AMARIN CORP PLC\UK
Form 10-Q
November 01, 2017

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 September 30, 2017

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	Not applicable
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

2 Pembroke House, Upper Pembroke Street 28-32	Dublin 2, Ireland
(Address of Principal Executive Offices)	(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, a smaller reporting company or an emerging growth company. See the definitions of “large accelerated filer,” accelerated filer,” “smaller reporting company,” and “emerging growth 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
Emerging growth company		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

270,879,464 common shares were outstanding as of October 31, 2017, including 270,509,836 shares held as American Depositary Shares (ADSs), each representing one Ordinary Share, 50 pence par value per share and 369,628 Ordinary Shares. In addition, 32,818,464 ordinary share equivalents were issuable in exchange for outstanding preferred shares as of October 31, 2017, for a total of 303,697,928 ordinary shares and ordinary share equivalents outstanding as of October 31, 2017.

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PART I

AMARIN CORPORATION PLC

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited, in thousands, except share amounts)

	September 30, 2017	December 31, 2016
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 79,086	$ 98,251
Restricted cash	600	600
Accounts receivable, net	34,610	19,985
Inventory	28,550	20,507
Prepaid and other current assets	4,185	6,983
Total current assets	147,031	146,326
Property, plant and equipment, net	39	78
Deferred tax assets	11,082	11,082
Other long-term assets	174	741
Intangible asset, net	8,287	8,772
TOTAL ASSETS	$ 166,613	$ 166,999
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities:		
Accounts payable	$ 15,805	$ 6,062
Accrued expenses and other current liabilities	51,627	37,720
Current portion of exchangeable senior notes, net of discount	219	15,351
Current portion of long-term debt from royalty-bearing instrument	20,197	15,944
Deferred revenue, current	2,222	1,172
Total current liabilities	90,070	76,249
Long-Term Liabilities:		
Exchangeable senior notes, net of discount	28,938	—
Long-term debt from royalty-bearing instrument	75,559	85,155
Deferred revenue, long-term	16,997	13,943
Other long-term liabilities	1,158	710
Total liabilities	212,722	176,057
Commitments and contingencies (Note 6)		
Stockholders' Deficit:		
Series A Convertible Preferred Stock, £0.05 par, unlimited authorized; 328,184,640 shares issued and outstanding as of September 30, 2017 and December 31, 2016 (equivalent to 32,818,464 ordinary shares upon future consolidation and redesignation at a 10:1 ratio)	24,364	24,364
Common stock, £0.50 par, unlimited authorized; 272,530,645 issued, 270,877,229 outstanding as of September 30, 2017; 270,183,201 issued, 269,363,696 outstanding	208,642	207,166

as of December 31, 2016		
Additional paid-in capital	974,343	964,914
Treasury stock; 1,653,416 shares as of September 30, 2017; 819,505 shares as of December 31, 2016	(4,054)	(1,498)
Accumulated deficit	(1,249,404)	(1,204,004)
Total stockholders' deficit	(46,109)	(9,058)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 166,613	$ 166,999

See notes to condensed consolidated financial statements.

AMARIN CORPORATION PLC

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited, in thousands, except per share amounts)

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Product revenue, net	$47,051	$32,441	$126,343	$90,563
Licensing revenue	309	293	895	825
Total revenue, net	47,360	32,734	127,238	91,388
Less: Cost of goods sold	11,921	8,451	31,520	24,208
Gross margin	35,439	24,283	95,718	67,180
Operating expenses:				
Selling, general and administrative	33,194	26,061	98,910	80,147
Research and development	10,694	13,490	35,211	39,798
Total operating expenses	43,888	39,551	134,121	119,945
Operating loss	(8,449)	(15,268)	(38,403)	(52,765)
Gain on change in fair value of derivative liabilities	—	3,610	—	8,170
Interest expense, net	(2,401)	(5,051)	(7,097)	(16,253)
Other income (expense), net	25	(78)	100	(381)
Loss from operations before taxes	(10,825)	(16,787)	(45,400)	(61,229)
Benefit from income taxes	—	1,015	—	2,332
Net loss	$(10,825)	$(15,772)	$(45,400)	$(58,897)
Loss per share:				
Basic	$(0.04)	$(0.08)	$(0.17)	$(0.31)
Diluted	$(0.04)	$(0.08)	$(0.17)	$(0.31)
Weighted average shares:				
Basic	270,803	209,149	270,566	192,618
Diluted	270,803	209,149	270,566	192,618

See notes to condensed consolidated financial statements.

AMARIN CORPORATION PLC

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' DEFICIT

(Unaudited, in thousands, except share amounts)

	Preferred Shares	Common Shares	Treasury Shares	Preferred Stock	Common Stock	Additional Paid-in Capital	Treasury Stock	Accumulated Deficit	Total
December 31, 2016	328,184,640	270,183,201	(819,505)	$24,364	$207,166	$964,914	$(1,498)	$(1,204,004)	$(9,058)
Exercise of stock options	—	259,195	—	—	164	287	—	—	451
Vesting of restricted stock units	—	2,088,249	(833,911)	—	1,312	(1,349)	(2,556)	—	(2,593)
Stock-based compensation	—	—	—	—	—	10,491	—	—	10,491
Loss for the period	—	—	—	—	—	—	—	(45,400)	(45,400)
September 30, 2017	328,184,640	272,530,645	(1,653,416)	$24,364	$208,642	$974,343	$(4,054)	$(1,249,404)	$(46,109)

See notes to condensed consolidated financial statements.

AMARIN CORPORATION PLC

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited, in thousands)

	Nine months ended September 30,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(45,400)	$(58,897)
Adjustments to reconcile loss to net cash used in operating activities:		
Depreciation and amortization	51	114
Loss on sale of fixed assets	—	48
Stock-based compensation	10,471	10,376
Amortization of debt discount and debt issuance costs	1,736	7,246
Amortization of intangible asset	485	484
Gain on change in fair value of derivative liabilities	—	(8,170)
Deferred income taxes	—	(3,134)
Changes in assets and liabilities:		
Accounts receivable, net	(14,625)	(3,678)
Inventory	(8,043)	(788)
Prepaid and other current assets	5,298	(2,589)
Other long-term assets	567	(508)
Accrued interest payable	(6,959)	(4,730)
Deferred revenue	1,604	1,177
Accounts payable and other current liabilities	23,670	10,149
Other long-term liabilities	448	396
Net cash used in operating activities	(30,697)	(52,504)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of equipment	(12)	(21)
Net cash used in investing activities	(12)	(21)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of exchangeable debt	30,000	—
Payment of debt issuance costs	(1,207)	—
Proceeds from issuance of common stock, net of transaction costs	—	64,614
Proceeds from exercise of stock options, net of transaction costs	451	136
Repurchase of exchangeable senior notes	(15,107)	—
Transaction costs related to exchange of exchangeable senior notes	—	(678)
Taxes paid related to stock-based awards	(2,593)	(946)
Net cash provided by financing activities	11,544	63,126
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(19,165)	10,601
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	98,251	106,961
CASH AND CASH EQUIVALENTS, END OF PERIOD	$79,086	$117,562
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest	$12,536	$13,839
Income taxes	$1,186	$1,093
Supplemental disclosure of non-cash transactions:		

Exchange of exchangeable senior notes into common stock	$—	$128,115

See notes to condensed consolidated financial statements.

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. In January 2013, the Company began selling and marketing 1-gram size Vascepa capsules in the United States, and in October 2016, introduced a smaller 500-mg capsule size. In August 2015, in addition to marketing Vascepa for severe hypertriglyceridemia, the Company commenced marketing Vascepa for use in adult patients with mixed dyslipidemia, as an adjunct to diet and an add-on to statin therapy in patients who despite statin therapy have high triglycerides (TGs >200 mg/dL and <500 mg/dL), which the Company also refers to as persistently high triglycerides. This expanded promotion of Vascepa commenced pursuant to a federal court order and is continuing pursuant to an agreement among the Company, the FDA and the U.S. government.

The Company is also developing Vascepa for FDA approval of 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, which commenced in 2011 and completed patient enrollment and randomization of 8,175 individual patients in 2016, is designed to evaluate the efficacy of Vascepa in reducing major cardiovascular events in a high-risk patient population on statin therapy. The Company anticipates that results of the REDUCE-IT study will be available and made public before the end of the third quarter of 2018.

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 or its customers, that in turn resell Vascepa to retail pharmacies for subsequent resale to patients and healthcare providers. The Company markets Vascepa through its direct sales force of approximately 150 sales professionals, including sales representatives and their managers, and through a co-promotion agreement with Kowa Pharmaceuticals America, Inc. Under this co-promotion agreement, which commenced in May 2014 and is scheduled to end in December 2018, Kowa Pharmaceuticals America, Inc. co-promotes Vascepa in conjunction with its promotion of its primary product, a branded statin for patients with high cholesterol. The Company operates in one business segment.

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, 2016, or the 2016 Form 10-K, filed with the SEC. The

balance sheet amounts at December 31, 2016 in this report were derived from the Company's audited 2016 consolidated financial statements included in the 2016 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 at 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 nine months ended September 30, 2017 and 2016 are not necessarily indicative of the results for the entire fiscal year or any future period. Certain numbers presented throughout this document may not add precisely to the totals provided due to rounding. Absolute and percentage changes are calculated using the underlying amounts in thousands.

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.

As of September 30, 2017, the Company had cash and cash equivalents of $79.1 million. The Company's condensed consolidated balance sheets also include long-term debt from royalty-bearing instrument and exchangeable senior notes. In January 2017, the Company issued $30.0 million in aggregate principal amount of January 2017 3.5% exchangeable senior notes due 2047, or the 2017 Notes. The terms of the 2017 Notes are such that they may be redeemed by the Company for cash on or after January 19, 2021 and may be put back to the Company by the holders on January 19, 2022 for cash equal to 100% of the principal amount plus any accrued and unpaid interest. The 2017 Notes are exchangeable into ADSs at the option of holders at any time after issuance and prior to maturity and are exchangeable into ADSs at the option of the Company upon satisfaction of certain equity conditions. Accordingly, the exchangeable senior notes do not represent a short-term claim on the liquid assets of the Company as of September 30, 2017. The terms of the Company's January 2012 3.5% exchangeable senior notes due 2032, or the 2012 Notes, which were repaid in full during the first quarter of 2017, allowed for repurchase in cash by the Company at the option of the holders on January 19, 2017, as well as redemption by the Company for cash of all or part of the 2012 Notes on or after January 19, 2017, both at a price equal to 100% of the principal amount of the 2012 Notes to be repurchased or redeemed, plus accrued and unpaid interest to, but excluding, the repurchase or redemption date. Accordingly, $15.1 million in principal amount of 2012 Notes represented a short-term claim on the liquid assets of the Company as of December 31, 2016.

The Company believes its cash and cash equivalents will be sufficient to fund its projected operations through the results of the REDUCE-IT study, which we anticipate will be available before the end of the third quarter of 2018. Depending on the level of cash generated from operations, additional capital may be required to sustain operations, fund debt obligations or expand promotion of Vascepa as contemplated following anticipated successful results of the REDUCE-IT study. The Company anticipates that quarterly net cash outflows in future periods will be variable.

(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; probabilities of achievement of performance conditions for certain equity awards; 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, evaluating the need for valuation allowances for deferred tax assets, and assessing the Company's ability to continue as a going concern. 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 or its customers, that in turn resell Vascepa to retail pharmacies for subsequent resale to patients and healthcare 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 has contracts with its primary Distributors and delivery generally 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. In order to conclude that the price is fixed or determinable, the Company must be able to (i) calculate its gross product revenues from the sales to Distributors and (ii) reasonably estimate its net product revenues. The Company calculates gross product revenues generally 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 prompt payment while the fees for distribution services are based on contractual rates agreed with the respective Distributors. Based on 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. 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.

The following tables summarize activity in each of the net product revenue allowance and reserve categories described above for the nine months ended September 30, 2017 and 2016:

In thousands	Trade Allowances	Rebates, Chargebacks and Discounts	Product Returns	Other Incentives	Total
Balance as of December 31, 2016	$ 3,743	$ 20,915	$ 859	$ 1,681	$ 27,198
Provision related to current period sales	24,780	87,499	1,496	10,796	124,571
Provision related to prior period sales	(297)	(841)	—	(82)	(1,220)
Credits/payments made for current period sales	(11,061)	(62,014)	(391)	(8,834)	(82,300)
Credits/payments made for prior period sales	(3,107)	(16,722)	(24)	(1,770)	(21,623)
Balance as of September 30, 2017	$ 14,058	$ 28,837	$ 1,940	$ 1,791	$ 46,626

In thousands	Trade Allowances	Rebates, Chargebacks and Discounts	Product Returns	Other Incentives	Total
Balance as of December 31, 2015	$ 4,296	$ 9,881	$ 535	$ 1,084	$ 15,796
Provision related to current period sales	15,823	46,553	403	8,539	71,318
Provision related to prior period sales	(87)	(402)	—	—	(489)
Credits/payments made for current period sales	(11,086)	(22,236)	—	(6,788)	(40,110)
Credits/payments made for prior period sales	(4,180)	(8,492)	(247)	(1,284)	(14,203)
Balance as of September 30, 2016	$ 4,766	$ 25,304	$ 691	$ 1,551	$ 32,312

Such net product revenue allowances and reserves are included within accrued expenses and other current liabilities within the condensed consolidated balance sheets, with the exception of trade allowances and chargebacks, which are included within accounts receivable, net as discussed below.

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 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.

See Note 9—Development, Commercialization and Supply Agreements for further information regarding licensing revenue and milestones primarily related to the Company's multiple-element arrangement with Eddingpharm (Asia) Macao Commercial Offshore Limited.

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 and Restricted Cash

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 recognizes an allowance for losses on accounts receivable in an amount equal to the estimated probable losses net of any recoveries. The allowance is based primarily on assessment of specific identifiable customer accounts considered at risk or uncollectible, as well as an analysis of current receivables aging and expected future write-offs. The expense associated with the allowance for doubtful accounts is recognized as selling, general, and administrative expense. The Company 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 September 30, 2017 and December 31, 2016:

In thousands	September 30, 2017	December 31, 2016
Gross trade accounts receivable	$ 49,054	$ 24,127
Trade allowances	(14,058)	(3,743)
Chargebacks	(374)	(387)
Allowance for doubtful accounts	(12)	(12)
Accounts receivable, net	$ 34,610	$ 19,985

Inventory

The Company states inventories at the lower of cost or net realizable value. Cost is determined based on actual cost using the average cost method. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. An allowance is established when

management determines that certain inventories may not be saleable. If inventory cost exceeds expected net realizable value due to obsolescence, damage or quantities in excess of expected demand, changes in price levels or other causes, the Company will reduce the carrying value of such inventory to net realizable value and recognize the difference as a component of cost of goods sold in the period in which it occurs. The Company capitalizes inventory purchases of saleable product from approved suppliers while inventory purchases from suppliers prior to regulatory approval are included as a component of research and development expense. The Company expenses inventory identified for use as marketing samples when they are packaged. The average cost reflects the actual purchase price of Vascepa active pharmaceutical ingredient, or 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:

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

Upon retirement or sale of assets, the cost of the assets disposed and the related accumulated depreciation are removed from the condensed consolidated 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 asset, net consists 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 6—Commitments and Contingencies for further information regarding other obligations related to the acquisition of Laxdale Limited.

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 salaries and benefits, stock-based compensation expense, and costs of 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 as well as co-promotion fees accrued under the agreement with 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.

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 its ability to realize deferred tax assets. Changes in historical earnings performance, future earnings projections, and changes in tax laws and tax rates, 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.

Excess tax benefits and deficiencies that arise upon vesting or exercise of share-based payments are recognized as an income tax benefit and expense, respectively, in the condensed consolidated statement of operations. Excess income tax benefits and deficiencies are classified in cash flows from operating activities and cash paid to taxing authorities arising from the withholding of shares from employees are classified as cash flows from financing activities.

The Company's and its subsidiaries' income tax returns are periodically examined by various tax authorities. The Company is currently undergoing federal and state tax audits, including audit by the United States Internal Revenue Service (IRS) for the years 2013 to 2014. Although the outcome of tax audits is always uncertain and could result in significant cash tax payments, the Company does not believe the outcome of these audits will have a material adverse effect on its consolidated financial position or results of operations.

Derivative Instruments

Derivative financial liabilities are recorded at fair value, with gains and losses arising for changes in fair value recognized in the condensed consolidated 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. 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.

Loss per Share

Basic net loss per share is determined by dividing net loss by the weighted average shares of common stock outstanding during the period. Diluted net loss per share is determined by dividing net loss 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 and the number of shares used to compute basic and diluted net loss per share for the three and nine months ended September 30, 2017 and 2016 are as follows:

	Three months ended September 30,		Nine months ended September 30,	
In thousands	2017	2016	2017	2016
Net loss—basic and diluted	$(10,825)	$(15,772)	$(45,400)	$(58,897)
Weighted average shares outstanding—basic and diluted	270,803	209,149	270,566	192,618
Net loss per share—basic and diluted	$(0.04)	$(0.08)	$(0.17)	$(0.31)

For the three and nine months ended September 30, 2017 and 2016, the following potentially dilutive securities were not included in the computation of net loss per share because the effect would be anti-dilutive:

In thousands	Three months ended September 30, 2017	2016	Nine months ended September 30, 2017	2016
Stock options	23,631	21,241	23,631	21,241
Restricted stock and restricted stock units	11,887	10,346	11,887	10,346
Exchangeable senior notes (if converted)	7,716	1,714	7,716	1,714
Preferred stock (if converted)	32,818	32,818	32,818	32,818

Debt Instruments

Debt instruments are initially recorded at fair value, with coupon interest and amortization of debt issuance discounts recognized in the condensed consolidated 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 2012 Notes could be settled in any combination of ADSs or cash, at the Company's discretion, upon conversion and were therefore 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 was recorded in equity. The difference between the initial fair value of the liability component and the amount repayable was fully amortized over the expected term of the instrument. The conversion feature in the 2012 Notes qualified for the exception from derivative accounting in accordance with ASC 815-10. The terms of the 2012 Notes also allowed for repurchase in cash by the Company at the option of the holders as well as redemption by the Company for cash at specified times. Consequently, in January 2017, holders of the 2012 Notes exercised their option to put approximately $15.0 million in aggregate principal amount of 2012 Notes to the Company for cash and, in March 2017, the Company redeemed the entirety of the remaining $0.1 million in aggregate principal amount of 2012 Notes, such that no 2012 Notes remained outstanding as of September 30, 2017. The carrying value of the conversion option will remain in equity hereafter as a result of the repayment in full of the related debt instrument.

The 2017 Notes can only be settled in ADSs upon conversion. The terms of the 2017 Notes also allow for repurchase in cash by the Company at the option of the holders as well as redemption by the Company for cash at specified times. The conversion feature in the 2017 Notes qualifies for the exception from derivative accounting in accordance with ASC 815-10 and is therefore accounted for as part of the debt host. The conversion feature in the 2017 Notes will continue to be evaluated on a quarterly basis to determine if it still receives an exception from derivative accounting in accordance with ASC 815-10. The 2017 Notes were recognized at par of $30.0 million. The Company also recognized a $1.2 million discount related to placement agent fees and offering expenses. This discount is being amortized through interest expense over the expected term of the 2017 Notes, through the first optional put date in January 2022.

See Note 5—Debt for full discussion of the 2012 Notes and 2017 Notes.

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 90% and 95% of gross product sales for the nine months ended September 30, 2017 and 2016, respectively, and represented 87% and 95% of the gross accounts receivable balance as of September 30, 2017 and 2016, respectively. The Company has not experienced any write-offs of its accounts receivable.

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.

The Company cannot provide assurance that its efforts to procure uninterrupted supply of Vascepa to meet market demand will continue to be successful or that it will be able to renew current supply agreements on favorable terms or at all. Significant alteration to or termination of the Company's current supply chain or its failure to enter into new and similar agreements in a timely fashion, 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 three FDA-approved commercial API manufacturers and encapsulators for Vascepa manufacturing. Each of these companies has qualified its manufacturing processes and is 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 remain qualified to manufacture the product to its specifications or that these and any future suppliers will have the manufacturing capacity to meet 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. Certain amounts payable pursuant to supply contracts are denominated in currencies other than the U.S. dollar.

Debt Issuance Costs

The Company records debt issuance costs related to a recognized debt liability in the condensed consolidated balance sheet as a direct deduction from the carrying amount of that debt liability and amortizes such costs to interest expense using the effective interest method over the expected term of the related debt. Unamortized debt issuance costs related to the 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.

The following tables present information about the Company's assets and liabilities as of September 30, 2017 and December 31, 2016 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:

	September 30, 2017			
In thousands	Total	Level 1	Level 2	Level 3
Asset:				
Cash equivalents—money market	$9,296	$9,296	$ —	$ —

	December 31, 2016			
In thousands	Total	Level 1	Level 2	Level 3
Asset:				
Cash equivalents—money market	$14,238	$14,238	$ —	$ —

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 September 30, 2017 and December 31, 2016 are as follows:

	September 30, 2017		December 31, 2016	
In thousands	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Current portion of long-term debt from royalty-bearing instrument, net of accrued interest	$19,624		$8,437	
Long-term debt from royalty-bearing instrument	75,559		85,155	
Total long-term debt from royalty-bearing instrument	$95,183	$ 90,400	$93,592	$ 90,500
2012 Notes	—	—	15,107	15,174
2017 Notes	28,938	34,000	—	—

The estimated fair value of the long-term debt from royalty-bearing instrument pursuant to the December 2012 financing is calculated utilizing the same Level 3 inputs utilized in valuing the related derivative liability (see Derivative Liabilities below). The estimated fair value of the 2017 Notes is calculated based on Level 1 quoted bond prices or, in the absence of quoted bond prices, is calculated using a Level 3 binomial model. The carrying value of the 2012 Notes as of December 31, 2016 did not include a debt discount, as it had been fully amortized as non-cash interest expense over the expected term of the 2012 Notes, which was calculated to be a period of twenty-four months. During the first quarter of 2017, the Company repurchased $15.0 million in aggregate principal amount of 2012 Notes at the option of holders and redeemed the remaining $0.1 million in aggregate principal amount at the Company's option, such that no 2012 Notes remained outstanding as of September 30, 2017. The carrying value of the 2017 Notes as of September 30, 2017 includes a debt discount of $1.1 million, which is being amortized as non-cash interest expense over the expected term of the 2017 Notes, through the first optional put date in January 2022. The change in the estimated fair values of these liabilities from December 31, 2016 to September 30, 2017 is largely related to financing activities and changes in the quoted bond prices.

Derivative Liabilities

The Company's December 2012 financing agreement with BioPharma Secured Debt Fund II Holdings Cayman LP (discussed in Note 5—Debt) contains a redemption feature whereby, upon a change of control, the Company would be required to repay $150.0 million, less any previously repaid amount. 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. The fair value of this derivative liability is remeasured at each reporting period, with changes in fair value recognized in the condensed consolidated statement of operations. As of September 30, 2017, the fair value of the derivative was determined to be nil based on current assumptions, and the debt was valued by comparing debt issues of similar companies with (i) remaining terms of between 2.5 and 4.5 years, (ii) coupon rates of between 5.8% and 10.8% and (iii) market yields of between 9.1% and 17.5%. As of December 31, 2016, the fair value of the derivative was determined to be nil based on underlying assumptions, and the debt was valued by comparing debt issues of similar companies with (i) remaining terms of between 2.4 and 5.0 years, (ii) coupon rates of between 8.1% and 11.1% and (iii) market yields of between 11.9% and 18.4%. As such, the Company recognized no gain or loss on change in fair value of derivative liability for the nine months ended September 30, 2017. As of September 30, 2016, the fair value of the derivative was determined to be nil and, as of December 31, 2015, the fair value of the derivative was determined to be $5.5 million. As such, the Company recognized a $5.5 million gain on change in fair value of derivative liability for the nine months ended September 30, 2016.

The Company’s 2014 Notes and 2015 Notes each contained a redemption feature whereby, upon occurrence of a change in control, the Company would have been required to repurchase the notes. The Company determined these redemption features to be embedded derivatives, requiring bifurcation in accordance with ASC 815. The derivatives were carried at fair value and were classified as Level 3 in the fair value hierarchy due to the use of significant unobservable inputs. The fair value of each 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. The fair value of these derivative liabilities was remeasured at each reporting period, with changes in fair value recognized in the condensed consolidated statement of operations. These derivative liabilities were derecognized in September 2016 and therefore no gain or loss on change in fair value of derivative liability was recognized for the nine months ended September 30, 2017. As of September 30, 2016, the fair values of the derivatives related to the 2014 Notes and 2015 Notes were derecognized, and, as of December 31, 2015, the fair values of the derivatives related to the 2014 Notes and 2015 Notes were determined to be $2.1 million and $0.6 million, respectively. As such, the Company recognized a $2.1 million gain and $0.6 million gain on change in fair value of derivative liability for the 2014 Notes and 2015 Notes, respectively, for the nine months ended September 30, 2016.

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.

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 early adopted by the Company or adopted as of the specified effective date. The Company also considered the following recent accounting pronouncements which were not yet adopted as of September 30, 2017:

In May 2017, the FASB issued Accounting Standards Update (“ASU”) No. 2017-09, Compensation—Stock Compensation: Scope of Modification Accounting. The amendments in ASU No. 2017-09 provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. The new guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years, with early adoption permitted. The Company has evaluated the accounting, transition and disclosure requirements of these standards and does not expect them to have a material impact on the Company’s consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments, which is intended to reduce diversity in practice regarding how certain cash receipts and cash payments related to eight specific issues are presented and classified in the statement of cash flows. In November 2016, the FASB issued ASU No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash, which requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. For each of these ASUs, the new guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years, with early adoption permitted. The Company has evaluated the accounting, transition and disclosure requirements of these standards and does not expect them to have a material impact on the Company’s consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net), which clarifies that an entity is a principal when it controls the specified good or service before that good or service is transferred to the customer, and is an agent when

it does not control the specified good or service before it is transferred to the customer. The new guidance is intended to improve the operability and understandability of the implementation guidance on principal versus agent considerations. In April 2016, the FASB issued ASU No. 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing, which clarifies the following two aspects of Topic 606: (a) identifying performance obligations; and (b) the licensing implementation guidance. Further, in May 2016, the FASB issued ASU No. 2016-12, Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients, which provides clarifying guidance in certain narrow areas and adds some practical expedients. The amendments do not change the core principles of the guidance in Topic 606 and are effective for the Company's fiscal year beginning January 1, 2018. Early application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The Company is currently evaluating the accounting, transition and disclosure requirements of these standards and cannot currently estimate the financial statement impact of adoption.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The new guidance will require lessees to recognize a right-of-use asset and a lease liability for virtually all of their leases (other than leases that meet the definition of a short-term lease). The liability will be equal to the present value of lease payments. The asset will be based on the liability, subject to adjustment, such as for initial direct costs. Under the new guidance, lessor accounting is largely unchanged but certain targeted improvements were made to align, where necessary, lessor accounting with the lessee accounting model and Topic 606, Revenue from Contracts with Customers. The new lease guidance also simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities and therefore, will no longer be provided with a source of off-balance sheet financing. The new guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption 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 January 2016, the FASB issued ASU No. 2016-01, Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. The new guidance is intended to improve the recognition and measurement of financial instruments by requiring separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (i.e., securities or loans and receivables) within the balance sheet or the accompanying notes to the financial statements, eliminating the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost within the balance sheet, requiring public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes, requiring equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income, and requiring a reporting organization to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk (also referred to as “own credit”) when the organization has elected to measure the liability at fair value in accordance with the fair value option for financial instruments, among others. The new guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The new guidance permits early adoption of the own credit provision. 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 May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which will replace numerous requirements in U.S. GAAP, including industry-specific requirements. This guidance provides a five-step model to be applied to all contracts with customers, with an underlying principle that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. ASU No. 2014-09 requires extensive quantitative and qualitative disclosures covering the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including disclosures on significant judgments made when applying the guidance. This guidance is effective for annual reporting periods beginning after December 15, 2017 and interim periods therein. Early adoption is permitted for reporting periods and interim periods therein, beginning after December 15, 2016. An entity can elect to apply the guidance under one of the following two methods: (i) retrospectively to each prior reporting period presented, referred to as the full retrospective method, or (ii) retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application in retained earnings, referred to as the modified retrospective method.

The Company has completed an initial impact assessment of the potential changes from adopting ASU No. 2014-09. The impact assessment consisted of a review of a representative sample of contracts, discussions with key stakeholders, and a cataloging of potential impacts on its financial statements, accounting policies, financial control, and operations. The Company anticipates that the adoption of ASU No. 2014-09 will not have a material impact on product revenue from distributors and may have an impact on contract revenues generated by its license agreements:

(i) Changes in the model for distinct licenses of functional intellectual property which may result in a timing difference of revenue recognition. Whereas revenue from these arrangements was previously recognized over a

period of time pursuant to the multiple element arrangement guidance, revenue from these arrangements may now be recognized at a point in time under the new guidance.

(ii) Assessments of milestone payments, which are linked to events that are in the Company's control, will result in variable consideration that may be recognized at an earlier point in time under the new guidance, when it is probable that the milestone will be achieved without a significant future reversal of cumulative revenue expected.

The Company has not yet completed its final review of the impact of this guidance; however, the Company anticipates applying the modified retrospective method when implementing this guidance. The Company plans to adopt the new standard effective January 1, 2018. The Company continues to monitor additional changes, modifications, clarifications or interpretations being undertaken by the FASB, which may impact its current conclusions.

The Company believes that the impact of other recently issued but not yet adopted accounting pronouncements will not have a material impact on the Company's 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 12.8 years. The carrying value as of September 30, 2017 and December 31, 2016 is as follows:

In thousands	September 30, 2017	December 31, 2016
Technology rights	$ 11,624	$ 11,624
Accumulated amortization	(3,337)	(2,852)
	$ 8,287	$ 8,772

(4) Inventory

The Company capitalizes its purchases of saleable inventory of Vascepa from suppliers that have been qualified by the FDA. Inventories as of September 30, 2017 and December 31, 2016 consist of the following:

In thousands	September 30, 2017	December 31, 2016
Raw materials	$ 7,749	$ 4,430
Work in process	7,278	10,716
Finished goods	13,523	5,361
Total inventory	$ 28,550	$ 20,507

(5) Debt

Long-Term Debt from Royalty-Bearing Instrument—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 $100.0 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. In the agreement, the Company agreed to repay BioPharma up to $150.0 million with such repayment based on a portion of revenues and receivables generated from Vascepa.

As of September 30, 2017, the remaining amount to be repaid to BioPharma is $113.8 million. During the three and nine months ended September 30, 2017, the Company made repayments under the agreement of $4.5 million and $11.8 million, respectively, to BioPharma and an additional $4.7 million is scheduled to be paid in November 2017 for the third quarter of 2017. All payments to date have been calculated based on the threshold limitation, as described below, as opposed to the contractual quarterly repayments scheduled through May 2017. Additional quarterly repayments are scheduled to be paid after May 2017, subject only to the threshold limitation. All such payments reduce the remainder of the $150.0 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, 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 $150.0 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 will be made, subject to the threshold limitation, until $150.0 million in aggregate has been repaid, including payments made previously. The Company can prepay an amount equal to $150.0 million less any previously repaid amount.

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 were 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 condensed consolidated 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. Based on current assumptions underlying the valuation, the Company recognized no gain or loss on change in fair value of derivative liability during the nine months ended September 30, 2017, as compared to a gain on change in fair value of derivative liability of $5.5 million during the nine months ended September 30, 2016.

As of September 30, 2017 and December 31, 2016, the carrying value of the BioPharma debt, net of the unamortized debt discount and issuance costs, was $95.2 million and $93.6 million, respectively. During the nine months ended September 30, 2017, the Company recorded cash and non-cash interest expense of $4.8 million and $1.6 million, respectively, in connection with the BioPharma debt, compared to $5.0 million and $1.5 million, respectively, during the nine months ended September 30, 2016. The Company will periodically evaluate the remaining term of the agreement and the effective interest rate is 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).

Under the Purchase and Sale Agreement with BioPharma, the Company is restricted from paying dividends on its common shares, unless it has cash and cash equivalents in excess of a specified amount after such payment.

January 2012, May 2014, and November 2015 Exchangeable Senior Notes

In 2012, 2014 and 2015, the Company and its subsidiaries entered into a series of transactions pertaining to exchangeable notes. As of September 30, 2017, all debt issued in these transactions was exchanged or redeemed such that none remained outstanding.

In January 2012, the Company, through its wholly-owned subsidiary Corsicanto Designated Activity Company (formerly Corsicanto Limited) ("Corsicanto"), issued $150.0 million in principal amount of 3.5% exchangeable senior notes due 2032 (the "2012 Notes"), resulting in net proceeds of $144.3 million. 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 3.5% May 2014 exchangeable senior notes due 2032 (the "2014 Notes"), following which $31.3 million in aggregate principal amount of the 2012 Notes remained outstanding with terms unchanged. In November 2015, the Company entered into a privately negotiated subscription agreement with one of its existing investors, pursuant to which the investor agreed to purchase approximately $31.3 million in aggregate principal amount of new 3.5% November 2015 exchangeable senior notes due 2032 (the "2015 Notes") for approximately $27.5 million. Approximately $15.9 million of such proceeds were used to finance the repayment of $16.2 million in aggregate principal amount of the 2012 Notes, following which $15.1 million in aggregate principal amount of the 2012 Notes remained outstanding with terms unchanged. The 2012 Notes, 2014 Notes, and 2015 Notes are referred to

collectively as the “Notes.”

In August 2016, Corsicanto gave notice to the holders of the 2014 Notes and 2015 Notes that certain equity conditions contained within the notes had been satisfied and exercised its option to mandatorily exchange $118.7 million of aggregate principal amount of 2014 Notes and $31.3 million of aggregate principal amount of 2015 Notes for equity with settlement in September 2016, such that all of the outstanding 2014 Notes and 2015 Notes were retired at that time. Consistent with the terms of the 2014 Notes and 2015 Notes, the final as-adjusted exchange rate was 402.0746 ADSs per $1,000 of principal amount, resulting in 47,739,925 ADSs and 12,571,263 ADSs being issued in exchange for the 2014 Notes and 2015 Notes, respectively. In total, the Company mandatorily exchanged $150.0 million in aggregate principal amount ($127.3 million in carrying value, net of unamortized debt discount and issuance costs) of outstanding 2014 Notes and 2015 Notes, resulting in the issuance of 60,311,188 ADSs and recognition of $40.1 million in common stock and $87.4 million in additional paid-in capital during the year ended December 31, 2016. Included within this $87.4 million is $0.8 million of accrued but unpaid interest as of the exchange date deemed satisfied and discharged in full upon delivery of the ADSs consistent with the terms of the notes and ASC 470-20, less $0.7 million of transaction costs.

The terms of the 2012 Notes allowed for repurchase in cash by the Company at the option of the holders on each of January 19, 2017, January 19, 2022, and January 19, 2027, as well as redemption by the Company for cash of all or part of the 2012 Notes on or after

January 19, 2017, both at a price equal to 100% of the principal amount of the 2012 Notes to be repurchased or redeemed, plus accrued and unpaid interest to, but excluding, the repurchase or redemption date. Consequently, in January 2017, holders of the 2012 Notes exercised their option to put approximately $15.0 million in aggregate principal amount of 2012 Notes to the Company for cash and, in March 2017, the Company redeemed the entirety of the remaining $0.1 million in aggregate principal amount of 2012 Notes, such that no 2012 Notes remained outstanding as of September 30, 2017.

The 2012 Notes were exchangeable under certain circumstances into cash, ADSs, or a combination of cash and ADSs, at the Company's election. At the time of issuance, the Company calculated the fair value of the liability component of the 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 Company also recorded a debt discount to reflect the value of the underwriter's discounts and offering costs. 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 $23.8 million equity component allocated to the conversion option was reduced by the portion of offering costs allocated to the equity component, $10.1 million upon extinguishment of the 2012 Notes as part of the 2014 Notes exchange and $1.3 million upon extinguishment of the 2012 Notes as part of the 2015 Notes issuance, such that $11.5 million remained in equity as of both September 30, 2017 and December 31, 2016. The conversion option was not remeasured each reporting period as it continued to meet the criteria for equity classification, and will remain in equity hereafter as a result of the repayment in full of the related debt instrument during the first quarter of 2017.

The portion of the debt discount from underwriter's discounts and offering costs allocated to the liability component as well as the discount created from allocating proceeds to the conversion option were amortized as interest expense over the estimated life of the 2012 Notes of twenty-four months. Such discounts were fully amortized prior to 2016. The carrying value of the 2012 Notes was nil and $15.1 million as of September 30, 2017 and December 31, 2016, respectively, included within current portion of exchangeable senior notes, net of discount, due to the holders' January 19, 2017 optional put date.

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 a discount of $2.5 million in underwriter's fees and offering costs. The 2015 Notes were recorded at fair value of $27.5 million representing a $3.8 million discount to par. In addition, the Company recognized a discount of $0.1 million in offering costs. These discounts were amortized as interest expense over the expected terms of the 2014 Notes and 2015 Notes, which was expected to be through the first optional put date in January 2019 for each. The carrying value of the 2014 Notes and 2015 Notes was nil as of September 30, 2017 and December 31, 2016.

The 2014 Notes and 2015 Notes contained a provision that if a fundamental change (as defined in the 2014 Notes and 2015 Notes) had occurred prior to the notes being exchanged, holders may have required the Company to repurchase all or part of their notes for cash at a fundamental change repurchase price equal to 100% of the aggregate principal amount of the 2014 Notes and 2015 Notes to be repurchased, plus accrued and unpaid interest to, but not including, the fundamental change repurchase date. The Company determined that these fundamental change redemption features represented embedded derivatives requiring bifurcation from the respective debt liabilities and allocated $3.5

million of the $90.8 million fair value of the 2014 Notes and $0.5 million of the $27.5 million fair value of the 2015 Notes to derivative liabilities. The fair value of these derivative liabilities was remeasured at each reporting period, with changes in fair value recognized in the statement of operations. During the nine months ended September 30, 2016, the Company recognized a $2.1 million gain and a $0.6 million gain on the change in fair value of the redemption features of the 2014 Notes and 2015 Notes, respectively.

The Notes had a stated interest rate of 3.5% per year, payable semiannually in arrears on January 15 and July 15 of each year. During the nine months ended September 30, 2016, the Company recognized aggregate interest expense of $6.9 million related to the Notes, of which $4.0 million represents non-cash interest and $2.9 million represents contractual coupon interest. During the nine months ended September 30, 2017, the Company recognized cash interest expense of less than $0.1 million related to the Notes. As of September 30, 2017 and December 31, 2016, the Company had total accrued interest on the Notes of nil and $0.2 million, respectively, which is included in current portion of exchangeable senior notes, net of discount. The Company made the contractual interest payments due on the Notes during the nine months ended September 30, 2017 and 2016 of $0.3 million and $2.5 million, respectively.

January 2017 Exchangeable Senior Notes

On January 20, 2017, the Company and Corsicanto II Designated Activity Company (“Corsicanto II”), a designated activity company formed under the laws of Ireland and a wholly owned subsidiary of the Company, entered into separate, privately negotiated purchase agreements with certain investors pursuant to which Corsicanto II issued and sold $30.0 million in aggregate principal amount of 3.5% exchangeable senior notes due 2047 (the “2017 Notes”) at an issue price of 100%. The net proceeds from the offering were $28.8 million after deducting placement agent fees and offering expenses payable by the Company. The offering of the 2017 Notes closed on January 25, 2017. Corsicanto II has no assets, operations, revenues or cash flows other than those related to the issuance, administration and repayment of the 2017 Notes.

The 2017 Notes were issued pursuant to an Indenture (the "Indenture") entered into by the Company, Corsicanto II and Wilmington Trust, National Association, as trustee (the "Trustee"). The 2017 Notes are the senior unsecured obligations of Corsicanto II and are guaranteed by the Company. The 2017 Notes bear interest at a rate of 3.5% per annum from, and including, January 25, 2017, payable semi-annually in arrears on January 15 and July 15 of each year, beginning on July 15, 2017 and ending upon the 2017 Notes' maturity date of January 15, 2047, unless earlier repurchased, redeemed or exchanged.

At any time after the issuance of the 2017 Notes and prior to the close of business on the second business day immediately preceding January 15, 2047, holders may exchange their 2017 Notes for ADSs at their option and at the exchange rate described below. If prior to January 19, 2021, a make-whole fundamental change (as defined in the Indenture) occurs and a holder elects to exchange its 2017 Notes in connection with such make-whole fundamental change, such holder may be entitled to an increase in the exchange rate as described in the Indenture.

The initial exchange rate is 257.2016 ADSs per $1,000 principal amount of the 2017 Notes (equivalent to an initial exchange price of approximately $3.89 per ADS (the "Exchange Price")), subject to adjustment in certain circumstances. The initial exchange price for the 2017 Notes represents a premium of approximately 35% over the last reported sale price of $2.88 per share of the Company's ADSs on The NASDAQ Global Market on January 19, 2017. Upon exchange, the 2017 Notes are to be settled in ADSs. 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. In the event of physical settlement, the 2017 Notes would be exchangeable into a total of 7,716,048 ADSs. Based on the closing price of the Company's stock as of September 30, 2017, the value of the shares if converted on that date did not exceed the principal value of the 2017 Notes.

Prior to January 19, 2021, Corsicanto II may not redeem the 2017 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 2017 Notes. On or after January 19, 2021, Corsicanto II may redeem for cash all or a portion of the 2017 Notes at a redemption price of 100% of the aggregate principal amount of the 2017 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 Corsicanto II to repurchase all or part of their 2017 Notes for cash at a Fundamental Change repurchase price equal to 100% of the aggregate principal amount of the 2017 Notes to be repurchased, plus accrued and unpaid interest to, but not including, the Fundamental Change repurchase date. In addition, holders of the 2017 Notes may require Corsicanto II to repurchase all or any portion of the 2017 Notes on January 19, 2022 for cash at a price equal to 100% of the aggregate principal amount of the 2017 Notes to be repurchased, plus accrued and unpaid interest to, but not including, the repurchase date.

Corsicanto II may elect at its option to cause all or any portion of the 2017 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, 2047 if the Daily VWAP (as defined in the Indenture) equals or exceeds 130% of the Exchange Price then in effect (which quotient equals approximately $5.05 on the date hereof) for at least 20 VWAP Trading Days (as defined in the Indenture) in any 30 consecutive VWAP Trading Day period. Corsicanto II may only exercise its optional exchange rights upon satisfaction of specified equity conditions, including that the ADSs issuable upon exchange of the 2017 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 II elects to exercise its optional exchange rights on or prior to January 19, 2021, each holder whose 2017 Notes are exchanged may upon exchange receive a specified number of additional ADSs as set forth in the Indenture.

The Indenture contains customary terms and covenants and events of default. If an event of default (other than certain events of bankruptcy, insolvency or reorganization involving Corsicanto II) occurs and is continuing, the Trustee by notice to Corsicanto II, or the holders of at least 25% in principal amount of the outstanding 2017 Notes by notice to Corsicanto II and the Trustee, may declare 100% of the principal of and accrued and unpaid interest, if any, on all of

the 2017 Notes to be due and payable. 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 II, 100% of the principal of and accrued and unpaid interest, if any, on all of the 2017 Notes will become due and payable automatically. Notwithstanding the foregoing, the Indenture will provide that, to the extent Corsicanto II elects and for up to 360 days, the sole remedy for an event of default relating to certain failures by Corsicanto II 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 2017 Notes.

Corsicanto II has agreed to use its commercially reasonable efforts to procure the listing of the 2017 Notes on the Global Exchange Market operated under the supervision of the Irish Stock Exchange (or on another recognized stock exchange for the purposes of Section 64 of the Taxes Consolidation Act 1997 of Ireland and within the meaning of Section 1005 ITA 2007 of the United Kingdom) prior to July 15, 2017, which will be the first interest payment date for the 2017 Notes.

The 2017 Notes were recorded at par of $30.0 million. In addition, the Company recorded a discount of $1.2 million in placement agent fees and offering expenses. Such costs are presented as a direct deduction from the debt liability on the condensed consolidated

balance sheet. This discount is being amortized as interest expense over the estimated life of the 2017 Notes, through the first optional put date in January 2022. As of September 30, 2017, the carrying value of the 2017 Notes, net of unamortized discount, was $28.9 million.

Because the conversion option in the 2017 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. In addition, the Company determined that the fundamental change redemption feature is clearly and closely related to the debt host in accordance with ASC 815-15 and therefore does not require bifurcation.

During the nine months ended September 30, 2017, the Company recognized interest expense of $0.9 million related to the 2017 Notes, of which $0.1 million represents non-cash interest and $0.7 million represents contractual coupon interest. As of September 30, 2017, the Company had accrued interest of $0.2 million related to the 2017 Notes, which is presented as current portion of exchangeable senior notes, net of discount, on the condensed consolidated balance sheet. The Company made contractual interest payments due on the 2017 Notes during the nine months ended September 30, 2017 of $0.5 million.

(6) 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 intellectual property, commercial arrangements and other matters. “Item 3. Legal Proceedings” of the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2016 and “Item 1. Legal Proceedings” of the Company’s Quarterly Report on Form 10-Q for the quarters ended March 31, 2017 and June 30, 2017 include discussions 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 23, 2017, the Third Circuit Court of Appeals affirmed the May 26, 2016 judgment of the U.S. District Court for the District of New Jersey in connection with the district court’s grant of 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). Plaintiffs sought a rehearing and en banc review of such affirmation, each of which were denied. The appeal period for this matter has expired. The Company considers this matter closed.

On August 30, 2017, Amarin Pharma, Inc. and Amarin Pharmaceuticals Ireland Limited, each wholly-owned subsidiaries of Amarin Corporation plc, filed a lawsuit with the United States International Trade Commission, or the ITC, captioned, In the Matter of Certain Synthetically Produced, Predominantly EPA Omega-3 Products in Ethyl Ester or Re-esterified Triglyceride Form, USITC Docket 337-3247, against manufacturers, importers, and distributors of products containing synthetically produced omega-3 products in ethyl ester or re-esterified triglyceride form that contain more EPA than DHA or any other single component, for use in, or as dietary supplements. The lawsuit seeks an investigation by the ITC under Section 337 of the Tariff Act of 1930 (19 U.S.C. §1337), which makes unlawful unfair methods of competition and unfair acts involving the importation and sale of articles in the United States that injure or threaten injury to a domestic industry. On October 27, 2017, the ITC determined to not institute the Company’s requested investigation. The Company is currently considering its next steps in this matter.

The Company introduced to the market its 500-mg dose strength of Vascepa in October 2016. In August 2017, as anticipated, the Company received a paragraph IV certification notice from Teva Pharmaceuticals USA, Inc. and Teva Pharmaceuticals Industries Limited, or collectively, Teva, contending that certain of the Company’s patents are invalid, unenforceable and/or will not be infringed by the manufacture, use, sale or offer for sale of a generic form of the 500-mg dose strength of Vascepa, as described in the Teva abbreviated new drug application, or ANDA. This Teva ANDA was filed as an amendment to the 1-gram Teva ANDA and is related to patents already at issue in the 1-gram Vascepa patent litigation. Accordingly, in October 2017, the Company filed a patent infringement lawsuit against

Teva in the U.S. District Court for the District of Nevada. The case is captioned Amarin Pharma, Inc. et al. v. Teva Pharmaceuticals USA, Inc. et al., Civ. A. No. 2:17-cv-2641 (D. Nev.). In this lawsuit, the Company is seeking, among other remedies, an order enjoining Teva from marketing generic versions of the 500-mg dose strength of Vascepa before the last to expire of the asserted patents in 2030. The Company anticipates that this new lawsuit against Teva will be consolidated with the previously disclosed pending lawsuits against Teva, West-Ward-Pharmaceuticals Corp. et al., and Dr. Reddy's Laboratories, Inc. et al. based on the 1-gram dose strength of Vascepa, and the Company anticipates that all four lawsuits will proceed on the same schedule. The Company intends to vigorously enforce its intellectual property rights relating to Vascepa, but cannot predict the outcome of these lawsuits or any subsequently filed lawsuits.

Milestone and Supply Purchase Obligations

The Company entered into long-term supply agreements with multiple FDA-approved API suppliers and encapsulators. Certain supply agreements require annual minimum volume commitments by the Company and certain volume shortfalls may require payments for such shortfalls, as detailed below.

The Company entered into its initial Vascepa API supply agreement with Nisshin Pharma, Inc. ("Nisshin") in 2010. In 2011, the Company entered into agreements with two additional suppliers, Chemport, Inc. ("Chemport") and BASF (formerly Equateq Limited), for the supply of API. In 2012, the Company agreed to terms with a fourth API supplier, a consortium of companies led by Slanmhor Pharmaceutical, Inc. ("Slanmhor"). The API supply agreement with BASF terminated in February 2014. In July 2014, the Company terminated the supply agreement with Slanmhor and subsequently, in June 2015, entered into a new supply agreement with Finorga SAS ("Novasep"). These agreements included requirements for the suppliers to meet certain product specifications and qualify their materials and facilities with applicable regulatory authorities including the FDA. The Company has incurred certain costs associated with the qualification of product produced by these suppliers as described below.

Nisshin, Chemport and Novasep are currently the three manufacturers from which the Company purchases API. As of September 30, 2017, the Company has no royalty, milestone or minimum purchase commitments with Nisshin.

Chemport was approved by the FDA to manufacture API for commercial sale in April 2013 and the Company began purchasing commercial supply from Chemport in 2013. The agreement with Chemport contains a provision requiring the Company to pay Chemport a certain cash remedy for any shortfall in the minimum purchase obligations. The Company began purchasing commercial supply from Novasep in 2015. API manufactured by Novasep was previously approved by the FDA in July 2014. The 2015 supply agreement with Novasep contains a provision requiring the Company to pay Novasep a certain cash remedy for any shortfall in the minimum purchase obligations. The Company continues to meet its contractual purchase obligations.

Under the 2004 share repurchase agreement with Laxdale Limited ("Laxdale") upon receipt of marketing approval in Europe for the first indication for Vascepa (or first indication of any product containing Amarin Neuroscience Limited 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 $10.0 million as of September 30, 2017). 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 Limited 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 $6.7 million as of September 30, 2017) for each of the two potential market approvals (i.e. £10 million maximum, or approximately $13.4 million as of September 30, 2017).

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 September 30, 2017.

(7) Equity
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 352,150,790 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"), resulting in gross proceeds to the Company of $52.8 million. 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-if-converted-to-ordinary-shares 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. In 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 32,818,464 ordinary shares remain issuable upon future consolidation and redesignation of the remaining Series A Preference Shares as of September 30, 2017, inclusive of the shares issued in July 2015 as discussed below, 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.

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 were sold in a transaction exempt from the registration requirements under the Securities Act of 1933, as amended (the “Securities Act”). 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, which was declared effective by the SEC on May 1, 2015. In addition, the Company agreed to use its commercially reasonable best efforts 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 quarter 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 was therefore reflected as an adjustment to net loss applicable to common shareholders for earnings per common share purposes in accordance with GAAP for the year ended December 31, 2015.

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. The Company issued 38,867,180 restricted ADSs, each representing one Series A Preference Share, which may be consolidated and redesignated from time to time up to a maximum of 3,886,718 ordinary shares, each ordinary share to be represented by one ADS. For each restricted ADS, Sofinnova paid a negotiated price of $0.15 (equating to $1.50 on an as-if-converted-to-ordinary-shares basis) resulting in gross proceeds to the Company of $5.8 million. At the time of the transaction, Dr. James Healy was a member of the Company's Board and a managing general partner of Sofinnova Management VII, L.L.C., which is the general partner of Sofinnova. Dr. Healy resigned as Director of the Company's Board effective December 20, 2016.

The Company filed another registration statement with the SEC covering the resale of these restricted American Depositary Shares and the ADSs representing ordinary shares created by the consolidation and redesignation of the Series A Preference Shares (the "Sofinnova Registrable Securities") on July 24, 2015, which was declared effective by the SEC on August 7, 2015. In addition, the Company agreed to use its commercially reasonable best efforts 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) July 10, 2017 or (b) the date on which all Sofinnova Registrable Securities held by Sofinnova may be sold or transferred in compliance with Rule 144 under the Securities Act, without any volume or manner of sale restrictions.

The existence of this preferred stock purchase option was determined to be a derivative liability effective March 5, 2015, the date on 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 gain (loss) 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. Subsequent to approval of the Second Private Placement at the Company's Annual General Meeting of Shareholders in July 2015, the Company recorded the remaining value of the BCF related to this share issuance as a non-cash dividend to preferred shareholders through accumulated deficit. The value of the BCF was determined on the same basis as the first private placement and amounted to $3.4 million less $1.8 million previously recorded for the preferred stock purchase option for a net non-cash charge of $1.6 million in the year ended December 31, 2015.

Incentive Equity Awards

As of September 30, 2017, there were an aggregate of 23,631,444 stock options and 11,887,491 restricted stock units ("RSUs") outstanding, representing approximately 7% and 4%, respectively, of outstanding shares (including common and preferred shares) on a fully diluted basis.

During the nine months ended September 30, 2017 and 2016, the Company issued 259,195 and 94,272 shares, respectively, as a result of the exercise of stock options, resulting in gross and net proceeds of $0.5 million during the nine months ended September 30, 2017 and $0.1 million during the nine months ended September 30, 2016.

On May 15, 2017, the Company granted a total of 91,504 RSUs and 131,575 stock options to members of the Company's Board of Directors under the Amarin Corporation plc Stock Incentive Plan (the "2011 Plan"). The RSUs vest in equal installments over a three-year period 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 vest in full upon the earlier of the one-year 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 or upon a change of control, each Director shall be entitled to a payment equal to the fair market value of one share of Amarin common stock per award vested or granted, respectively, which is required to be made in shares.

Also on May 15, 2017, the Company granted a total of 2,310,000 RSUs to employees under the 2011 Plan that vest over three years commencing after anticipated REDUCE-IT results upon the achievement of certain regulatory and sales performance conditions associated with the REDUCE-IT clinical trial and subsequent revenue growth.

On February 1, 2017, the Company granted a total of 1,575,000 RSUs and 2,642,500 stock options to employees under the 2011 Plan. The RSUs vest annually over a three-year period and the stock options vest over a four-year period. The issuance of 989,000 of these RSUs was contingent upon shareholder approval to increase the aggregate number of shares authorized for issuance under the 2011 Plan, which was obtained at the Company's Annual General Meeting of Shareholders held on May 15, 2017.

On July 11, 2016, the Company granted a total of 148,403 RSUs and 208,340 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 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 vest in full upon the earlier of the one-year 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 or upon a change of control, each Director shall be entitled to a payment equal to the fair market value of one share of Amarin common stock per award vested or granted, respectively, which is required to be made in shares.

On February 1, 2016, the Company granted a total of 1,607,500 RSUs and 2,442,000 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 nine months ended September 30, 2017, the Company issued 494,885 common shares

related to the vesting of these RSUs, of which 191,899 shares were retained as treasury shares as settlement of employee tax obligations.

(8) 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. The Agreement was amended on July 25, 2017 to reflect evolving promotional needs, including refinement of target lists.

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 representatives from each party. Kowa Pharmaceuticals America, Inc. has agreed 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 aggregate Vascepa gross margin that varies during the term. The percentage of aggregate Vascepa gross margin earned by Kowa Pharmaceuticals America, Inc. is scheduled, as amended, to be approximately eighteen percent (18%) in 2017, partially offset by certain other refinements. During 2018, which is the last year of the Agreement, as amended, the Company anticipates incurring expense for both the annual co-promotion fee, which in 2018 will again be calculated as a percentage of Vascepa gross margin at a modestly higher rate than in 2017, plus accrual for co-promotion tail payments. Assuming Kowa Pharmaceuticals America, Inc. fulfills its obligations in accordance with the terms of the Agreement, as amended, upon expiration of the Agreement, Kowa Pharmaceuticals America, Inc. is eligible to receive up to three years of co-promotion tail payments equal to declining percentages of the co-promotion fee earned in the final year of the Agreement.

As of September 30, 2017 and December 31, 2016, the Company had a net accrual of $6.0 million and $2.5 million, respectively, to Kowa Pharmaceuticals America, Inc. representing co-promotion fees accrued under the agreement with Kowa Pharmaceuticals America, Inc., net of reimbursable amounts incurred for samples and other marketing expenses. Under the terms of the Agreement, as amended, the Company anticipates paying the co-promotion fees quarterly going forward without multiple quarters being accrued without payment.

(9) Development, Commercialization and Supply Agreements
Eddingpharm (Asia) Macao Commercial Offshore Limited

In February 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, or 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 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, supply, 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.

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. In March 2016, Eddingpharm submitted its clinical trial application ("CTA") with respect to the MARINE indication for Vascepa to the Chinese regulatory authority. Following the CTA submission, the Company received a non-refundable $1.0 million milestone payment, which it will recognize as revenue over the estimated period in which the Company is required to provide on-going development support needed to support the successful approval for a new drug application, which is currently estimated to be a period of approximately four years. In March 2017, the CTA was approved by the Chinese regulatory authority, and Eddingpharm expects to initiate clinical trials by the end of 2017.

In addition to the non-refundable, up-front and regulatory milestone payments described above, the Company is entitled to receive certain regulatory and sales-based milestone payments of up to an additional $153.0 million as well as tiered double-digit percentage royalties on net sales of Vascepa in the China Territory escalating to the high teens. The regulatory milestone events relate to the submission and approval of certain applications to the applicable regulatory authority, such as a clinical trial application, clinical trial exemption, or import drug license application. The amounts to be received upon achievement of the regulatory milestone events relate to the submission and approval for three indications, and range from $1.0 million to $15.0 million for a total of $33.0 million. The sales-based milestone events occur when annual aggregate net sales of Vascepa in the territory equals or exceeds certain specified thresholds, and range from $5.0 million to $50.0 million for a total of $120.0 million. Each such milestone payment shall be payable only once regardless of how many times the sales milestone event is achieved. Each such milestone payment is non-refundable and non-creditable against any other milestone payments. The Company recognizes contingent consideration from activities that is earned upon the achievement of a substantive milestone in the period in which the milestone is achieved.

Biologix FZCo

In March 2016, the Company entered into an agreement with Biologix FZCo ("Biologix"), a company incorporated under the laws of the United Arab Emirates, to register and commercialize Vascepa in several Middle Eastern and North African countries. Under the terms of the distribution agreement, the Company granted to Biologix a non-exclusive license to use its trademarks in connection with the importation, distribution, promotion, marketing and sale of Vascepa in the Middle East and North Africa territory. Upon closing of the agreement, the Company received a non-refundable up-front payment, which will be recognized as revenue over 10 years commencing upon first marketing approval of Vascepa in the territory. The Company is entitled to receive payments based on product sales at an agreed-upon transfer price, which represents a percentage of gross selling price, subject to a minimum floor price.

HLS Therapeutics, Inc.

In September 2017, the Company entered into an agreement with HLS Therapeutics Inc. ("HLS"), a company incorporated under the laws of Canada, to register, commercialize and distribute Vascepa in Canada. Under the agreement, HLS will be responsible for regulatory and commercialization activities and associated costs. The Company is responsible for providing assistance towards local filings, supplying finished product under negotiated supply terms, maintaining intellectual property, and continuing the development and funding of REDUCE-IT.

Upon closing of the agreement, the Company received one-half of a non-refundable $5.0 million up-front payment, with the remaining half to be received upon the six-month anniversary of the closing. The up-front payment will be recognized as revenue over the estimated period in which the Company is required to provide initial and on-going regulatory support for obtaining regulatory approvals in Canada 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 12.5 years. In addition to the non-refundable, up-front payment, the Company is entitled to receive certain regulatory and sales-based milestone payments of up to an additional $60.0 million, the timing and achievability of which cannot be determined at least until discussions with Canadian regulatory authorities have commenced, as well as tiered double-digit royalties on net sales of Vascepa in Canada.

Licensing and Deferred Revenues

Licensing and deferred revenues currently consist of revenue attributable to receipt of up-front, non-refundable payments and milestone payments as described above. Up-front and milestone payments under such agreements are typically recognized as licensing revenue over the estimated period in which the Company is required to provide regulatory and development support and clinical and commercial supply pursuant to the agreements. During the nine months ended September 30, 2017 and 2016, the Company recognized $0.9 million and $0.8 million of up-front and milestone payments as licensing revenue, respectively, and recorded $19.2 million and $15.1 million as deferred revenue as of September 30, 2017 and December 31, 2016, respectively.

(10) Subsequent Events

The Company has evaluated subsequent events from September 30, 2017 through the date of the issuance of these condensed consolidated financial statements.

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," "continue," "could," "estimates," "expects," "intends," "may," "plans," "potential," "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, 2016 and below under Part II, Item IA, "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 >500 mg/dL) hypertriglyceridemia. This FDA-approved indication for Vascepa, known as the MARINE indication, is based primarily on the successful results from the MARINE study of Vascepa in this approved patient population. In considering this approval, FDA also reviewed the successful results from our study of Vascepa in patients with high triglyceride levels (TG >200 mg/dL and <500 mg/dL) who are also on statin therapy for elevated low-density lipoprotein cholesterol, or LDL-C, levels which condition we refer to as mixed dyslipidemia or persistently high triglycerides. This study is known as the ANCHOR study. Safety data from both the MARINE and ANCHOR studies are reflected in FDA-approved labeling for Vascepa. In January 2013, we began selling and marketing Vascepa in the United States based on the FDA-approved MARINE indication. In August 2015, we also began communicating promotional information beyond the MARINE indication to healthcare professionals in the United States based on the federal court declaration described below. In March 2016, we reached agreement with the FDA and U.S. government under which they agreed to be bound by the terms of the August 2015 judicial declaration. Vascepa is available in the United States by prescription only.

We sell Vascepa principally to a limited number of major wholesalers, as well as selected regional wholesalers and specialty pharmacy providers, or collectively, our Distributors or our customers, that in turn resell Vascepa to retail pharmacies for subsequent resale to patients and healthcare providers. We market Vascepa in the United States through our direct sales force. In March 2014, we entered into a co-promotion agreement in the United States with Kowa Pharmaceuticals America, Inc. under which Kowa Pharmaceuticals America, Inc. began to co-promote Vascepa in conjunction with its promotion of its primary product, a branded statin for patients with high cholesterol, commencing in May 2014 and is scheduled to end in December 2018. Our direct sales force for the three and nine months ended September 30, 2017 and 2016 consisted of approximately 150 sales professionals, including sales representatives and their managers. We anticipate increasing our direct sales force to approximately 400 to 500 sales professionals after REDUCE-IT results, assuming success. While we intend to wait for REDUCE-IT results before

adding the majority of these additional sales representatives, we plan to add approximately 10 to 20 sales representatives and expand sales management prior to REDUCE-IT results. We anticipate that this smaller increase in the number of sales representatives will begin in the fourth quarter of 2017. We are also considering engaging in direct-to-consumer advertising for Vascepa.

In February 2015, we entered into 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, or the China Territory. In March 2016, we entered into an agreement with Biologix FZCo, or Biologix, to register and commercialize Vascepa in countries within the Middle East and North Africa. In September 2017, we entered into an agreement with HLS Therapeutics Inc., or HLS, to register, commercialize and distribute Vascepa in Canada. We continue to assess other partnership opportunities for licensing Vascepa to partners outside of the United States.

Triglycerides are the main constituent of body fat in humans. Hypertriglyceridemia refers to a condition in which patients have high levels of triglycerides in the bloodstream. It is estimated that over 75 million adults in the United States have elevated triglyceride levels (TG >150 mg/dL), approximately 40 million adults in the United States have high triglyceride levels (TG >200 mg/dL), and approximately 4.0 million people in the United States have severely high triglyceride levels (TG >500 mg/dL), commonly known as very high triglyceride levels. Many patients with high triglyceride levels also have diabetes and 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. In 2016, we completed patient enrollment and randomization of 8,175 individual patients into the REDUCE-IT study, exceeding the 8,000 patients targeted for the trial.

The REDUCE-IT study is designed to be completed after reaching 1,612 aggregate primary cardiovascular events. Based on projected event rates, we estimate the onset of the target aggregate number of cardiovascular events to be reached before the end of the first quarter of 2018 with study results then expected to be available and made public before the end of the third quarter of 2018, followed by publication of the results. Between reaching the estimated onset of the target 1,612 aggregate primary cardiovascular events and study data being unblinded and disclosed, vital data will be collected from all remaining living patients in the study and data in the study will be rolled-up for evaluation by the independent data monitoring committee, or DMC, and creation of a final study report.

The REDUCE-IT study, since its inception in 2011, has been conducted under a special protocol assessment, or SPA, agreement with the FDA. This SPA, as amended, provides for periodic safety reviews by the study’s DMC. In addition, the SPA, as amended, provided for interim efficacy and safety analyses by the study’s DMC at approximately 60% and at approximately 80% of the target aggregate number of primary cardiovascular events. The periodic safety reviews and interim efficacy and safety analyses are conducted confidentially by the study’s DMC. We remain blinded to all data from the study. Until the study is completed or the study is halted due to a patient safety concern (not expected), Amarin personnel will remain blinded to the efficacy and safety data from the REDUCE-IT study. Since patient enrollment commenced in 2011, over 30,000 patient years of study experience have been accumulated in the REDUCE-IT study. Following each periodic review of safety data to date, which have occurred quarterly since 2013, and following each of two interim efficacy and safety analyses, the DMC has communicated to us that we should continue the study as planned. The p-value used to assess the primary endpoint in REDUCE-IT at completion, assuming 1,612 aggregate primary cardiovascular events, is now $p<0.0436$ based on adjustment following the actual number of targeted events assessed at the most recent 80% interim efficacy and safety analysis.

The second of the two-interim efficacy and safety analysis was completed by the DMC in August 2017. As expected, upon completing its analysis, the DMC recommended that the REDUCE-IT study continue as planned without modification. Because REDUCE-IT is the first prospective clinical trial of any therapy in the large patient population studied, the bars for stopping this trial early for overwhelming efficacy were intentionally set high with the

understanding that a more robust result, based on a larger number of cardiovascular events, could be obtained by the study continuing to completion. The analysis and recommendation of the DMC at this interim look were made independently. Neither Amarin nor the FDA has reviewed the interim clinical results and neither participated in the DMC's closed session deliberation. Additional periodic safety reviews are planned by the DMC prior to study completion, but no additional interim efficacy and safety analysis is planned prior to study completion.

In the successful Phase 3 MARINE and ANCHOR clinical trials, Vascepa was studied at a daily dose of 2 grams and 4 grams. We sought approval of Vascepa at the more efficacious 4-gram dose for use in each patient population. These trials demonstrated favorable results in their respective patient populations, particularly with the 4-gram dose of Vascepa, 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).

In April 2015, we received a Complete Response Letter, or CRL, from the FDA in response to our supplemental new drug application, or sNDA, that sought approval of Vascepa for use in patients with mixed dyslipidemia, based on the successful ANCHOR study. The CRL followed an October 2013 rescission by the FDA of a special protocol assessment, or SPA, agreement and three failed attempts by us to appeal that rescission at FDA. The FDA has acknowledged the success of the ANCHOR study, which met all primary and secondary endpoints. However, FDA determined that there were insufficient data to conclude that drug-induced changes in serum triglycerides could be recognized by the FDA as a valid surrogate for reducing cardiovascular risk in the ANCHOR population for the purpose of regulatory approval of a drug targeted at a triglyceride-lowering indication in this population. The FDA has acknowledged that the standard of proof required by the FDA for approval of a new drug indication is higher than that generally used to inform patient treatment guidelines and that used by physicians in clinical practice. 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 and the FDA has encouraged us to complete the REDUCE-IT outcomes 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.

In May 2015, we and a group of independent physicians filed a lawsuit in federal court to permit us to promote to healthcare professionals the use of Vascepa in patients with mixed dyslipidemia so long as the promotion is truthful and non-misleading. This use reflects recognized medical practice but is not covered by current FDA-approved labeling for the drug. Historically, FDA has considered promotion of drug uses not covered by FDA-approved labelling to be illegal off-label promotion, even if such promotion is truthful and non-misleading. In August 2015, we were granted preliminary relief in the form of a declaratory judgment in this lawsuit. The court declaration permits us to promote to healthcare professionals the FDA-reviewed and agreed effects of Vascepa demonstrated in the ANCHOR clinical trial and presentation of the current state of scientific research related to the potential of Vascepa to reduce the risk of cardiovascular disease including through use of peer-reviewed scientific publications of available data. In August 2015, we began to communicate promotional information beyond the MARINE indication to healthcare professionals in the United States as permitted by this court declaration and in March 2016, the parties obtained court approval of negotiated settlement terms under which the FDA and the U.S. government agreed to be bound by the court’s conclusions from the August 2015 declaration that we may engage in truthful and non-misleading speech promoting the off-label use of Vascepa and that certain statements and disclosures that we proposed to make to healthcare professionals were truthful and non-misleading. While we believe we are now permitted under applicable law to more broadly promote Vascepa, the FDA-approved labeling for Vascepa did not change as a result of this litigation and settlement, and neither government nor other third-party coverage or reimbursement to pay for the off-label use of Vascepa promoted under the court declaration was required.

Commercialization – United States

We commenced the commercial launch of 1-gram size Vascepa capsules in the United States in January 2013. We commenced sales and shipments of Vascepa at that time to our network of U.S.-based wholesalers. We currently market Vascepa in the United States through our direct sales force which for the three and nine months ended

September 30, 2017 and 2016 consisted of approximately 150 sales professionals, including sales representatives and their managers. Commencing in May 2014, in addition to Vascepa promotion by our sales representatives, Kowa Pharmaceuticals America, Inc. began co-promoting Vascepa in conjunction with its promotion of its primary product, a branded statin for patients with high cholesterol. We anticipate increasing our sales force to a total of approximately 400 to 500 sales professionals after REDUCE-IT results, assuming success. While we intend to wait for REDUCE-IT results before adding the majority of these additional sales representatives, we plan to add approximately 10 to 20 sales representatives and expand sales management prior to REDUCE-IT results. We anticipate that this smaller increase in the number of sales representatives will begin in the fourth quarter of 2017. We also employ various marketing personnel to support our commercialization of Vascepa. We are also considering engaging in direct-to-consumer advertising for Vascepa.

In October 2016, in addition to the original 1-gram capsule size for Vascepa, we introduced a smaller 500-mg capsule size, the first and only 500-mg prescription omega-3 alternative available on the market, for the subset of patients who prefer a smaller capsule. The FDA-approved dosing for Vascepa continues to be 4 grams per day, and we expect that the majority of new and existing patients taking Vascepa will continue to be prescribed the 1-gram size Vascepa capsule.

Under our co-promotion agreement with Kowa Pharmaceuticals America, Inc., 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, and the achievement of minimum levels of Vascepa revenue in 2015 and beyond. First position refers to when a sales representative's primary purpose in detailing is related to Vascepa, while second position refers to when a sales representative's primary purpose in detailing is to promote another product, but they also devote time in the same sales call to promote Vascepa. Kowa Pharmaceuticals America, Inc. has also agreed 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 margin that varies during the term. The percentage of aggregate Vascepa gross margin earned by Kowa Pharmaceuticals America, Inc. is scheduled, as amended, to be approximately eighteen percent (18%) in 2017, partially offset by certain other refinements. During 2018, which is the last year of the agreement, as amended, we anticipate incurring expense for both the annual co-promotion fee, which in 2018 will again be calculated as a percentage of Vascepa gross margin at a modestly higher rate than in 2017, plus accrual for co-promotion tail payments. Assuming Kowa Pharmaceuticals America, Inc. fulfills its obligations in accordance with the terms of the agreement, as amended, upon expiration of the agreement, Kowa Pharmaceuticals America, Inc. is eligible to receive up to three years of co-promotion tail payments equal to declining percentages of the co-promotion fee earned in the final year of the agreement.

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 September 30, 2017 was approximately 374,000 compared to 344,000, 305,000 and 260,000 in the three months ended June 30, 2017, March 31, 2017 and September 30, 2016, respectively. According to data from another third party, QuintilesIMS, the estimated number of normalized total Vascepa prescriptions for the three months ended September 30, 2017 was approximately 372,000 compared to 344,000, 307,000 and 257,000 in the three months ended June 30, 2017, March 31, 2017 and September 30, 2016, respectively. Normalized total prescriptions represent the estimated total number of Vascepa prescriptions dispensed to patients, calculated on a normalized basis (i.e., one month's supply, or total capsules dispensed multiplied by the number of grams per capsule divided by 120 grams). Inventory levels at wholesalers tend to fluctuate based on seasonal factors, prescription trends and other factors.

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 can be generally indicative of current prescription trends, these data are based on estimates and should not be relied upon as definitive. While we expect to be able to grow Vascepa revenues over time, no guidance should be inferred from the operating metrics described above. We also anticipate that such sales growth will 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, quarterly changes in Distributor purchases, 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 pharmaceutical products 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."

In August 2015, we and our co-promotion partner began communicating promotional information beyond MARINE clinical trial data to targeted healthcare professionals. Such qualified communications are being made pursuant to the August 2015 federal district court declaration and related March 2016 settlement allowing truthful and non-misleading promotion of the FDA-reviewed and agreed effects of Vascepa demonstrated in the ANCHOR clinical trial and presentation of the current state of scientific research related to the potential of Vascepa to reduce the risk of cardiovascular disease including through use of peer-reviewed scientific publications of available data.

Commercialization – Outside the United States

In February 2015, we announced an exclusive agreement with Eddingpharm to develop and commercialize Vascepa capsules in what we refer to as the China Territory, consisting of the territories of Mainland China, Hong Kong, Macau and Taiwan, 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 is 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, a non-refundable milestone payment of $1.0 million received upon successful submission of a clinical trial application with respect to the MARINE indication for Vascepa to the Chinese regulatory authority in March 2016, and future regulatory and sales-based milestone payments of up to an additional $153.0 million. The regulatory milestone events relate to the submission and approval of certain applications to the applicable regulatory authority, such as a clinical trial application, clinical trial exemption, or import drug license application. The amounts to be received upon achievement of the regulatory milestone events relate to the submission and approval for three indications, and range from $1.0 million to $15.0 million for a total of $33.0 million. The sales-based milestone events occur when annual aggregate net sales of Vascepa in the territory equals or exceeds certain specified thresholds, and range from $5.0 million to $50.0 million for a total of $120.0 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 terms.

In March 2016, we entered into an agreement with Biologix to register and commercialize Vascepa in several Middle Eastern and North African countries. Under the terms of the distribution agreement, we granted to Biologix a non-exclusive license to use our trademarks in connection with the importation, distribution, promotion, marketing and sale of Vascepa in the Middle East and North Africa territory. Upon closing of the agreement, we received a non-refundable up-front payment, which will be recognized as revenue over 10 years commencing upon first marketing approval of Vascepa in the territory. We are entitled to receive payments based on product sales at an agreed-upon transfer price, which represents a percentage of gross selling price, subject to a minimum floor price.

In September 2017, we entered into an agreement with HLS to register, commercialize and distribute Vascepa in Canada. Under the agreement, HLS will be responsible for regulatory and commercialization activities and associated costs. We will be responsible for providing assistance towards local filings, supplying finished product under negotiated supply terms, maintaining intellectual property, and continuing the development and funding of REDUCE-IT. Terms of the agreement include up-front and milestone payments to us of up to $65.0 million. These payments include a non-refundable $5.0 million up-front payment to be received in two equal installments, the first of which was received at closing with the second to be received upon the six-month anniversary of the closing. In addition to the non-refundable, up-front payment, we are entitled to receive certain regulatory and sales-based milestone payments of up to an additional $60.0 million, the timing and achievability of which cannot be determined at least until discussions with Canadian regulatory authorities have commenced, as well as tiered double-digit royalties on net sales of Vascepa in Canada.

We continue to assess other partnership opportunities for licensing Vascepa to partners 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. REDUCE-IT is not designed to demonstrate that lowering triglycerides alone in the study population is sufficient to lower the rate of major adverse

cardiovascular events compared to placebo. Rather, it is designed to test the hypothesis that the clinical effects of Vascepa, including its impact on triglyceride lowering, are effective in lowering the rate of major adverse cardiovascular events compared to placebo in patients who despite statin therapy have risk factors for cardiovascular disease, including elevated triglyceride levels. Based on the results of REDUCE-IT, we may seek additional indications for Vascepa beyond the indications studied in the ANCHOR or MARINE trials.

In 2016, we completed patient enrollment and randomization of 8,175 individual patients into the REDUCE-IT study, exceeding the 8,000 patients targeted for the trial.

The REDUCE-IT study is designed to be completed after reaching 1,612 aggregate primary cardiovascular events. Based on projected event rates, we estimate the onset of the target aggregate number of cardiovascular events to be reached before the end of the first quarter of 2018 with study results then expected to be available and made public before the end of the third quarter of 2018, followed by publication of the results. Between reaching the estimated onset of the target 1,612 aggregate primary cardiovascular events and study data being unblinded and disclosed, vital data will be collected from all remaining living patients in the study and data in the study will be rolled-up for evaluation by the DMC and creation of a final study report.

The REDUCE-IT study, since its inception in 2011, has been conducted under a SPA agreement with the FDA. This SPA, as amended, provides for periodic safety reviews by the study's DMC. In addition, the SPA, as amended, provided for interim efficacy and safety analyses by the study's DMC at approximately 60% and at approximately 80% of the target aggregate number of primary cardiovascular events. The periodic safety reviews and interim efficacy and safety analyses are conducted confidentially by the study's DMC. We remain blinded to all data from the study. Until the study is completed or the study is halted due to a patient safety concern (not expected), Amarin personnel will remain blinded to the efficacy and safety data from the REDUCE-IT study. Since patient enrollment commenced in 2011, over 30,000 patient years of study experience have been accumulated in the REDUCE-IT study. Following each periodic review of safety data to date, which have occurred quarterly since 2013, and following each of two interim efficacy and safety analyses, the DMC has communicated to us that we should continue the study as planned. The p-value used to assess the primary endpoint in REDUCE-IT at completion, assuming 1,612 aggregate primary cardiovascular events, is now $p<0.0436$ based on adjustment following the actual number of targeted events assessed at the most recent 80% interim efficacy and safety analysis.

The second of the two-interim efficacy and safety analysis was completed by the DMC in August 2017. As expected, upon completing its analysis, the DMC recommended that the REDUCE-IT study continue as planned without modification. Because REDUCE-IT is the first prospective clinical trial of any therapy in the large patient population studied, the bars for stopping this trial early for overwhelming efficacy were intentionally set high with the understanding that a more robust result, based on a larger number of cardiovascular events, could be obtained by the study continuing to completion. The analysis and recommendation of the DMC at this interim look were made independently. Neither Amarin nor the FDA has reviewed the interim clinical results and neither participated in the DMC's closed session deliberation. Additional periodic safety reviews are planned by the DMC prior to study completion, but no additional interim efficacy and safety analysis is planned prior to study completion.

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 putative cardioprotective effects of EPA as presented in scientific literature. It is possible that the effects of EPA may be due not to a single mode of action, such as triglyceride lowering, but rather to multiple mechanisms working together. Studies in the scientific literature explore potentially beneficial effects of EPA on multiple atherosclerosis processes, including endothelial function, oxidative stress, foam cell formation, inflammation/cytokines, plaque formation/progression, platelet aggregation, thrombus formation, and plaque rupture. The REDUCE-IT study is needed to determine the clinical benefit, if any, of EPA therapy in statin-treated patients with elevated triglyceride levels.

Commercial Supply

Prior to 2015, all of our active pharmaceutical ingredient, or API, that has been utilized in product sold was manufactured by two suppliers: Nisshin Pharma, Inc., or Nisshin, and Chemport, Inc., or Chemport. During 2015, we began purchasing API from a third supplier, Finorga SAS, or Novasep. The amount of supply we seek to purchase in

future periods will depend on the level of growth of Vascepa revenues and minimum purchase commitments with certain suppliers. While our current supply chain is scalable, we continue efforts to expand, diversify and further enhance it.

Financial Position

We believe that our cash and cash equivalents of $79.1 million as of September 30, 2017 will be sufficient to fund our projected operations through results of the REDUCE-IT study, which we anticipate will be available before the end of the third quarter of 2018. Depending on the level of cash generated from operations, additional capital may be required to sustain operations, fund debt obligations or expand promotion of Vascepa as contemplated following anticipated successful results of the REDUCE-IT study. We anticipate that quarterly net cash outflows in future periods will be variable.

Financial Operations Overview

Product Revenue, net. All of our product revenue is derived from product sales of 1-gram and 500-mg size capsules 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 or our customers, who resell the product to retail pharmacies for purposes of their reselling the product to fill patient prescriptions. We commenced our commercial launch of 1-gram size Vascepa capsules in the United States in January 2013, and introduced a smaller 500-mg capsule size in October 2016. In accordance with U.S. Generally Accepted Accounting Principles, or GAAP, during 2013, before 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. In 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.

Licensing revenue. Licensing revenue currently consists of revenue attributable to receipt of up-front, non-refundable payments and milestone payments related to license and distribution agreements for Vascepa outside the United States. Up-front and milestone payments under such agreements are typically recognized as licensing revenue over the estimated period in which we are required to provide regulatory and development support and clinical and commercial supply pursuant to the agreements.

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, quality assurance, insurance, and other indirect manufacturing, logistics and product support costs. 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.

Selling, General and Administrative Expense. Selling, general and administrative expense consists primarily of salaries and other related costs, including stock-based compensation expense, for personnel in our sales, marketing, executive, business development, finance and information technology functions, as well as co-promotion fees accrued under the agreement with 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 as well as costs of product supply received from suppliers when such receipt by us is prior to regulatory approval of the supplier. We expense research and development costs as incurred.

Gain on Change in Fair Value of Derivative Liabilities. Gain on change in fair value of derivative liabilities is comprised of: (i) 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, and (ii) the change in fair value of the derivative liabilities related to the change in control provisions associated with the May 2014 and November 2015 exchangeable senior notes.

Interest and Other Income (Expense), Net. Interest expense consists of interest incurred under lease obligations, interest incurred under our December 2012 financing arrangement with BioPharma and interest incurred under our 3.5% exchangeable notes. Interest expense under our BioPharma financing arrangement is calculated based on an estimated repayment schedule. 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 interest (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 market-specific and other relevant 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 or conditions. Estimates are assessed each period and updated to reflect current information. 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. A summary of our critical accounting policies, significant judgments and estimates is presented in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2016. There were no material changes to our critical accounting policies, significant judgments and estimates during the nine months ended September 30, 2017, other than as set forth below.

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 historically generated annual positive taxable income in the United States. When making our assessment about the realization of our U.S. deferred tax assets at September 30, 2017, 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 recorded net U.S. deferred tax assets of $11.1 million are more likely than not to be realizable as of September 30, 2017. Any changes in the available evidence used to assess realizability of our U.S. deferred tax assets could result in a material change to the carrying value of such deferred tax assets in future periods. 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, future earnings projections, and changes in tax laws and tax rates, 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.

Excess tax benefits and deficiencies that arise upon vesting or exercise of share-based payments are recognized as an income tax benefit and expense, respectively, in the condensed consolidated statement of operations.

Recent Accounting Pronouncements

See Note 2—Significant Accounting Policies of the Notes to Condensed Consolidated Financial Statements included in Item 1 of this Quarterly Report on Form 10-Q for additional information.

Results of Operations

Comparison of Three Months Ended September 30, 2017 and September 30, 2016

Product Revenue, net. We recorded net product revenue of $47.1 million and $32.4 million during the three months ended September 30, 2017 and 2016, respectively, an increase of $14.6 million, or 45%. This increase in revenue was driven primarily by an increase in estimated normalized total Vascepa prescriptions. Based on data provided by Symphony Health Solutions and QuintilesIMS, estimated normalized total Vascepa prescriptions increased by approximately 115,000 and 114,000, respectively, over the three months ended September 30, 2016, representing growth of 44%. The increase in net product revenue driven by the increase in estimated normalized total Vascepa prescriptions was partially offset by a slightly lower net average selling price for Vascepa during the three months ended September 30, 2017 driven primarily by a higher proportion of revenues derived for Vascepa prescriptions filled by patients covered by Medicare insurance, the rebate levels for which are on average higher than rebates under commercial managed care insurance plans. We believe that changes in channel inventory, which were minimal for the quarters ended September 30, 2017 and 2016 calculated based on estimated days of Vascepa sales on hand, at independent wholesalers and retail pharmacies are common and are impacted by numerous factors, including holiday timing and recent order trends. We also believe, based on information available to us, that channel inventory levels at the end of the third quarters of 2017 and 2016 were within ordinary ranges.