outstanding, the Company cannot, without the approval of the holders of seventy-five percent (75%) of the then outstanding Series A Preference Shares, alter or change adversely the powers, preferences or rights attaching to the Series A Preference Shares or enter into any agreement with respect to the foregoing.

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Holders of the Series A Preference Shares are entitled to receive, and the Company is required to pay, dividends (other than dividends in the form of ordinary shares) on the Series A Preference Shares equal (on an as-if-converted-to-ordinary-shares basis) to and in the same form as dividends (other than dividends in the form of ordinary shares) actually paid on ordinary shares when, as and if such dividends (other than dividends in the form of ordinary shares) are paid on the ordinary shares.

The restricted American Depositary Shares and Series A Preference Shares have not been registered under the Securities Act of 1933, as amended (the Securities Act), or state securities laws and may not be offered or sold in the United States absent registration with the Securities and Exchange Commission (SEC) or an applicable exemption from registration requirements. The Company filed a registration statement with the SEC covering the resale of the restricted American Depositary Shares and the ADSs representing ordinary shares created by the consolidation and redesignation of the Series A Preference Shares (the Registrable Securities) on April 9, 2015. In addition, the Company agreed to use its commercially reasonable best efforts to effect and to keep the registration, and any qualification, exemption or compliance under state securities laws which the Company determines to obtain, continuously effective, and to keep the Registration Statement free of any material misstatements or omissions, until the earlier of (a) March 11, 2017 or (b) the date on which all Registrable Securities held by Purchasers may be sold or transferred in compliance with Rule 144 under the Securities Act, without any volume or manner of sale restrictions.

The Series A Preference Shares contain a contingent beneficial conversion feature (BCF) because they contain a conversion feature at a fixed rate that was in-the-money when issued. The BCF was recorded in the three months ended June 30, 2015 as a result of the related Form S-3 Registration Statement being declared effective, which represents the resolution of the contingency to convert the Series A Preference Shares. The BCF was recognized in stockholders' deficit and was measured by allocating a portion of the proceeds equal to the intrinsic value of that feature to additional paid-in capital. The effective purchase price of the ordinary shares into which the preferred shares are convertible was \$1.50, which was used to compute the intrinsic value. The intrinsic value was calculated as the difference between the effective purchase price of the ordinary shares and the market value (\$2.39 per share) on the date the preferred shares were issued, multiplied by the number of shares into which the preferred shares are convertible. The BCF resulting from the issuance of the Series A Preference Shares was determined to be \$31.3 million. The BCF was recorded as a non-cash dividend to preferred shareholders through accumulated deficit, and is therefore reflected as an adjustment to net loss applicable to common shareholders for earnings per common share purposes in accordance with GAAP.

On March 30, 2015, in connection with the closing of the private placement, and pursuant to a pre-existing contractual right to participate in certain private placement transactions effected by the Company, the Company entered into a separate subscription agreement with an existing investor, Sofinnova Venture Partners VII L.P. (Sofinnova), for the purchase of an additional \$5.8 million of restricted American Depositary Shares, each representing one (1) share of the Company's Series A Preference Shares, at the same price per share and otherwise on substantially the same terms as the initial private placement (the Second Private Placement). In accordance with applicable marketplace rules of the NASDAQ Stock Market, the consummation of the Second Private Placement was conditioned upon approval by the Company's shareholders at a future meeting of the Company's shareholders. Such approval was received at the Company's Annual General Meeting of Shareholders on July 6, 2015 and as a result, the closing of the Second Private Placement occurred on July 10, 2015 (See Note 11 Subsequent Events). Dr. James Healy, a member of the Company's Board, is a managing member of Sofinnova Management VII, L.L.C., the general partner of Sofinnova.

The existence of this preferred stock purchase option was determined to be a derivative liability effective March 5, 2015, the date in which the private placement was initially subscribed. The fair value of this liability was calculated using a Black-Scholes model and was determined to be \$0.9 million at inception and was charged to accumulated deficit as a deemed non-cash dividend to Sofinnova. The liability was then marked to fair value as of March 30, 2015,

the date on which the Company executed a subscription agreement with Sofinnova, resulting in a charge of \$0.9 million through (loss) gain on change in fair value of derivatives. The liability of \$1.8 million was reclassified to permanent equity (additional paid-in capital) on such date.

**(9) Co-Promotion Agreement**

On March 31, 2014, the Company entered into a Co-Promotion Agreement (the Agreement) with Kowa Pharmaceuticals America, Inc. related to the commercialization of Vascepa® (icosapent ethyl) capsules in the United States. Under the terms of the Agreement, Amarin granted to Kowa Pharmaceuticals America, Inc. the right to be the sole co-promoter, together with the Company, of Vascepa in the United States during the term. The initial term of the Agreement extends through 2018.

During the term, Kowa Pharmaceuticals America, Inc. and Amarin have agreed to use commercially reasonable efforts to promote, detail and optimize sales of Vascepa in the United States. The performance requirements include a negotiated minimum number of details to be delivered by each party in the first and second position, and the use of a negotiated number of minimum sales

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representatives from each party, including no less than 250 Kowa Pharmaceuticals America, Inc. sales representatives. Kowa Pharmaceuticals America, Inc. has agreed to continue to bear the costs incurred for its sales force associated with the commercialization of Vascepa and to pay for certain incremental costs associated with the use of its sales force, such as sample costs and costs for promotional and marketing materials. Amarin will continue to recognize all revenue from sales of Vascepa and will use commercially reasonable efforts to maintain a minimum amount of inventory of Vascepa for use in the United States.

In exchange for Kowa Pharmaceuticals America, Inc.'s co-promotional services, Kowa Pharmaceuticals America, Inc. is entitled to a quarterly co-promotion fee based on a percentage of Vascepa gross margin that increases during the Agreement's term, from the high single digits in 2014 to the low twenty percent levels in 2018. The co-promotion fee also varies based on sales levels and whether the FDA has approved an ANCHOR indication labeling expansion for Vascepa or has permitted the use of data generated to support obtaining FDA approval of the ANCHOR indication in the promotion of Vascepa, in which case the co-promotion fee would be decreased if specified requirements are met. In certain circumstances, upon the earlier of the expiration or termination of the Agreement in accordance with its terms, Kowa Pharmaceuticals America, Inc. may be eligible for a co-promotion tail fee equal to declining fractions of the co-promote fee in effect prior to such expiration or termination for periods ranging from one to three years following such expiration or termination.

As of June 30, 2015 and December 31, 2014, the Company had a net payable of \$1.5 million and a net receivable of \$0.6 million, respectively, from Kowa Pharmaceuticals America, Inc. representing co-promotion fees payable to Kowa Pharmaceuticals America, Inc. net of reimbursable amounts incurred for samples and other marketing expenses.

### **(10) Development, Commercialization and Supply Agreement**

On February 26, 2015, the Company entered into a Development, Commercialization and Supply Agreement (the "DCS Agreement") with Eddingpharm (Asia) Macao Commercial Offshore Limited ("Eddingpharm") related to the development and commercialization of Vascepa in Mainland China, Hong Kong, Macau and Taiwan (the "China Territory"). Under the terms of the DCS Agreement, the Company granted to Eddingpharm an exclusive (including as to the Company) license with right to sublicense to develop and commercialize Vascepa in the China Territory for uses that are currently commercialized and under development by the Company based on the Company's MARINE, ANCHOR and ongoing REDUCE-IT clinical trials of Vascepa.

Under the DCS Agreement, Eddingpharm will be solely responsible for development and commercialization activities in the China Territory and associated expenses. The Company will provide development assistance and be responsible for supplying finished and later bulk drug product at defined prices under negotiated supply terms. The Company will retain all Vascepa manufacturing rights. Eddingpharm has agreed to certain restrictions regarding the commercialization of competitive products globally and the Company has agreed to certain restrictions regarding the commercialization of competitive products in the China Territory.

The Company and Eddingpharm agreed to form a joint development committee to oversee regulatory and development activities for Vascepa in the China Territory in accordance with a negotiated development plan and to form a separate joint commercialization committee to oversee Vascepa commercialization activities in the China Territory. Development costs will be paid by Eddingpharm to the extent such costs are incurred in connection with the negotiated development plan or otherwise incurred by Eddingpharm. Eddingpharm will be responsible for preparing and filing regulatory applications in all countries of the China Territory at Eddingpharm's cost with the Company's assistance. The DCS Agreement also contains customary provisions regarding indemnification, packaging, record keeping, audit rights, reporting obligations, and representations and warranties that are customary for an arrangement

of this type.

The term of the DCS Agreement expires, on a product-by-product basis, upon the later of (i) the date on which such product is no longer covered by a valid claim under a licensed patent in the China Territory, or (ii) the twelfth (12th) anniversary of the first commercial sale of such product in Mainland China. The DCS Agreement may be terminated by either party in the event of a bankruptcy of the other party and for material breach, subject to customary cure periods. In addition, at any time following the third anniversary of the first commercial sale of a product in Mainland China, Eddingpharm has the right to terminate the DCS Agreement for convenience with twelve months prior notice. Neither party may assign or transfer the DCS Agreement without the prior consent of the other party, provided that the Company may assign the DCS Agreement in the event of a change of control transaction.

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Upon closing of the DCS Agreement, the Company received a non-refundable \$15.0 million up-front payment, which it will recognize as revenue over the estimated period in which the Company is required to provide initial and on-going regulatory and development support and clinical supply for obtaining regulatory approvals in the China Territory and through the estimated period in which the Company is required to provide commercial supply, which is currently estimated to be a period of approximately 16 years. Consequently, the Company recognized \$0.4 million of the up-front payment as licensing revenue during the six months ended June 30, 2015 and recorded \$14.6 million as deferred revenue as of June 30, 2015. In addition to the non-refundable, up-front payment, the Company is entitled to receive development, regulatory and sales-based milestone payments of up to an additional \$154.0 million as well as tiered double-digit percentage royalties on net sales of Vascepa in the China Territory escalating to the high teens. Revenues relating to these milestone payments and royalties will be recognized upon satisfaction of the applicable performance obligations or over the period in which such performance obligations are completed, as applicable.

**(11) Subsequent Events**

The Company has evaluated subsequent events from June 30, 2015 through the date of the issuance of these condensed consolidated financial statements.

On July 10, 2015, the Company closed the Second Private Placement and issued 38,867,180 Restricted ADSs, each representing one Series A Preference Share, which may be consolidated and redesignated from time to time as up to a maximum of 3,886,718 ordinary shares, each ordinary share to be represented by one ADS (see Note 8 – Equity). For each Restricted ADS, Sofinnova paid a negotiated price of \$0.15 (equating to \$1.50 on an as converted to ordinary share basis) resulting in gross proceeds to the Company of \$5.8 million.

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

*This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, as amended. These forward-looking statements reflect our plans, estimates and beliefs. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward-looking statements. In some cases, you can identify forward-looking statements by terms such as anticipates, believes, could, estimates, expects, intends, may, plans, potential, predicts, projects, should, would and similar expressions intended to identify forward-looking statements. Forward-looking statements reflect our current views with respect to future events and are based on assumptions and subject to risks and uncertainties. Because of these risks and uncertainties, the forward-looking events and circumstances discussed in this report may not transpire. We discuss many of these risks in Part I, Item 1A under the heading Risk Factors of our Annual Report on Form 10-K for the fiscal year ended December 31, 2014 and below under Part II, Item 1A, Risk Factors .*

*Given these uncertainties, you should not place undue reliance on these forward-looking statements. Also, forward-looking statements represent our estimates and assumptions only as of the date of this document. You should read this document with the understanding that our actual future results may be materially different from what we expect. Except as required by law, we do not undertake any obligation to publicly update or revise any forward-looking statements contained in this report, whether as a result of new information, future events or otherwise.*

**Overview**

We are a biopharmaceutical company with expertise in lipid science focused on the commercialization and development of therapeutics to improve cardiovascular health.

Our lead product, Vascepa® (icosapent ethyl) capsules, is approved by the U.S. Food and Drug Administration, or FDA, for use as an adjunct to diet to reduce triglyceride levels in adult patients with severe (TG  $\geq$ 500 mg/dL) hypertriglyceridemia. Vascepa is available in the United States by prescription only. We began selling and marketing Vascepa in the United States in January 2013. We sell Vascepa principally to a limited number of major wholesalers, as well as selected regional wholesalers and specialty pharmacy providers, or collectively, its Distributors, that in turn resell Vascepa to retail pharmacies for subsequent resale to patients and health care providers. We market Vascepa through our sales force of approximately 150 sales professionals, including sales representatives and their managers. In March 2014, we entered into a co-promotion agreement with Kowa Pharmaceuticals America, Inc. under which approximately 250 Kowa Pharmaceuticals America, Inc. sales representatives began to devote a substantial portion of their time to promoting Vascepa starting in May 2014.

In February 2015, we announced an exclusive agreement with Eddingpharm (Asia) Macao Commercial Offshore Limited, or Eddingpharm, to develop and commercialize Vascepa capsules in Mainland China, Hong Kong, Macau and Taiwan (the China Territory ). We are also assessing other partnership opportunities for licensing Vascepa in other territories outside of the United States.

Triglycerides are fats in the blood. Hypertriglyceridemia refers to a condition in which patients have high levels of triglycerides in the bloodstream. It is estimated that over 70 million adults in the United States have elevated triglyceride levels (TG  $\geq$ 150 mg/dL), approximately 40 million adults in the United States have high triglyceride levels (TG  $\geq$ 200 mg/dL), and approximately 4.0 million people in the United States have severely high triglyceride levels (TG  $\geq$ 500 mg/dL), commonly known as very high triglyceride levels. Many patients with high triglycerides also have other lipid level abnormalities such as high cholesterol. The patient condition of having more than one lipid level

abnormality is referred to as mixed dyslipidemia. According to *The American Heart Association Scientific Statement on Triglycerides and Cardiovascular Disease* (2011), triglycerides provide important information as a marker associated with the risk for heart disease and stroke, especially when an individual also has low high-density lipoprotein cholesterol, or HDL-C (often referred to as "good" cholesterol), and elevated levels of LDL-C (often referred to as "bad" cholesterol). Guidelines for the management of very high triglyceride levels suggest that reducing triglyceride levels is the primary goal in patients to reduce the risk of acute pancreatitis. The effect of Vascepa on cardiovascular mortality and morbidity, or the risk for pancreatitis, in patients with hypertriglyceridemia has not been determined.

We are currently focused on completing the ongoing REDUCE-IT (Reduction of Cardiovascular Events with EPA Intervention Trial) cardiovascular outcomes study of Vascepa, which we started in December 2011. REDUCE-IT, a multinational, prospective, randomized, double-blind, placebo-controlled study, is the first prospective cardiovascular outcomes study of any drug in a population of patients who, despite stable statin therapy, have elevated triglyceride levels. Based on the results of REDUCE-IT, we plan to seek additional indicated uses for Vascepa. In REDUCE-IT, cardiovascular event rates for patients on stable statin therapy plus four grams per day of Vascepa will be compared to cardiovascular event rates for patients on stable statin therapy plus placebo. The REDUCE-IT study is designed to be completed after reaching an aggregate number of cardiovascular events. Based on projected



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event rates, we estimate the REDUCE-IT study can be completed in or about 2017 with results then expected to be available and published in 2018. An interim review of the efficacy and safety results of the trial is scheduled to occur upon reaching 60% of the target aggregate number of cardiovascular events. We currently expect this interim review by the independent data monitoring committee (DMC) to occur during 2016. The DMC has been more frequently examining interim reviews of the safety data from the study. Following each of these reviews, the DMC has communicated to us that we should continue the study as planned. We remain blinded to all data from the study. Over 95% of the 8,000 patients targeted for enrollment in the REDUCE-IT study have been enrolled.

The potential efficacy and safety of Vascepa (known in its development stage as AMR 101) has been studied in two Phase 3 clinical trials, the MARINE trial and the ANCHOR trial. At a daily dose of 4 grams of Vascepa, the dose at which Vascepa is FDA approved, these trials showed favorable clinical results in their respective patient populations in reducing triglyceride levels without increasing LDL-C levels in the MARINE trial and with a statistically significant decrease in LDL-C levels in the ANCHOR trial, in each case, relative to placebo. These trials also showed favorable results, particularly with the 4-gram dose of Vascepa, in other important lipid and inflammation biomarkers, including apolipoprotein B (apo B), non-high-density lipoprotein cholesterol (non-HDL-C), total-cholesterol (TC), very low-density lipoprotein cholesterol (VLDL-C), lipoprotein-associated phospholipase A2 (Lp-PLA2), and high sensitivity C-reactive protein (hs-CRP). In these trials, the most commonly reported adverse reaction (incidence >2% and greater than placebo) in Vascepa-treated patients was arthralgia (joint pain) (2.3% for Vascepa vs. 1.0% for placebo).

We also developed Vascepa for the treatment of patients with high (TG  $\geq$ 200 mg/dL and <500 mg/dL) triglyceride levels who are also on statin therapy for elevated low-density lipoprotein cholesterol, or LDL-C, levels which we refer to as mixed dyslipidemia. We refer to this second proposed indication for Vascepa as the ANCHOR indication. The FDA views the ANCHOR indication as ostensibly and impliedly an indication to reduce cardiovascular risk.

On October 16, 2013, the FDA convened an advisory committee to review our supplemental new drug application, or sNDA, seeking marketing approval of Vascepa for use in the ANCHOR indication. This advisory committee was not asked by the FDA to evaluate whether Vascepa is effective in lowering triglycerides in the studied population, the ANCHOR indication as specified in the sNDA. Rather, the advisory panel was asked whether Vascepa would improve cardiovascular outcomes or whether approval of the ANCHOR indication should wait for successful completion of the REDUCE-IT study. The advisory committee voted 9 to 2 against recommending approval of the ANCHOR indication based on information presented at the meeting.

The ANCHOR clinical study was conducted under a special protocol assessment, or SPA, agreement with the FDA. On October 29, 2013, the FDA rescinded the ANCHOR study SPA agreement because the FDA determined that a substantial scientific issue essential to determining the effectiveness of Vascepa in the studied population was identified after testing began. On April 27, 2015, following three attempts by us to appeal the SPA agreement rescission decision by the FDA, we received a Complete Response Letter, or CRL, from the FDA regarding our ANCHOR sNDA. In the CRL, the FDA acknowledged that Vascepa yielded a treatment difference showing reduced triglyceride levels compared to placebo in patients treated in the ANCHOR study. The FDA concluded that, for regulatory approval purposes, there are insufficient data at this time to support a drug-induced change in serum triglycerides as a surrogate for reducing cardiovascular risk in the ANCHOR population. The FDA did not determine that the drug-induced effects of Vascepa, which go beyond triglyceride-lowering, would not actually reduce cardiovascular risk in this population. We had proposed to the FDA multiple alternative indications, data presentations, disclaimers and other regulatory pathways to approval under the ANCHOR sNDA, but the FDA determined not to approve label expansion reflecting the ANCHOR clinical trial efficacy data at this time. Safety data from the ANCHOR study remain in the currently approved label for Vascepa. Vascepa remains FDA approved for use as an adjunct to diet to reduce triglyceride levels in adult patients with severe hypertriglyceridemia, and current

Vascepa labeling remains unchanged. The CRL has no effect on the SPA agreement for the REDUCE-IT study or the anticipated timing for results from the REDUCE-IT study. Based on our communications with the FDA, we expect that final positive results from the REDUCE-IT outcomes study will be required for label expansion for Vascepa.

On May 7, 2015, we and a group of independent physicians filed a lawsuit in federal court to permit us to promote to healthcare professionals certain uses of Vascepa that reflect recognized medical practice but are not covered by current FDA-approved labeling for the drug, so long as the promotion is truthful and non-misleading. The lawsuit seeks a declaration to permit promotion of the FDA-reviewed and agreed effects of Vascepa demonstrated in the ANCHOR clinical trial and use of peer-reviewed scientific publications that present the current state of scientific research related to the potential of Vascepa to reduce the risk of cardiovascular disease. In connection with this litigation, the FDA sent a detailed letter to us on June 5, 2015 that confirmed the validity of the ANCHOR trial results. The letter also sought to clarify how, in the FDA's view, applicable law and FDA policies apply to the communications proposed in Amarin's complaint. FDA stated in this letter that it did not have concerns with much of the information Amarin proposed to communicate and provided Amarin with guidance on the FDA's view of lawful paths for the dissemination and communication to healthcare professionals of the effects of Vascepa demonstrated in the ANCHOR clinical trial and use of peer-reviewed scientific publications in the context of appropriate disclaimers. This litigation continues because significant issues remain despite the significant steps forward provided by the June 5 letter. Such remaining issues include, but are not limited to, the ability of Amarin to engage in a full and truthful dialogue with healthcare professionals about the success of the ANCHOR trial and the potential effectiveness of Vascepa as a treatment to reduce cardiovascular risk.

**Table of Contents***Commercialization United States*

Vascepa became commercially available in the United States by prescription in January 2013 when we commenced sales and shipments to our network of U.S.-based wholesalers. We commenced the commercial launch of Vascepa in the United States in January 2013. We now market Vascepa in the United States through our sales force of approximately 150 sales professionals and their managers. Commencing in the middle of the second quarter of 2014, in addition to promotion by our sales representatives, approximately 250 Kowa Pharmaceuticals America, Inc. sales representatives began promoting Vascepa. We also employ various marketing personnel to support our commercialization of Vascepa.

Under the co-promotion agreement with Kowa Pharmaceuticals America, Inc., under which promotion commenced in May 2014, both parties have agreed to use commercially reasonable efforts to promote, detail and optimize sales of Vascepa in the United States and have agreed to specific performance requirements detailed in the related agreement. The performance requirements include a negotiated minimum number of sales details to be delivered by each party in the first and second position, the use of a negotiated number of minimum sales representatives from each party, including no less than 250 Kowa Pharmaceuticals America, Inc. sales representatives and the achievement of minimal levels of Vascepa revenue in 2015 and beyond. Kowa Pharmaceuticals America, Inc. has also agreed to continue to bear the costs incurred for its sales force associated with the commercialization of Vascepa and to pay for certain incremental costs associated with the use of its sales force, such as sample costs and costs for promotional and marketing materials. We will continue to recognize all revenue from sales of Vascepa. In exchange for Kowa Pharmaceuticals America, Inc.'s co-promotional services, Kowa Pharmaceuticals America, Inc. is entitled to a quarterly co-promotion fee based on a percentage of aggregate Vascepa gross margins that increases during the term. The percentage of aggregate Vascepa gross margins earned by Kowa Pharmaceuticals America, Inc. is scheduled to increase from the high single digits in 2014, to fifteen percent (15%) in 2015, and to the low twenty percent levels in 2018, subject to certain adjustments. The term of this co-promotion agreement expires on December 31, 2018.

Based on monthly compilations of data provided by a third party, Symphony Health Solutions, the estimated number of normalized total Vascepa prescriptions for the three months ended June 30, 2015 was approximately 176,000 compared to 154,000 and 110,000 in the three months ended March 31, 2015 and June 30, 2014, respectively. According to data from another third party, IMS Health, the estimated number of normalized total Vascepa prescriptions for the three months ended June 30, 2015 was approximately 157,000 compared to 137,000 and 93,000 in the three months ended March 31, 2015 and June 30, 2014, respectively. Normalized total prescriptions represent the estimated total number of Vascepa prescriptions shipped to patients, calculated on a normalized basis (i.e., total capsules shipped divided by 120 capsules, or one month's supply). The data reported above is based on information made available to us from third party resources and may be subject to adjustment and may overstate or understate actual prescriptions. Timing of shipments to wholesalers, as used for revenue recognition purposes, and timing of prescriptions as estimated by these third parties may differ from period to period. Although we believe these data are prepared on a period-to-period basis in a manner that is generally consistent and that such results are generally indicative of current prescription trends, these data are based on estimates and should not be relied upon as definitive. Prior to commencing our U.S. commercial launch of Vascepa in January 2013, we had no revenue from Vascepa. Because of our limited selling history, changes in the size of our sales force, our co-promotion agreement, and the uncertainty surrounding the extent to which we are able to communicate the ANCHOR clinical trial data, we do not currently provide quantified revenue guidance. While we expect to be able to grow Vascepa revenues over time, we provide no quantified guidance regarding anticipated levels of Vascepa prescriptions or revenues and no such guidance should be inferred from the operating metrics described above. We also anticipate that such sales growth may be inconsistent from period to period. We believe that investors should view the above-referenced operating metrics with caution, as data for this limited period may not be representative of a trend consistent with the results presented or otherwise predictive of future results. Seasonal fluctuations in pharmaceutical sales, for example, may

affect future prescription trends of Vascepa, as could changes in prescriber sentiment and other factors. We believe investors should consider our results over several quarters, or longer, before making an assessment about potential future performance.

The commercialization of a new pharmaceutical product is a complex undertaking, and our ability to effectively and profitably commercialize Vascepa will depend in part on our ability to generate market demand for Vascepa through education, marketing and sales activities, our ability to achieve market acceptance of Vascepa, our ability to generate product revenue and our ability to receive adequate levels of reimbursement from third-party payers. See *Risk Factors Risks Related to the Commercialization and Development of Vascepa*.

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### *Commercialization Outside the United States*

In February 2015, we announced an exclusive agreement with Eddingpharm to develop and commercialize Vascepa capsules in the territories of Mainland China, Hong Kong, Macau and Taiwan (the China Territory ) for uses that are currently commercialized and under development by us in the United States based on the MARINE, ANCHOR and ongoing REDUCE-IT clinical trials of Vascepa.

Under the agreement, Eddingpharm will be responsible for development and commercialization activities in the China Territory and associated expenses. We will provide development assistance and be responsible for supplying the product. Terms of the agreement include up-front and milestone payments to us of up to \$169.0 million, including a non-refundable \$15.0 million up-front payment received at closing, and development, regulatory and sales-based milestone payments of up to an additional \$154.0 million. Eddingpharm will also pay us tiered double-digit percentage royalties on net sales of Vascepa in the China Territory escalating to the high teens. We will supply finished product to Eddingpharm under negotiated supply terms.

We continue to assess other partnership opportunities for licensing Vascepa in other territories outside of the United States.

### *Research and Development*

REDUCE-IT is the first prospective cardiovascular outcomes study of any drug in a population of patients who, despite stable statin therapy, have elevated triglyceride levels. REDUCE-IT is a multinational, prospective, randomized, double-blind, placebo-controlled study designed to assess the cumulative effect on the rate of cardiovascular events for patients treated with Vascepa as an add-on to statin therapy compared to the corresponding rate of cardiovascular events for patients treated with placebo on top of statin therapy. Based on the results of REDUCE-IT, we may seek additional indications for Vascepa beyond the indications studied in the ANCHOR or MARINE trials.

REDUCE-IT is designed to enroll 8,000 patients, of which over 7,600 patients have been enrolled. We currently estimate that we will complete patient enrollment in this study near the end of 2015.

Completion of the REDUCE-IT study is designed to occur after reaching an aggregate number of cardiovascular events. Based on projected event rates, we estimate the REDUCE-IT study can be completed in or about 2017 with results then expected to be available in 2018. An interim review of the efficacy and safety results of the trial is scheduled to occur upon reaching 60% of the target aggregate number of cardiovascular events. We currently expect this interim review by the independent data monitoring committee, or DMC, to occur during 2016. As is typical, the statistical threshold for defining overwhelming efficacy on the primary endpoint at the interim analysis is considerably higher than the threshold for defining statistical significance at the end of the study. Amarin remains blinded to all data from the study.

Our scientific rationale for the REDUCE-IT study is supported by (i) epidemiological data that suggests elevated triglyceride levels correlate with increased cardiovascular disease risk, (ii) genetic data that suggests triglyceride and/or triglyceride-rich lipoproteins (as well as low-density lipoprotein cholesterol (LDL cholesterol), known as bad cholesterol) are independently in the causal pathway for cardiovascular disease and (iii) clinical data that suggest substantial triglyceride reduction in patients with elevated baseline triglyceride levels correlates with reduced cardiovascular risk. Our scientific rationale for the REDUCE-IT study is also supported by research on the differentiated effects of the active ingredient in Vascepa, including the antioxidant properties and effects on inflammation markers associated with atherosclerosis.

*Commercial Supply*

To date, all of our active pharmaceutical ingredient, or API, has been acquired through two suppliers: Nisshin Pharma, Inc., or Nisshin, and Chemport, Inc., or Chemport. A significant portion of such API was purchased from Nisshin at a price that is higher than expected future average API costs. The amount of supply we seek to purchase in 2015 and beyond will depend on the level of growth of Vascepa revenues.

*Financial Position*

We believe that our cash and cash equivalents balance of \$136.0 million as of June 30, 2015 is sufficient to fund our projected operations for at least the next twelve months. Included in our cash balance as of June 30, 2015 was a \$15.0 million non-refundable, up-front payment we received upon the execution of our first ex-U.S. licensing agreement in China and surrounding territories and net proceeds of \$52.1 million we received from the issuance and sale of our Series A Preference Shares to four institutional investors.

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### **Financial Operations Overview**

*Product Revenue, net.* All of our product revenue is derived from product sales of Vascepa, net of allowances, discounts, incentives, rebates, chargebacks and returns. We sell product to a limited number of major wholesalers, as well as selected regional wholesalers and specialty pharmacy providers, or collectively, our Distributors, who resell the product to retail pharmacies for purposes of their reselling the product to fill patient prescriptions. We commenced our commercial launch in the United States in January 2013. In accordance with U.S. Generally Accepted Accounting Principles ( GAAP ), until we had the ability to reliably estimate returns of Vascepa from our Distributors, revenue was recognized based on the resale of Vascepa for the purposes of filling patient prescriptions, and not based on our sales to such Distributors. Beginning in January 2014, we concluded that we had developed sufficient history such that we can reliably estimate returns and as a result, began to recognize revenue based on sales to our Distributors. Through June 30, 2015, product returns were de minimis.

*Licensing revenue.* Licensing revenue currently consists of revenue attributable to the receipt of an up-front, non-refundable payment related to a Vascepa license agreement in China, which is being recognized over the estimated period in which we are required to provide regulatory and development support and clinical and commercial supply pursuant to the agreement, which is currently anticipated to be a period of approximately 16 years.

*Cost of Goods Sold.* Cost of goods sold includes the cost of API for Vascepa on which revenue was recognized during the period, as well as the associated costs for encapsulation, packaging, shipment, supply management, insurance and quality assurance. The cost of the API included in cost of goods sold reflects the average cost method of inventory valuation and relief. This average cost reflects the actual purchase price of Vascepa API, which through June 30, 2015 was sourced from Nisshin and Chemport.

*Selling, General and Administrative Expense.* Selling, general and administrative expense consists primarily of salaries and other related costs for personnel, including stock-based compensation expense, in our sales, marketing, executive, business development, finance and information technology functions and co-promotion fees payable to Kowa Pharmaceuticals America, Inc. Other costs primarily include facility costs and professional fees for accounting, consulting and legal services.

*Research and Development Expense.* Research and development expense consists primarily of fees paid to professional service providers in conjunction with independent monitoring of our clinical trials and acquiring and evaluating data in conjunction with our clinical trials, fees paid to independent researchers, costs of qualifying contract manufacturers, services expenses incurred in developing and testing products and product candidates, salaries and related expenses for personnel, including stock-based compensation expense, costs of materials, depreciation, rent, utilities and other facilities costs. In addition, research and development expenses include the cost to support current development efforts, including patent costs and milestone payments, as well as the cost to support regulatory and development activities related to our development and commercialization agreement with our international partner, Eddingpharm. We expense research and development costs as incurred. In addition, research and development costs include the costs of product supply we received from suppliers when such receipt is prior to regulatory approval of the supplier.

*(Loss) Gain on Change in Fair Value of Derivative Liabilities.* (Loss) gain on change in fair value of derivative liabilities is comprised of: (i) the change in fair value of the warrant derivative liability, (ii) the change in fair value of the derivative liability related to the change in control provision associated with the December 2012 financing with BioPharma Secured Debt Fund II Holdings Cayman LP, or BioPharma, (iii) the change in fair value of the derivative liability related to the change in control provision associated with the May 2014 exchangeable senior notes; and (iv) the change in fair value of the derivative liability related to the preferred stock purchase option.

*Interest and Other Income (Expense), Net.* Interest expense consists of interest incurred under lease obligations, interest incurred under our 3.5% exchangeable notes and interest incurred under our December 2012 financing arrangement with BioPharma. Interest expense under our exchangeable notes includes the amortization of the conversion option related to our exchangeable debt, the amortization of the related debt discounts and debt obligation coupon interest. Interest expense under our BioPharma financing arrangement is calculated based on an estimated repayment schedule. Interest income consists of interest earned on our cash and cash equivalents. Other income (expense), net, consists primarily of foreign exchange losses and gains.

### **Critical Accounting Policies and Significant Judgments and Estimates**

Our discussion and analysis of our financial condition and results of operations is based on our condensed consolidated financial statements and notes, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses. On an ongoing basis, we evaluate our estimates and judgments, including those related to derivative financial liabilities. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions



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or conditions. A summary of our significant accounting policies is contained in Note 2 to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q. We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our condensed consolidated financial statements.

*Revenue Recognition* We sell Vascepa principally to a limited number of Distributors, that in turn resell Vascepa to retail pharmacies that subsequently resell it to patients and health care providers. In accordance with GAAP, our revenue recognition policy requires that: (i) there is persuasive evidence that an arrangement exists between us and the Distributor, (ii) delivery has occurred, (iii) collectability is reasonably assured and (iv) the price is fixed or determinable.

We began recognizing revenue from the sale of Vascepa following our commercial launch in the United States in January 2013. Prior to 2013, we recognized no revenue from Vascepa sales. We sell Vascepa to Distributors. In accordance with GAAP, until we had the ability to reliably estimate returns of Vascepa from our Distributors, revenue was recognized based on the resale of Vascepa for the purposes of filling patient prescriptions, and not based on our sales to such Distributors. Beginning in January 2014, we concluded that we had developed sufficient history such that we can reliably estimate returns and as a result, began to recognize revenue based on sales to our Distributors. Consequently, we recognized revenues of \$33.3 million and \$23.6 million based on sales to Distributors during the six months ended June 30, 2015 and 2014, respectively. Through June 30, 2015, product returns were de minimis.

We have written contracts with our Distributors, and delivery occurs when a Distributor receives Vascepa. We evaluate the creditworthiness of each of our Distributors to determine whether revenues can be recognized upon delivery, subject to satisfaction of the other requirements, or whether recognition is required to be delayed until receipt of payment. In order to conclude that the price is fixed or determinable, we must be able to (i) calculate our gross product revenues from the sales to Distributors and (ii) reasonably estimate our net product revenues. We calculate gross product revenues based on the wholesale acquisition cost that we charge our Distributors for Vascepa. We estimate our net product revenues by deducting from our gross product revenues (a) trade allowances, such as invoice discounts for prompt payment and distributor fees, (b) estimated government and private payor rebates, chargebacks and discounts, such as Medicaid reimbursements, (c) reserves for expected product returns and (d) estimated costs of incentives offered to certain indirect customers, including patients.

When evaluating multiple-element arrangements, we identify the deliverables included within the agreement and evaluate which deliverables represent separate units of accounting based on whether the delivered element has stand-alone value to the collaborator or if the arrangement includes a general right of return for delivered items. We may receive up-front, non-refundable payments when licensing our intellectual property in conjunction with research and development agreements. In determining the units of accounting, we evaluate whether the license has stand-alone value from the undelivered elements to the collaborative partner based on the consideration of the relevant facts and circumstances for each arrangement. Factors considered in this determination include the stage of development of the license delivered, research and development capabilities of the partner and the ability of partners to develop and commercialize Vascepa independently.

When we believe a license to our intellectual property does not have stand-alone value from the other deliverables to be provided in the arrangement, we generally recognize revenue attributable to the license over the contractual or estimated performance period. Any unrecognized portion of license revenue is classified within deferred revenue in the accompanying condensed consolidated balance sheets. When we believe a license to our intellectual property has stand-alone value, we recognize revenue attributed to the license upon delivery. The periods over which revenue is recognized is subject to estimates and may change over the course of the agreement. Such a change could have a material impact on the amount of revenue we record in future periods.

*Derivative Financial Liabilities* Derivative financial liabilities are initially recorded at fair value. They are subsequently held at fair value, with gains and losses arising for changes in fair value recognized in the statement of operations. The fair value of derivative financial liabilities is determined using various valuation techniques. We use our judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date. Fluctuations in the assumptions used in the valuation model would result in adjustments to the fair value of the derivative liabilities reflected on our balance sheet and, therefore, our statement of operations. If we issue shares to discharge the liability, the derivative financial liability is derecognized and common stock and additional paid-in capital are recognized on the issuance of those shares. For options and warrants treated as derivative financial liabilities, at settlement date the carrying value of the options and warrants are transferred to equity. The cash proceeds received from shareholders for additional shares are recorded in common stock and additional paid-in capital. We have recorded financial derivatives related to certain outstanding warrants (extinguished as of June 30, 2015), the change in control provision associated with our December 2012 debt financing and the change in control provision associated with our May 2014 exchangeable senior notes.

*Inventory* Prior to July 26, 2012, when we received approval from the FDA to market and sell Vascepa in the United States for the MARINE indication, Vascepa was considered a product candidate under development. All supply of Vascepa purchased

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prior to July 26, 2012 was not capitalized and instead charged as a component of research and development expense in the period received. After Vascepa was approved, we began to capitalize inventory purchased from Nisshin, the API supplier approved in the NDA. Prior to April 2013, Nisshin was the only FDA-approved supplier of API for Vascepa. In April 2013, the FDA approved our sNDAs covering Chemport and BASF and in July 2014 the FDA approved our sNDA covering Slanmhor such that there are now four suppliers FDA-qualified to produce Vascepa API. All supply from Chemport and BASF prior to FDA approval of these API suppliers was not capitalized and instead charged as a component of research and development expense in the period received. Subsequent to the approval of these suppliers, we capitalize API purchases from them. Until an API supplier is approved, all Vascepa API purchased from such supplier is included as a component of research and development expense. Upon sNDA approval of each additional supplier, we capitalize subsequent Vascepa API purchases from such supplier as inventory. We state inventories at the lower of cost or market value. Cost is determined based on actual cost using the average cost method. An allowance is established when management determines that certain inventories may not be saleable. If inventory cost exceeds expected market value due to obsolescence, damage or quantities in excess of expected demand, we will reduce the carrying value of such inventory to market value. We expense inventory identified for use as marketing samples when they are packaged. The average cost reflects the actual purchase price of Vascepa API. Additionally, the determination of the classification of our inventory requires the use of estimates in order to determine the portion of inventories anticipated to be utilized within twelve months of the balance sheet date.

*Income Taxes* Deferred tax assets and liabilities are recognized for the future tax consequences of differences between the carrying amounts and tax bases of assets and liabilities and operating loss carryforwards and other attributes using enacted rates expected to be in effect when those differences reverse. Valuation allowances are provided against deferred tax assets that are not more likely than not to be realized.

We provide reserves for potential payments of tax to various tax authorities or do not recognize tax benefits related to uncertain tax positions and other issues. Tax benefits for uncertain tax positions are based on a determination of whether a tax benefit taken by us in our tax filings or positions is more likely than not to be realized, assuming that the matter in question will be decided based on its technical merits. Our policy is to record interest and penalties in the provision for income taxes.

We assess our ability to realize deferred tax assets at each reporting period. The realization of deferred tax assets depends on generating future taxable income during the periods in which the tax benefits are deductible or creditable. We have been historically profitable in the United States. When making our assessment about the realization of its U.S. deferred tax assets as of June 30, 2015, we considered all available evidence, placing particular weight on evidence that could be objectively verified. The evidence considered included the (i) historical profitability of our U.S. operations, (ii) sources of future taxable income, giving weight to sources according to the extent to which they can be objectively verified and (iii) the risks to our business related to the commercialization and development of Vascepa. Based on our assessment, we concluded that the U.S. deferred tax assets are more likely than not to be realizable as of June 30, 2015. The majority of our deferred tax assets are held outside of the United States, for which we have established a full valuation allowance. Changes in historical earnings performance and future earnings projections, among other factors, may cause us to adjust our valuation allowance on deferred tax assets, which would impact our income tax expense in the period in which we determine that these factors have changed. In the event sufficient taxable income is not generated in future periods, additional valuation allowances could be required relating to these U.S. deferred tax assets.

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From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board, or FASB, and are adopted by us as of the specified effective date. We considered the following recent accounting pronouncements which were not yet adopted as of June 30, 2015:

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This amendment provides principles for recognizing revenue for the transfer of promised goods or services to customers with the consideration to which the entity expects to be entitled in exchange for those goods or services, and is effective for annual periods beginning after December 15, 2016 (the original effective date). In April 2015, the FASB issued a proposal, which was subsequently adopted in July 2015, to defer the original effective date of this standard by one year, such that the amendment is effective for our fiscal year beginning January 1, 2018. Early adoption is permitted, but not before the original effective date. We are currently evaluating the accounting, transition and disclosure requirements of the standard and cannot currently estimate the financial statement impact of adoption.

In June 2014, the FASB issued guidance for accounting for share-based payments when the terms of an award provide that a performance target could be achieved after the requisite service period. The standard states that a performance target in a share-based payment that affects vesting and that could be achieved after the requisite service period should be accounted for as a performance condition. As such, the performance target should not be reflected in estimating the grant-date fair value of the award. We are required to adopt this standard in the first quarter of fiscal 2016 and early adoption is permitted. This standard is not expected to have an impact on our condensed consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements – Going Concern, Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern (Subtopic 205-40)*. ASU 2014-15 requires management to assess an entity’s ability to continue as a going concern by incorporating and expanding upon certain principles that are currently in U.S. auditing standards. Specifically, the ASU (i) provides a definition of the term substantial doubt, (ii) requires an evaluation every reporting period including interim periods, (iii) provides principles for considering the mitigating effect of management’s plans, (iv) requires certain disclosures when substantial doubt is alleviated as a result of consideration of management’s plans, (v) requires an express statement and other disclosures when substantial doubt is not alleviated and (vi) requires an assessment for a period of one year after the date that the financial statements are issued (or available to be issued). This standard is effective for fiscal years ending after December 15, 2016, and for annual and interim periods thereafter. Early application is permitted. We are currently evaluating the accounting, transition and disclosure requirements of the standard and cannot currently estimate the financial statement impact of adoption.

In April 2015, the FASB issued ASU No. 2015-03, *Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. The amendments in this ASU require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. We are required to adopt this standard in the first quarter of fiscal 2016 on a retrospective basis. The implementation of this standard will result in the reclassification of certain debt issuance costs from other assets to a reduction in the carrying amount of the related debt liability within the condensed consolidated balance sheets.

In July 2015, the FASB issued Accounting Standards Update (ASU) No. 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory*. The amendments in this ASU require that in-scope inventory should be measured at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The amendments do not apply

to inventory that is measured using last-in, first-out (LIFO) or the retail inventory method but applies to all other inventory, which include inventory that is measured using first-in, first-out (FIFO) or average cost. This standard is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. Early application is permitted. We are currently evaluating the accounting, transition and disclosure requirements of the standard and cannot currently estimate the financial statement impact of adoption.

We believe that the impact of other recently issued but not yet adopted accounting pronouncements will not have a material impact on condensed consolidated financial position, results of operations, and cash flows, or do not apply to our operations.

## **Results of Operations**

### ***Comparison of Three Months Ended June 30, 2015 and June 30, 2014***

*Product Revenue, net.* We recorded product revenue of \$17.7 million and \$12.6 million during the three months ended June 30, 2015 and 2014, respectively, an increase of \$5.1 million, or 40%. This increase in revenue was driven by an increase in estimated normalized total Vascepa prescriptions of approximately 66,000 and 64,000 based on data provided by Symphony Health

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Solutions and IMS Health, respectively, representing growth of 60% and 69%, respectively, over the three months ended June 30, 2014. The difference in the percentage of revenue growth as compared to the percentage of prescription growth is primarily due to the timing of wholesaler inventory purchases. All of our product revenue in the three months ended June 30, 2015 and 2014 was derived from product sales of Vascepa, net of allowances, discounts, incentives, rebates, chargebacks and returns. Through June 30, 2015, product returns of Vascepa were de minimis. Timing of shipments to wholesalers, as used for revenue recognition, and timing of prescriptions as estimated by third party sources such as Symphony Health Solutions and IMS Health may differ from period to period.

During the quarters ended June 30, 2015 and 2014, our net product revenue included an adjustment for co-pay mitigation rebates provided by us to commercially insured patients. Such rebates are intended to offset the differential for patients of Vascepa not covered by commercial insurers at the time of launch on Tier 2 for formulary purposes, resulting in higher co-pay amounts for such patients. Our cost for these co-payment mitigation rebates was up to \$75 per prescription filled prior to February 20, 2014 and up to \$70 per prescription filled after February 20, 2014. Since launch, certain third-party payors have added Vascepa to their Tier 2 coverage, which results in lower co-payments for patients covered by these third-party payors. In connection with such Tier 2 coverage, we have agreed to pay customary rebates to these third-party payors on the resale of Vascepa to patients covered by these third-party payors. As a result of expanded commercial coverage and improved formulary positioning, rebates provided for in 2015 will be higher than in prior periods resulting in a slight decrease in the net selling price of Vascepa.

As is typical for the pharmaceutical industry, the majority of Vascepa sales are to major commercial wholesalers which then resell Vascepa to retail pharmacies.

*Licensing Revenue.* Licensing revenue during the three months ended June 30, 2015 was zero. We did not record licensing revenue prior to 2015. Licensing revenue relates to the amortization of a \$15.0 million up-front payment received in February 2015 associated with a Vascepa licensing agreement for the China Territory. The up-front payment is being recognized over the estimated period in which we are required to provide regulatory and development support and clinical and commercial supply, which is currently anticipated to be a period of approximately 16 years. The amount of licensing revenue recorded may be variable from period to period based on changes in estimates of the timing and level of support required.

*Cost of Goods Sold.* Cost of goods sold during the three months ended June 30, 2015 and 2014 was \$6.4 million and \$5.0 million, respectively, an increase of \$1.4 million, or 28%. Cost of goods sold includes the cost of API for Vascepa on which revenue was recognized during the period, as well as the associated costs for encapsulation, packaging, shipment, supply management, insurance and quality assurance. The cost of the API included in cost of goods sold reflects the average cost of API included in inventory. This average cost reflects the actual purchase price of Vascepa API.

The API included in the calculation of the average cost of goods sold during the six months ended June 30, 2015 and 2014 was sourced from two API suppliers. The contracted cost of supply from our initial API supplier is higher than the contracted cost from our other API suppliers. In the future, we anticipate making continued purchases from this initial supplier and to make additional lower unit cost purchases of Vascepa API from other API suppliers. As of June 30, 2015, we classified all of our inventory as current. As a result of lower inventory balances on hand at the end of 2014 compared to the end of 2013 as well as anticipated increases in revenue during 2015 compared to 2014, we anticipate purchasing more API during 2015 than in 2014 with the amount of such purchases dependent on the rate of our revenue growth.

Our gross margin on product sales for the three months ended June 30, 2015 and 2014 was 64% and 60%, respectively. This improvement was primarily driven by lower unit cost API purchases. In addition, over time we

expect continued lower average unit cost purchases of API. We also expect that API costs will be lower in the future due to advantages derived from the mix of our suppliers. The average cost may be variable from period to period depending upon the timing and quantity of API purchased from each supplier.

*Selling, General and Administrative Expense.* Selling, general and administrative expense for the three months ended June 30, 2015 and 2014 was \$26.1 million and \$21.1 million, respectively, an increase of \$5.0 million, or 24%. Selling, general and administrative expenses for the three months ended June 30, 2015 and 2014 are summarized in the table below (in thousands):

	<b>Three Months Ended June 30,</b>	
	<b>2015</b>	<b>2014</b>
Selling, general and administrative expense (1)	\$ 23,680	\$ 19,486
Non-cash stock based compensation expense (2)	2,374	1,713
Non-cash warrant related compensation income		(105)
Total selling, general and administrative expense	\$ 26,054	\$ 21,094

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- (1) Selling, general and administrative expense, excluding non-cash compensation charges for stock compensation and warrants, for the three months ended June 30, 2015 and 2014 was \$23.7 million and \$19.5 million, respectively, an increase of \$4.2 million, or 22%. The increase is due primarily to higher legal costs associated with various on-going legal matters, which costs vary from period to period, and to co-promotion fees payable to Kowa Pharmaceuticals America, Inc. The co-promotion fees were \$1.7 million and \$0.3 million in the three months ended June 30, 2015 and 2014, respectively.
- (2) Stock-based compensation expense for the three months ended June 30, 2015 and 2014 was \$2.4 million and \$1.7 million, respectively, an increase of \$0.7 million, or 41%, primarily due to an increase in new stock option and restricted stock awards granted to attract and retain qualified employees.

We currently anticipate that with our existing indication for Vascepa, our selling, general and administrative costs will be higher during 2015 as compared to 2014 as a result of (i) higher legal costs, (ii) anticipated increases in the co-promotion fees earned by Kowa Pharmaceuticals America, Inc. based on anticipated increases in net product revenues and the terms of our co-promotion agreement with Kowa Pharmaceuticals America, Inc., and (iii) anticipated expanded programs later in 2015 to more broadly educate healthcare professionals about Vascepa, including certain data regarding the ANCHOR trial, based at least on guidance received from the FDA in conjunction with our First Amendment lawsuit.

*Research and Development Expense.* Research and development expense for the three months ended June 30, 2015 and 2014 was \$12.0 million and \$11.7 million, respectively, an increase of \$0.3 million, or 3%. Research and development expenses for the three months ended June 30, 2015 and 2014 are summarized in the table below (in thousands):

	<b>Three Months Ended June 30,</b>	
	<b>2015</b>	<b>2014</b>
REDUCE-IT study (1)	\$ 8,140	\$ 9,152
Regulatory filing fees and expenses (2)	441	355
Internal staffing, overhead and other (3)	2,586	1,539
Research and development expense, excluding non-cash expense	11,167	11,046
Non-cash stock-based compensation (4)	842	681
Total research and development expense	\$ 12,009	\$ 11,727

The increase in research and development expenses for the quarter ended June 30, 2015, as compared to the prior year period, is primarily due to an increase in internal staffing and other overhead costs primarily associated with progression of the REDUCE-IT study.

- (1) In December 2011, we announced commencement of patient dosing in our cardiovascular outcomes study of Vascepa, titled REDUCE-IT, which is designed to evaluate the efficacy of Vascepa in reducing major



cardiovascular events in a high-risk patient population on statin therapy. The study duration is dependent on the rate of clinical events in the study, which rate may be affected by the number of patients enrolled in the study, the epidemiology of the patients enrolled in the study, and the length of time that the enrolled patients are followed. We manage the study through a contract research organization (CRO) through which all costs for this outcomes study are incurred with the exception of costs for clinical trial material (CTM) and costs for internal management. Our internal personnel are responsible for managing multiple projects and their costs are not specifically allocated to REDUCE-IT or any other individual project. We currently have over 7,600 patients enrolled in REDUCE-IT. We estimate that we will complete patient enrollment in this study near the end of 2015. For the three months ended June 30, 2015 and 2014, we incurred expenses through our CRO in connection with this trial of approximately \$7.2 million and \$7.8 million, respectively. Inclusive of CTM costs, the combined CRO and CTM costs during the three months ended June 30, 2015 and 2014 for REDUCE-IT were approximately \$8.1 million and \$9.2 million, respectively. The decrease in expenses in 2015 as compared to 2014 is primarily the result of timing variability for REDUCE-IT costs. We expense costs for CTM upon receipt. The aggregate cost of this outcomes study will depend on the rate of clinical events in the study. We currently estimate that costs incurred for this study in 2015 will be slightly higher than levels we incurred in 2014 and may vary from quarter to quarter. Based on our current assumptions of CRO and CTM costs, we estimate that aggregate remaining costs to complete the REDUCE-IT study and evaluate its results to likely exceed \$100 million through study completion in 2017 and publication of results in 2018. Our aggregate remaining costs to complete the REDUCE-IT are estimated to be lower than \$100 million if the

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independent DMC recommends that REDUCE-IT be completed early based on its scheduled interim review of the efficacy and safety results of the study which review we estimate will occur in 2016 upon reaching 60% of the target aggregate number of cardiovascular events for the study. Amarin remains blinded to all data from the study and currently expects the study to be completed in 2017. We anticipate that our costs for this outcomes study will continue to represent the most significant component of our research and development expenditures.

- (2) The regulatory filing fees in each of the quarters ended June 30, 2015 and 2014 included annual FDA fees for maintaining manufacturing sites.
- (3) Internal staffing, overhead and other research and development expenses primarily relate to the costs of our personnel employed to manage research, development and regulatory affairs activities and related overhead costs including consulting and other professional fees that are not allocated to specific projects. Also included are costs related to qualifying suppliers and legal costs.
- (4) Non-cash stock-based compensation expense represents the costs associated with equity awards issued to internal staff supporting our research and development and regulatory functions.

We anticipate that our research and development costs will be slightly higher during 2015 as compared to 2014 and may be variable from quarter to quarter as a result of the timing of REDUCE-IT costs, and that such costs will decline modestly thereafter upon completion of enrollment for REDUCE-IT.

*(Loss) Gain on Change in Fair Value of Derivative Liabilities.* (Loss) gain on change in fair value of derivative liabilities for the three months ended June 30, 2015 was a loss of \$0.6 million versus a gain of \$3.0 million in the prior year period. (Loss) gain on change in fair value of derivative liabilities is comprised of (i) the change in fair value of the warrant derivative liability, (ii) the change in fair value of the derivative liability related to the change in control provision associated with the December 2012 BioPharma financing, (iii) the change in fair value of the derivative liability related to the change in control provision associated with the May 2014 exchangeable senior notes; and (iv) the change in fair value of the derivative liability related to the preferred stock purchase option.

The warrant derivative liability is related to the change in fair value of warrants issued in conjunction with the October 2009 private placement. In October 2009 we issued 36.1 million warrants at an exercise price of \$1.50 and recorded a \$48.3 million warrant derivative liability, representing the fair value of the warrants issued. As these warrants have been classified as a derivative liability, they are revalued at each reporting period, with changes in fair value recognized in the statement of operations. In October 2014, we and the holders of the remaining October 2009 warrants mutually agreed to extend the expiration date of such warrants from October 16, 2014 to February 27, 2015. Of the 8,087,388 warrants outstanding as of December 31, 2014, 1,844,585 warrants were exercised and the remaining 6,242,803 warrants expired on February 27, 2015. As such, no warrants were outstanding as of June 30, 2015 and no gain or loss was recognized for the three months ended June 30, 2015. The fair value of the warrant derivative liability as of March 31, 2014 was \$5.9 million and we recognized a \$1.3 million gain on change in fair value of derivative liability for the three months ended June 30, 2014. The change in fair value of the warrant derivative liability for the quarter ended June 30, 2014 is due primarily to the change in the price of our common stock on the date of valuation.

Our December 2012 financing agreement with BioPharma contains a redemption feature whereby, upon a change of control, we would be required to pay \$140 million, less any previously repaid amount, if the change of control occurs on or before December 31, 2013, or required to repay \$150 million, less any previously repaid amount, if the change of control event occurs after December 31, 2013. The fair value of the derivative liability is recalculated at each reporting period using a probability-weighted model incorporating management estimates for potential change in control, and by determining the fair value of the debt with and without the change in control provision included. The difference between the two fair values of the debt was determined to be the fair value of the embedded derivative. As of March 31, 2015, the fair value of the derivative was determined to be \$4.8 million, and as of June 30, 2015, the fair value of the derivative was determined to be \$5.6 million. As such, we recognized a \$0.8 million loss on change in fair value of derivative liability for the three months ended June 30, 2015. As of March 31, 2014, the fair value of the

derivative was determined to be \$7.6 million, and as of June 30, 2014, the fair value of the derivative was determined to be \$6.1 million. As such, we recognized a \$1.5 million gain on change in fair value of derivative liability for the three months ended June 30, 2014.

Our 2014 Notes, issued in May 2014, contain a redemption feature whereby, upon occurrence of a change in control, we would be required to repurchase the notes. The fair value of the embedded derivative was calculated using a probability-weighted model incorporating management estimates of the probability of a change in control occurring, and by determining the fair value of the debt with and without the change in control provision included. The difference between the two was determined to be the fair value of the embedded derivative. As of March 31, 2015, the fair value of the derivative was determined to be \$1.3 million, and as of June 30, 2015, the fair value of the derivative was determined to be \$1.1 million. As such, we recognized a \$0.2 million gain on change in fair value of derivative liability for the three months ended June 30, 2015. As of June 30, 2014, the fair value of the derivative was determined to be \$3.3 million and we recognized a \$0.2 million gain on change in fair value of derivative liability for the three months ended June 30, 2014.

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Any changes in the assumptions used to value the derivative liabilities could result in a material change to the carrying value of such liabilities.

*Gain on Extinguishment of Debt.* On May 15, 2014, we entered into separate, privately negotiated exchange agreements with certain holders of our exchangeable senior notes pursuant to which we exchanged \$118.7 million in aggregate principal amount of existing exchangeable senior notes for \$118.7 million in aggregate principal amount of new 3.50% exchangeable senior notes due 2032. The key changes in the terms of the new notes included moving the first put date from January 2017 to January 2019, adding an issuer conversion option whereby we can opt to convert the notes into equity should the Daily VWAP (as defined in the Indenture) exceed \$2.86 for a certain number of days and reducing the conversion price (see Note 6). As a result of the exchange, we assessed the value of the notes immediately prior to the exchange and immediately after the exchange and determined that the exchange resulted in a substantial modification of the terms of the notes resulting in an extinguishment of the original notes. We recorded a gain on extinguishment of the original notes of \$38.0 million in the three months ended June 30, 2014. There was no such gain in the three months ended June 30, 2015.

*Interest Expense, net.* Net interest expense for the three months ended June 30, 2015 and 2014 was \$4.8 million and \$4.3 million, respectively, an increase of \$0.5 million, or 12%. Net interest expense for the three months ended June 30, 2015 and 2014 is summarized in the table below (in thousands):

	<b>Three Months Ended June 30,</b>	
	<b>2015</b>	<b>2014</b>
Exchangeable senior notes (1):		
Amortization of debt discounts	\$ 1,550	\$ 647
Contractual coupon interest	1,313	1,313
Total exchangeable senior notes interest expense	2,863	1,960
Long-term debt BioPharma financing (2):		
Cash interest current	1,547	1,260
Cash interest deferred		625
Non-cash interest	440	493
Total long-term debt interest expense	1,987	2,378
Other interest expense	5	
Total interest expense	4,855	4,338
Interest income (3)	(48)	(42)
Total interest expense, net	\$ 4,807	\$ 4,296

- (1) Cash and non-cash interest expense related to the exchangeable senior notes for the three months ended June 30, 2015 and 2014 was \$2.9 million and \$2.0 million, respectively.
- (2) Cash and non-cash interest expenses related to the BioPharma financing for the three months ended June 30, 2015 and 2014 were \$2.0 million and \$2.4 million, respectively. These amounts reflect the assumption that our

Vascepa revenue levels will not be high enough to support repayment to BioPharma in accordance with the repayment schedule without the optional reduction which is allowed to be elected by us if the threshold revenue levels are not achieved. To date, our revenues have been below the contractual threshold amount each quarter such that each payment reflects the calculated optional reduction amount as opposed to the contractual threshold payments for each quarterly period.

- (3) Interest income for the three months ended June 30, 2015 and 2014 was \$0.05 million and \$0.04 million, respectively. Interest income represents income earned on cash balances.

*Other Income (Expense), net.* Other income (expense), net, for the three months ended June 30, 2015 was income of \$0.1 million versus income of \$4.2 million in the prior year period. Other income (expense), net, in the three months ended June 30, 2015 primarily consists of losses and gains on foreign exchange transactions. Other income (expense), net in the three months ended June 30, 2014 primarily consists of \$4.1 million received in the second quarter of 2014 with respect to settlement agreements with one of our suppliers and one of our encapsulators that provided for the reimbursement of certain amounts previously paid by us.

*Benefit from (Provision for) Income Taxes.* Benefit from (provision for) income taxes for the three months ended June 30, 2015 was a \$0.5 million benefit versus a \$0.4 million provision in the prior year period. The current benefit (provision) relates entirely to the U.S. subsidiary operations. We are profitable in the United States as a result of intercompany transactions between our U.S. subsidiary and our other companies.

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*Product Revenue, net.* We recorded product revenue of \$33.3 million and \$23.6 million during the six months ended June 30, 2015 and 2014, respectively, an increase of \$9.7 million, or 41%. This increase in revenue was driven by an increase in estimated normalized total Vascepa prescriptions of approximately 127,000 and 123,000 based on data provided by Symphony Health Solutions and IMS Health, respectively, representing growth of 63% and 72%, respectively, over the six months ended June 30, 2014. The difference in the percentage of revenue growth as compared to the percentage of prescription growth is primarily due to the timing of wholesaler inventory purchases and a change in revenue recognition methodology in 2014 as described below. All of our product revenue in the six months ended June 30, 2015 and 2014 was derived from product sales of Vascepa, net of allowances, discounts, incentives, rebates, chargebacks and returns. In accordance with GAAP, prior to 2014, product revenue was recognized based on the resale of Vascepa for the purposes of filling patient prescriptions and not based on sales to our Distributors. During the three months ended March 31, 2014, we concluded that we had developed sufficient history such that we can reliably estimate returns and, as a result, began to recognize product revenue based on sales to our Distributors. Through June 30, 2015, product returns of Vascepa were de minimis. Timing of shipments to wholesalers, as used for revenue recognition, and timing of prescriptions as estimated by third party sources such as Symphony Health Solutions and IMS Health may differ from period to period.

During the six months ended June 30, 2015 and 2014, our net product revenue included an adjustment for co-pay mitigation rebates provided by us to commercially insured patients. Such rebates are intended to offset the differential for patients of Vascepa not covered by commercial insurers at the time of launch on Tier 2 for formulary purposes, resulting in higher co-pay amounts for such patients. Our cost for these co-payment mitigation rebates was up to \$75 per prescription filled prior to February 20, 2014 and up to \$70 per prescription filled after February 20, 2014. Since launch, certain third-party payors have added Vascepa to their Tier 2 coverage, which results in lower co-payments for patients covered by these third-party payors. In connection with such Tier 2 coverage, we have agreed to pay customary rebates to these third-party payors on the resale of Vascepa to patients covered by these third-party payors. As a result of expanded commercial coverage and improved formulary positioning, rebates provided for in 2015 will be higher than in prior periods resulting in a slight decrease in the net selling price of Vascepa.

As is typical for the pharmaceutical industry, the majority of Vascepa sales are to major commercial wholesalers which then resell Vascepa to retail pharmacies.

*Licensing Revenue.* Licensing revenue during the six months ended June 30, 2015 was \$0.4 million. We did not record licensing revenue prior to 2015. The licensing revenue relates to the amortization of a \$15.0 million up-front payment received in February 2015 associated with a Vascepa licensing agreement for the China Territory. The up-front payment is being recognized over the estimated period in which we are required to provide regulatory and development support and clinical and commercial supply, which is currently anticipated to be a period of approximately 16 years. The amount of licensing revenue recorded may be variable from period to period based on changes in estimates of the timing and level of support required.

*Cost of Goods Sold.* Cost of goods sold during the six months ended June 30, 2015 and 2014 was \$12.0 million and \$9.3 million, respectively, an increase of \$2.7 million, or 29%. Cost of goods sold includes the cost of API for Vascepa on which revenue was recognized during the period, as well as the associated costs for encapsulation, packaging, shipment, supply management, insurance and quality assurance. The cost of the API included in cost of goods sold reflects the average cost of API included in inventory. This average cost reflects the actual purchase price of Vascepa API.

The API included in the calculation of the average cost of goods sold for the six months ended June 30, 2015 and 2014 was sourced from two API suppliers. The contracted cost of supply from our initial API supplier was higher than the contracted cost from our other API suppliers. In the future, we anticipate making continued purchases from this initial supplier and to make additional lower unit cost purchases of Vascepa API from other API suppliers. As of June 30, 2015, we classified all of our inventory as current. As a result of lower inventory balances on hand at the end of 2014 compared to the end of 2013 as well as anticipated increases in revenue during 2015 compared to 2014, we anticipate purchasing more API during 2015 than in 2014 with the amount of such purchases dependent on the rate of our revenue growth.

Our gross margin on product sales for the six months ended June 30, 2015 and 2014 was 64% and 61%, respectively. This improvement was primarily driven by lower unit cost API purchases. In addition, over time we expect continued lower average unit cost purchases of API. We also expect that API costs will be lower in the future due to advantages derived from the mix of our suppliers. The average cost may be variable from period to period depending upon the timing and quantity of API purchased from each supplier.

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*Selling, General and Administrative Expense.* Selling, general and administrative expense for the six months ended June 30, 2015 and 2014 was \$50.8 million and \$41.7 million, respectively, an increase of \$9.1 million, or 22%. Selling, general and administrative expenses for the six months ended June 30, 2015 and 2014 are summarized in the table below (in thousands):

	<b>Six Months Ended June 30,</b>	
	<b>2015</b>	<b>2014</b>
Selling, general and administrative expense (1)	\$ 46,199	\$ 38,824
Non-cash stock based compensation expense (2)	4,605	3,032
Non-cash warrant related compensation income	(9)	(177)
Total selling, general and administrative expense	\$ 50,795	\$ 41,679

- (1) Selling, general and administrative expense, excluding non-cash compensation charges for stock compensation and warrants, for the six months ended June 30, 2015 and 2014 was \$46.2 million and \$38.8 million, respectively, an increase of \$7.4 million, or 19%. The increase is due primarily to higher legal costs associated with various on-going legal matters, which costs vary from period to period, and to co-promotion fees payable to Kowa Pharmaceuticals America, Inc. The co-promotion fees were \$3.2 million and \$0.3 million in the six months ended June 30, 2015 and 2014, respectively.
- (2) Stock-based compensation expense for the six months ended June 30, 2015 and 2014 was \$4.6 million and \$3.0 million, respectively, an increase of \$1.6 million, or 53%, primarily due to an increase in new stock option and restricted stock awards granted to attract and retain qualified employees.

We currently anticipate that with our existing indication for Vascepa, our selling, general and administrative costs will be higher during 2015 as compared to 2014 as a result of (i) higher legal costs, (ii) anticipated increases in the co-promotion fees earned by Kowa Pharmaceuticals America, Inc. based on anticipated increases in net product revenues and the terms of our co-promotion agreement with Kowa Pharmaceuticals America, Inc., and (iii) anticipated expanded programs later in 2015 to more broadly educate healthcare professionals about Vascepa, including certain data regarding the ANCHOR trial, based at least on guidance received from the FDA in conjunction with our First Amendment lawsuit.

*Research and Development Expense.* Research and development expense for the six months ended June 30, 2015 and 2014 was \$24.6 million and \$23.4 million, respectively, an increase of \$1.2 million, or 5%. Research and development expenses for the six months ended June 30, 2015 and 2014 are summarized in the table below (in thousands):

	<b>Six Months Ended June 30,</b>	
	<b>2015</b>	<b>2014</b>
REDUCE-IT study (1)	\$ 16,560	\$ 16,656
Regulatory filing fees and expenses (2)	856	998
Internal staffing, overhead and other (3)	5,554	4,461



Research and development expense, excluding non-cash expense	22,970	22,115
Non-cash stock-based compensation (4)	1,653	1,319
Total research and development expense	\$ 24,623	\$ 23,434

The increase in research and development expenses for the six months ended June 30, 2015, as compared to the prior year period, is primarily due to an increase in internal staffing and other overhead costs primarily associated with progression of the REDUCE-IT study.

- (1) In December 2011, we announced commencement of patient dosing in our cardiovascular outcomes study of Vascepa, titled REDUCE-IT, which is designed to evaluate the efficacy of Vascepa in reducing major cardiovascular events in a high-risk patient population on statin therapy. The study duration is dependent on the rate of clinical events in the study, which rate may be affected by the number of patients enrolled in the study, the epidemiology of the patients enrolled in the study, and the length of time that the enrolled patients are followed. We manage the study through a CRO through which all costs for this outcomes study are incurred with the exception of costs for CTM and costs for internal management. Our internal personnel are responsible for managing multiple projects and their costs are not specifically allocated to REDUCE-IT or any other individual project. We currently have over 7,600 patients enrolled in REDUCE-IT. We estimate that we will complete patient enrollment in this study near the end of 2015. For the six months ended June 30, 2015 and 2014, we incurred expenses through our CRO in connection with this trial of approximately \$13.8 million and \$12.9 million, respectively. Inclusive of CTM costs, the combined

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CRO and CTM costs during the six months ended June 30, 2015 and 2014 for REDUCE-IT were approximately \$16.6 million and \$16.7 million, respectively. The decrease in expenses in 2015 as compared to 2014 is primarily the result of timing variability for REDUCE-IT costs. We expense costs for CTM upon receipt. The aggregate cost of this outcomes study will depend on the rate of clinical events in the study. We currently estimate that costs incurred for this study in 2015 will be slightly higher than levels we incurred in 2014 and may vary from quarter to quarter. Based on our current assumptions of CRO and CTM costs, we estimate that aggregate remaining costs to complete the REDUCE-IT study and evaluate its results to likely exceed \$100 million through study completion in 2017 and publication of results in 2018. Our aggregate remaining costs to complete the REDUCE-IT are estimated to be lower than \$100 million if the independent DMC recommends that REDUCE-IT be completed early based on its scheduled interim review of the efficacy and safety results of the study which review we estimate will occur in 2016 upon reaching 60% of the target aggregate number of cardiovascular events for the study. Amarin remains blinded to all data from the study and currently expects the study to be completed in 2017. We anticipate that our costs for this outcomes study will continue to represent the most significant component of our research and development expenditures.

- (2) The regulatory filing fees in each of the six months ended June 30, 2015 and 2014 included annual FDA fees for maintaining manufacturing sites.
- (3) Internal staffing, overhead and other research and development expenses primarily relate to the costs of our personnel employed to manage research, development and regulatory affairs activities and related overhead costs including consulting and other professional fees that are not allocated to specific projects. Also included are costs related to qualifying suppliers and legal costs.
- (4) Non-cash stock-based compensation expense represents the costs associated with equity awards issued to internal staff supporting our research and development and regulatory functions.

We anticipate that our research and development costs will be slightly higher during 2015 as compared to 2014 and may be variable from quarter to quarter as a result of the timing of REDUCE-IT costs, and that such costs will decline modestly thereafter upon completion of enrollment for REDUCE-IT.

*(Loss) Gain on Change in Fair Value of Derivative Liabilities.* (Loss) gain on change in fair value of derivative liabilities for the six months ended June 30, 2015 was a loss of \$0.1 million versus a gain of \$7.4 million in the prior year period. (Loss) gain on change in fair value of derivative liabilities is comprised of (i) the change in fair value of the warrant derivative liability, (ii) the change in fair value of the derivative liability related to the change in control provision associated with the December 2012 BioPharma financing, (iii) the change in fair value of the derivative liability related to the change in control provision associated with the May 2014 exchangeable senior notes; and (iv) the change in fair value of the derivative liability related to the preferred stock purchase option.

The warrant derivative liability is related to the change in fair value of warrants issued in conjunction with the October 2009 private placement. In October 2009 we issued 36.1 million warrants at an exercise price of \$1.50 and recorded a \$48.3 million warrant derivative liability, representing the fair value of the warrants issued. As these warrants have been classified as a derivative liability, they are revalued at each reporting period, with changes in fair value recognized in the statement of operations. The fair value of the warrant derivative liability as of December 31, 2014 was \$0.1 million and we recognized a \$0.1 million gain on change in fair value of derivative liability for the six months ended June 30, 2015 for these warrants. The fair value of the warrant derivative liability as of December 31, 2013 was \$6.9 million and we recognized a \$2.2 million gain on change in fair value of derivative liability for the six months ended June 30, 2014. The change in fair value of the warrant derivative liability for the six months ended June 30, 2015 is due to the expiration of the warrants and the resulting extinguishment of the liability, while the change in fair value for the six months ended June 30, 2014 is due primarily to the change in the price of our common stock on the date of valuation. In October 2014, we and the holders of the remaining October 2009 warrants mutually agreed to extend the expiration date of such warrants from October 16, 2014 to February 27, 2015. Of the 8,087,388 warrants outstanding as of December 31, 2014, 1,844,585 warrants were exercised and the remaining 6,242,803

warrants expired on February 27, 2015. As such, no warrants were outstanding as of June 30, 2015.

Our December 2012 financing agreement with BioPharma contains a redemption feature whereby, upon a change of control, we would be required to pay \$140 million, less any previously repaid amount, if the change of control occurs on or before December 31, 2013, or required to repay \$150 million, less any previously repaid amount, if the change of control event occurs after December 31, 2013. The fair value of the derivative liability is recalculated at each reporting period using a probability-weighted model incorporating management estimates for potential change in control, and by determining the fair value of the debt with and without the change in control provision included. The difference between the two fair values of the debt was determined to be the fair value of the embedded derivative. As of December 31, 2014, the fair value of the derivative was determined to be \$4.8 million, and as of June 30, 2015, the fair value of the derivative was determined to be \$5.6 million. As such, we recognized a \$0.8 million loss on change in fair value of derivative liability for the six months ended June 30, 2015. As of December 31, 2013, the fair value of the derivative was determined to be \$11.1 million, and as of June 30, 2014, the fair value of the derivative was determined to be \$6.1 million. As such, we recognized a \$5.0 million gain on change in fair value of derivative liability for the six months ended June 30, 2014.

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Our 2014 Notes, issued in May 2014, contain a redemption feature whereby, upon occurrence of a change in control, we would be required to repurchase the notes. The fair value of the embedded derivative was calculated using a probability-weighted model incorporating management estimates of the probability of a change in control occurring, and by determining the fair value of the debt with and without the change in control provision included. The difference between the two was determined to be the fair value of the embedded derivative. As of December 31, 2014, the fair value of the derivative was determined to be \$2.6 million, and as of June 30, 2015, the fair value of the derivative was determined to be \$1.1 million. As such, we recognized a \$1.5 million gain on change in fair value of derivative liability for the six months ended June 30, 2015. As of June 30, 2014, the fair value of the derivative was determined to be \$3.3 million. We recognized a \$0.2 million gain on change in fair value of derivative liability for the six months ended June 30, 2014.

In connection with the closing of a private placement transaction in March 2015, we recorded a derivative liability pursuant to a pre-existing contractual right. This preferred stock purchase option was determined to be a derivative liability effective March 5, 2015, the date in which the private placement was initially subscribed. The fair value of this liability was calculated using a Black-Scholes model and was determined to be \$0.9 million at inception and was charged to accumulated deficit as a deemed non-cash dividend. The liability was then marked to fair value through March 30, 2015, the date on which we executed a subscription agreement with the investor, resulting in a charge of \$0.9 million through (loss) gain on change in fair value of derivatives in the six months ended June 30, 2015. The liability was reclassified to permanent equity on such date.

Any changes in the assumptions used to value the derivative liabilities could result in a material change to the carrying value of such liabilities.

*Gain on Extinguishment of Debt.* On May 15, 2014, we entered into separate, privately negotiated exchange agreements with certain holders of our exchangeable senior notes pursuant to which we exchanged \$118.7 million in aggregate principal amount of existing exchangeable senior notes for \$118.7 million in aggregate principal amount of new 3.50% exchangeable senior notes due 2032. The key changes in the terms of the new notes included moving the first put date from January 2017 to January 2019, adding an issuer conversion option whereby we can opt to convert the notes into equity should the Daily VWAP (as defined in the Indenture) exceed \$2.86 for a certain number of days and reducing the conversion price (see Note 6). As a result of the exchange, we assessed the value of the notes immediately prior to the exchange and immediately after the exchange and determined that the exchange resulted in a substantial modification of the terms of the notes resulting in an extinguishment of the original notes. We recorded a gain on extinguishment of the original notes of \$38.0 million in the six months ended June 30, 2014. There was no such gain in the six months ended June 30, 2015.

*Interest Expense, net.* Net interest expense for the six months ended June 30, 2015 and 2014 was \$9.7 million and \$8.7 million, respectively, an increase of \$1.0 million, or 11%. Net interest expense for the six months ended June 30, 2015 and 2014 is summarized in the table below (in thousands):

	<b>Six Months Ended June 30,</b>	
	<b>2015</b>	<b>2014</b>
Exchangeable senior notes (1):		
Amortization of debt discounts	\$ 3,002	\$ 1,330
Contractual coupon interest	2,625	2,625

Total exchangeable senior notes interest expense	5,627	3,955
Long-term debt BioPharma financing (2):		
Cash interest current	3,103	2,357
Cash interest deferred		