

## **HORIZON PHARMA plc**

### **RECONCILIATIONS OF GAAP REPORTED TO NON-GAAP ADJUSTED INFORMATION**

Horizon Pharma plc (“Horizon”, the “Company”, “we”, “our”) provides certain financial measures such as adjusted non-GAAP net income (loss), adjusted non-GAAP net income (loss) per share, non-GAAP gross profit margins and non-GAAP cash from operations, which include adjustments to GAAP figures. These adjustments to GAAP exclude acquisition transaction related expenses as well as non-cash items such as stock-based compensation, depreciation and amortization, accretion, non-cash interest expense, and other non-cash adjustments such as the increase or decrease in the fair value of the embedded derivative associated with the Company's convertible senior notes. Certain other special items or substantive events may also be included in the non-GAAP adjustments periodically when their magnitude is significant within the periods incurred. EBITDA, or earnings before interest, taxes, depreciation and amortization, and adjusted EBITDA are also used and provided by Horizon as non-GAAP financial measures.

Horizon believes that these non-GAAP financial measures, when considered together with the GAAP figures, can enhance an overall understanding of Horizon's financial performance. The non-GAAP financial measures are included with the intent of providing investors with a more complete understanding of the Company's operational results and trends. In addition, these non-GAAP financial measures are among the indicators Horizon's management uses for planning and forecasting purposes and measuring the Company's performance.

These non-GAAP financial measures should be considered in addition to, and not as a substitute for, or superior to, financial measures calculated in accordance with GAAP. The non-GAAP financial measures used by the Company may be calculated differently from, and therefore may not be comparable to, non-GAAP financial measures used by other companies. Please see below where the Company has provided a reconciliation of these non-GAAP financial measures to the comparable GAAP financial measures. However, the Company has not provided a reconciliation of full year 2014 of 2015 adjusted EBITDA outlook to a net income (loss) outlook because certain items that are a component of net income (loss) but not part of adjusted EBITDA, such as the gain (loss) on derivative revaluation associated with the convertible senior notes, stock-based compensation and acquisition related expenses, cannot be reasonably projected, either due to the significant impact of changes in Horizon's stock price on derivative revaluation and stock-based compensation, or the variability associated with acquisition related expenses due to timing and other factors.

On March 18, 2014, the Company (then known as Vidara Therapeutics International Ltd.), entered into a Transaction Agreement and Plan of Merger, as amended (the “Merger Agreement”), with Horizon Pharma, Inc. (“HPI”), Vidara Therapeutics Holdings LLC, Hamilton Holdings (USA), Inc. and Hamilton Merger Sub Inc. (“Merger Sub”). Pursuant to the Merger Agreement, on September 19, 2014, among other things, Merger Sub merged with and into HPI (the “Merger”), with HPI surviving the Merger as a wholly-owned subsidiary of the Company, which changed its name to Horizon Pharma plc. For accounting purposes, the Merger was treated as a “reverse acquisition” of the Company by HPI, with HPI considered the accounting acquirer. As a result of the transaction being a reverse acquisition, HPI's financial statements became the historical financial statements of the Company.

**Horizon Pharma plc**  
**Reconciliation of GAAP Net Loss to Adjusted Non-GAAP Net Loss**  
(in thousands, except share and per share amounts)  
(Unaudited)

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>Adjusted Non-GAAP Net Income (Loss):</b>				
<b>GAAP Net Loss</b>	\$ (27,769)	\$ (18,441)	\$ (234,019)	\$ (40,612)
Non-GAAP Adjustments:				
Change in estimate of VIMOVO royalties	13,033	-	13,033	-
Loss on derivative revaluation	10,965	-	214,995	-
Vidara acquisition costs	10,125	-	14,174	-
Amortization and accretion:				
Intangible amortization expense (net of tax effect)	4,683	1,311	9,363	2,635
Amortization of debt discount and deferred financing costs	2,333	919	4,666	1,829
Accretion of royalty liability	2,953	-	2,953	-
Amortization of deferred revenue	(161)	(147)	(322)	(215)
Stock-based compensation	4,160	1,021	6,087	2,100
Depreciation expense	404	299	780	558
Total of non-GAAP adjustments	48,495	3,403	265,729	6,907
<b>Adjusted Non-GAAP Net Income (Loss)</b>	<b>\$ 20,726</b>	<b>\$ (15,038)</b>	<b>\$ 31,710</b>	<b>\$ (33,705)</b>
<b>Adjusted Non-GAAP Earnings (Loss) Per Share:</b>				
<b>Weighted average shares - basic</b>	<b>73,384,801</b>	<b>62,872,173</b>	<b>70,164,267</b>	<b>62,339,285</b>
<b>Weighted average shares - diluted</b>				
Weighted average shares - basic	73,384,801	62,872,173	70,164,267	62,339,285
Common stock equivalents	24,689,011	-	22,955,502	-
<b>Weighted average shares - diluted</b>	<b>98,073,812</b>	<b>62,872,173</b>	<b>93,119,769</b>	<b>62,339,285</b>
<b>Adjusted Non-GAAP Basic Earnings (Loss) Per Share:</b>				
<b>GAAP net loss per common share-basic and diluted</b>	<b>\$ (0.38)</b>	<b>\$ (0.29)</b>	<b>\$ (3.34)</b>	<b>\$ (0.65)</b>
Non-GAAP adjustments	0.66	0.05	3.79	0.11
<b>Adjusted Non-GAAP Basic Earnings (Loss) per share</b>	<b>\$ 0.28</b>	<b>\$ (0.24)</b>	<b>\$ 0.45</b>	<b>\$ (0.54)</b>
<b>Adjusted Non-GAAP Diluted Net Income (Loss) Per Share:</b>				
<b>Adjusted Non-GAAP net income (loss) per common share-basic</b>	<b>\$ 0.28</b>	<b>\$ (0.24)</b>	<b>\$ 0.45</b>	<b>\$ (0.54)</b>
Dilutive earnings per share effect of common stock equivalents	(0.07)	-	(0.11)	-
<b>Adjusted Non-GAAP net income (loss) per common share-diluted</b>	<b>\$ 0.21</b>	<b>\$ (0.24)</b>	<b>\$ 0.34</b>	<b>\$ (0.54)</b>

**Horizon Pharma plc**  
**Additional GAAP to Non-GAAP Reconciliations**  
(in thousands, except percentages)  
(Unaudited)

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>EBITDA and Adjusted EBITDA:</b>				
<b>GAAP Net Loss</b>	\$ (27,769)	\$ (18,441)	\$ (234,019)	\$ (40,612)
Depreciation	404	299	780	558
Amortization and accretion:				
Intangible amortization expense	5,029	1,634	10,056	3,297
Accretion of royalty liability	2,953	-	2,953	-
Amortization of deferred revenue	(161)	(147)	(322)	(215)
Interest expense, net <sup>(1)</sup>	4,207	3,442	8,414	7,045
Expense (benefit) for income taxes	880	(351)	(225)	(1,232)
<b>EBITDA</b>	<b>\$ (14,457)</b>	<b>\$ (13,564)</b>	<b>\$ (212,363)</b>	<b>\$ (31,159)</b>
Non-GAAP Adjustments:				
Change in estimate of VIMOVO royalties	13,033	-	13,033	-
Loss on derivative valuation	10,965	-	214,995	-
Vidara acquisition costs	10,125	-	14,174	-
Stock-based compensation	4,160	1,021	6,087	2,100
Total of Non-GAAP adjustments	\$ 38,283	\$ 1,021	\$ 248,289	\$ 2,100
<b>Adjusted EBITDA</b>	<b>\$ 23,826</b>	<b>\$ (12,543)</b>	<b>\$ 35,926</b>	<b>\$ (29,059)</b>

(1) Includes amortization of debt discount and deferred financing costs.

**Horizon Pharma plc**  
**Additional GAAP to Non-GAAP Reconciliations (continued)**  
(in thousands, except percentages)  
(Unaudited)

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>Non-GAAP Gross Profit:</b>				
GAAP net sales	\$ 66,062	\$ 11,131	\$ 117,988	\$ 19,824
GAAP cost of goods sold	(24,810)	(2,394)	(32,429)	(6,163)
GAAP gross profit	<u>\$ 41,252</u>	<u>\$ 8,737</u>	<u>\$ 85,559</u>	<u>\$ 13,661</u>
GAAP gross profit %	62%	78%	73%	69%
<b>Non-GAAP Gross Profit:</b>				
<b>GAAP gross profit</b>	<b>\$ 41,252</b>	<b>\$ 8,737</b>	<b>\$ 85,559</b>	<b>\$ 13,661</b>
Non-GAAP gross profit adjustments:				
Change in estimate of VIMOVO royalties	13,033	-	13,033	-
Intangible amortization expense	5,029	1,634	10,056	3,297
Accretion of royalty liability	2,953	-	2,953	-
Depreciation	148	105	180	175
Total of Non-GAAP adjustments	<u>\$ 21,163</u>	<u>\$ 1,739</u>	<u>\$ 26,222</u>	<u>\$ 3,472</u>
<b>Non-GAAP gross profit</b>	<b><u>\$ 62,415</u></b>	<b><u>\$ 10,476</u></b>	<b><u>\$ 111,781</u></b>	<b><u>\$ 17,133</u></b>
<b>Non-GAAP gross profit %</b>	<b>94%</b>	<b>94%</b>	<b>95%</b>	<b>86%</b>
<b>Non-GAAP Cash Provided By (Used in) Operating Activities:</b>				
<b>GAAP cash provided by (used in) operating activities</b>	<b>\$ 16,761</b>	<b>\$ (10,899)</b>	<b>\$ 16,004</b>	<b>\$ (33,668)</b>
Cash payments related to Vidara acquisition	3,369	-	8,464	-
<b>Non-GAAP cash provided by (used in) operating activities</b>	<b><u>\$ 20,130</u></b>	<b><u>\$ (10,899)</u></b>	<b><u>\$ 24,468</u></b>	<b><u>\$ (33,668)</u></b>

**Horizon Pharma plc**  
**Certain Income Statement Line Items - Non-GAAP Adjusted**  
**For the Six Months Ended June 30, 2014**  
**(Unaudited)**

	Sales	COGS	Research & Development	Sales & Marketing	General & Administrative	Interest Expense	Derivative Loss	Other Expense	Total
Non-GAAP Adjustments (in thousands):									
Change in estimate of VIMOVO royalties <sup>(1)</sup>	\$ -	\$ 13,033	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,033
Loss on derivative revaluation <sup>(2)</sup>	-	-	-	-	-	-	214,995	-	214,995
Vidara acquisition costs <sup>(3)</sup>	-	-	-	-	9,174	-	-	5,000	14,174
Amortization and accretion:									
Intangible amortization expense (net of tax effect) <sup>(4)</sup>	-	9,363	-	-	-	-	-	-	9,363
Amortization of debt discount and deferred financing costs <sup>(5)</sup>	-	-	-	-	-	4,666	-	-	4,666
Accretion of royalty liability <sup>(6)</sup>	-	2,953	-	-	-	-	-	-	2,953
Amortization of deferred revenue <sup>(7)</sup>	(322)	-	-	-	-	-	-	-	(322)
Stock-based compensation <sup>(8)</sup>	-	-	798	1,624	3,665	-	-	-	6,087
Depreciation expense <sup>(9)</sup>	-	180	-	-	600	-	-	-	780
Total of non-GAAP adjustments	\$ (322)	\$ 25,529	\$ 798	\$ 1,624	\$ 13,439	\$ 4,666	\$ 214,995	\$ 5,000	\$ 265,729

**Horizon Pharma plc**  
**Certain Income Statement Line Items - Non-GAAP Adjusted**  
**For the Six Months Ended June 30, 2013**  
**(Unaudited)**

	Sales	COGS	Research & Development	Sales & Marketing	General & Administrative	Interest Expense	Derivative Loss	Other Expense	Total
Non-GAAP Adjustments (in thousands):									
Amortization and accretion:									
Intangible amortization expense (net of tax effect) <sup>(4)</sup>	\$ -	\$ 2,635	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,635
Amortization of debt discount and deferred financing costs <sup>(5)</sup>	-	-	-	-	-	1,829	-	-	1,829
Amortization of deferred revenue <sup>(7)</sup>	(215)	-	-	-	-	-	-	-	(215)
Stock-based compensation <sup>(8)</sup>	-	-	474	660	966	-	-	-	2,100
Depreciation expense <sup>(9)</sup>	-	175	383	-	-	-	-	-	558
Total of non-GAAP adjustments	\$ (215)	\$ 2,810	\$ 857	\$ 660	\$ 966	\$ 1,829	\$ -	\$ -	\$ 6,907

**Horizon Pharma plc**  
**Certain Income Statement Line Items - Non-GAAP Adjusted**  
**For the Three Months Ended June 30, 2014**  
**(Unaudited)**

	Sales	COGS	Research & Development	Sales & Marketing	General & Administrative	Interest Expense	Derivative Loss	Other Expense	Total
Non-GAAP Adjustments (in thousands):									
Change in estimate of VIMOVO royalties <sup>(1)</sup>	\$ -	\$ 13,033	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,033
Loss on derivative revaluation <sup>(2)</sup>	-	-	-	-	-	-	10,965	-	10,965
Vidara acquisition costs <sup>(3)</sup>	-	-	-	-	5,792	-	-	4,333	10,125
Amortization and accretion:									
Intangible amortization expense (net of tax effect) <sup>(4)</sup>	-	4,683	-	-	-	-	-	-	4,683
Amortization of debt discount and deferred financing costs <sup>(5)</sup>	-	-	-	-	-	2,333	-	-	2,333
Accretion of royalty liability <sup>(6)</sup>	-	2,953	-	-	-	-	-	-	2,953
Amortization of deferred revenue <sup>(7)</sup>	(161)	-	-	-	-	-	-	-	(161)
Stock-based compensation <sup>(8)</sup>	-	-	498	1,040	2,622	-	-	-	4,160
Depreciation expense <sup>(9)</sup>	-	148	-	-	256	-	-	-	404
Total of non-GAAP adjustments	\$ (161)	\$ 20,817	\$ 498	\$ 1,040	\$ 8,670	\$ 2,333	\$ 10,965	\$ 4,333	\$ 48,495

**Horizon Pharma plc**  
**Certain Income Statement Line Items - Non-GAAP Adjusted**  
**For the Three Months Ended June 30, 2013**  
**(Unaudited)**

	Sales	COGS	Research & Development	Sales & Marketing	General & Administrative	Interest Expense	Derivative Loss	Other Expense	Total
Non-GAAP Adjustments (in thousands):									
Amortization and accretion:									
Intangible amortization expense (net of tax effect) <sup>(4)</sup>	\$ -	\$ 1,311	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,311
Amortization of debt discount and deferred financing costs <sup>(5)</sup>	-	-	-	-	-	919	-	-	919
Amortization of deferred revenue <sup>(7)</sup>	(147)	-	-	-	-	-	-	-	(147)
Stock-based compensation <sup>(8)</sup>	-	-	192	380	449	-	-	-	1,021
Depreciation expense <sup>(9)</sup>	-	105	194	-	-	-	-	-	299
Total of non-GAAP adjustments	\$ (147)	\$ 1,416	\$ 386	\$ 380	\$ 449	\$ 919	\$ -	\$ -	\$ 3,403

**Horizon Pharma plc**  
**Certain Income Statement Line Items - Non-GAAP Adjusted**  
**For the Three Months Ended March 31, 2014**  
**(Unaudited)**

	Sales	COGS	Research & Development	Sales & Marketing	General & Administrative	Interest Expense	Derivative Loss	Other Expense	Total
Non-GAAP Adjustments (in thousands):									
Change in estimate of VIMOVO royalties <sup>(1)</sup>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Loss on derivative revaluation <sup>(2)</sup>	-	-	-	-	-	-	204,030	-	204,030
Vidara acquisition costs <sup>(3)</sup>	-	-	-	-	3,382	-	-	667	4,049
Amortization and accretion:									
Intangible amortization expense (net of tax effect) <sup>(4)</sup>	-	4,680	-	-	-	-	-	-	4,680
Amortization of debt discount and deferred financing costs <sup>(5)</sup>	-	-	-	-	-	2,333	-	-	2,333
Accretion of royalty liability <sup>(6)</sup>	-	-	-	-	-	-	-	-	-
Amortization of deferred revenue <sup>(7)</sup>	(161)	-	-	-	-	-	-	-	(161)
Stock-based compensation <sup>(8)</sup>	-	-	300	584	1,043	-	-	-	1,927
Depreciation expense <sup>(9)</sup>	-	32	-	-	344	-	-	-	376
Total of non-GAAP adjustments	\$ (161)	\$ 4,712	\$ 300	\$ 584	\$ 4,769	\$ 2,333	\$ 204,030	\$ 667	\$ 217,234

**Horizon Pharma plc**  
**Certain Income Statement Line Items - Non-GAAP Adjusted**  
**For the Three Months Ended March 31, 2013**  
**(Unaudited)**

	Sales	COGS	Research & Development	Sales & Marketing	General & Administrative	Interest Expense	Interest Expense	Interest Expense	Total
Non-GAAP Adjustments (in thousands):									
Amortization and accretion:									
Intangible amortization expense (net of tax effect) <sup>(4)</sup>	\$ -	\$ 1,324	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,324
Amortization of debt discount and deferred financing costs <sup>(5)</sup>	-	-	-	-	-	910	-	-	910
Amortization of deferred revenue <sup>(7)</sup>	(68)	-	-	-	-	-	-	-	(68)
Stock-based compensation <sup>(8)</sup>	-	-	282	280	517	-	-	-	1,079
Depreciation expense <sup>(9)</sup>	-	70	189	-	-	-	-	-	259
Total of non-GAAP adjustments	\$ (68)	\$ 1,394	\$ 471	\$ 280	\$ 517	\$ 910	\$ -	\$ -	\$ 3,504

- (1) At the time of our acquisition of the U.S. rights to VIMOVO from AstraZeneca in the fourth quarter of 2013, we estimated the fair value of contingent royalties payable to Pozen (the "Pozen Royalty") using an income approach under the discounted cash flow method, which included revenue projections and other assumptions we made to determine the fair value. If we were to significantly overperform or underperform against our original revenue projections or it became necessary to make changes to our assumptions as a result of a triggering event, we would be required to reassess the fair value of the contingent royalties payable to Pozen. Any adjustments to fair value would be recorded in the period such adjustment was made as either an increase or decrease to royalties payable, with a corresponding increase or decrease in cost of goods sold, in accordance with our established accounting policies, and would impact the reported operating results in the period the adjustment was made. During the second quarter of 2014, based on higher sales of VIMOVO during the six months ended June 30, 2014 versus our original expectations and our adjusted expectations for future VIMOVO sales, we had recorded a charge of \$13,033 to cost of goods sold to increase the amount of the contingent royalty liability to reflect the updated estimates.
- (2) We recorded non-cash charges related to the increase in the fair value of the embedded derivative associated with our 5.00% convertible senior notes due 2018 (the "Convertible Senior Notes"). The increase in loss on the derivative revaluation was primarily due to an increase in the market value of our common stock.. The loss on derivative revaluation was a permanent tax difference and was not deductible for income tax reporting purposes.
- (3) On March 18, 2014, Horizon Pharma, Inc. and Vidara Therapeutics International Ltd. ("Vidara") entered into a definitive agreement under which we acquired Vidara through a reverse merger for stock and cash. Expenses, including legal and consulting fees, incurred in connection with the proposed transaction have been excluded as non-recurring items.
- (4) Intangible amortization expenses associated with the intellectual property of VIMOVO, LODOTRA, and RAYOS. Amortization of LODOTRA and RAYOS developed technologies is included net of statutory income tax effects.
- (5) Amortization of debt discount and deferred financing costs associated with the Company's \$150 million Convertible Senior Notes.
- (6) Accretion expense associated with the Pozen Royalty.
- (7) Amortization of milestone payments related to LODOTRA between the Company and its European distribution partner, Mundipharma International Ltd.
- (8) Stock-based compensation expense associated with the Company's stock option and restricted stock unit grants to its employees and non-employees and its employee stock purchase plan.
- (9) Depreciation expense related to the Company's property, equipment, and leasehold improvements.