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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of report (date of earliest event reported): April 6, 2015

Mallinckrodt public limited company
(Exact name of registrant as specified in its charter)

Ireland	**001-35803**	**98-1088325**
(State or other jurisdiction of incorporation or organization)	**(Commission File Number)**	**(I.R.S. Employer Identification No.)**

Damastown, Mulhuddart
Dublin 15, Ireland
(Address of principal executive offices)

+353 1 880-8180
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 7.01. Regulation FD Disclosure.

On April 6, 2015, two wholly owned subsidiaries of Mallinckrodt plc ("Mallinckrodt" or the "Company"), Mallinckrodt International Finance S.A. and Mallinckrodt CB LLC (together, the "Issuers"), intend to commence the distribution of a confidential preliminary offering circular to potential investors relating to a proposed private offering by the Issuers (the "Offering"), subject to market and other conditions, of approximately $1.2 billion of U.S. dollar-denominated senior unsecured notes due 2020 and 2025 (the "Notes"). Mallinckrodt intends to use the proceeds from the Offering to finance its previously announced acquisition (the "Acquisition") of all of the capital stock of Compound Holdings II, Inc. (the "Target") and to pay certain fees and expenses related to the Offering and Acquisition. Ikaria, Inc. ("Ikaria") is a wholly owned subsidiary of the Target. The Company is furnishing under this Item 7.01 the information included in Exhibits 99.1 (Transaction Rationale, Summary Unaudited Pro Forma Combined Financial Data, Summary Combined EBITDA and Adjusted EBITDA, Summary Historical Financial Data of Mallinckrodt, Summary Historical Financial Data of Ikaria, Summary Historical Financial Data of Target, Risk Factors and Business Description of Ikaria, Inc.), 99.2 (Unaudited Pro Forma Combined Financial Information) and 99.3 (Annual Audited Consolidated Financial Statements of Compound Holdings II, Inc. and Ikaria, Inc.), which information is excerpted from the confidential preliminary offering circular to be distributed in connection with the Offering and which is incorporated in this Item 7.01 by reference.

On April 6, 2015, the Company issued a press release announcing the Issuer's intent to commence the Offering. A copy of the press release is attached hereto as Exhibit 99.4 and is incorporated by reference in this item 7.01.

The Notes will be offered and sold to qualified institutional buyers in the United States pursuant to Rule 144A and outside the United States pursuant to Regulation S under the Securities Act of 1933, as amended (the "Securities Act").

The Notes have not been registered under the Securities Act or any state securities laws and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the Securities Act and applicable state laws.

The information furnished pursuant to Item 7.01 of this Current Report on Form 8-K (including the exhibits) does not constitute an offer to sell or a solicitation of an offer to purchase the Notes or any other securities and does not constitute an offer, solicitation or sale in any state or jurisdiction in which such an offer, solicitation or sale would be unlawful.

The information furnished pursuant to Item 7.01 of this Current Report on Form 8-K (including the exhibits) is being furnished and shall not be deemed "filed" under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor shall it be incorporated by reference into any filings by the Company under the Securities Act or under the Exchange Act, except as expressly set forth by specific reference in such a filing. The furnishing of information pursuant to this Item 7.01 will not be deemed an admission as to the materiality of any information in this Current Report on Form 8-K that is required to be disclosed solely by Regulation FD.

Forward-Looking Statements

Statements made herein that are not strictly historical, including statements regarding the Offering, the proposed acquisition of Ikaria, the expected timetable for the completion of the Offering or the proposed acquisition of Ikaria, future financial condition and operating results, economic, business, competitive and/or regulatory factors affecting Mallinckrodt's and Ikaria's businesses and any other statements regarding events or developments that we believe or anticipate will or may occur in the future, may be "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995, and involve a number of risks and uncertainties. There are a number of important factors that could cause actual events to differ materially from those suggested or indicated by such forward-looking statements and you should not place undue reliance on any such forward-looking statements. These factors include risks and uncertainties related to, among other things: general economic conditions and conditions affecting the industries in which we and Ikaria operate; the commercial success of Mallinckrodt's products and of INOMAX®; Mallinckrodt's ability to complete the Offering on the anticipated timeline or at all; the parties' ability to satisfy the conditions to the acquisition of Ikaria, including the expiration of the waiting period (and any extensions thereof) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and complete the acquisition of Ikaria on the anticipated timeline or at all; Mallinckrodt's ability to realize anticipated growth, synergies and costs savings from its recently completed acquisitions and the acquisition of Ikaria; changes in laws and regulations; Mallinckrodt's ability to identify, acquire or close future acquisitions; Mallinckrodt's ability to successfully integrate acquisitions of operations, technology, products and businesses generally and to realize anticipated growth, synergies and cost savings (including with respect to the acquisition of Ikaria); the parties' ability to successfully develop or commercialize new products; the parties' ability to protect intellectual property rights; Ikaria's performance and maintenance of important business relationships; the lack of patent protection for certain of Ikaria's products, and the possible FDA approval and market introduction of additional competitive products; Ikaria's reliance on INOMAX for substantially all of its net sales and profits; Ikaria's ability to continue to generate revenue from sales of INOMAX and related products and services to treat on-label indications associated with hypoxic respiratory failure in term and near-term infants, and Ikaria's ability to obtain other indications for INOMAX; the performance of Ikaria's collaborators, single source-suppliers and manufacturers; Ikaria's research and development risks, including Ikaria's efforts to develop and obtain FDA approval of Terlivaz®; Mallinckrodt's ability to receive procurement and production quotas granted by the U.S. Drug Enforcement Administration; customer concentration; Mallinckrodt's reliance on certain individual products that are material to its financial performance; cost containment efforts of customers, purchasing groups, third-party payers and governmental organizations; the reimbursement practices of a small number of public or private insurers; limited clinical trial data for H.P. Acthar® Gel; complex reporting and payment obligations under healthcare rebate programs; Mallinckrodt's ability to achieve anticipated benefits of price increases; Mallinckrodt's ability to achieve expected benefits from restructuring activities; complex manufacturing processes; competition; product liability losses and other litigation liability; ongoing governmental investigations; material health, safety and environmental liabilities; retention of key personnel; conducting business internationally; and the effectiveness of information technology infrastructure. These and other factors are identified and described in more detail in the "Risk Factors" section of Mallinckrodt's Annual Report on Form 10-K for the fiscal year ended September 26, 2014. The forward-looking statements made herein speak only as of the date hereof and Mallinckrodt does not assume any obligation to update or revise any forward-looking statement, whether as a result of new information, future events and developments or otherwise, except as required by law.

Item 9.01. Financial Statements and Exhibits.

(a) Not applicable.

(b) Not applicable.

(c) Not applicable.

(d) Exhibits.

Exhibit No.	Description
99.1	Excerpt from Preliminary Offering Circular, dated April 6, 2015 (Transaction Rationale, Summary Unaudited Pro Forma Combined Financial Data, Summary Combined EBITDA and Adjusted EBITDA, Summary Historical Financial Data of Mallinckrodt, Summary Historical Financial Data of Ikaria, Summary Historical Financial Data of Target, Risk Factors and Business Description of Ikaria, Inc.).
99.2	Excerpt from Preliminary Offering Circular, dated April 6, 2015 (Unaudited Pro Forma Combined Financial Information).
99.3	Excerpt from Preliminary Offering Circular, dated April 6, 2015 (Annual Audited Consolidated Financial Statements of Compound Holdings II, Inc. and Ikaria, Inc.).
99.4	Press Release, dated April 6, 2015.

SIGNATURE

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: April 6, 2015

MALLINCKRODT PUBLIC LIMITED COMPANY

By: /s/ Peter G. Edwards
Name: Peter G. Edwards
Title: Senior Vice President and General Counsel

EXHIBIT INDEX

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USE OF CERTAIN TERMS

Except as otherwise indicated or unless the context otherwise requires, the information included in this offering circular about Mallinckrodt (as defined below) assumes the completion of all of the transactions referred to in this offering circular in connection with the Ikaria Acquisition (as defined below). As used in this offering circular, except where otherwise specified or unless the context otherwise requires:

- the "Issuer" refers to Mallinckrodt International Finance S.A., a Luxembourg public limited liability company (*société anonyme*) incorporated under the laws of the Grand Duchy of Luxembourg, with its registered office at 42-44, avenue de la Gare, L-1610 Luxembourg and being registered with the Luxembourg trade and companies register under number B.172.865 and an indirect wholly owned subsidiary of Mallinckrodt plc;
- the "U.S. Co-Issuer" refers to Mallinckrodt CB LLC, a Delaware limited liability company and a direct wholly owned subsidiary of the Issuer;
- the "Issuers" refers to the Issuer and the U.S. Co-Issuer, collectively;
- "we," "us," and "our" refer to the Issuer and its direct and indirect subsidiaries;
- "Mallinckrodt plc" and "Parent" refer to Mallinckrodt plc, an Irish public limited company, excluding its subsidiaries;
- "Mallinckrodt Pharmaceuticals," "Mallinckrodt," "our company" and "the company," except as otherwise indicated, refer to Mallinckrodt plc, an Irish public limited company, and its subsidiaries;
- "Cadence" refers to Cadence Pharmaceuticals, Inc., which entity changed its name to Mallinckrodt Hospital Products Inc. as of March 27, 2015;
- "Questcor" refers to Questcor Pharmaceuticals, Inc.;
- "initial purchasers" refers to the firms listed in the section entitled "*Plan of Distribution*";
- the "Ikaria Purchase Agreement" refers to the Stock Purchase Agreement, dated as of March 5, 2015, by and among Mallinckrodt plc, Mallinckrodt Enterprises, LLC, a Delaware limited liability company and an indirect wholly owned subsidiary of Mallinckrodt plc ("Purchaser"), Compound Holdings I, LLC, a Delaware limited liability company ("Seller"), and Compound Holdings II, Inc., a Delaware corporation and wholly owned subsidiary of Seller ("Target");
- "Ikaria" refers to Ikaria, Inc., a Delaware corporation and wholly owned subsidiary of Target;
- the "Ikaria Acquisition" or the "acquisition of Ikaria" refers to the proposed acquisition of Target by Purchaser pursuant to the Ikaria Purchase Agreement; and
- the "Transactions" refers to the Ikaria Acquisition and the consummation of this offering.

Except as otherwise indicated, references in this offering circular to Mallinckrodt's fiscal 2014, fiscal 2013, fiscal 2012, fiscal 2011 and fiscal 2010 are to Mallinckrodt's fiscal years ended September 26, 2014, September 27, 2013, September 28, 2012, September 30, 2011 and September 24, 2010, respectively. Except as otherwise indicated, all references to "dollars" or "$" in this offering circular are references to U.S. dollars.

Transaction Rationale

We believe that the Ikaria Acquisition should result in significant strategic benefits to Mallinckrodt and the combined company. These benefits include the following:

- Mallinckrodt is expected to significantly strengthen its footprint in hospitals, extending its presence from its current base of diagnostic radiology and multimodal pain management in surgical specialties to include critical care respiratory therapies in neonatal intensive care units;
- Individually approved and marketed together as a ‘drug-device’ combination, INOMAX and INOMAX delivery systems will benefit from Mallinckrodt’s larger hospital presence, regulatory expertise, long experience in complex drug and device manufacturing, and support of similar medication-technology pairings;
- The Ikaria Acquisition also builds potential diversity in Mallinckrodt’s nephrology rare disease pipeline with terlipressin (for injection), a portfolio asset being investigated for the treatment of Hepatorenal Syndrome Type 1 (HRS 1) under the brand name Terlivaz—a rare life-threatening condition with no currently approved therapy in the U.S. Terlipressin is approved for use and recognized as the standard-of-care treatment for HRS 1 in countries outside the U.S., including several in Europe;
- Stable cash flow generation and attractive EBITDA and free cash flow margins for the combined company;
- Ikaria customer experience teams—which include sales, marketing and other customer service functions—are expected to augment Mallinckrodt’s hospital platform working alongside existing teams; and
- The expectation that the Ikaria Acquisition will create substantial incremental efficiency and growth opportunities.

Summary Unaudited Pro Forma Combined Financial Data

The following table sets forth the summary unaudited pro forma condensed combined financial data at the dates and for the periods indicated. The following is presented to illustrate the estimated effects of (i) the pending acquisition of Ikaria by Mallinckrodt, which was announced on March 5, 2015, (ii) the acquisition of Questcor by Mallinckrodt, which was completed on August 14, 2014, (iii) the acquisition of Cadence by Mallinckrodt, which was completed on March 19, 2014, (iv) the related financings to fund the transactions based on the historical financial position and results of operations of Mallinckrodt and (v) the related tax effects from the transactions.

The following unaudited pro forma condensed combined financial information is provided for informational purposes only. The unaudited pro forma condensed combined statements of income assume that the aforementioned transactions occurred on September 28, 2013. The unaudited pro forma condensed combined statements of income are not necessarily indicative of operating results that would have been achieved had the acquisitions of Ikaria, Questcor and Cadence occurred on September 28, 2013, nor is it intended to project the future financial results of Mallinckrodt after the acquisitions. The unaudited pro forma condensed combined balance sheet assumes that the Ikaria Acquisition was completed on December 26, 2014. The unaudited pro forma condensed combined balance sheet does not necessarily reflect what Mallinckrodt's financial position would have been had the Ikaria Acquisition been completed on December 26, 2014, or for any future or historical period. The unaudited pro forma condensed combined financial information has been prepared using certain assumptions, as described in "*Unaudited Pro Forma Combined Financial Information*," which management believes are reasonable and do not reflect the cost of any integration activities, benefits from any synergies that may be derived from the acquisitions of Ikaria, Questcor and Cadence or revenue growth that may be anticipated.

The financial statements included and/or incorporated by reference in this offering circular with respect to the Issuers are the financial statements of Mallinckrodt plc, the ultimate parent of the Issuers, which will be a guarantor of the notes, and not the financial statements of the Issuers themselves. The Issuers cannot assure you that the historical financial information as set forth in this offering circular will be indicative of their future financial performance or their ability to meet their obligations, including repayment of the notes. The unaudited condensed consolidating financial statements of Mallinckrodt for the three months ended December 26, 2014 and as of December 26, 2014 and September 26, 2014, and the unaudited condensed financial statements for the three months ended December 27, 2013, are included in Mallinckrodt's Quarterly Report on Form 10-Q for the quarterly period ended December 26, 2014. The audited consolidating financial statements of Mallinckrodt for the twelve months ending September 26, 2014 are included in Mallinckrodt's Annual Report on Form 10-K for the fiscal year ended September 26, 2014 and Mallinckrodt's Current Report on Form 8-K filed on April 3, 2015.

The unaudited pro forma condensed combined financial data and related notes should be read in conjunction with "*The Ikaria Acquisition*," "*Use of Proceeds*," "*Selected Historical Financial Data of Mallinckrodt*," "*Selected Historical Financial Data of Ikaria*," the historical financial statements and related notes of Mallinckrodt, Questcor and Cadence incorporated by reference into this offering circular and the historical financial statements and related notes of Ikaria and Target included in this offering circular.

On a pro forma basis for the three months ended December 26, 2014, approximately 49.6% of net sales would have been generated by Mallinckrodt's Specialty Brands segment, approximately 29.6% were generated by Mallinckrodt's Specialty Generics segment and approximately 20.8% were generated by Mallinckrodt's Global Medical Imaging segment, excluding sales to Mallinckrodt's former parent.

(in millions)	Year Ended September 26, 2014	Three Months Ended December 27, 2013	Three Months Ended December 26, 2014	Twelve Months Ended December 26, 2014
Statement of Income Data:				
Net sales	$ 3,890.0	$ 916.6	$ 967.6	$ 3,941.0
Cost of sales	1,921.8	475.1	475.0	1,921.7
Gross profit	$ 1,968.2	$ 441.5	$ 492.6	$ 2,019.3
Selling, general and administrative expenses	1,144.6	268.9	311.0	1,186.7
Research and development expenses	285.4	76.6	54.5	263.3
Separation costs	9.6	2.2	—	7.4
Restructuring charges, net	128.6	8.0	7.2	127.8
Non-restructuring impairments	355.6	—	—	355.6
Gain on divestiture and license	(15.6)	(12.9)	(0.8)	(3.5)
Operating income (loss)	$ 60.0	$ 98.7	$ 120.7	$ 82.0
Interest expense	(252.5)	(61.8)	(67.2)	(257.9)
Interest income	1.8	0.5	0.1	1.4
Other income (expense), net	1.2	(0.6)	4.1	5.9
Income from continuing operations before income taxes	$ (189.5)	$ 36.8	$ 57.7	$ (168.6)
Provision for income taxes	116.8	(7.3)	(20.0)	104.1
Income (loss) from continuing operations	$ (306.3)	$ 44.1	$ 77.7	$ (272.7)

Balance Sheet Data (at December 26, 2014):	
Cash and cash equivalents	$ 87.9
Accounts receivable	573.1
Property, plant and equipment, net	1,009.7
Total assets	15,032.3
Total debt	5,405.1
Net debt (total debt less cash and cash equivalents)	5,317.2
Shareholders' equity	5,051.8

Summary Combined EBITDA and Adjusted EBITDA

The following tables set forth EBITDA and Adjusted EBITDA and other selected financial data of Mallinckrodt, Cadence, Questcor and Ikaria. EBITDA and Adjusted EBITDA are non-GAAP financial measures. Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with GAAP, and non-GAAP financial measures as used herein may not be comparable to similarly titled amounts used by other companies or persons. Mallinckrodt, Cadence, Questcor and Ikaria calculate certain non-GAAP financial metrics, including Adjusted EBITDA, using different methodologies. Consequently, these financial metrics as used by Mallinckrodt, Cadence, Questcor and Ikaria may not be directly comparable to one another or with how each company has calculated similarly titled metrics in the past.

Mallinckrodt management believes that presenting these measures may provide useful information about Mallinckrodt's, Cadence's, Questcor's and Ikaria's performance by excluding items that are not indicative of their respective core operating performances. However, these measures do not reflect actual cash expenditures and are not comparable to non-GAAP measures used by other companies.

The data provided below should be read in conjunction with the information incorporated by reference into or included within this offering circular. The data provided below were based on, and should be read in conjunction with, the historical consolidated financial statements and related notes of each of Mallinckrodt, Questcor and Cadence for the applicable periods, which are incorporated herein by reference, and the historical financial statements and related notes of Target and Ikaria included in this offering circular.

For an explanation of the adjustments made to and a reconciliation from net income (as reported) to EBITDA and Adjusted EBITDA for each of Mallinckrodt, Cadence, Questcor and Ikaria, please see the footnotes to the tables below.

The following table sets forth EBITDA and Adjusted EBITDA, and the reconciliations to net income, for each of (i) Mallinckrodt for the twelve months ended December 26, 2014 ("Mallinckrodt LTM"); (ii) Cadence for the period beginning on January 1, 2014 and ending on March 18, 2014, the last day prior to the acquisition of Cadence by Mallinckrodt; (iii) Questcor for the period beginning on January 1, 2014 and ending August 14, 2014, the last day prior to the acquisition of Questcor by Mallinckrodt ("Questcor Period"), and (iv) Ikaria for the twelve months ended December 31, 2014 ("Ikaria LTM"). A total column combining (i), (ii), (iii) and (iv) is also presented.

The combined financial data presented below is not pro forma data and does not give effect to any adjustments as a result of (i) the pending Ikaria Acquisition, (ii) the acquisition of Questcor by Mallinckrodt, (iii) the acquisition of Cadence by Mallinckrodt, (iv) the related financings to fund the transactions and (v) the related tax effects from the transactions. As a result, the combined financial data presented below is not comparable to the pro forma data set forth under "*—Summary Unaudited Pro Forma Combined Financial Data"* and "*Unaudited Pro Forma Combined Financial Information*."

Mallinckrodt LTM has been derived by adding the relevant line item from Mallinckrodt's unaudited condensed consolidated statement of income for the three months ended December 26, 2014 to the same item from Mallinckrodt's condensed consolidated and combined statement of income for the fiscal year ended September 26, 2014 and subtracting the same item from Mallinckrodt's condensed consolidated and combined statement of income for the three months ended December 27, 2013, each of which is incorporated by reference into this offering circular.

Questcor Period has been derived by adding the relevant line item from Questcor's condensed consolidated statement of income for the six months ended June 30, 2014 to the same item from Questcor's unaudited condensed consolidated statement of income for the period July 1, 2014 to August 14, 2014, which are not included in this offering circular.

Ikaria LTM has been derived by adding the relevant line item from Ikaria's statement of operations for the predecessor period January 1, 2014 to February 11, 2014 to the same item from Target's statement of operations for the year ended December 31, 2014.

The financial statements included in this offering circular with respect to the Issuers are the financial statements of Mallinckrodt plc, the ultimate parent of the Issuers, and not the financial statements of the Issuers themselves. The Issuers cannot assure you that the historical financial information as set forth in this offering circular will be indicative of their future financial performance or their ability to meet their obligations, including repayment of the notes. The unaudited condensed consolidating financial statements of Mallinckrodt for the three months ended December 26, 2014 and as of December 26, 2014 and September 26, 2014, and the unaudited condensed combined financial statements for the three months ended December 27, 2013, are included in Mallinckrodt's Quarterly Report on Form 10-Q for the quarterly period ended December 26, 2014.

($ in millions)

Selected Financial Data:	
Combined EBITDA(a)(1)	$ 330.1
Combined depreciation and amortization(1)	476.4
Combined Adjusted EBITDA(a)(1)	1,494.9
Pro forma net interest expense	257.9
Combined capital expenditures(1)	171.3
Ratio of Combined Adjusted EBITDA to pro forma net interest expense(a)(1)	5.8x
Ratio of total debt to Combined Adjusted EBITDA(a)(1)	3.6x
Ratio of total net debt to Combined Adjusted EBITDA(a)(1)	3.6x

(1) Combined data of Mallinckrodt (for twelve months ended December 26, 2014), Cadence (for the period from January 1, 2014 to March 18, 2014), Questcor (for the period January 1, 2014 to August 14, 2014) and Ikaria (for the twelve months ended December 31, 2014). For an explanation of the adjustments made to and a reconciliation from net income (as reported) to EBITDA and Adjusted EBITDA for each of Mallinckrodt, Cadence, Questcor and Ikaria, please see the footnotes to the tables below.

	Twelve Months Ended December 26, 2014 Mallinckrodt	January 1 to March 18, 2014 Cadence	January 1 to August 14, 2014 Questcor	Twelve Months Ended December 31, 2014 Ikaria	Combined
Net income (loss)	**$ (272.2)**	**$ (31.0)**	**$ 194.7**	**$ (170.9)**	**$ (279.4)**
Provision (benefit) for income taxes	(70.7)	—	102.1	(101.5)	(70.1)
Interest expense, net	120.3	1.2	0.5	81.2	203.2
Depreciation and amortization	391.4	0.4	12.4	72.2	476.4
EBITDA(a)	**$ 168.8**	**$ (29.4)**	**$ 309.7**	**$ (119.0)**	**$ 330.1**
(Gain) loss from discontinued operations, net of taxes	(0.7)	—	—	—	(0.7)
Other expense (income), net	(6.5)	—	0.1	—	(6.4)
Restructuring charges, net	127.8	—	—	—	127.8
Separation costs	7.4	—	—	—	7.4
Upfront and milestone payments	5.0	—	—	—	5.0
Inventory step-up expenses	56.5	—	—	287.7	344.2
Acquisition-related expenses	65.1	29.1	44.2	56.6	195.0
Non-restructuring impairments	355.6	—	—	—	355.6
Significant environmental and legal charge	35.3	—	—	—	35.3
Contingent consideration fair value adjustment	—	—	3.4	—	3.4
Share-based compensation	55.8	1.1	21.6	19.7	98.2
Adjusted EBITDA(a)	**$ 870.1**	**$ 0.8**	**$ 379.0**	**$ 245.0**	**$1,494.9**

(a) EBITDA is defined as net income excluding income tax expense, interest and depreciation and amortization. Adjusted EBITDA is EBITDA adjusted to exclude certain items. These items, if applicable, include: discontinued operations; other income, net; separation costs; restructuring charges, net; immediately expensed up-front and milestone payments; acquisition-related costs; share-based compensation; fair value adjustments to contingent consideration; certain environmental charges; non-cash impairment charges; and certain other non-recurring items.

The following table provides a reconciliation from Mallinckrodt plc's net income (as reported) to EBITDA and Adjusted EBITDA:

(in millions)	Twelve Months Ended December 26, 2014
Net income (loss)	**$ (272.2)**
Provision (benefit) for income taxes	(70.7)
Interest expense, net	120.3
Depreciation and amortization	391.4
EBITDA	**$ 168.8**
(Gain) loss from discontinued operations, net of taxes(1)	(0.7)
Other expense (income), net(2)	(6.5)
Restructuring charges, net(3)	127.8
Separation costs(4)	7.4
Upfront and milestone payments(5)	5.0
Acquisition-related expenses(6)	65.1
Inventory step-up expenses(7)	56.5
Non-restructuring impairments(8)	355.6
Share-based compensation(9)	55.8
Significant environmental and legal charge(10)	35.3
Adjusted EBITDA	**$ 870.1**

(1) Represents gains and losses related to indemnification obligations to the purchaser of our Specialty Chemicals business (formerly known as Mallinckrodt Baker), which was sold during fiscal 2010.

(2) Represents miscellaneous items, including gains and losses on intercompany foreign currency financing transactions and related hedging instruments.

(3) Represents expenses incurred under restructuring programs designed to improve our cost structure. Our current restructuring program, which was launched during fiscal 2013, is expected to include total expenses of $100.0 to $125.0 million, most of which are expected to be incurred by the end of fiscal 2016.

(4) Separation costs incurred after our June 28, 2013 separation from Covidien include expenses under our transition services agreement with Covidien, our costs to implement information and accounting systems, share-based compensation costs related to the conversion of Covidien awards into Mallinckrodt awards, and other transition costs. We expect that these costs will diminish over time.

(5) Represents non-capitalizeable upfront or development milestone based payments under certain license arrangements. Milestone payments prior to FDA approval of a product are expensed as part of research and development ("R&D"), while payments upon or after FDA approval are capitalized as an intangible asset and amortized. The fiscal 2013 milestone payment was related to the FDA acceptance of our New Drug Application ("NDA") submission associated with Xartemis XR.

(6) Primarily related to transaction costs associated with potential mergers and acquisitions activity. The amounts incurred during fiscal 2014 are primarily associated with our acquisitions of Cadence and Questcor.

(7) Represents incremental expense associated with the sale of inventory that was recorded at fair value upon the acquisition of Cadence and Questcor. The incremental expense represents the difference between fair value and the manufactured cost of the inventory.

(8) Represents goodwill, intangible asset and fixed asset impairment expense related to our Global Medical Imaging reportable segment and our Contrast Media and Delivery Systems reporting unit incurred in fiscal 2014.
(9) Represents historical share-based compensation, excluding share-based compensation costs related to the conversion of Covidien awards into Mallinckrodt awards. Includes the stock compensation associated with the modification of Questcor equity awards to Mallinckrodt awards.
(10) In April 2014, the EPA issued its revised Focused Feasibility Study associated with the lower 8-mile stretch of the Lower Passaic River Study Area. Based on the issuance of the EPA's FFS, Mallinckrodt recorded a $23.1 million accrual representing its estimate of its allocable share of the joint and several remediation liability resulting from this matter. In August 2014, the Company recorded an $11.5 million accrual related to various agreements related to a settlement, license and supply agreement with Fresenius related to Ofirmev.

The following table provides a reconciliation from Cadence's net income (as reported) to EBITDA and Adjusted EBITDA:

	January 1, 2014 to March 18, 2014
Net income (loss)	**$ (31.0)**
Income tax expense	—
Interest expense, net	1.2
Depreciation and amortization	0.4
EBITDA	**$ (29.4)**
Acquisition-related expenses(1)	29.1
Share-based compensation(2)	1.1
Adjusted EBITDA	**$ 0.8**

(1) Primarily related to transaction costs associated with Mallinckrodt's acquisition of Cadence.
(2) Represents historical share-based compensation of Cadence employees.

The following table provides a reconciliation from Questcor's net income (as reported) to EBITDA and Adjusted EBITDA:

	January 1, 2014 to August 14, 2014
Net income	**$ 194.7**
Income tax expense	102.1
Interest expense, net	0.5
Depreciation and amortization	12.4
EBITDA	**$ 309.7**
Other expense (income), net(1)	0.1
Acquisition related expenses(2)	44.2
Contingent consideration fair value adjustment(3)	3.4
Share-based compensation(4)	21.6
Adjusted EBITDA	**$ 379.0**

(1) Represents miscellaneous items, including gains and losses on foreign currency transactions.

(2) Primarily related to transaction costs associated with Mallinckrodt's acquisition of Questcor.

(3) Represents the change in fair value of contingent consideration obligations associated with Questcor's acquisitions of the Synacthen Depot asset from Novartis and its acquisition of BioVectra. The contingent consideration associated with Synacthen Depot is tied in part to the pursuit of, and in part to the receipt of, FDA approval of Synacthen Depot. Of the total maximum obligation of $300.0 million, $60.0 million was paid at closing, one $25.0 million payment was made on the first anniversary of the agreement (June 11, 2014) and two additional $25.0 million payments will be made on each of the second and third anniversaries of the closing and the remaining $165.0 million represents contingent consideration. The contingent consideration associated with BioVectra is up to $50.0 million Canadian based upon financial results over the next three years following the acquisition.

(4) Represents historical share-based compensation of Questcor employees.

The following table provides a reconciliation from Ikaria's net income (loss) (as reported) to EBITDA and Adjusted EBITDA:

	Twelve Months Ended December 31, 2014
Net income (loss)	**$ (170.9)**
Income tax expense (benefit)	(101.5)
Interest expense, net	81.2
Depreciation and amortization	72.2
EBITDA	**$ (119.0)**
Acquisition-related expenses(1)	56.6
Inventory step-up expenses(2)	287.7
Share-based compensation(3)	19.7
Adjusted EBITDA	**$ 245.0**

(1) Primarily related to transaction costs associated with MDP/Compound Holdings, II, Inc.'s acquisition of Ikaria, Inc., excluding $15.7 million of share-based compensation resulting from the accelerated vesting of equity awards outstanding prior to the acquisition.

(2) As a result of the acquisition of Ikaria, Inc. by Compound Holdings, II, Inc. on February 12, 2014, Ikaria stepped up its inventory value to reflect fair value, of which $287.7 million was subsequently recognized as cost of sales during 2014.

(3) Represents historical share-based compensation of Ikaria employees including $15.7 million resulting from the accelerated vesting of equity awards outstanding prior to the acquisition.

Summary Historical Financial Data of Mallinckrodt

The following table sets forth selected financial data of Mallinckrodt as of and for the three months ended December 26, 2014 and December 27, 2013 and the fiscal years ended September 26, 2014, September 27, 2013 and September 28, 2012. The historical consolidated financial data for the twelve months ended December 26, 2014 is derived from both our audited consolidated financial statements and our unaudited consolidated financial statements and the respective notes thereto, which are incorporated by reference into this offering circular. This summary financial data reflects the consolidated position of Mallinckrodt plc as an independent, publicly-traded company, including its consolidated subsidiaries, for periods on or after its legal separation from Covidien plc ("Covidien") on June 28, 2013. Summary financial data for periods prior to June 28, 2013 reflect the combined historical business and operations of Covidien's pharmaceuticals business as it was historically managed as part of Covidien.

The condensed consolidated income statement data for the three months ended December 26, 2014 and December 27, 2013 and the condensed consolidated balance sheet data at December 26, 2014 have been derived from Mallinckrodt's unaudited condensed consolidated financial statements incorporated by reference into this offering circular. The consolidated statement of income data for fiscal 2014, the consolidated and combined statement of income data for fiscal 2013, the combined statement of income data for fiscal 2012, the consolidated balance sheet data as of September 26, 2014 and September 27, 2013 and the combined balance sheet data as of September 28, 2012 were derived from Mallinckrodt's consolidated and combined financial statements and accompanying notes incorporated by reference into this offering circular. This information should be read in conjunction with Mallinckrodt's consolidated and combined financial statements and accompanying notes incorporated by reference in this offering circular. Mallinckrodt's historical results for periods prior to June 28, 2013 are not necessarily indicative of the results of operations or financial condition that would have been obtained had Mallinckrodt operated as an independent, publicly-traded company for the entirety of the periods presented, nor are they necessarily indicative of Mallinckrodt's future performance as an independent, publicly-traded company.

(in millions)	Fiscal Year 2012	2013	2014	Three Months Ended December 27, 2013	December 26, 2014	Twelve Months Ended December 26, 2014
***Statement of Income Data*:**						
Net sales	$2,056.2	$2,204.5	$ 2,540.4	$ 540.2	$ 866.3	$ 2,866.5
Cost of sales	1,091.4	1,179.6	1,337.3	284.6	427.6	1,480.3
Gross profit	964.8	1,024.9	1,203.1	255.6	438.7	1,386.2
Selling, general and administrative expenses	551.7	609.9	842.1	146.2	262.5	958.4
Research and development expenses(a)	144.1	165.7	166.9	39.0	42.4	170.3
Other operating expenses	33.8	104.5	478.2	(2.7)	6.4	487.3
Operating income (loss)(b)(c)	235.2	144.8	(284.1)	73.1	127.4	(229.8)
Interest expense	(0.5)	(19.5)	(82.6)	(9.8)	(48.8)	(121.6)
Interest income	0.4	0.3	1.5	0.3	0.1	1.3
Other income (expense), net	1.0	0.8	1.8	(0.6)	4.1	6.5
Income (loss) from continuing operations before income taxes	236.1	126.4	(363.4)	63.0	82.8	(343.6)
Provision (benefit) for income taxes	94.8	68.6	(44.8)	16.6	(9.3)	(70.7)
Income (loss) from continuing operations	141.3	57.8	(318.6)	46.4	92.1	(272.9)
Income (loss) from discontinued operations, net of income taxes	(6.7)	1.0	(0.7)	(0.8)	0.6	0.7
Net income (loss)	$ 134.6	$ 58.8	$ (319.3)	$ 45.6	$ 92.7	$ (272.2)
***Balance Sheet Data (at period end)*:**						
Cash and cash equivalents	$ —	$ 275.5	$ 707.8	$ 287.8	$ 899.0	$ 899.0
Accounts receivable, less allowance for doubtful accounts	315.4	400.8	545.6	396.8	508.5	508.5
Property, plant and equipment, net	945.2	997.4	949.2	997.3	945.6	945.6
Total assets	2,898.9	3,556.6	12,864.8	3,569.4	12,773.6	12,773.6
Long-term debt	8.9	918.3	3,951.5	918.0	3,942.2	3,942.2
Shareholders' equity	1,891.9	1,255.6	4,958.0	1,309.3	5,071.8	5,071.8
***Other Financial Data*:**						
EBITDA(d)	$ 360.4	$ 286.2	$ (7.1)	$ 106.8	$ 282.7	$ 168.8
Adjusted EBITDA(d)	413.5	410.0	634.9	109.3	344.5	870.1
Total capital expenditures	144.2	147.9	127.8	21.7	22.3	128.4

(a) Fiscal 2013 includes a $5.0 million charge related to milestone payments related to the acceptance of Mallinckrodt's Xartemis XR NDA for filing with the FDA, and fiscal 2014 includes a $5.0 million milestone payment related to a pipeline product MNK-155.

(b) The three months ended December 26, 2014 and December 27, 2013 include separation-related costs of zero and $2.2 million, respectively. Fiscal 2014, 2013 and 2012 include separation-related costs of $9.6 million, $74.2 million and $25.5 million, respectively. The three months ended December 26, 2014 and December 27, 2013 include restructuring and related charges, net of $7.2 million and $8.0 million, respectively. Fiscal 2014, 2013 and 2012 include restructuring charges, net, of $128.6 million, $33.2 million and $11.2 million, respectively. Fiscal 2014 includes a $23.1 million charge for environmental matters at a site located in New Jersey, a $65.1 million of transaction costs related to the acquisition of Cadence and Questcor, an $11.5 million charge related to settlement, license and supply agreements with Fresenius and a $355.6 million impairment charge related to goodwill, intangible assets and fixed assets within our Global Medical Imaging segment and Contrast Media and Delivery Systems reporting unit. Fiscal 2013 and 2012 include costs related to the build-out of Mallinckrodt's corporate infrastructure of $70.6 million and $10.7 million, respectively.

(c) Fiscal 2013 and 2012 include expense allocations from Covidien of $39.6 million and $49.2 million, respectively, which relate to finance, legal, information technology, human resources, communications, employee benefits and incentives, insurance and share-based compensation. Effective with the legal separation from Covidien on June 28, 2013, Mallinckrodt has assumed responsibility for all of these functions and related costs and anticipate Mallinckrodt's costs as an independent, publicly-traded company will be higher than those allocated to Mallinckrodt from Covidien.

(d) EBITDA is defined as net income excluding income tax expense, interest and depreciation and amortization. Adjusted EBITDA is EBITDA adjusted to exclude certain items. These items, if applicable, include: discontinued operations; other income, net; separation costs; restructuring charges, net; immediately expensed up-front and milestone payments; acquisition-related costs; share-based compensation; fair value adjustments to contingent consideration; certain environmental charges; non-cash impairment charges; and certain other non-recurring items.

EBITDA and Adjusted EBITDA are non-GAAP financial measures. Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with GAAP, and non-GAAP financial measures as used herein may not be comparable to similarly titled amounts used by other companies or persons. Mallinckrodt and Ikaria calculate certain non-GAAP financial metrics, including Adjusted EBITDA, using different methodologies. Consequently, these financial metrics as used by Mallinckrodt and Ikaria may not be directly comparable to one another or with how each company has calculated similarly titled metrics in the past.

These non-GAAP financial measures have been provided because management believes they can be used by potential notes investors to measure operating results. Management believes that presenting these measures may provide useful information about Mallinckrodt's performance by excluding items that are not indicative of Mallinckrodt's core operating performance. However, these measures do not reflect actual cash expenditures and are not comparable to non-GAAP measures used by other companies or notes investors.

The following table provides a reconciliation from Mallinckrodt plc's net income (as reported) to EBITDA and Adjusted EBITDA:

(in millions)	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Three Months Ended December 27, 2013	Three Months Ended December 26, 2014	Twelve Months Ended December 26, 2014
Net income (loss)	$134.6	$ 58.8	$(319.3)	$ 45.6	$ 92.7	$ (272.2)
Provision (benefit) for income taxes	94.8	68.6	(44.8)	16.6	(9.3)	(70.7)
Interest expense, net	0.1	19.2	81.1	9.5	48.7	120.3
Depreciation and amortization	130.9	139.6	275.9	35.1	150.6	391.4
EBITDA	$360.4	$286.2	$ (7.1)	$ 106.8	$ 282.7	$ 168.8
(Gain) loss from discontinued operations, net of taxes(1)	6.7	(1.0)	0.7	0.8	(0.6)	(0.7)
Other expense (income), net(2)	(1.0)	(0.8)	(1.8)	0.6	(4.1)	(6.5)
Restructuring charges, net(3)	11.2	33.2	128.6	8.0	7.2	127.8
Separation costs(4)	25.5	74.2	9.6	2.2	—	7.4
Non-restructuring impairments(5)	—	—	355.6	—	—	355.6
Upfront and milestone payments(6)	—	5.0	5.0	—	—	5.0
Acquisition-related expenses(7)	—	—	65.1	—	—	65.1
Inventory step-up expenses(8)	—	—	25.7	—	30.8	56.5
Gain on intellectual property license(9)	—	—	(11.7)	(11.7)	—	—
Share-based compensation(10)	10.7	13.2	29.9	2.6	28.5	55.8
Significant environmental and legal charge(11)	—	—	35.3	—	—	35.3
Adjusted EBITDA	$413.5	$410.0	$ 634.9	$ 109.3	$ 344.5	$ 870.1

(1) Represents gains and losses related to indemnification obligations to the purchaser of our Specialty Chemicals business (formerly known as Mallinckrodt Baker), which was sold during fiscal 2010.

(2) Represents miscellaneous items, including gains and losses on intercompany foreign currency financing transactions and related hedging instruments.

(3) Represents expenses incurred under restructuring programs designed to improve our cost structure. Our current restructuring program, which was launched during fiscal 2013, is expected to include total expenses of $100.0 to $125.0 million, most of which are expected to be incurred by the end of fiscal 2016. In addition to the aforementioned restructuring program and in conjunction with our acquisitions of Cadence and Questcor, we have incurred restructuring expense as we integrated the Cadence and Questcor businesses.

(4) Separation costs incurred after our June 28, 2013 separation from Covidien include expenses under our transition services agreement with Covidien, our costs to implement information and accounting systems, share-based compensation costs related to the conversion of Covidien awards into Mallinckrodt awards, and other transition costs. We expect that these costs will diminish over time. Separation costs incurred prior to June 28, 2013 primarily related to legal, accounting, tax and other professional fees.

(5) Represents goodwill, intangible asset and fixed asset impairment expense related to our Global Medical Imaging reportable segment and our Contrast Media and Delivery Systems reporting unit incurred in fiscal 2014.

(6) Represents non-capitalizable upfront or development milestone based payments under certain license arrangements. Milestone payments prior to FDA approval of a product are expensed as

part of R&D, while payments upon or after FDA approval are capitalized as an intangible asset and amortized. The fiscal 2013 milestone payment was related to the FDA acceptance of our NDA submission associated with Xartemis XR, and the fiscal 2014 milestone related to a pipeline product MNK-155.

(7) Primarily related to transaction costs associated with potential mergers and acquisitions activity. The amounts incurred during fiscal 2014 are primarily associated with our acquisition of Cadence and Questcor.

(8) Represents incremental expense associated with the sale of inventory that was recorded at fair value upon the acquisition of Questcor and Cadence. The incremental expense represents the difference between fair value and the manufactured cost of the inventory.

(9) During fiscal 2014 we recognized a gain from the settlement of patent disputes with a counterparty relating to certain intellectual property rights for which we had completed the earnings process.

(10) Represents the historical share-based compensation, excluding share-based compensation costs related to the conversion of Covidien awards into Mallinckrodt awards. Includes the stock compensation associated with the modification of Questcor equity awards to Mallinckrodt awards.

(11) In April 2014, the EPA issued its revised Focused Feasibility Study (“FFS”) associated with the lower 8-mile stretch of the Lower Passaic River Study Area. Based on the issuance of the EPA’s FFS, Mallinckrodt recorded a $23.1 million accrual representing its estimate of its allocable share of the joint and several remediation liability resulting from this matter. In August 2014, the Company recorded an $11.5 million accrual related to various agreements related to a settlement, license and supply agreement with Fresenius related to Ofirmev.

Summary Historical Financial Data of Ikaria

The following selected historical consolidated financial data is derived from Ikaria's audited consolidated financial statements for the years ended December 31, 2014 and 2013, with 2014 presented on a predecessor and successor basis as a result of the acquisition of legacy Ikaria, Inc. by MDP on February 12, 2014. The information set forth below is only a summary that you should read together with the historical audited consolidated financial statements of Ikaria, Inc. and the related notes thereto. Historical results are not necessarily indicative of any results to be expected in the future.

(in millions)	Predecessor(a) Year Ended December 31, 2013	Predecessor(a) January 1, 2014 to February 11, 2014	Successor(a)(b) February 12, 2014 to December 31, 2014
Statement of Income Data:			
Net sales	$ 366.5	$ 47.9	$ 347.2
Sales to related parties	7.9	0.3	10.5
Total revenues	374.4	48.2	357.7
Cost of sales	53.6	6.3	336.2
Selling, general and administrative	102.4	12.3	79.3
Research and development	93.7	8.6	29.9
Amortization of acquired intangibles	13.5	—	57.5
Merger transaction costs and expenses	4.3	64.7	—
Other operating expense (income), net	4.9	0.3	(5.6)
Total operating costs and expenses	272.4	92.2	497.4
Income (loss) from operations	102.0	(44.0)	(139.7)
Interest income	0.5	—	0.1
Interest expense	(57.9)	(9.5)	(71.8)
Loss on extinguishment of debt	(4.1)	—	—
Income (loss) before income taxes	40.5	(53.5)	(211.4)
Income tax expense (benefit)	17.0	(20.1)	(79.8)
Net income (loss)	$ 23.5	$ (33.4)	$ (131.6)
***Balance Sheet Data (at period end)*:**			
Cash and cash equivalents	$ 211.7		$ 98.9
Accounts receivable, less allowance for doubtful accounts	67.8		64.6
Property, plant and equipment, net	62.3		64.1
Total assets	538.7		1,769.6
Long-term debt	908.3		1092.3
Shareholders' equity (deficit)	(938.1)		274.1
***Other Financial Data*:**			
EBITDA(c)	$ 122.9	$ (41.8)	$ (69.7)
Adjusted EBITDA(c)	140.9	24.3	220.6
Total capital expenditures	10.1	0.7	8.5
Total debt	973.8		1,162.1

(a) Compound Holdings II, Inc., a holding company created by MDP, acquired Ikaria, Inc. on February 12, 2014. The results presented above present the activity of Ikaria, Inc. as of and for the years ended December 31, 2014 and 2013, with 2014 on a predecessor and successor basis.

(b) As a result of the acquisition, Ikaria, Inc. stepped up its inventory value to reflect fair value, of which $287.7 million was subsequently recognized as cost of sales during 2014.

(c) EBITDA is defined as net income (loss) excluding income tax expense (benefit), interest and depreciation and amortization. Adjusted EBITDA is defined as EBITDA, further adjusted to exclude certain items. These items, if applicable, include: discontinued operations; other income, net; separation costs; restructuring charges, net; immediately expensed up-front and milestone payments; acquisition-related costs; loss on extinguishment of debt; share-based compensation; non-cash impairment charges and certain other non-recurring items.

EBITDA and Adjusted EBITDA are non-GAAP financial measures. Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with GAAP, and non-GAAP financial measures as used in the above unaudited prospective financial information may not be comparable to similarly titled amounts used by other companies or persons. Mallinckrodt, Compound Holdings II, Inc. and Ikaria, Inc. calculate certain non-GAAP financial metrics, including Adjusted EBITDA, using different methodologies. Consequently, these financial metrics as used by Mallinckrodt, Compound Holdings II, Inc. and Ikaria, Inc. may not be directly comparable to one another or with how each company has calculated similarly titled metrics in the past.

These non-GAAP financial measures have been provided because management believes they can be used by potential notes investors to measure operating results. Management believes that presenting these measures may provide useful information about Ikaria, Inc.'s performance by excluding items that are not indicative of Ikaria, Inc.'s core operating performance. However, these measures do not reflect actual cash expenditures and are not comparable to non-GAAP measures used by other companies or notes investors.

The following table provides a reconciliation from Ikaria, Inc.'s net income (loss) (as reported) to EBITDA and Adjusted EBITDA:

	Predecessor(a)		Successor(a)(b)
	Year Ended December 31, 2013	January 1, 2014 to February 11, 2014	February 12, 2014 to December 31, 2014
Net income (loss)	$ 23.5	$ (33.4)	$ (131.6)
Income tax expense (benefit)	17.0	(20.1)	(79.8)
Interest expense, net	57.4	9.5	71.7
Depreciation and amortization	25.0	2.2	70.0
EBITDA	**$ 122.9**	**$ (41.8)**	**$ (69.7)**
Loss on extinguishment of debt(1)	4.1	—	—
Acquisition-related expenses(2)	—	49.0	—
Cost of sales inventory step-up(3)	—	—	287.7
Share-based compensation(4)	13.9	17.1	2.6
Adjusted EBITDA	**$ 140.9**	**$ 24.3**	**$ 220.6**

(1) Represents expense associated with the extinguishment of debt in fiscal 2013.
(2) Represents acquisition related expenses associated with the MDP / Compound Holdings II, Inc. acquisition of Ikaria, Inc. excluding $15.7 million of share-based compensation resulting from the accelerated vesting of equity awards outstanding prior to the acquisition.
(3) Represents the cost of sales from the inventory step-up recorded as a result of the MDP acquisition of Ikaria, Inc. in February 2014.
(4) Represents historical share-based compensation of Ikaria, Inc. employees, including $15.7 million resulting from the accelerated vesting of equity awards outstanding prior to the acquisition.

Summary Historical Financial Data of Target

The following selected historical consolidated financial data is derived from Compound Holdings II, Inc.'s audited consolidated financial statements for the year ended December 31, 2014. The information set forth below is only a summary that you should read together with the historical audited consolidated financial statements of Compounds Holdings II, Inc. and the related notes thereto, which are included in this offering circular. Historical results are not necessarily indicative of any results to be expected in the future.

(in millions)	Year Ended December 31, 2014(a)
Statement of Income Data:	
Net sales	$ 347.2
Sales to related parties	10.5
Total revenues	357.7
Cost of sales	336.2
Selling and marketing	79.3
Research and development	29.9
Amortization of acquired intangibles	57.5
Merger transaction costs and expenses	7.6
Other operating income, net	(5.6)
Total operating costs and expenses	504.9
Loss from operations	(147.2)
Interest income	0.1
Interest expense	(71.8)
Loss before income taxes	(218.9)
Income tax benefit	(81.4)
Net loss	$ (137.5)
***Balance Sheet Data (at period end)*:**	
Cash and cash equivalents	$ 98.9
Accounts receivable, less allowance for doubtful accounts	64.6
Property, plant and equipment, net	64.1
Total assets	1,770.8
Long-term debt	1,092.3
Shareholders' equity	274.6
***Other Financial Data*:**	
EBITDA(b)	$ (77.2)
Adjusted EBITDA(b)	220.7
Total capital expenditures	8.5
Total debt	1,162.1

(a) Compound Holdings II, Inc., a holding company created by MDP, acquired Ikaria, Inc. on February 12, 2014. The results presented above present the activity of Compound Holdings II, Inc. as of and for the fiscal period ended December 31, 2014, with the impact of the acquisition of legacy Ikaria, Inc. included as of December 31, 2014 and for the period from February 12, 2014 to December 31, 2014. As a result of the acquisition, Compound Holdings II, Inc. recognized cost of sales associated with the inventory step-up (fair value of inventory in excess of book value) of $287.7 million for the fiscal period ended December 31, 2014.

(b) EBITDA is defined as net income (loss) excluding income tax expense (benefit), interest and depreciation and amortization. Adjusted EBITDA is EBITDA adjusted to exclude certain items. These items, if applicable, include: discontinued operations; other income, net; separation costs; restructuring charges, net; immediately expensed up-front and milestone payments; acquisition-related costs; share-based compensation; other non-recurring items; and non-cash impairment charges.

EBITDA and Adjusted EBITDA are non-GAAP financial measures. Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with GAAP, and non-GAAP financial measures as used in the above unaudited prospective financial information may not be comparable to similarly titled amounts used by other companies or persons. Mallinckrodt, Compound Holdings II, Inc. and Ikaria, Inc. calculate certain non-GAAP financial metrics, including Adjusted EBITDA, using different methodologies. Consequently, these financial metrics as used by Mallinckrodt, Compound Holdings II, Inc. and Ikaria, Inc. may not be directly comparable to one another or with how each company has calculated similarly titled metrics in the past.

These non-GAAP financial measures have been provided because management believes they can be used by potential notes investors to measure operating results. Management believes that presenting these measures may provide useful information about Compound Holdings II, Inc.'s performance by excluding items that are not indicative of Compound Holdings II, Inc.'s core operating performance. However, these measures do not reflect actual cash expenditures and are not comparable to non-GAAP measures used by other companies or notes investors.

The following table provides a reconciliation from Compound Holdings II, Inc.'s net income (loss) (as reported) to EBITDA and Adjusted EBITDA:

	Year Ended December 31, 2014(a)
Net loss	$ (137.5)
Income tax benefit	(81.4)
Interest expense, net	71.7
Depreciation and amortization	70.0
EBITDA	**$ (77.2)**
Cost of sales inventory step-up(1)	287.7
Acquisition-related expenses(2)	7.6
Share-based compensation(3)	2.6
Adjusted EBITDA	**$ 220.7**

(1) Represents the cost of sales related to the inventory step-up recorded as a result of the MDP acquisition of Ikaria, Inc. in February 2014.
(2) Represents acquisition related expenses associated with the MDP / Compound Holdings II, Inc. acquisition of Ikaria, Inc.
(3) Represents historical share-based compensation of Ikaria, Inc. employees.

Risks Related to the Ikaria Acquisition

While the Ikaria Acquisition is pending, Mallinckrodt and Ikaria will be subject to business uncertainties that could adversely affect their businesses.

Uncertainty about the effect of the Ikaria Acquisition on employees, customers and suppliers may have an adverse effect on Ikaria and Mallinckrodt. These uncertainties may impair Mallinckrodt's and Ikaria's ability to attract, retain and motivate key personnel until the Ikaria Acquisition is consummated and for a period of time thereafter, and could cause customers, suppliers and others who deal with Mallinckrodt and Ikaria to seek to change existing business relationships with Mallinckrodt and Ikaria. Employee retention may be challenging during the pendency of the Ikaria Acquisition, as certain employees may experience uncertainty about their future roles. If key employees depart because of issues related to the uncertainty and difficulty of integration or a desire not to remain with the businesses, the business of the combined company following the Ikaria Acquisition could be seriously harmed. In addition, the Ikaria Purchase Agreement restricts Ikaria from taking specified actions until the Ikaria Acquisition occurs without the consent of Mallinckrodt. These restrictions may prevent Ikaria from pursuing attractive business opportunities that may arise prior to the completion of the Ikaria Acquisition.

Risks Related to the Business of the Combined Company

Mallinckrodt and Ikaria may fail to realize all of the anticipated benefits of the Ikaria Acquisition or those benefits may take longer to realize than expected. The combined company may also encounter significant difficulties in integrating the two businesses.

The ability of Mallinckrodt and Ikaria to realize the anticipated benefits of the Ikaria Acquisition will depend, to a large extent, on the combined company's ability to integrate the two businesses. The combination of two independent businesses is a complex, costly and time-consuming process. As a result, Mallinckrodt and Ikaria will be required to devote significant management attention and resources to integrating their business practices and operations. The integration process may disrupt the businesses and, if implemented ineffectively, would restrict the realization of the full-expected benefits. The failure to meet the challenges involved in integrating the two businesses and to realize the anticipated benefits of the transaction could cause an interruption of or a loss of momentum in, the activities of the combined company and could adversely affect the results of operations of the combined company.

In addition, the overall integration of the businesses may result in material unanticipated problems, expenses, liabilities, competitive responses, loss of customer relationships, and diversion of management's attention. The difficulties of combining the operations of the companies include, among others:

- the diversion of management's attention to integration matters;
- difficulties in achieving anticipated cost savings, synergies, business opportunities and growth prospects from the combination;
- difficulties in the integration of operations and systems;
- conforming standards, controls, procedures and accounting and other policies, business cultures and compensation structures of the two companies;
- difficulties in the assimilation of employees;
- difficulties in managing the expanded operations of a significantly larger and more complex company;
- challenges in keeping existing customers and obtaining new customers;
- challenges in attracting and retaining key personnel; and
- coordinating a geographically dispersed organization.

Many of these factors will be outside of the control of Mallinckrodt or Ikaria and any one of them could result in increased costs, decreases in the amount of expected revenues and diversion of management's time and energy, which could materially impact the business, financial condition and results of operations of the combined company. In addition, even if the operations of the businesses of Mallinckrodt and Ikaria are integrated successfully, the full benefits of the transaction may not be realized, including the synergies, cost savings or sales or growth opportunities that are expected. These benefits may not be achieved within the anticipated time frame, or at all. Further, additional unanticipated costs may be incurred in the integration of the businesses of Mallinckrodt and Ikaria. As a result, we cannot assure you that the combination of Mallinckrodt and Ikaria will result in the realization of the full benefits anticipated from the transaction.

Combining the businesses of Mallinckrodt and Ikaria may be more difficult, costly or time-consuming than expected, which may adversely affect Mallinckrodt's results and negatively affect the value of the notes following the completion of the Ikaria Acquisition.

Mallinckrodt entered into the Ikaria Purchase Agreement because it believes that the Ikaria Acquisition will be beneficial to it and its shareholders and that combining the businesses of Mallinckrodt and Ikaria will produce benefits and cost savings. If Mallinckrodt is not able to successfully combine the businesses of Mallinckrodt and Ikaria in an efficient and effective manner, the anticipated benefits and cost savings of the Ikaria Acquisition may not be realized fully, or at all, or may take longer to realize than expected, and the value of the notes may be affected adversely.

In addition, the actual integration may result in additional and unforeseen expenses, and the anticipated benefits of the integration plan may not be realized. Actual synergies, if achieved, may be lower than what Mallinckrodt expects and may take longer to achieve than anticipated. If Mallinckrodt is not able to adequately address integration challenges, it may be unable to successfully integrate Mallinckrodt's and Ikaria's operations or to realize the anticipated benefits of the integration of the two companies.

Mallinckrodt and Ikaria will incur direct and indirect costs as a result of the Ikaria Acquisition.

Mallinckrodt and Ikaria will incur substantial expenses in connection with completing the Ikaria Acquisition, and Mallinckrodt also expects to incur substantial expenses in connection with coordinating the businesses, operations, policies and procedures of Mallinckrodt and Ikaria over a period of time following the completion of the Ikaria Acquisition. While Mallinckrodt and Ikaria have assumed that a certain level of transaction and coordination expenses will be incurred, there are a number of factors beyond Mallinckrodt's and Ikaria's control that could affect the total amount or the timing of these transaction and coordination expenses. Many of the expenses that will be incurred, by their nature, are difficult to estimate accurately. These expenses may exceed the costs historically borne by Mallinckrodt and Ikaria.

Mallinckrodt expects that, following the completion of the Ikaria Acquisition, Mallinckrodt will have significantly less cash on hand than the sum of cash on hand of Mallinckrodt and Ikaria prior to the completion of the Ikaria Acquisition. This reduced amount of cash could adversely affect Mallinckrodt's ability to grow.

Mallinckrodt expects to utilize cash on its balance sheet and the proceeds of a $240.0 million draw under its Revolver made on April 2, 2015 to fund a portion of the purchase price and expenses associated with the Ikaria Acquisition. In addition, MDP is permitted to cause Ikaria to distribute almost all of Ikaria's cash to Target's current shareholders prior to the consummation of the Ikaria Acquisition. This will leave Mallinckrodt with significantly less cash and cash equivalents on hand than the approximately $899 million and $98.9 million of cash and cash equivalents on hand of Mallinckrodt and Ikaria, respectively, as of December 26, 2014 and December 31, 2014, respectively. Additionally, Mallinckrodt expects that, following completion of the Ikaria Acquisition, Mallinckrodt will have significantly less availability under its Revolver than Mallinckrodt and Ikaria, respectively, had under their revolving credit facilities prior to the consummation of the Ikaria Acquisition. Although the management of Mallinckrodt believes that it will have access to cash sufficient to meet

Mallinckrodt's business objectives and capital needs, the lessened availability of cash and cash equivalents following the consummation of the Ikaria Acquisition could constrain Mallinckrodt's ability to grow its business. Mallinckrodt's financial position following the Ikaria Acquisition could also make it vulnerable to general economic downturns and industry conditions, and place it at a competitive disadvantage relative to its competitors that have more cash at their disposal. In the event that Mallinckrodt does not have adequate capital to maintain or develop its business, additional capital may not be available to Mallinckrodt on a timely basis, on favorable terms, or at all.

Mallinckrodt's and Ikaria's actual financial positions and results of operations may differ materially from the unaudited pro forma financial data included in this offering circular.

The pro forma financial information contained in this offering circular is presented for illustrative purposes only and may not be an indication of what Mallinckrodt's financial position or results of operations would have been had the Ikaria Acquisition been completed on the dates indicated. The pro forma financial information has been derived from the audited and unaudited historical financial statements of Mallinckrodt and Ikaria and certain adjustments and assumptions have been made regarding the combined company after giving effect to the transaction. The assets and liabilities of Ikaria have been measured at fair value based on various preliminary estimates using assumptions that Mallinckrodt management believes are reasonable utilizing information currently available. The process for estimating the fair value of acquired assets and assumed liabilities requires the use of judgment in determining the appropriate assumptions and estimates. These estimates may be revised as additional information becomes available and as additional analyses are performed. Differences between preliminary estimates in the pro forma financial information and the final acquisition accounting will occur and could have a material impact on the pro forma financial information and the combined company's financial position and future results of operations.

In addition, the assumptions used in preparing the pro forma financial information may not prove to be accurate, and other factors may affect Mallinckrodt's financial condition or results of operations following the closing. Any material variance from the pro forma financial information may cause significant variations in the value of the notes. See "*Unaudited Pro Forma Combined Financial Information*."

Risks Related to Ikaria

As used in this Risks Related to Ikaria section, "we," "us," "our" and the "Company" refer to Ikaria only (and not, for the avoidance of doubt, to Mallinckrodt).

The following risks relate to Ikaria's current business and operations and address Ikaria as an independent company, some or all of which will become risks of the combined company following the completion of the Ikaria Acquisition.

Risks Related to Ikaria's Business

We derive substantially all of our revenue from sales of INOMAX Total Care, and our future success will depend on continued growth and acceptance of INOMAX Total Care.

Substantially all of our total consolidated net revenues have been derived from sales of INOMAX Total Care, including for the year ended December 31, 2014. Our near-term prospects, including our ability to finance our company, develop our product candidates and make acquisitions of additional products and product candidates, will depend heavily on the continued successful commercialization of INOMAX Total Care.

We cannot be certain that INOMAX, the FDA-approved drug component of INOMAX Total Care, will continue to be accepted in its current markets and for the treatment of the indication for which it is currently approved. Specifically, the following factors, among others, could affect the level of market acceptance of INOMAX:

- a change in perception of the critical care community of the safety and efficacy of INOMAX, both in an absolute sense and relative to that of competing products;
- a negative development in a clinical trial of INOMAX;
- the level and effectiveness of our sales and marketing efforts;
- any unfavorable publicity regarding INOMAX Total Care;
- the introduction of new competitive products;
- the initiation or threat of litigation or governmental inquiries or investigations by federal or state agencies relating to our conduct or to INOMAX Total Care, including unapproved uses of INOMAX;
- the price of INOMAX and related services relative to competing therapeutics or interventions;
- any changes in government and other third-party payor reimbursement policies and practices;

- regulatory developments affecting the manufacture, marketing or use of INOMAX, including changes to the label or changes with respect to the use of products for unapproved uses;
- loss of our ability to obtain materials or products from third parties;
- loss of key personnel; and
- inability or delays in completing clinical trials of INOMAX for new indications.

Any adverse developments with respect to the sale or use of INOMAX Total Care could significantly reduce our revenues and have a material adverse effect on our ability to generate net income and positive cash flow from operations and to achieve our business plan.

Certain key U.S. patents covering INOMAX expired in 2013 and, as a result, we may experience increased risk of competition which may negatively impact our revenues and profitability.

Certain key patents owned by MGH related to the use of therapeutic nitric oxide for treating or preventing bronchoconstriction or reversible pulmonary vasoconstriction expired in 2013. Prior to their expiration, we depended, in part, upon these patents to provide us with exclusive marketing rights for our product for some period of time. Ikaria has obtained new patents on methods of identifying patients at risk of serious adverse events when nitric oxide was administered to patients with particular heart conditions which the FDA has approved for inclusion on the INOMAX warning label, and that may have the effect of inhibiting development of competitive generic products. However, the expiration of these key patents owned by MGH increases the risk that others could introduce and commercialize competitive nitric oxide therapies. The introduction of competitive nitric oxide therapies may lead to a rapid loss of sales for INOMAX, as lower priced versions of that product become available, and we may be forced to reduce our prices to maintain sales of INOMAX Total Care and/or we may quickly lose a substantial portion of our INOMAX Total Care sales, either of which would materially adversely impact our revenues and profitability.

We currently market INOMAX for only one indication. We will not be permitted to market INOMAX for any other indication unless we receive FDA approval for any such indication. If we do not receive approval to market INOMAX for additional uses, our ability to grow revenues and achieve our business plan may be materially adversely affected.

We do not have any product approved for marketing and sale other than INOMAX, which is approved for sale in the U.S. only for the treatment of HRF associated with pulmonary hypertension in term and near-term infants. In order to market INOMAX for any other indications, we will need to conduct appropriate clinical trials, obtain positive results from those trials, and obtain regulatory approval for such proposed indications. Obtaining regulatory approval is uncertain, time consuming and expensive. Even well-conducted studies of effective drugs will sometimes appear to be negative in either safety or efficacy results. The regulatory review and approval process to obtain marketing approval for a new indication can take many years, often requires multiple clinical trials and requires the expenditure of substantial resources. This process can vary substantially based on the type, complexity, novelty and indication of the product candidate involved. The FDA and other regulatory authorities have substantial discretion in the approval process and may refuse to accept any application or may decide that any data submitted is insufficient for approval and require additional studies or clinical trials. In addition, varying interpretations of the data obtained from preclinical and clinical testing could delay, limit or prevent regulatory approval of a new indication for a product candidate. If we do not receive approval to market INOMAX for additional indications, we will not be permitted to market INOMAX for any other indication and our ability to grow revenues may be materially adversely affected.

Our key product candidate currently in development is exclusively licensed from other companies. If the licensors terminate the licenses, or fail to maintain or enforce the underlying patents, our competitive position and market share will be harmed.

We have an agreement with Orphan Therapeutics, LLC ("Orphan") pursuant to which we acquired rights to terlipressin, a potential treatment of Hepatorenal Syndrome ("HRS") Type 1 and our key product candidate currently in development in the U.S. under the brand name "Terlivaz." In spite of our best efforts, Orphan may conclude that we materially breached our agreements and might, therefore, terminate the agreements, thereby removing our ability to obtain regulatory approval and to market products covered by these agreements. If we fail to use commercially reasonable efforts to develop, market, commercialize and sell terlipressin, Orphan has the right to terminate the agreement if we fail to use such efforts during the six months following notice from Orphan. Orphan also has the right to terminate the agreement after notice and a cure period. If the agreement is terminated, our exclusive rights from Orphan will terminate and Orphan will have the right to reacquire rights to terlipressin from us, on pre-agreed terms.

We are likely to enter into additional license agreements as part of the development of our business in the future. Our licensors may not successfully prosecute certain patent applications under which we are licensed and on which our business depends. Even if patents issue from these applications, our licensors may fail to maintain these patents, may decide not to pursue litigation against third-party infringers, may fail to prove infringement, or may fail to defend against counterclaims of patent invalidity or unenforceability. If these in-licenses are terminated, or if the underlying patents fail to provide the intended market exclusivity, competitors would have the freedom to seek regulatory approval of, and to market, products identical to ours. This could have a material adverse effect on our competitive business position and our business prospects.

A significant portion of our revenues is derived from unapproved uses of INOMAX. If we fail to comply or are found to have failed to comply with FDA and other laws and regulations related to the promotion of INOMAX for unapproved uses, we could be subject to, without limitation, criminal penalties, substantial fines other sanctions and/or damage awards.

The FDA and other foreign regulatory authorities approve drugs and medical devices for the treatment of specific indications, and products may only be promoted or marketed for the indications for which they have been approved. However, the FDA does not attempt to regulate physicians' use of approved products, and physicians are free to prescribe most approved products for purposes outside the indication for which they have been approved. This practice is sometimes referred to as "off-label" use. While physicians are free to prescribe approved products for unapproved uses, it is unlawful for drug and device manufacturers to market or promote a product for an unapproved use. INOMAX is currently approved, and therefore we are permitted to market it in the United States, for only one use: the treatment of term and near-term infants with HRF associated with pulmonary hypertension.

Based on a representative sample of patient use data collected from accounts, the Company estimates that in 2014 approximately 19% of sales are for HRF for term and near-term infants, while the remaining 81% are for other critical care uses. Based on the information collected in this survey, we believe that sales of INOMAX for unapproved uses relate to conditions for which we are not currently planning to seek FDA approval. We have no control over physicians' use of INOMAX for unapproved uses, we are not permitted to promote or market our product for unapproved uses and we cannot assure you that physicians will continue to prescribe INOMAX for unapproved uses at the same rate, or at all.

The laws and regulations relating to the promotion of products for unapproved uses are complex and subject to substantial interpretation by the FDA and other government agencies. Promotion of a product for unapproved use is prohibited; however, certain activities that we and others in the pharmaceutical industry engage in are permitted by the FDA. For example, we provide medical

information in response to, and otherwise address, unsolicited customer questions regarding, unapproved uses of INOMAX. We have put in place compliance and training programs designed to ensure that our sales and marketing practices comply with applicable regulations. Notwithstanding these programs, the FDA or other government agencies may allege or find that our current or prior practices constitute prohibited promotion of INOMAX for unapproved uses. We also cannot be sure that our employees will comply with company policies and applicable regulations regarding the promotion of products for unapproved uses.

Over the past several years, a significant number of pharmaceutical and biotechnology companies have been the target of inquiries and investigations by various federal and state regulatory, investigative, prosecutorial and administrative entities in connection with the promotion of products for unapproved uses and other sales practices, including the Department of Justice and various U.S. Attorneys' Offices, the Office of Inspector General of the Department of Health and Human Services, the FDA, the Federal Trade Commission and various state Attorneys General offices. These investigations have alleged violations of various federal and state laws and regulations, including claims asserting antitrust violations, violations of the Food, Drug and Cosmetic Act, the False Claims Act, the Prescription Drug Marketing Act, anti-kickback laws, and other alleged violations in connection with the promotion of products for unapproved uses, pricing and Medicare and/or Medicaid reimbursement. Many of these investigations originate as "qui tam" actions under the False Claims Act. Under the False Claims Act, any individual can bring a claim on behalf of the government alleging that a person or entity has presented a false claim, or caused a false claim to be submitted, to the government for payment. The person bringing a qui tam suit is entitled to a share of any recovery or settlement. Qui tam suits, also commonly referred to as "whistleblower suits," are often brought by current or former employees. In a qui tam suit, the government must decide whether to intervene and prosecute the case. If the government declines to intervene and prosecute the case, the individual may pursue the case alone. From time to time, employees and former employees of ours have alleged that certain of our practices were not in compliance with applicable law. In each such case, we have reviewed the allegations and concluded they were without merit. We have been the subject of one qui tam suit brought in 2009 by a former employee which alleged, among other things, that Ikaria had a practice of encouraging unproven off-label use of our products, and that this usage had the effect of increasing billings to government programs; this case was voluntarily dismissed in 2013 after the Department of Justice investigated and declined to intervene. Because qui tam suits are filed under seal, it is possible that we are the subject of one or more additional qui tam actions of which we are unaware.

If the FDA or any other governmental agency initiates an enforcement action against us or if we are the subject of a qui tam suit and it is determined that we violated prohibitions relating to the promotion of products for unapproved uses in connection with past or future activities, we could be subject to substantial civil or criminal fines or damage awards and other sanctions such as consent decrees and corporate integrity agreements pursuant to which our activities would be subject to ongoing scrutiny and monitoring to ensure compliance with applicable laws and regulations. Any such fines, awards or other sanctions would have an adverse effect on our revenue, business, financial prospects and reputation.

Any inquiry or investigation into our promotion practices, even if resolved in our favor, would be costly and could divert the attention of our management, damage our reputation and have an adverse effect on our business.

Because of the broad scope and complexity of these laws and regulations, the high degree of prosecutorial resources and attention being devoted to the sales practices of pharmaceutical companies by law enforcement authorities, and the risk of potential exclusion from federal government reimbursement programs, numerous companies have determined that it is highly advisable that they

enter into settlement agreements in these matters, particularly those brought by federal authorities. Companies that have chosen to settle these alleged violations have typically paid multi-million dollar fines to the government and agreed to abide by consent decrees or corporate integrity agreements.

Any inquiry or investigation into our promotion practices, whether in the United States or by a foreign regulatory authority, even if resolved in our favor, would be costly and could divert the attention of our management, damage our reputation and have an adverse effect on our business.

We are the sole manufacturer of INOMAX and INOcal. Our inability to continue manufacturing adequate supplies of INOMAX and INOcal could result in a disruption in the supply of INOMAX to our customers.

We are the sole manufacturer of INOMAX. We develop and manufacture INOMAX at our facility in Port Allen, Louisiana, which, other than our backup production facility, is the only FDA inspected site for manufacturing pharmaceutical-grade nitric oxide in the world. Our Port Allen facility is subject to the risks of a natural disaster or other business disruption. Accordingly, we have implemented business continuity measures to mitigate the risk of interruption in the supply of INOMAX, including establishing a backup production facility in Coppell, Texas, which is also certified by the FDA to manufacture INOMAX. The Coppell facility, which is capable of producing INOMAX from our supply of a concentrated pre-mix, which we manufacture at our Port Allen facility, would only be capable of serving as a backup facility for as long as our supply of concentrated pre-mix lasts, which we currently estimate to be about one year. There can be no assurance that we would be able to meet our requirements for INOMAX if there were a catastrophic event or failure of our current manufacturing system in the Port Allen facility and/or the Coppell facility. If we are required to change or add a new manufacturer or supplier, the process would likely require prior FDA and/or equivalent foreign regulatory authority approval, and would be very time consuming. In addition, because the manufacture of a pharmaceutical gas requires specialized equipment and expertise, there are few, if any, third-party manufacturers to whom we could contract this work in a short period of time. An inability to continue manufacturing adequate supplies of INOMAX at our Port Allen facility and our backup Coppell facility could result in a disruption in the supply of INOMAX to our customers.

The Port Allen facility also manufactures the INOcal® product (nitric oxide and nitrogen dioxide calibration gases) for the INOMAX delivery systems. The INOcal product is considered a device. Manufacturing this product required Port Allen to comply with device manufacturing regulations and become ISO 13485 certified. Our Coppell facility is not certified for manufacture of INOcal. There can be no assurance that we would be able to meet our requirements for INOcal if there were a catastrophic event or failure of our current manufacturing system in the Port Allen facility. If we are required to produce INOcal at our Coppell facility, or change or add a new manufacturer or supplier, the process would likely require prior certification and would be very time consuming. An inability to continue manufacturing adequate supplies of INOcal at our Port Allen facility could result in a disruption in the supply of INOMAX delivery systems, a critical component of our INOMAX Total Care Package, to our customers.

Our drug-delivery systems are sophisticated electro-mechanical devices comprised of components that may deteriorate over time. If we experience problems with, failure of, or delays in obtaining such components, our ability to provide our customers with INOMAX Total Care would be adversely affected.

Because our drug-delivery systems are sophisticated electro-mechanical devices, the parts which comprise the devices are subject to wear and tear, which may result in decreased function or failure of those parts over time. Although we perform scheduled, preventive maintenance on all of our drug delivery systems to limit device failures, and additional maintenance as needed whenever a customer reports a device malfunction, components of our devices may fail.

Our future growth depends, in part, on our ability to penetrate foreign markets, where we are subject to additional regulatory burdens and other risks and uncertainties.

Our future profitability will depend, in part, on our ability to grow and ultimately maintain our sales in foreign markets. However, we have limited experience in marketing, servicing, and distributing our products in countries other than the United States, Mexico and Canada and rely on third parties to support our foreign operations. Our foreign operations and any foreign operations we establish in the future subject us to additional risks and uncertainties, including:

- our customers' ability to obtain reimbursement for procedures using our products in foreign markets;
- our inability to directly control commercial activities because we are relying on third parties who may not put the same priority on our products as we would;
- the burden of complying with complex and changing foreign regulatory, tax, accounting, and legal requirements;
- compliance with applicable anti-corruption laws;
- import or export licensing requirements;
- longer accounts receivable collection times;
- longer lead times for shipping;
- language barriers for technical training;
- reduced protection of intellectual property rights in some foreign countries;
- foreign currency exchange rate fluctuations; and
- the interpretation of contractual provisions governed by foreign laws in the event of a contract dispute.

Foreign sales of our products could also be adversely affected by the imposition of governmental controls, political and economic instability, trade restrictions, changes in tariffs, and difficulties in staffing and managing foreign operations.

Other companies may develop competitive products that could negatively affect our sales of INOMAX and related products and services.

Our ability to compete successfully depends on our ability to introduce new technologies and services related to INOMAX Total Care. As a result, we must make significant investments in research and development, manufacturing and sales and marketing. If we are unable to continue to develop and sell innovative new products with attractive margins or if other companies infringe on our intellectual property, our ability to maintain a competitive advantage could be negatively affected and our financial condition and operating results could be materially adversely affected. Our financial condition and operating results depend substantially on our ability to continually improve INOMAX and related products and services and to maintain therapeutic and functional advantages. Unauthorized use of INOMAX on other companies' delivery devices may result in decreased demand for our products, and could materially adversely affect our financial condition and operating results. There can be no assurance that we will be able to continue to provide products and services that compete effectively.

INOMAX is one of many adjunctive therapies physicians prescribe for HRF, BPD, ARDS and pulmonary hypertension following cardiac surgery. For example, physicians use other drugs, such as Flolan, Ventavis, Primacor and Revatio, to treat acute pulmonary hypertension. In addition, we are aware that neonatologists, surgeons and other physicians have and may continue to experiment with

these drugs, including Revatio, which recently became available in intravenous, or IV, form to treat these conditions. The use of these drugs could reduce the use of INOMAX, particularly if physicians perceive them as being less expensive, more effective, safer or easier to use than INOMAX and related products.

In addition, companies, such as GeNO, LLC and GeNOsys Inc., are attempting to develop small, mobile devices that aim to manufacture nitric oxide at the location of delivery. In the past, 12th Man Technologies approached several INOMAX customers with an offer to develop and sell nitric oxide and a nitric oxide delivery system. Air Liquide Healthcare America Corporation, or Air Liquide, currently manufactures and sells a nitric oxide mixture in a pressurized canister in the European Union. Praxair has filed an ANDA seeking approval to market nitric oxide in the U.S., certified against Ikaria patents, and has filed inter-partes reviews against various Ikaria patents. Other companies, including industrial gas companies may attempt to produce a traditional generic version of INOMAX, may attempt to provide a device to deliver nitric oxide, or may contract with a third-party manufacturer to produce the pharmaceutical nitric oxide or the device to deliver nitric oxide. If any other therapy proves to treat any of these conditions more effectively, less expensively, more safely, or is more easily used than INOMAX and related products and services and/or is approved for sale, our business would be adversely affected.

Our partnership and distribution arrangements limit our ability to operate in certain geographic markets or develop certain products, which may limit our future growth.

We are party to a number of commercial and license agreements with third parties and related parties that limit our ability to sell our products in certain geographic markets, require us to sell our products exclusively to a distributor of our products in certain geographic markets, or that limit our ability to develop or commercialize certain uses of our products or new drug candidates.

We may have received better terms from unaffiliated third parties than the terms we received in our agreements with related parties.

We have entered into license and commercial agreements with Linde AG, a current shareholder of Seller and former shareholder of Ikaria, governing, among other things, the exclusive sale of our products and services to affiliates of Linde AG in Europe and certain South American territories. From 2007 until 2013, during which time certain of these agreements were negotiated, a representative of Linde AG was a member of the board of Ikaria. The terms of the agreements negotiated with Linde AG and other related parties may not reflect terms that would have resulted from arm’s-length negotiations among unaffiliated third parties.

In addition, the agreements related to the spin-out of certain businesses and assets, which is described in further detail elsewhere in this offering circular, including the separation and distribution agreement, transition services agreements, license agreement, drug clinical supply agreement, device clinical supply agreement, agreements not to compete and the other agreements, were negotiated in the context of our separation of the spun-out business while such business was still a part of Ikaria and with the expectation that the shareholders of Ikaria would receive all equity interests in the spun-out business and, accordingly, may not reflect terms that would have resulted from arm’s-length negotiations among unaffiliated third parties. The terms of the agreements we negotiated in the context of our separation related to, among other things, allocation of assets, liabilities, rights, indemnifications and other obligations among the spun-out business and us.

Third parties may seek to hold us responsible for liabilities that we transferred in the spin-out.

In connection with the spin-out of certain businesses and assets in February 2014, we transferred to the spun-out business all liabilities related to the spun-out business and assets. Third parties may

seek to hold us responsible for such transferred liabilities. Under our agreements with the spun-out business, it has agreed to indemnify us for claims and losses relating to these transferred liabilities. However, if those liabilities are significant and we are ultimately liable for them, we cannot assure you that we will be able to recover the full amount of our losses from the spun-out business, particularly since the spun-out business is a growth stage company with minimal or no income.

Any disputes that arise between us and the spun-out business with respect to our past and ongoing relationships could harm our business operations.

Disputes may arise between us and the spin-out business in a number of areas relating to our past and ongoing relationships, including:

- intellectual property, technology and business matters, including failure to make required technology transfers and failure to comply with non-compete provisions applicable to us and the spin-out business;
- labor, tax, employee benefit, indemnification and other matters arising from the spin-out;
- distribution and supply obligations;
- employee retention and recruiting;
- the nature, quality and pricing of transitional services we provide to the spun-out business; and
- business opportunities that may be attractive to both us and the spun-out business.

We may not be able to resolve any potential conflicts, and even if we do, the resolution may be less favorable than if we were dealing with an unaffiliated party.

Risks Related to Government Regulation of Ikaria

The design, development, manufacture, supply, and distribution of our products are highly regulated and technically complex.

The design, development, manufacture, supply, and distribution of pharmaceutical products and medical devices, both inside and outside the U.S., are technically complex and highly regulated. We, along with our third-party providers, must comply with all applicable regulatory requirements of the FDA and foreign authorities. In addition, the facilities used to manufacture, store, and distribute our products are subject to inspection by regulatory authorities at any time to determine compliance with applicable regulations.

The manufacturing techniques and facilities used for the manufacture and supply of our products must be operated in conformity with current Good Manufacturing Practices, or cGMP, regulations promulgated by the FDA. In complying with cGMP requirements, we, along with our suppliers, must continually expend time, money and effort in production, record keeping, and quality assurance and control to ensure that our products meet applicable specifications and other requirements for safety, efficacy and quality. In addition, we, along with our suppliers, are subject to unannounced inspections by the FDA and other regulatory authorities.

Any failure to comply with regulatory and other legal requirements applicable to the manufacture, supply and distribution of our products could lead to remedial action (such as recalls), civil and criminal penalties and delays in manufacture, supply and distribution of our products. In addition, we may from time to time be forced to delay the launch of new products or carry out voluntary recalls to address unforeseen design difficulties or defects, which could result in an adverse effect on our revenue and operating results.

We must comply with federal, state and foreign laws and regulations relating to the healthcare business, and, if we do not fully comply with such laws and regulations, we could face substantial penalties and other negative impacts on our business.

We and our suppliers and customers are subject to extensive regulation by the federal government, and the governments of the states and foreign countries in which we may conduct our business. If our operations are found to be in violation of any of the laws and regulations to which we or our customers are or will be subject, we may be subject to civil and criminal penalties, damages, fines, exclusion from the Medicare and Medicaid programs and the curtailment or restructuring of our operations. Similarly, if our customers are found to be non-compliant with applicable laws, they may be subject to sanctions, which could also have a negative impact on us. Any penalties, damages, fines, curtailment or restructuring of our operations would adversely affect our ability to operate our business and our financial results. Any action against us for violation of these laws, even if we successfully defend against it, could cause us to incur significant legal expenses, divert our management's attention from the operation of our business and damage our reputation.

If we fail to comply with the extensive regulatory requirements to which we and our products are subject, our products could be subject to restrictions or withdrawal from the market and we could be subject to penalties.

The testing, manufacturing, labeling, safety, advertising, promotion, storage, sales, distribution, export and marketing, among other things, of our products, both before and after approval, are subject to extensive regulation by governmental authorities in the United States, Canada, Mexico and elsewhere throughout the world where we sell our products and services. Both before and after approval of a product, quality control and manufacturing procedures must conform to cGMP. Regulatory authorities, including the FDA, periodically inspect manufacturing facilities to assess compliance with cGMP. Our failure or the failure of our contract manufacturers to comply with the laws administered by the FDA or other governmental authorities could result in, among other things, any of the following:

- delay in approving or refusal to approve a product;
- product recall or seizure;
- suspension or withdrawal of an approved product from the market;
- interruption of production;
- operating restrictions;
- warning letters;
- injunctions;
- fines and other monetary penalties;
- criminal prosecutions; and
- unanticipated expenditures.

We may incur significant costs complying with environmental laws and regulations, and failure to comply with these laws and regulations could expose us to significant liabilities.

Certain aspects of our business are subject to a variety of federal, state and local laws and regulations governing the use, generation, manufacture, distribution, storage, handling, treatment and disposal of materials. For example, high-pressure gas cylinders can be regarded as hazardous materials. Although we believe our safety procedures for handling and disposing of these materials and waste products comply with these laws and regulations, we cannot eliminate the risk of accidental

injury or contamination from the use, manufacture, distribution, storage, handling, treatment or disposal of hazardous materials. In the event of contamination or injury, or failure to comply with environmental, occupational health and safety and export control laws and regulations, we could be held liable for any resulting damages and any such liability could exceed our assets and resources.

Failure to comply with the U.S. Foreign Corrupt Practices Act could subject us to penalties and other adverse consequences.

We are subject to the U.S. Foreign Corrupt Practices Act which generally prohibits U.S. companies from engaging in bribery or other prohibited payments to foreign officials for the purpose of obtaining or retaining business and requires companies to maintain accurate books and records and internal controls, including at foreign-controlled subsidiaries. We can make no assurance that our employees or other agents, including third party distributors, will not engage in prohibited conduct under our policies and procedures and the Foreign Corrupt Practices Act for which we might be held responsible. If our employees or other agents are found to have engaged in such practices, we could suffer severe penalties and other consequences that may have a material adverse effect on our business, financial condition and results of operations.

Governments may impose price controls, which may adversely affect our future profitability.

We are subject to rules and regulations in jurisdictions outside the U.S. where we sell our products, and jurisdictions and markets in which we will seek to sell our products in the future. In some foreign countries, particularly in the European Union, the pricing of prescription pharmaceuticals and biologics is subject to governmental control. In these countries, pricing negotiations with governmental authorities can take considerable time after the receipt of marketing approval for a product candidate. If reimbursement of our future products is unavailable or limited in scope or amount, or if pricing is set at unsatisfactory levels, we may be unable to achieve or sustain profitability.

Risks Related to the Development of Ikaria's Product Candidates

We may be unsuccessful in our efforts to develop and obtain regulatory approval for new products, which may significantly impair our growth and ability to remain profitable.

Our long-term prospects depend, in large part, on successful development, or acquisition or licensing, and commercialization of our product candidates, including Terlivaz. Our product candidates are in various stages of development. We cannot be certain that we will be able to develop or acquire and commercially introduce new products in a timely manner or that new products, if developed, will be approved for the indications, and/or with the labeling, we expect or that they will achieve market acceptance. Before we commercialize any product candidate, we will need to develop the product candidate by completing successful clinical trials, submit an NDA or supplemental NDA that is accepted by the FDA and receive FDA approval to market the product candidate. If we fail to successfully develop a product candidate and/or the FDA delays or denies approval of any NDA or sNDA, then commercialization of our product candidates may be delayed or terminated, which could have a material adverse effect on our business. The FDA and other regulatory authorities have substantial discretion in the approval process and may refuse to accept any application or may decide that any data submitted is insufficient for approval and require additional studies or clinical trials. In addition, varying interpretations of the data obtained from preclinical and clinical testing could delay, limit or prevent regulatory approval of a new indication for a product candidate. For example, after considering the NDA submitted by Orphan, the former owner of the NDA for our product candidate Terlivaz, the FDA issued a complete response letter stating that the NDA did not contain sufficient data to support approval and requesting at least one additional well-controlled Phase 3 clinical trial be conducted to supplement the existing data. We have reached agreement with the FDA on a special protocol assessment for an additional Phase 3 clinical trial of Terlivaz, however the FDA retains

substantial discretion in the approval process and there are no assurances of product approval even if the agreed upon endpoints of the additional phase three trial of Terlivaz are met. The trial did not establish statistical significance for the primary endpoint of HRS reversal; however, patients in the Terlivaz group of the Resynchronization Reverse Remodeling in Systolic Left Ventricular Dysfunction ("REVERSE") trial did show improvement in renal function when compared to placebo. Ikaria currently is in discussions with the FDA to determine its regulatory strategy.

Clinical trials of product candidates are expensive and time consuming, and the results of these trials are uncertain.

Before we can obtain regulatory approvals to market any product for a particular indication, we will be required to complete preclinical studies and extensive clinical trials in humans to demonstrate the safety and efficacy of such product for such indication.

Clinical testing is expensive, difficult to design and implement, can take many years to complete and is uncertain as to outcome. Furthermore, there are few drugs that have been approved in critical care indications. It is often difficult to design and carry out clinical trials for critical care indications for a number of reasons, including ethical concerns with conducting placebo-controlled studies in critically ill patients, the difficulty in meeting endpoints tied to mortality and the heterogeneity of underlying conditions. For the foregoing reasons, we may not be able to develop clinical trials for some of our product candidates that will be acceptable to the FDA. Success in preclinical testing or early clinical trials does not ensure that later clinical trials will be successful, and interim results of a clinical trial do not necessarily predict final results. An unexpected result in one or more of our clinical trials can occur at any stage of testing due to drug effect or trial design.

Even well-conducted studies of effective drugs will sometimes appear to be negative. We may experience numerous unforeseen events during, or as a result of, the clinical trial process that could delay or prevent us from receiving regulatory approval or commercializing our products, including:

- our clinical trials may produce negative or inconclusive results, and we may decide, or regulators may require us, to conduct additional clinical trials which even if undertaken cannot ensure we will gain approval;
- data obtained from preclinical testing and clinical trials may be subject to varying interpretations, which could result in the FDA or other regulatory authorities deciding not to approve a product in a timely fashion, or at all;
- the cost of clinical trials may be greater than we currently anticipate;
- if we are required to conduct overseas clinical trials, we may also be subject to financial risk based on foreign currency exchange rate fluctuations;
- regulators or institutional review boards may not authorize us to commence a clinical trial or conduct a clinical trial at a prospective trial site;
- we, or the FDA or other regulatory authorities, might suspend or terminate a clinical trial at any time on various grounds, including a finding that participating patients are being exposed to unacceptable health risks; and
- the effects of our product candidates may not be the desired effects or may include undesirable side effects or the product candidates may have other unexpected characteristics.

The rate of completion of clinical trials depends, in part, upon the rate of enrollment of patients. Patient enrollment is a function of many factors, including the size of the patient population, the eligibility criteria for the trial, the existence of competing clinical trials and the availability of alternative or new treatments. In particular, the patient population targeted by some of our clinical trials may be small. Delays in patient enrollment in any of our current or future clinical trials may result in increased costs and program delays.

We may be required to suspend or discontinue clinical trials of INOMAX or our product candidates due to unexpected side effects and safety risks that could preclude or delay approval of our products and/or require us to revise our product label.

Administering any pharmacologically active product candidate to humans may produce undesirable side effects. As a result, our clinical trials could be suspended at any time for safety-related reasons. We may voluntarily suspend or terminate our clinical trials if at any time we believe that our product candidates present an unacceptable risk to the clinical trial subjects. In addition, institutional review boards or regulatory agencies may order the temporary or permanent discontinuation of our clinical trials at any time if they believe that the clinical trials present an unacceptable safety risk to patients. For example, based on recent analysis, Ikaria submitted a Labeling Supplement to the Division of Pulmonary Allergy and Rheumatology Products on December 8, 2014 (concurrently submitted on December 9, 2014, to the Division of Cardio-Renal Drug Products), proposing labeling revisions to the Highlights, Warnings & Precautions, and Clinical Studies sections of the INOMAX package insert, including a potential warning of increased mortality risk in premature infants. The FDA may accept the labeling recommendations made in the labeling supplement, it may reject the recommended changes, or it may require other changes to the labeling.

We are unable to accurately predict when or if any of our product candidates will prove effective or safe in humans or will receive regulatory approval. If the effects of our product candidates include undesirable side effects or have characteristics that are unexpected, we may need to abandon our development of those product candidates. In the case of INOMAX, ongoing clinical trials for new indications could uncover safety concerns that impact our existing business.

If we are unable to expand our sales and marketing capabilities, the commercial opportunity for our product and product candidates may be diminished.

We plan to expand our team of sales professionals as we prepare to support continued growth of INOMAX Total Care and, over time, the expected commercial launch of other products in development, such as Terlivaz, if and when such products receive required regulatory approvals.

We may not be able to attract, hire, train and retain qualified sales and marketing professionals to augment our existing capabilities in the manner or on the timeframe that we are currently planning. If we are not successful in our efforts to expand our sales team and marketing capabilities, our ability to independently market and sell INOMAX and related products and services and any product candidates that we successfully bring to market will be impaired. In such an event, we would likely need to establish a collaboration, co-promotion, distribution, or other similar arrangement to market and sell the product candidate. However, we might not be able to enter into such an arrangement on terms that are favorable to us, or at all.

Risks Related to Ikaria's Industry

The biotechnology and pharmaceutical industry is characterized by rapid technological developments and a high degree of competition. As a result, our products could become obsolete.

Our industry is highly competitive. Potential competitors in the U.S. and other countries include major pharmaceutical and chemical companies, medical device companies, specialized pharmaceutical companies and biotechnology firms, and universities and other research institutions. Many of our competitors have substantially greater capital resources, research and development staffs, and facilities than we have. In addition, many of our competitors also have substantially greater experience in conducting clinical trials, obtaining regulatory approvals, and manufacturing and marketing pharmaceutical products and medical devices. These entities represent significant

competition for us. Competition and innovation from these or other sources, including advances in current treatment methods, could potentially affect sales of our products negatively or make our products obsolete. Furthermore, we may be at a competitive marketing disadvantage against companies that have broader product lines and whose sales personnel are able to offer more complementary products than we can. Any failure to maintain our competitive position could adversely affect our business and results of operations. In addition, as we lose patent protection or marketing exclusivity on our products over time, we will likely have to compete with generic versions of our products.

If Terlivaz is approved by the FDA, we expect that it will compete with a combination of midodrine, a vasopressor, and octreotide, a vasodilation inhibitor. If another therapy proves to treat HRS Type 1 better than Terlivaz, or reduces the incidence of HRS Type 1, our business would be adversely affected.

If we fail to attract and retain senior management and key scientific and engineering personnel, we may be unable to successfully develop our product candidates, conduct our clinical trials and commercialize our product candidates.

Our success depends in part on our continued ability to attract, retain and motivate highly qualified management, clinical, scientific, equipment service, operations and engineering personnel. We are highly dependent upon the contributions of our executive officers, as well as our most senior clinicians and scientists. The loss of services of any key employees could delay or prevent the successful development of our product pipeline, completion of our planned clinical trials or the commercialization of our product candidates. Although we have entered into employment agreements with these individuals, setting forth certain salary, severance and other terms, the agreements do not require continued employment and we or the employee may terminate the relationship at any time.

Our employees may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements and insider trading.

We are exposed to the risk of employee fraud or other misconduct. Misconduct by employees could include intentional failures to comply with FDA regulations, to provide accurate information to the FDA, to comply with manufacturing standards we have established, to comply with federal and state healthcare fraud and abuse laws and regulations, to report financial information or data accurately, to disclose unauthorized activities to us or to comply with our Code of Business Conduct and Ethics for Officers and Employees. In particular, sales, marketing and business arrangements in the healthcare industry are subject to extensive laws and regulations intended to prevent fraud, kickbacks, false claims, inappropriate promotion, self-dealing and other abusive practices. These laws and regulations may restrict or prohibit a wide range of pricing, discounting, marketing and promotion, sales commission, customer incentive programs and other business arrangements. Employee misconduct could also involve the improper use of information obtained in the course of clinical trials, which could result in regulatory sanctions and serious harm to our reputation. It is not always possible for our chief compliance officer, who works to ensure that we and our employees are in compliance with applicable rules, regulations and company policies, to identify and deter employee misconduct. The precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business, including the imposition of significant fines or other sanctions. For example, in 2011 Ikaria learned that several former employees may have misappropriated certain Ikaria intellectual property and confidential information, forming a separate company to pursue a technology related to Ikaria’s business. Ikaria conducted an extensive investigation and eventually sued the former employees. Ikaria continues to pursue its rights in this matter.

If product liability lawsuits are brought against us, we may incur substantial liabilities and may be required to limit commercialization of our product candidates.

We face an inherent risk of product liability as a result of the clinical testing of our product candidates and face an even greater risk with respect to our commercialized products. We may be sued if INOMAX or any product we develop allegedly causes injury or is found to be otherwise unsuitable during product testing, manufacturing, marketing or sale. In addition, we may be sued if our drug-delivery systems malfunction or are alleged to have malfunctioned. We have been, and may in the future be, sued based on allegations that our drug-delivery system fails to provide adequate warnings. For example, although no suits have been brought to date, it is possible that a suit could be brought as a result of issues relating to our recalls. A suit may also be brought against us if our drug-delivery system is alleged to fail to adequately monitor for nitrogen dioxide, which forms when nitric oxide mixes with oxygen in the air. Elevated levels of nitrogen dioxide can be toxic and lead to decreased pulmonary function, chronic bronchitis, chest pain and pulmonary edema. Any such product liability claims may include allegations of defects in manufacturing, defects in design, a failure to warn of dangers inherent in the product, negligence, strict liability and a breach of warranties. Claims could also be asserted under state consumer protection acts. If we cannot successfully defend ourselves against product liability claims, we may incur substantial liabilities or be required to limit commercialization of our product candidates. Even a successful defense would require significant financial and management resources. Regardless of the merits or eventual outcome, liability claims may result in:

- decreased demand for INOMAX and related products and services or other products that we may develop;
- injury to our reputation;
- withdrawal of clinical trial participants, trial sites and investigators;
- costs to defend the related litigation;
- a diversion of management’s time and our resources;
- substantial monetary awards to trial participants or patients;
- product recalls or withdrawals;
- labeling, marketing or promotional restrictions;
- loss of revenue; and
- the inability to commercialize our product candidates.

Our inability to obtain and retain sufficient product liability insurance at an acceptable cost to protect against potential product liability claims could prevent or inhibit the commercialization of products we develop. Any claim that may be brought against us could result in a court judgment or settlement in an amount that is not covered, in whole or in part, by our insurance or that is in excess of the limits of our insurance coverage. Our insurance policies also have various exclusions, and we may be subject to a product liability claim for which we have no coverage. We will have to pay any amounts awarded by a court or negotiated in a settlement that exceed our coverage limitations or that are not covered by our insurance, and we may not have, or be able to obtain, sufficient capital to pay such amounts.

As our product is used commercially, unintended side effects, adverse reactions or incidents of misuse may occur that could result in additional regulatory controls, changes to product labeling, adverse publicity and reduced sales of our products.

During research and development, the use of pharmaceutical products, such as ours, is limited principally to clinical trial patients under controlled conditions and under the care of expert physicians.

The widespread commercial use of INOMAX or other products that we may develop could uncover undesirable or unintended side effects that were not exhibited in our clinical trials or the commercial use as of the filing date of this prospectus. We train healthcare professionals on the proper use of our drug and drug-delivery systems. However, healthcare professionals from time to time operate our drug-delivery systems incorrectly. For example, based on recent analysis, Ikaria submitted a Labeling Supplement to the Division of Pulmonary Allergy and Rheumatology Products on December 8, 2014 (concurrently submitted on December 9, 2014, to the Division of Cardio-Renal Drug Products), proposing labeling revisions to the Highlights, Warnings & Precautions, and Clinical Studies sections of the INOMAX package insert, including a potential warning of increased mortality risk in premature infants. The FDA may accept the labeling recommendations made in the labeling supplement, it may reject the recommended changes, or it may require other changes to the labeling.

In addition, an affiliate of Linde has marketing rights to INOMAX in the European Union and specified countries near the European Union. Linde's primary focus is not INOMAX, as it represents a de minimis amount of their revenue. If there were a serious adverse event or complication related to the use of INOMAX in the European Union, or any territory where Linde markets and sells INOMAX, it could have a material adverse effect on our business, financial condition and results of operations.

These events, among others, could result in adverse publicity that harms the commercial prospects of INOMAX or other products we may develop or lead to additional regulatory controls that could limit the circumstances under which the product is prescribed or used or even lead to the withdrawal of the product from the market.

Reimbursement may be limited or unavailable in certain market segments for our product candidates, which could make it difficult for us to sell our products profitably.

Market acceptance and sales of our product candidates will depend significantly on the availability of adequate coverage and reimbursement from third-party payors for any of our product candidates and may be affected by existing and future healthcare reform measures. Government authorities and third-party payors, such as private health insurers and health maintenance organizations, decide which drugs they will pay for and establish reimbursement levels. Reimbursement by a third-party payor may depend upon a number of factors, including the third-party payor's determination that use of a product is:

- a covered benefit under its health plan;
- safe, effective and medically necessary;
- appropriate for the specific patient;
- cost-effective; and
- neither experimental nor investigational.

Obtaining coverage and reimbursement approval for a product from a government or other third-party payor is a time consuming and costly process that could require us to provide supporting scientific, clinical and cost-effectiveness data for the use of our products to the payor. We may not be able to provide data sufficient to gain acceptance with respect to coverage and reimbursement. We cannot be sure that coverage or adequate reimbursement will be available for any of our product candidates. Also, we cannot be sure that reimbursement amounts will not reduce the demand for, or the price of, our products. If reimbursement is not available or is available only to limited levels, we may not be able to commercialize certain of our products.

In the United States and certain foreign jurisdictions, there have been a number of legislative and regulatory changes to the healthcare system that could impact our ability to sell our products profitably.

In particular, the Medicare Modernization Act of 2003 revised the payment methodology for many products under Medicare. This has resulted in lower rates of reimbursement. There have been numerous other federal and state initiatives designed to reduce payment for pharmaceuticals.

As a result of legislative proposals and the trend towards managed healthcare in the United States, third-party payors are increasingly attempting to contain healthcare costs by limiting both coverage and the level of reimbursement of new drugs. They may also refuse to provide any coverage of approved products for medical conditions other than those for which the FDA has granted market approvals. As a result, significant uncertainty exists as to whether and how much third-party payors will reimburse patients for their use of newly approved drugs, which in turn will put pressure on the pricing of drugs. We expect to experience pricing pressures in connection with the sale of our products due to the trend toward managed healthcare, the increasing influence of health maintenance organizations, additional legislative proposals, as well as national, regional or local healthcare budget limitations.

Risks Related to Ikaria's Dependence on Third Parties

We rely on third parties for important aspects of our commercialization infrastructure for INOMAX and related services and failure of these third parties to fulfill these functions would disrupt our business.

We have entered into agreements with local third-party providers to provide warehousing, distribution, and service centers in certain markets in which we sell our products. Our third-party providers may not be able to warehouse, distribute, or service our products without interruption, or may not comply with their other contractual obligations to us. Any failure of any of those third-party providers to fully and timely perform their obligations may result in an interruption in the supply of INOMAX and related products and services in the affected geographic area. Also, we may not have adequate remedies for any breach of our agreements with such third-party providers. Furthermore, if any of our third-party distributors ceases doing business with us or materially reduces the amount of services they perform for us, and we cannot enter into agreements with replacement service providers on commercially reasonable terms, we might not be able to effectively distribute our products to all geographic locations we currently serve.

We rely on third-party suppliers and manufacturers to produce and deliver clinical drug supplies for our product candidates, and we intend to rely on third parties to produce commercial supplies of any approved product candidates. Any failure by a third-party supplier or manufacturer to produce or deliver supplies for us may delay or impair our ability to complete our clinical trials or commercialize our product candidates.

We currently rely, and expect to continue to rely, on third parties for supply of the active pharmaceutical ingredients in some of our product candidates. The suppliers of our product candidates are, and any future third-party suppliers with whom we enter into agreements will likely be, our sole suppliers of our product candidates for a significant period of time. These suppliers are commonly referred to as single-source suppliers. If our suppliers fail to deliver materials and provide services needed for the production of our product candidates in a timely and sufficient manner, or if they fail to comply with applicable regulations, clinical development or regulatory approval of our product candidates or commercialization of our products could be delayed, depriving us of potential additional product revenue.

We have relied upon a small number of third-party manufacturers for the manufacture of our product candidates for preclinical and clinical testing purposes and intend to continue to do so in the future. We may need to identify a third-party manufacturer capable of providing commercial quantities of drug product. If we are unable to arrange for such a third-party manufacturing source, or fail to do so

on commercially reasonable terms, we may not be able to successfully produce and market our product candidates or may be delayed in doing so.

Reliance on third-party manufacturers entails risks to which we would not be subject if we manufactured product candidates ourselves, including reliance on the third party for regulatory compliance and quality assurance, the possibility of breach of the manufacturing agreement by the third party because of factors beyond our control (including a failure to synthesize and manufacture our product candidates in accordance with our product specifications) and the possibility of termination or nonrenewal of the agreement by the third party, based on its own business priorities, at a time that is costly or damaging to us. In addition, the FDA and other regulatory authorities require that our product candidates be manufactured according to cGMP and similar foreign standards. Any failure by our third-party manufacturers to comply with cGMP or failure to scale up manufacturing processes, including any failure to deliver sufficient quantities of product candidates in a timely manner, could lead to a delay in, or failure to obtain, regulatory approval of any of our product candidates. In addition, such failure could be the basis for action by the FDA to withdraw approvals for product candidates previously granted to us and for other regulatory action, including recall or seizure, fines, imposition of operating restrictions, total or partial suspension of production or injunctions.

We rely on our manufacturers to purchase the materials necessary to produce our product candidates for our clinical studies from third-party suppliers. There are a small number of suppliers for certain capital equipment and raw materials that are used to manufacture our drugs. Such suppliers may not sell these raw materials to our manufacturers at the times we need them or on commercially reasonable terms. We do not have any control over the process or timing of the acquisition of these raw materials by our manufacturers. Moreover, we currently do not have any agreements for the commercial production of these raw materials. Any significant delay in the supply of a product candidate or the raw material components thereof for an ongoing clinical trial due to the need to replace a third-party manufacturer could considerably delay completion of our clinical studies, product testing and potential regulatory approval of our product candidates. If our manufacturers or we are unable to purchase these raw materials after regulatory approval has been obtained for our product candidates, the commercial launch of our product candidates would be delayed or there would be a shortage in supply, which would impair our ability to generate revenues from the sale of our product candidates.

Because of the complex nature of many of our other compounds, our manufacturers may not be able to manufacture such other compounds at a cost or in quantities or in a timely manner necessary to develop and commercialize other products. If we successfully commercialize any of our product candidates, we may be required to establish or access large-scale commercial manufacturing capabilities. In addition, as our drug development pipeline increases and matures, we will have a greater need for clinical trial and commercial manufacturing capacity. We do not own or operate manufacturing facilities for the production of clinical or commercial quantities of our product candidates and we currently have no plans to build our own clinical or commercial scale manufacturing capabilities. To meet our projected needs for commercial manufacturing, third parties with whom we currently work will need to increase their scale of production or we will need to secure alternate suppliers.

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

We design the clinical trials for our product candidates, but we rely on contract research organizations and other third parties to assist us in managing, monitoring and otherwise carrying out many of these trials. We compete with larger companies for the resources of these third parties.

Although we rely on these third parties to conduct many of our clinical trials, we are responsible for ensuring that each of our clinical trials is conducted in accordance with its general investigational plan and protocol. Moreover, the FDA and foreign regulatory agencies require us to comply with regulations and standards, commonly referred to as good clinical practices, for designing, conducting, monitoring, recording, analyzing, and reporting the results of clinical trials to assure that the data and results are credible and accurate and that the rights, integrity and confidentiality of trial participants are protected. Our reliance on third parties that we do not control does not relieve us of these responsibilities and requirements.

The third parties on whom we rely generally may terminate their engagements with us at any time and having to enter into alternative arrangements would delay introduction of our product candidates to market.

If these third parties do not successfully carry out their duties under their agreements with us, if the quality or accuracy of the data they obtain is compromised due to their failure to adhere to our clinical trial protocols or regulatory requirements, or if they otherwise fail to comply with clinical trial protocols or meet expected deadlines, our clinical trials may not meet regulatory requirements. If our clinical trials do not meet regulatory requirements or if these third parties need to be replaced, our preclinical development activities or clinical trials may be extended, delayed, suspended or terminated. If any of these events occur, we may not be able to obtain regulatory approval of our product candidates.

Risks Related to Ikaria's Patents, Licenses and Trade Secrets

We may not be able to maintain adequate protection for our intellectual property and competitors may develop similar competing products, which could result in a decrease in sales, cause us to further reduce prices to compete successfully and limit our commercial success.

We place considerable importance on obtaining patent protection for new technologies, products and processes. To that end, we file applications for patents covering compositions or uses of our product candidates or our proprietary processes. The patent positions of pharmaceutical and biotechnology companies can be highly uncertain and involve complex legal, scientific and factual questions. Accordingly, the patents and patent applications relating to our products, product candidates and technologies may be challenged, invalidated or circumvented by third parties and might not protect us against competitors with similar products or technologies. Patent disputes in our industry are frequent, expensive and can preclude commercialization of products. If we ultimately engage in and lose any such disputes in the future, we could be subject to increased competition or significant liabilities, we could be required to enter into third-party licenses or we could be required to cease using the technology or selling the product in dispute. In addition, even if such licenses are available, the terms of any licenses requested by a third party could be unacceptable to us.

We also rely on trade secrets, know-how and continuing technological advancements to support our competitive position. Although we have entered into confidentiality and invention rights agreements with certain of our employees, consultants, advisors and collaborators, we may be unable to enforce such agreements or effectively protect our rights to our trade secrets and know-how. In addition, we may be subject to allegations of trade secret violations and other claims.

If we are unable to obtain or maintain patent protection for the intellectual property relating to our products, the value of our products could be adversely affected.

The patent positions of companies like us are generally uncertain and involve complex legal, scientific and factual issues. Our success depends significantly on our ability to:

- obtain and maintain U.S. and foreign patents, including defending those patents against adverse claims;
- protect trade secrets;
- operate without infringing the proprietary rights of others; and
- prevent others from infringing our proprietary rights.

We may not have any additional patents issued from any patent applications that we own or license. If additional patents are granted, the claims allowed may not be sufficiently broad to protect our inventions. In addition, issued patents that we own or license may be challenged, narrowed, invalidated or circumvented, which could limit our ability to prevent competitors from marketing similar products or limit the length of term of patent protection we may have for our products. Changes in patent laws or in interpretations of patent laws in the United States and other countries may diminish the value of our intellectual property or narrow the scope of our patent protection.

Our patents also may not afford us protection against competitors with similar technology. Because patent applications in the United States and many foreign jurisdictions are typically not published until 18 months after filing, or in some cases not at all, and because publications of discoveries in the scientific literature often lag behind actual discoveries, neither we nor our licensors can be certain that others have not filed or maintained patent applications for technology used by us or covered by our pending patent applications without our being aware of these applications.

If we were to initiate legal proceedings against a third party to enforce a patent covering one of our products or product candidates, the defendant could counterclaim that our patent is invalid and/or unenforceable. In patent litigation in the United States, defendant counterclaims alleging invalidity and/or unenforceability are commonplace. Grounds for a validity challenge could be an alleged failure to meet any of several statutory requirements, for example, lack of novelty, obviousness or non-enablement. Grounds for an unenforceability assertion could be an allegation that someone connected with prosecution of the patent withheld relevant information from the USPTO, or made a misleading statement, during prosecution. We endeavor to conduct due diligence on patents we have exclusively in-licensed, and we believe that we conduct our patent prosecution in accordance with the duty of candor and in good faith. The outcome following legal assertions of invalidity and unenforceability during patent litigation is unpredictable. Such a loss of patent protection could have a material adverse impact on our business.

If we infringe or are alleged to infringe intellectual property rights of third parties, it will adversely affect our business.

Our research, development and commercialization activities, as well as any products or product candidates resulting from these activities including INOMAX and any of our current or future drug-delivery systems, may infringe or be claimed to infringe upon patents or patent applications under which we do not hold licenses or other rights. Third parties may own or control these patents and patent applications in the United States and abroad. These third parties could bring claims against us or our collaborators that would cause us to incur substantial expenses and, if successful against us, could cause us to pay substantial damages. Further, if a patent infringement suit were brought against us or our collaborators, we or they could be forced to stop or delay research, development, manufacturing or sales of the product or product candidate that is the subject of the suit.

As a result of patent infringement claims, or in order to avoid potential claims, we or our collaborators may choose or be required to seek a license from the third party and be required to pay license fees or royalties or both. These licenses may not be available on acceptable terms, or at all. Even if we or our collaborators were able to obtain a license, the rights may be nonexclusive, which could result in our competitors gaining access to the same intellectual property. Ultimately, we could be prevented from commercializing a product, or be forced to cease some aspect of our business operations, if, as a result of actual or threatened patent infringement claims, we or our collaborators are unable to enter into licenses on acceptable terms. This could harm our business significantly.

Changes in U.S. patent law could diminish the value of patents in general, thereby impairing our ability to protect our products.

As is the case with other biopharmaceutical companies, our success is heavily dependent on intellectual property, particularly patents. Congress may pass patent reform legislation. The Supreme Court has ruled on several patent cases in recent years, either narrowing the scope of patent protection available in certain circumstances or weakening the rights of patent owners in certain situations. In addition to increasing uncertainty with regard to our ability to obtain patents in the future, this combination of events has created uncertainty with respect to the value of patents, once obtained. Depending on decisions by the U.S. Congress, the federal courts, and the USPTO, the laws and regulations governing patents could change in unpredictable ways that would weaken our ability to obtain new patents or to enforce our existing patents and patents that we might obtain in the future.

DESCRIPTION OF IKARIA'S BUSINESS

As used in this Description of Ikaria's Business section, "we," "us," "our" and the "Company" refer to Ikaria only (and not, for the avoidance of doubt, to Mallinckrodt).

Business Overview

Ikaria is a fully-integrated biotherapeutics company focused on developing and commercializing innovative therapeutics and interventions designed for the critical care market. Ikaria was formed in March 28, 2007 through the acquisition of INO Therapeutics LLC, a specialty pharmaceutical company, and legacy Ikaria, a development-stage biotechnology company. Following a spin-out of certain of the Company's research and development assets, funds affiliated with Madison Dearborn Partners ("MDP") acquired an indirect majority stake in Ikaria.

Ikaria primarily operates in critical care and currently manufactures and markets INOMAX, pharmaceutical nitric oxide for inhalation, and markets related devices and services. Ikaria's main offering is the INOMAX Total Care Package, which includes drug product, proprietary drug-delivery systems, technical and clinical assistance, 24/7/365 customer service, emergency supply and delivery and on-site training targeted toward in-hospital treatment of a potentially fatal respiratory ailment in newborns. Ikaria markets INOMAX to hospitals in the U.S., Canada, Australia, Japan (where INOMAX is known as INOflo) and Mexico. Ikaria also has separate distribution arrangements with Linde in several South American and European countries and with other partners in China, Hong Kong and South Korea.

History

In 1992, Ohmeda, a pharmaceutical and medical device company owned by the BOC Group, licensed the rights to future drug and device patents for the delivery of exogenous nitric oxide by inhalation from Massachusetts General Hospital ("MGH") for the U.S. market and certain other jurisdictions. During the same time period, AGA AB, a Swedish gas company, exclusively licensed the same rights from MGH for the rest of the world. In 1998, AGA AB purchased the U.S. INO development assets from Ohmeda thereby creating INO Therapeutics, by acquiring Ohmeda's exclusive license. In 1999, INOMAX nitric oxide (for inhalation) received FDA approval for the treatment of hypoxic respiratory failure ("HRF") in term and near-term newborns. In 2000, Linde AG, a German industrial gas and engineering company, purchased AGA AB, gaining ownership of INO Therapeutics. The following year, the European Agency for the Evaluation of Medicinal Products ("EMEA", now referred to as "EMA") approved INOMAX for the treatment of HRF.

Separately, a development-stage biotechnology company, Ikaria, was founded in 2005 by Arch Venture Partners, the Fred Hutchinson Cancer Research Center ("FHCRC") and Mark Roth, Ph.D., to commercialize research conducted in Dr. Roth's laboratory at the FHCRC.

In February 2007, funds affiliated with New Mountain Capital acquired control of INO Therapeutics from Linde AG and separately acquired Ikaria, and merged the two businesses into a single company. As part of the sale of INO Therapeutics, Linde retained a 17% ownership stake in the new Company.

On December 24, 2013, MDP and management signed a definitive agreement to acquire an indirect controlling interest of Ikaria. Prior to the closing of the acquisition, in February 2014, Ikaria completed an internal reorganization and spun-out, through a special dividend of shares of Bellerophon Therapeutics, LLC to Ikaria's shareholders at the time, its business related to the development and commercialization of therapeutic nitric oxide and delivery devices for the treatment of chronic

obstructive pulmonary disease, idiopathic pulmonary fibrosis and pulmonary arterial hypertension and for the development of products for use in ventricular remodeling associated with acute myocardial infarction. Ikaria retained the business and assets related to the development and commercialization of nitric oxide and drug-delivery systems for most other indications, including the use of nitric oxide to treat or prevent conditions primarily managed in the hospital setting.

On February 12, 2014, Ikaria and MDP closed the acquisition of an indirect controlling interest in Ikaria by funds affiliated with MDP through a series of merger transactions. Following the acquisition, Ikaria became a wholly owned subsidiary of Target, itself a wholly owned subsidiary of Seller. Funds affiliated with MDP currently hold a controlling interest in Seller, and the remaining interests are held by Ikaria management and shareholders of Ikaria prior to MDP's acquisition, including Linde AG.

INOMAX Nitric Oxide for Inhalation

INOMAX is the only treatment approved by the FDA for HRF associated with pulmonary hypertension in term and near-term infants. HRF is a potentially-fatal condition that occurs when a patient's lungs are unable to deliver sufficient oxygen to the body. Nitric oxide, the active substance in INOMAX, is a naturally occurring compound produced by many cells in the human body. Nitric oxide is known as a "signaling molecule" because it is able to penetrate cell walls to deliver a biochemical signal. When nitric oxide enters cells in the walls of a blood vessel in the lungs, it sends a signal that causes nearby muscles to relax. This process is known as pulmonary vasodilation. As the muscles of the blood vessel relax, blood flow increases, helping the heart and lungs to process more oxygen and deliver more oxygenated blood into the patient's bloodstream. By rapidly improving oxygenation, INOMAX may help reduce the amount of time patients require mechanical ventilation and respiratory support. Treatment with INOMAX prevents progression to more severe respiratory failure and reduces the need for Extracorporeal Membrane Oxygenation ("ECMO"), a highly invasive and expensive treatment that requires the use of a heart-lung machine.

Although the FDA has not approved INOMAX for any other uses (nor does Ikaria market INOMAX for any other uses), INOMAX is the only FDA-approved selective pulmonary vasodilator and physicians utilize INOMAX in other critical care settings. INOMAX has been prescribed by physicians in these other settings for over a decade, and a significant body of clinical research has clarified its role in a number of conditions. Besides HRF, INOMAX is commonly prescribed to treat adult and pediatric patients developing pulmonary hypertension secondary to cardiac surgery, pre-term respiratory illnesses, some patients with Adult Respiratory Distress Syndrome, bronchopulmonary dysplasia, as well as a number of other conditions. Most of these additional indications are considered to be standard of care, or at least well supported by literature, and the common compendia support the prescription of INOMAX in a number of clinical settings. Based on a representative sample of patient use data collected from accounts, the Company estimates that in 2014 approximately 19% of sales are for HRF for term and near-term infants, while the remaining 81% are for other critical care uses.

INOMAX is supplied in two cylinder sizes: a large (88) cylinder for standard use in the hospital, and a smaller (D) sized cylinder for use in the transport setting. INOMAX is manufactured and packaged at the Company's manufacturing facility in Port Allen, Louisiana, the only FDA inspected site for manufacturing pharmaceutical-grade nitric oxide in the world, with a backup facility in Coppell, Texas.

The value of INOMAX is not only as a stand-alone pharmacologic treatment. INOMAX is marketed within a technology, service and support package around which the INOMAX drug product is offered. This comprehensive offering, collectively known as INOMAX Total Care, includes proprietary drug-delivery systems, technical and clinical assistance, 24/7/365 customer service, emergency supply and delivery and on-site training. This fully-integrated commercial package results in high customer satisfaction, retention and sustainability of Ikaria's business.

Drug-Delivery Systems

Ikaria develops and supplies hospitals with proprietary and innovative inhalation drug delivery devices for INOMAX. The original nitric oxide delivery device cleared by the FDA at the time of the launch of INOMAX was the INOvent. This device defined the new standard for safe delivery of nitric oxide as the first device to comply with the FDA's special controls guidance for NO delivery devices, and it remains the standard of care in Europe today.

As part of its ongoing device development and innovation, the Company launched its third-generation delivery system in 2011, the INOMAX DSIR. The INOMAX DSIR builds on Ikaria's smaller, more functional second-generation delivery system, and also utilizes infrared technology to enhance patient safety and necessitate usage of Ikaria's device-cylinder.

Ikaria has obtained FDA clearance for the new version of its delivery systems, DSIR v3.0, which was launched in the first quarter of 2014, and expects to replace its entire fleet by the third quarter of 2015. The Company is also currently developing its fourth-generation delivery system to continue this device advancement. Ikaria has increased the number of respiratory care devices with which its DSIR device is compatible. Ikaria's new device manufacturing facility is complete and will facilitate acceleration of all device innovation efforts.

As of March 26, 2015, Ikaria had an installed base and deployable inventory of approximately 6,000 wholly-owned, proprietary drug-delivery systems and has navigated the time-consuming and complex process of establishing the compatibility of our drug-delivery systems with more than 70 models of ventilators and anesthesia devices. This allows INOMAX to be used in conjunction with the vast majority of ventilation configurations, and is a source of significant and lasting competitive advantage.

Ikaria's drug delivery devices are manufactured at the Company's facility in Madison, Wisconsin.

Support Services

The patients typically treated with INOMAX are in extremely precarious health. The criticality of these patients' health mandates that the products needed to treat them be constantly available at any time of day or night.

As part of the INOMAX Total Care Package, Ikaria offers training on its proprietary drug delivery systems, preventative maintenance, delivery of disposable delivery system components, scheduled and emergency deliveries, and calibration gas. Ikaria's customer service model is built on a commitment to gold-plated service. Ikaria maintains a network of regional service centers capable of supplying product to most our customers within four hours of ordering, and a 24/7/365 customer care department staffed by trained professionals with authority to mobilize emergency shipments of drug, make additional devices available and provide technical support.

In addition to the above, Ikaria also provides all other products and services necessary to safely and effectively treat patients with INOMAX, including all consumable items (hoses, connectors, etc.) used to connect the INOMAX delivery system to the hospital ventilator and INOcal calibration gases. Ikaria also provides a number of high-value medical items (e.g., transport sleds, pulse oximeters, etc.) that facilitate the safe delivery of INOMAX in special circumstances.

Other Product Development

Terlipressin

On August 29, 2008, Ikaria entered into an agreement with Orphan Therapeutics LLC ("Orphan"), in which it acquired the North American rights to terlipressin, under the brand name Terlivaz, a potential treatment of Hepatorenal Syndrome ("HRS") Type 1, which is a rare and often fatal condition characterized by rapid onset of renal failure with a high mortality rate for which there are no approved drugs in the U.S. Terlipressin, the active pharmaceutical ingredient in Terlivaz, is approved in France, Ireland, Spain and South Korea (where it is marketed under the name "LUCASSIN®") for the treatment of patients with HRS Type 1 and Esophageal Variceal Hemmorage. Under this agreement, Ikaria is responsible for a portion of the development costs prior to regulatory approval, a milestone payment upon approval of a New Drug Application, or NDA, by the FDA, certain sales-based milestones and royalties on sales, if any, relating to Terlivaz.

In June 2013, Ikaria completed the REVERSE trial to provide support for existing evidence of Terlivaz safety and efficacy which is based on more than 24 published clinical studies. The trial did not establish statistical significance for the primary endpoint of HRS reversal; however, patients in the Terlivaz group of the REVERSE trial did show improvement in renal function when compared to placebo. The Company currently is in discussions with the FDA to determine its regulatory strategy.

Collaboration with Novoteris

On January 9, 2015, Ikaria entered into an agreement with Novoteris to collaborate on the development of an outpatient program for treating bacterial infections associated with cystic fibrosis. The program seeks to create a device that delivers nitric oxide at 160 to 200 ppm at a constant rate through a face mask. Pursuant to the agreement, Ikaria outsourced the development of nitric oxide therapy to Novoteris for four indications: cystic fibrosis, bronchiectasis, tuberculosis and non-tuberculosis mycobacterium. In exchange, Ikaria received an option to either acquire or exclusively in-license the resulting product. Novoteris and its affiliates including 12th Man agreed not to compete with Ikaria in various in hospital applications of nitric oxide.

Distribution, Sales and Marketing

Direct Distribution

Ikaria has five regional service centers ("RSCs") to handle warehousing, distribution, and equipment service of INOMAX and its drug-delivery system in the U.S. The RSCs are located in New Jersey, Georgia, Illinois, Texas, and California. In addition to its RSC operations, Ikaria also has third-party logistics and equipment service agreements in place with companies in the U.S., Puerto Rico, Canada, Australia, Mexico, and Japan. As of December 31, 2014, Ikaria's RSC operations are staffed by approximately 51 employees with expertise in pharmaceutical and medical device logistics and service. These professionals oversee and facilitate the Company's day-to-day logistics activities including shipping, receiving and warehousing of drug, delivery systems, product accessories and service parts, annual preventive maintenance and equipment service on all delivery systems and inventory control and asset management.

The RSCs are licensed with the appropriate state wholesale pharmacy boards and carry out their activities in compliance with cGMP, the U.S. Department of Transportation, the Occupational Safety & Health Administration and the International Air Transport Association, as may be applicable. Shipments to overseas destinations are made in accordance with the regulations of the International Maritime Organization, or IMO, the United Nations' specialized agency responsible for improving maritime safety and preventing pollution from ships, as may be applicable.

Sales and Marketing

Ikaria only promotes INOMAX for the treatment of HRF to professionals in the Neonatal Intensive Care Units ("NICU"), such as neonatologists, nurse practitioners, nurses and respiratory therapists. The Company's approximately 56 sales professionals interact with these and other NICU professionals, as well as hospital administrators. They also manage the overall customer relationships, communicate the benefits of INOMAX Total Care package, train on the use of the drug delivery systems and educate on reimbursement options.

Ikaria's sales and marketing function consists of brand marketing, sales management, strategy, research and analytics, and reimbursement account management, consisting of approximately 20 professionals in the U.S. and Canada.

Distribution Partnerships

Ikaria has partnered with large pharmaceutical companies with expertise in foreign markets to distribute its drug products and delivery systems in Europe and certain countries in South America and Asia.

Ikaria is a party to a Supply Agreement with an affiliate of Linde AG under which it sells bulk, concentrated nitric oxide inhalation gas on a "cost-plus" basis and drug delivery devices at a fixed price to Linde AG for distribution in Europe. Under this Supply Agreement, Linde AG and Ikaria agreed that Linde would commercialize nitric oxide products in Africa, the Middle East and South America, and that Ikaria would commercialize products in North America, Australia and Asia.

Ikaria is also a party to exclusive distribution arrangements with affiliates of Linde AG for the marketing, sale and distribution of INOMAX drug products and related products and services in Argentina, Uruguay, Chile and Colombia. Ikaria has also entered into a long-term agreement with Lee's Pharmaceutical Ltd, pursuant to which Lee's acts as the exclusive marketing authorization holder and provider of promotion and sales-related services for INOMAX and related delivery devices and support services in China, Hong Kong and Taiwan. Ikaria has also entered into an exclusive distribution agreement with Synex Consulting Ltd. for the distribution of INOMAX, INOcal calibration gas and related delivery services.

Customers

Ikaria's customers consist of hospital NICU units and other departments. The Company's customer base is diverse, with no one hospital accounting for more than 1.6% of total sales. The Company's top 10 accounted for a total 9.4% of sales in fiscal year 2014. Infants with HRF require treatment at specialized NICUs that only are available in select hospitals across the U.S. As a result, these infants are often transported from the hospitals in which they were born to hospitals with these specialized facilities. Similarly, critically ill patients suffering from other conditions who receive INOMAX either are transported to referral centers once they become ill or initially are referred to such hospitals for complex treatments. The Company maintains a sales force of approximately 50 individuals to cover markets where the Company directly markets and sells to hospital customers (*i.e.*, United States, Canada, Japan and Australia).

Billing Model

The Company has a flexible, tier-based billing system under which each major customer is offered three options by which to purchase the INOMAX Total Care package, with the offerings custom developed from historical effective pricing and utilization data. The customer selects the plan that most closely matches the institution's expected level of use, measured and priced according to a running total of hours of INOMAX consumed: (a) "Platinum" tier, which consists of a fixed billing commitment for unlimited hours,

(b) “committed” tier, which consists of committed hours at a per hour rate, customizable by the customer and (c) “net hourly” where customers pay a fixed price per hour consumed. For customers who exceed the contracted number of hours in Committed, a net hourly rate is applied for each hour of excess usage.

The majority of Ikaria’s U.S. revenue model consists of one-year commitments. However, the Company has, at the request of some of its largest customer accounts a few years ago, entered into long-term (3 – 5 year) agreements that are staggered, collectively worth around $110 million of annual revenue, and have built-in modest price increases.

As part of the INOMAX all-inclusive service package, the Company provides its drug-delivery systems and disposables and services to its customers free of charge.

Manufacturing

Ikaria develops and manufactures pharmaceutical drugs in compressed gas form at its facility in Port Allen, Louisiana, the only manufacturing facility GMP-certified by the FDA and regulated nitric oxide manufacturing site in the U.S. The primary manufacturing activity is the commercial production of INOMAX. This includes the chemical synthesis of high-purity nitric oxide, which is the INOMAX drug substance, and gas blending to produce the INOMAX drug product.

Ikaria’s production capability includes chemical synthesis and blending of pharmaceutical gases on a commercial scale for sale to its customers and pilot-scale for use in clinical trials.

The Port Allen manufacturing facility complies with standards set by the FDA, EMA, Health Canada, the Pharmaceutical and Medical Devices Agency of Japan, the Korean health authority, the Therapeutic Goods Administration of Australia, which is part of the Pharmaceutical Inspection Corporation Scheme, and local agencies. As the sole provider of pharmaceutical-grade nitric oxide, the Company has implemented business continuity measures to mitigate the risk of an interruption in the supply of INOMAX. Such measures include, for example, maintaining a reasonable inventory of finished product and raw materials at the Company’s regional service centers and back-up production capability at a second location in Coppell, Texas. This facility has been designed to manufacture INOMAX if there was any manufacturing interruption at the Port Allen manufacturing facility. The facility and manufacturing processes have been designed, installed, and validated to meet or exceed the U.S. and international INOMAX demand. The Coppell manufacturing operation is GMP-certified by the FDA to manufacture INOMAX.

The INOMAX manufacturing process involves using a batch reactor to synthesize nitric oxide from the reaction of sulfur dioxide and nitric acid. The drug then goes through purification steps, filled into bulk containers and transferred to the blending unit operation. There, the drug is blended with high purity nitrogen and stored in high-pressure cylinders. Following the blending, each cylinder undergoes extensive laboratory analysis to ensure that the drug is in compliance with specifications and all regulatory parameters. After appropriate testing, the cylinders are labeled, packaged, and shipped to the regional service centers and international locations. Once the prepared cylinder and valve assemblies are filled, each cylinder is individually tested for nitric oxide, nitric dioxide, and possible contaminants. Cylinders that meet release specifications are then labeled with U.S. FDA and Department of Transportation approved labels using a shrink-wrap technique and then packaged and shipped.

The Port Allen facility also manufactures the INOcal product (nitric oxide and nitrogen dioxide calibration gases) for the INOMAX delivery systems. The INOcal product is considered a device. Manufacturing this product required Port Allen to comply with device manufacturing regulations and become ISO 13485 certified. Such measures include, for example, that Ikaria establishes, documents, implements and maintains a quality management system. This includes that Ikaria identifies and

documents the processes needed for the quality management system and their application throughout the organization; determines the sequences and interaction of these processes; determine the criteria and methods needed to ensure that both the operation and control of these processes are effective; ensures the availability of resources and information necessary to support the operation and monitoring of these processes; monitor, measures and analyzes these processes; and implements actions necessary to achieve planned results and maintain the effectiveness of these processes.

Intellectual Property

INOMAX Patent Portfolio

The INOMAX Total Care package is protected by a diverse patent portfolio providing protection in the U.S. up to 2031.

Certain key patents related to the use of therapeutic nitric oxide for treating or preventing bronchoconstriction or reversible pulmonary vasoconstriction owned by MGH and licensed exclusively by Ikaria expired in 2013. However, five patents covering the method of identifying patients with particular heart conditions at risk of serious adverse events when administered nitric oxide were issued from 2012 to 2014 and expire in 2029. These patents cover specific FDA-approved language amendments to the Warnings and Precautions section of the INOMAX drug label that are necessary for the safe and effective use of INOMAX. Ikaria believes that a generic competitor must copy the warning and, by doing so, would infringe on Ikaria's patents.

In addition, Ikaria maintains a number of patents, the latest of which expire in 2031, that contain claims to nitric oxide delivery systems expressly required by the drug labeling for administration of INOMAX, covering a number of important functions, including patient safety and product performance features.

Various INOMAX patents are "listed" in the FDA "Orange Book", which is an FDA publication identifying and listing information for all FDA approved drug products (i.e., a Reference Listed Drug, or "RLD"). Under the legislative requirements of Hatch-Waxman, the FDA will not approve for marketing a generic application that refers to a RLD until after expiration of all patents listed for that RLD in the FDA Orange Book.

In Japan, INOMAX (which is sold under the brand name INOflo) is protected by a method of use patent until November 2016, and is further designated as an orphan drug, thereby providing statutory exclusivity until July 2018. In Australia, in a manner similar to the U.S., INOMAX enjoys patent protection until June 2029, based on the issued method of use patents covering specific language amendments to the Warnings and Precautions section of the INOMAX drug label.

Additional patent applications are pending or in development relating to methods of product use and current and future delivery systems that, when issued, would be listable in the FDA Orange Book and that would provide further protection and exclusivity for various proprietary elements of Ikaria's comprehensive INOMAX Total Care package.

IP Litigation

To protect Ikaria's intellectual property, it will engage in patent disputes and litigation with other businesses from time to time.

On January 5, 2015, Praxair submitted petitions to the U.S. Patent Trial and Appeals Board for Inter Partes Review of five patents owned by INO Therapeutics LLC, a wholly owned subsidiary of Ikaria ("INOT"), that provide protection for essential safety information relating to the administration of

inhaled nitric oxide. Further, on March 16, 2015, Praxair filed five additional petitions seeking to initiate IPR of five INOT patents that provide protection for essential features of the INOT nitric oxide delivery system. In a letter dated January 6, 2015, Praxair informed Ikaria that it had filed an abbreviated new drug application with the Food and Drug Administration that asserted limitations in a broader set of 10 patents. Ikaria filed suit against Praxair in the United States District Court for the District of Delaware on February 19, 2015, alleging infringement of these ten patents.

Ikaria has also recently pursued a case for breach of a non-compete agreement and conversion against former employees who founded a competing firm, NitricGen, and named NitricGen itself as an additional defendant. Amongst other relief, Ikaria is seeking assignment of certain of the defendants' patent applications and injunctions prohibiting the dissemination of trade secrets.

Regulation

The testing, manufacturing, labeling, advertising, promotion, distribution, export, and marketing of the Company's products are subject to extensive regulation by governmental authorities in the U.S. and in other countries. In the U.S., the FDA, under the Federal Food, Drug and Cosmetic Act ("FDCA"), and its implementing regulations, regulate pharmaceutical products. The Company's products and product candidates are regulated as drugs and are subject to regulation by the FDA as well as its medical devices. Failure to comply with applicable U.S. requirements may subject the Company to administrative or judicial sanctions, such as FDA refusal to approve pending NDAs, withdrawal of approval of approved products, warning letters, untitled letters, product recalls, product seizures, total or partial suspension of production or distribution, injunctions, civil penalties, and/or criminal prosecution.

The FDCA generally regulates the manufacture and importation of drugs and medical devices shipped via interstate commerce, including such matters as labeling, packaging, storage, and handling of such products. The Prescription Drug Marketing Act of 1987, which amended the FDCA, establishes certain requirements applicable to the wholesale distribution of prescription drugs, including the requirement that wholesale drug distributors be registered with the Secretary of Health and Human Services or be licensed in each state in which business is conducted in accordance with federally established guidelines on storage, handling, and records maintenance. The Safe Medical Devices Act of 1990 imposes certain reporting requirements on distributors in the event of an incident involving serious illness, injury, or death caused by a medical device. The Company is also required to maintain licenses and permits for the distribution of pharmaceutical products and certain medical devices under the laws of the states in which it operates.

On March 4, 2013, Ikaria received FDA approval for proposed revisions to the INOMAX prescribing information (i.e., the drug "label"). These revisions established new requirements pertaining to the safe and effective use of the drug, and risk mitigation measures to better ensure patient safety. In particular, the drug label requires the use of specifically-mandated INOMAX delivery systems for the administration of INOMAX. In addition, healthcare professionals must complete and maintain comprehensive training, provided by the manufacturer, on the proper use of these mandated delivery systems. Further, the manufacturer of the drug and delivery system for the delivery and administration of inhaled nitric oxide must provide health professional staff access to support which is required 24 hours a day, 7 days a week, and 365 days a year. Moreover, the manufacturer must validate a mandated INOMAX delivery system with each ventilation device, a process that requires a 510(k) submission and clearance for each ventilator, before a trained user can operate the delivery system with the ventilation device (the INOMAX delivery systems are validated with 72 ventilation and anesthesia devices). Lastly, the drug label requires health professional staff to maintain a back-up (i.e., a "spare") INOMAX delivery system to ensure consistent administration of INOMAX in the event of primary system failure. Thus, the provider of nitric oxide delivery systems must supply a hospital with more nitric oxide delivery systems than the hospital would normally require to ensure the hospital has

adequate back-up devices. Because these safety and risk mitigation features are formally required by the INOMAX drug label, future providers of inhaled nitric oxide must adequately demonstrate to the FDA that they can meet these requirements prior to drug approval.

On December 5, 2014, Ikaria submitted a Prior Approval Supplement to FDA requesting amendments to the INOMAX package insert. In particular, the Supplement requested (i) removal of reference to the 100 ppm nitric oxide concentration and INOvent and INOmax DS nitric oxide delivery systems, as such products are no longer on the market, (ii) that manufacturer supplied training programs should specify which breathing systems have successfully been validated for use with the Nitric Oxide Delivery System, (iii) that health care professionals administering INOmax should only use a mode and make of ventilation validated for use with the Nitric Oxide Delivery System, (iv) that users of INOmax and Nitric Oxide Delivery Systems must satisfactorily complete a comprehensive, periodic training program provided by the delivery system and drug manufacturer, and (v) to ensure proper drug dose and delivery, the Nitric Oxide Delivery System must confirm drug cylinder content, concentration and expiration date prior to each patient use. Further, on December 9, 2014, based on analysis of study IK 3001-BPD, Ikaria submitted a Labeling Supplement proposing labeling revisions to the Highlights, Warnings & Precautions, and Clinical Studies sections of the INOmax package insert, including a potential warning of increased mortality risk in premature infants. The FDA may accept the labeling recommendations made in the labeling supplement, it may reject the recommended changes, or it may require other changes to the labeling.

Employees

As of December 31, 2014, Ikaria employed 417 full-time employees. Of this number, 122 employees are in drug and delivery system manufacturing and engineering, 122 are engaged in commercial support (global sales, marketing and product and customer service support), 56 employees work in distribution and technical support, 50 employees work in medical and regulatory affairs and 82 employees provide general and administrative support. The Company’s employees are neither represented by a labor union nor covered by a collective bargaining agreement.

Facilities

Ikaria’s corporate headquarters is located at 53 Frontage Road, Third Floor, P.O. Box 9001 in Hampton, New Jersey, where it occupies approximately 100,000 square feet of office space. The lease expires in 2021 and may be extended at the Company’s option for an additional two-year term.

Ikaria has established offices in Australia, Japan and Canada to support growth in those countries. In Japan and Canada, these offices primarily perform sales and marketing functions, while the distribution and logistics functions are handled by third-party providers. Each international office is staffed by a general manager and support staff.

Ikaria owns its drug-manufacturing plant in Port Allen, Louisiana, where it has approximately 49,000 square feet of office, warehouse, laboratory and manufacturing space. The buildings are situated on approximately five acres.

Ikaria’s drug-delivery system manufacturing facility is located in Madison, Wisconsin, where we lease approximately 15,000 square feet of manufacturing, research and development and warehouse space. We also lease approximately 1,100 square feet of additional office space in Madison, Wisconsin, which we use for delivery system development and warehousing.

Ikaria has five RSCs to handle warehousing, distribution, and equipment service of INOMAX and its drug-delivery system in the U.S., located in New Jersey, Georgia, Illinois, Texas and California.

USE OF CERTAIN TERMS

Except as otherwise indicated or unless the context otherwise requires, the information included in this offering circular about Mallinckrodt (as defined below) assumes the completion of all of the transactions referred to in this offering circular in connection with the Ikaria Acquisition (as defined below). As used in this offering circular, except where otherwise specified or unless the context otherwise requires:

- the "Issuer" refers to Mallinckrodt International Finance S.A., a Luxembourg public limited liability company (*société anonyme*) incorporated under the laws of the Grand Duchy of Luxembourg, with its registered office at 42-44, avenue de la Gare, L-1610 Luxembourg and being registered with the Luxembourg trade and companies register under number B.172.865 and an indirect wholly owned subsidiary of Mallinckrodt plc;
- the "U.S. Co-Issuer" refers to Mallinckrodt CB LLC, a Delaware limited liability company and a direct wholly owned subsidiary of the Issuer;
- the "Issuers" refers to the Issuer and the U.S. Co-Issuer, collectively;
- "we," "us," and "our" refer to the Issuer and its direct and indirect subsidiaries;
- "Mallinckrodt plc" and "Parent" refer to Mallinckrodt plc, an Irish public limited company, excluding its subsidiaries;
- "Mallinckrodt Pharmaceuticals," "Mallinckrodt," "our company" and "the company," except as otherwise indicated, refer to Mallinckrodt plc, an Irish public limited company, and its subsidiaries;
- "Cadence" refers to Cadence Pharmaceuticals, Inc., which entity changed its name to Mallinckrodt Hospital Products Inc. as of March 27, 2015;
- "Questcor" refers to Questcor Pharmaceuticals, Inc.;
- "initial purchasers" refers to the firms listed in the section entitled "*Plan of Distribution*";
- the "Ikaria Purchase Agreement" refers to the Stock Purchase Agreement, dated as of March 5, 2015, by and among Mallinckrodt plc, Mallinckrodt Enterprises, LLC, a Delaware limited liability company and an indirect wholly owned subsidiary of Mallinckrodt plc ("Purchaser"), Compound Holdings I, LLC, a Delaware limited liability company ("Seller"), and Compound Holdings II, Inc., a Delaware corporation and wholly owned subsidiary of Seller ("Target");
- "Ikaria" refers to Ikaria, Inc., a Delaware corporation and wholly owned subsidiary of Target;
- the "Ikaria Acquisition" or the "acquisition of Ikaria" refers to the proposed acquisition of Target by Purchaser pursuant to the Ikaria Purchase Agreement; and
- the "Transactions" refers to the Ikaria Acquisition and the consummation of this offering.

Except as otherwise indicated, references in this offering circular to Mallinckrodt's fiscal 2014, fiscal 2013, fiscal 2012, fiscal 2011 and fiscal 2010 are to Mallinckrodt's fiscal years ended September 26, 2014, September 27, 2013, September 28, 2012, September 30, 2011 and September 24, 2010, respectively. Except as otherwise indicated, all references to "dollars" or "$" in this offering circular are references to U.S. dollars.

UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

The following unaudited pro forma combined financial information is presented to illustrate the estimated effects of (i) the pending acquisition of Target and Ikaria by Mallinckrodt, which was announced on March 5, 2015, (ii) the acquisition of Questcor by Mallinckrodt, which was completed on August 14, 2014, (iii) the acquisition of Cadence by Mallinckrodt, which was completed on March 19, 2014, (iv) the related financings to fund the transactions based on the historical financial position and results of operations of Mallinckrodt and (v) the related tax effects from the transactions.

The fiscal year of Mallinckrodt ends on the last Friday in September and the fiscal years of Ikaria, Questcor and Cadence end on December 31. The following unaudited pro forma condensed combined statement of income for the fiscal year ended September 26, 2014 was prepared based on the following historical periods: (i) the historical consolidated statement of income of Mallinckrodt for the fiscal year ended September 26, 2014, (ii) the historical condensed statement of operations of Cadence for the three months ended December 31, 2013, which was derived by subtracting the condensed statement of operations for the nine months ended September 30, 2013 from the statement of operations for the fiscal year ended December 31, 2013, (iii) the unaudited financial information of Cadence for the period January 1, 2014 to March 18, 2014, (iv) the historical consolidated condensed statement of income of Questcor for the three months ended December 31, 2013, which was derived by subtracting the consolidated condensed statement of income for the nine months ended September 30, 2013 from the consolidated statement of income for the fiscal year ended December 31, 2013, (v) the historical consolidated condensed statement of income of Questcor for the six months ended June 30, 2014, (vi) the unaudited financial information of Questcor for the period July 1, 2014 to August 14, 2014, (vii) the unaudited pro forma condensed statement of operations of Target for the nine month period ended September 30, 2014, which was derived by subtracting the pro forma condensed statement of operations for the three month period ended December 31, 2014 from the pro forma condensed statement of operations for the fiscal year ended December 31, 2014 and (viii) the pro forma condensed statement of operation of Ikaria for the three month period ended December 31, 2013, which was derived by subtracting the condensed statement of operations for the nine month period ended September 30, 2013 from the audited condensed statement of operations for the fiscal year ended December 31, 2013. The following unaudited pro forma condensed combined statement of income for the three months ended December 26, 2014 was prepared based on the following historical periods: (i) the historical condensed consolidated statement of income of Mallinckrodt for the three months ended December 26, 2014 and (ii) the historical condensed statement of operations of Target for the three months ended December 31, 2014. The following unaudited pro forma condensed combined statement of income for the three months ended December 27, 2013 was prepared based on the following historical periods: (i) the historical condensed combined statement of income of Mallinckrodt for the three months ended December 27, 2013, (ii) the historical condensed statement of operations of Cadence for the three months ended December 31, 2013, which was derived by subtracting the condensed statement of operations for the nine months ended September 30, 2013 from the condensed statement of operations for the fiscal year ended December 31, 2013, (iii) the historical consolidated condensed statement of income of Questcor for the three months ended December 31, 2013, which was derived by subtracting the consolidated condensed statement of income for the nine months ended September 30, 2013 from the consolidated statement of income for the fiscal year ended December 31, 2013 and (iv) the historical consolidated condensed statement of operations of Ikaria for the three months ended December 31, 2013, which was derived by subtracting the consolidated condensed statement of operations for the nine months ended September 30, 2013 from the consolidated statement of operations for the fiscal year ended December 31, 2013.

The following unaudited pro forma condensed combined statement of income for the twelve months ended December 26, 2014 was prepared based on the following historical periods: (i) the

historical condensed consolidated and combined statement of income of Mallinckrodt for the nine months ended September 26, 2014, which was derived by subtracting the condensed combined statement of income for the three months ended December 27, 2013 from the consolidated and combined statement of income for the fiscal year ended September 26, 2014, (ii) the historical consolidated condensed statement of income of Mallinckrodt for the three months ended December 26, 2014, (iii) the unaudited financial information of Cadence for the period January 1, 2014 to March 18, 2014, (iv) the historical consolidated condensed statement of income of Questcor for the six months ended June 30, 2014, (v) the unaudited financial information of Questcor for the period July 1, 2014 to August 14, 2014 and (vi) the unaudited pro forma condensed statement of operations of Target for the fiscal year ended December 31, 2014.

The following unaudited pro forma condensed combined balance sheet was prepared based on the following historical dates: (i) the historical condensed consolidated balance sheet of Mallinckrodt as of December 26, 2014, which includes balances related to Cadence following the completion of the acquisition of Cadence on March 19, 2014 and Questcor following the completion of the acquisition of Questcor on August 14, 2014, and (ii) the historical condensed consolidated balance sheet of Target as of December 31, 2014.

The following Ikaria unaudited pro forma condensed combined statement of operations for the fiscal year ended December 31, 2014 was prepared based on the following historical periods: (i) the historical consolidated condensed statement of operations of Ikaria for the predecessor period ended February 12, 2014 and (ii) the historical consolidated condensed statement of operations of Target for the successor period ended December 31, 2014.

The following Ikaria unaudited pro forma condensed combined statement of operations for the three months ended December 31, 2014 was prepared based on the following historical period: the historical consolidated condensed statement of operations of Compound Holdings II for the three months ended December 31, 2014.

The following Ikaria unaudited pro forma condensed combined statement of operations for the three months ended December 31, 2013 was prepared based on the following historical periods: (i) the historical consolidated condensed statement of operations of Ikaria, Inc. for the three months ended December 31, 2013, which was derived by subtracting the consolidated condensed statement of operations for the nine months ended September 30, 2013 from the consolidated condensed statement of operations for the fiscal year ended December 31, 2014.

The following Ikaria unaudited pro forma condensed combined statement of operations for the twelve months ended September 30, 2014 was derived by subtracting the Ikaria unaudited pro forma condensed combined statement of operations for the three months ended December 31, 2014 from the Ikaria unaudited pro forma condensed combined statement of operations for the fiscal year ended December 31, 2014 and adding the Ikaria unaudited pro forma condensed combined statement of operations for the three months ended December 31, 2013.

For further information on historical Mallinckrodt, Cadence, Questcor and Ikaria financial information, refer to Notes 4, 5 and 6, respectively, of the accompanying notes to the unaudited pro forma condensed combined financial statements.

The pro forma adjustments are preliminary and are based upon available information and certain assumptions, described in the accompanying notes to the unaudited pro forma combined financial information that management believes are reasonable under the circumstances. Actual results may differ materially from the unaudited pro forma combined financial information (including the assumptions within the accompanying unaudited pro forma combined financial information).

The following unaudited pro forma condensed combined financial information has been prepared to reflect the acquisitions of Cadence, Questcor and Ikaria and the related financings and is provided for informational purposes only. The unaudited pro forma condensed combined statements of income assume that the aforementioned transactions occurred on September 28, 2013. The unaudited pro forma condensed combined statements of income are not necessarily indicative of operating results that would have been achieved had the acquisitions of Cadence, Questcor and Ikaria occurred on September 28, 2013, nor is it intended to project the future financial results of Mallinckrodt after the acquisitions. The unaudited pro forma condensed combined balance sheet assumes that the Ikaria Acquisition was completed on December 26, 2014. The unaudited pro forma condensed combined balance sheet does not necessarily reflect what Mallinckrodt's financial position would have been had the Ikaria Acquisition been completed on December 26, 2014, or for any future or historical period.

The Ikaria unaudited pro forma condensed combined statements of operations assume that the Target's acquisition of Ikaria occurred on January 1, 2014. The unaudited pro forma condensed combined statements of operation are not necessarily indicative of operating results that would have been achieved had the Target's acquisition of Ikaria occurred on January 1, 2014, nor is it intended to project the future financial results of Target after the completion of its acquisition of Ikaria.

The unaudited pro forma condensed combined financial information has been prepared using certain assumptions, as described in the accompanying notes, which management believes are reasonable and do not reflect the cost of any integration activities, benefits from any synergies that may be derived from the acquisitions of Cadence, Questcor and Ikaria or revenue growth that may be anticipated. These unaudited pro forma condensed combined financial statements and related notes should be read in conjunction with the historical financial statements and related notes of Mallinckrodt, Cadence and Questcor incorporated by reference into this offering circular and the historical financial statements and related notes of Target and Ikaria included in this offering circular.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF INCOME

For the Fiscal Year Ended September 26, 2014

(in millions, except per share data)

	Historical Mallinckrodt	Historical Cadence	Cadence Acquisition Pro Forma Adjustments		Mallinckrodt Subtotal After Cadence Acquisition	Historical Questcor	Questcor Acquisition Pro Forma Adjustments		Mallinckrodt Subtotal After Questcor Acquisition
Net sales	2,540.4	65.7	—		2,606.1	881.1	—		3,487.2
Cost of sales	1,337.3	22.0	62.4	a, b, c	1,421.7	76.4	240.2	h, i	1,738.3
Gross profit	1,203.1	43.7	(62.4)		1,184.4	804.7	(240.2)		1,748.9
Selling, general and administrative expenses	842.1	73.1	(45.2)	c, d, e	870.0	294.8	(91.7)	j, k	1,073.1
Research and development expenses	166.9	3.4	—		170.3	73.8	—		244.1
Separation costs	9.6	—	—		9.6	—	—		9.6
Restructuring charges, net	128.6	—	—		128.6	—	—		128.6
Non-restructuring impairments	355.6	—	—		355.6	—	—		355.6
Gains on divestiture and license	(15.6)	—	—		(15.6)	—	—		(15.6)
Operating income	(284.1)	(32.8)	(17.2)		(334.1)	436.1	(148.5)		(46.5)
Interest expense	(82.6)	(2.3)	(21.6)	f	(106.5)	—	(72.5)	l	(179.0)
Interest income	1.5	—	—		1.5	—	—		1.5
Other income, net	1.8	—	—		1.8	(0.6)	—		1.2
Income from continuing operations before income taxes	(363.4)	(35.1)	(38.8)		(437.3)	435.5	(221.0)		(222.8)
Provision for income taxes	(44.8)	—	(38.5)	g	(83.3)	150.9	36.8	m	104.4
Income from continuing operations	(318.6)	(35.1)	(0.3)		(354.0)	284.6	(257.8)		(327.2)
Earnings (loss) per share from continuing operations:									
Basic	(4.91)								
Diluted	(4.91)								
Weighted-average shares outstanding:									
Basic	64.9						49.1	n	
Diluted	64.9						49.1	n	

(Continued on next page)

See the accompanying notes to the unaudited pro forma combined financial information.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF INCOME

For the Fiscal Year Ended September 26, 2014

(in millions, except per share data)

(Continued)

	Mallinckrodt Subtotal After Questcor Acquisition	Pro Forma Ikaria	Ikaria Acquisition Pro Forma Adjustments		Pro Forma
Net sales	3,487.2	402.8	—		3,890.0
Cost of sales	1,738.3	54.0	129.5	o	1,921.8
Gross profit	1,748.9	348.8	(129.5)		1,968.2
Selling, general and administrative expenses	1,073.1	120.3	(48.8)	o	1,144.6
Research and development expenses	244.1	41.3	—		285.4
Separation costs	9.6	—	—		9.6
Restructuring charges, net	128.6	—	—		128.6
Non-restructuring impairments	355.6	—	—		355.6
Gains on divestiture and license	(15.6)	—	—		(15.6)
Operating income	(46.5)	187.2	(80.7)		60.0
Interest expense	(179.0)	(84.6)	11.1	p	(252.5)
Interest income	1.5	0.3	—		1.8
Other income, net	1.2	—	—		1.2
Income from continuing operations before income taxes	(222.8)	102.9	(69.6)		(189.5)
Provision for income taxes	104.4	46.9	(34.5)	q	116.8
Income from continuing operations	(327.2)	56.0	(35.1)		(306.3)
Earnings (loss) per share from continuing operations:					
Basic					(2.68)
Diluted					(2.68)
Weighted-average shares outstanding:					
Basic					114.0
Diluted					114.0

See the accompanying notes to the unaudited pro forma combined financial information.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF INCOME

For the Three Months Ended December 26, 2014

(in millions, except per share data)

	Historical Mallinckrodt	Pro Forma Ikaria	Ikaria Acquisition Pro Forma Adjustments		Pro Forma
Net sales	866.3	101.3	—		967.6
Cost of sales	427.6	15.0	32.4	o	475.0
Gross profit	438.7	86.3	(32.4)		492.6
Selling, general and administrative expenses	262.5	64.9	(16.4)	o	311.0
Research and development expenses	42.4	12.1	—		54.5
Separation costs	—	—	—		—
Restructuring charges, net	7.2	—	—		7.2
Non-restructuring impairments	—	—	—		—
Gains on divestiture and license	(0.8)	—	—		(0.8)
Operating income	127.4	9.3	(16.0)		120.7
Interest expense	(48.8)	(19.8)	1.4	p	(67.2)
Interest income	0.1	—	—		0.1
Other income, net	4.1	—	—		4.1
Income from continuing operations before income taxes	82.8	(10.5)	(14.6)		57.7
Provision for income taxes	(9.3)	(3.2)	(7.5)	q	(20.0)
Income from continuing operations	92.1	(7.3)	(7.1)		77.7
Earnings (loss) per share from continuing operations:					
Basic	0.79				0.68
Diluted	0.78				0.67
Weighted-average shares outstanding:					
Basic	114.8				114.8
Diluted	116.3				116.3

See the accompanying notes to the unaudited pro forma combined financial information.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF INCOME

For the Three Months Ended December 27, 2013

(in millions, except per share data)

	Historical Mallinckrodt	Historical Cadence	Cadence Acquisition Pro Forma Adjustments		Mallinckrodt Subtotal After Cadence Acquisition	Historical Questcor	Questcor Acquisition Pro Forma Adjustments		Mallinckrodt Subtotal After Questcor Acquisition
Net sales	540.2	35.3	—		575.5	242.9	—		818.4
Cost of sales	284.6	11.9	39.5	a, c	336.0	20.9	71.6	h	428.5
Gross profit	255.6	23.4	(39.5)		239.5	222.0	(71.6)		389.9
Selling, general and administrative expenses	146.2	24.4	0.8	c, d	171.4	63.7	—	j	235.1
Research and development expenses	39.0	2.0	—		41.0	19.6	—		60.6
Separation costs	2.2	—	—		2.2	—	—		2.2
Restructuring charges, net	8.0	—	—		8.0	—	—		8.0
Non-restructuring impairments	—	—	—		—	—	—		—
Gains on divestiture and license	(12.9)	—	—		(12.9)	—	—		(12.9)
Operating income	73.1	(3.0)	(40.3)		29.8	138.7	(71.6)		96.9
Interest expense	(9.8)	(1.1)	(11.7)	F	(22.6)	—	(20.8)	l	(43.4)
Interest income	0.3	—	—		0.3	—	—		0.3
Other income, net	(0.6)	—	—		(0.6)	—	—		(0.6)
Income from continuing operations before income taxes	63.0	(4.1)	(52.0)		6.9	138.7	(92.4)		53.2
Provision for income taxes	16.6	—	(26.3)	g	(9.7)	48.8	(46.8)	m	(7.7)
Income from continuing operations	46.4	(4.1)	(25.7)		16.6	89.9	(45.6)		60.9
Earnings (loss) per share from continuing operations:									
Basic	0.80								
Diluted	0.79								
Weighted-average shares outstanding:									
Basic	57.8						55.5	n	
Diluted	58.4						57.3	n	

(Continued on next page)

See the accompanying notes to the unaudited pro forma combined financial information.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF INCOME
For the Three Months Ended December 27, 2013
(in millions, except per share data)

(Continued)

	Mallinckrodt Subtotal After Questcor Acquisition	Pro Forma Ikaria	Ikaria Acquisition Pro Forma Adjustments		Pro Forma
Net sales	818.4	98.2	—		916.6
Cost of sales	428.5	14.2	32.4	o	475.1
Gross profit	389.9	84.0	(32.4)		441.5
Selling, general and administrative expenses	235.1	33.8	—		268.9
Research and development expenses	60.6	16.0	—		76.6
Separation costs	2.2	—	—		2.2
Restructuring charges, net	8.0	—	—		8.0
Non-restructuring impairments	—	—	—		—
Gains on divestiture and license	(12.9)	—	—		(12.9)
Operating income	96.9	34.2	(32.4)		98.7
Interest expense	(43.4)	(23.1)	4.7	p	(61.8)
Interest income	0.3	0.2	—		0.5
Other income, net	(0.6)	—	—		(0.6)
Income from continuing operations before income taxes	53.2	11.3	(27.7)		36.8
Provision for income taxes	(7.7)	12.9	(12.5)	q	(7.3)
Income from continuing operations	60.9	(1.6)	(15.2)		44.1
Earnings (loss) per share from continuing operations:					
Basic					0.39
Diluted					0.38
Weighted-average shares outstanding:					
Basic					113.3
Diluted					115.7

See the accompanying notes to the unaudited pro forma combined financial information.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF INCOME

For the Twelve Months Ended December 26, 2014

(in millions, except per share data)

	Historical Mallinckrodt	Historical Cadence	Cadence Acquisition Pro Forma Adjustments		Mallinckrodt Subtotal After Cadence Acquisition	Historical Questcor	Questcor Acquisition Pro Forma Adjustments		Mallinckrodt Subtotal After Questcor Acquisition
Net sales	2,866.5	30.4	—		2,896.9	638.2	—		3,535.1
Cost of sales	1,480.3	10.1	22.9	a, b, c	1,513.3	55.5	168.6	h,i	1,737.4
Gross profit	1,386.2	20.3	(22.9)		1,383.6	582.7	(168.6)		1,797.7
Selling, general and administrative expenses	958.4	48.7	(46.0)	c, d, e	961.1	231.1	(91.7)	j,k	1,100.5
Research and development expenses	170.3	1.4	—		171.7	54.2	—		225.9
Separation costs	7.4	—	—		7.4	—	—		7.4
Restructuring charges, net	127.8	—	—		127.8	—	—		127.8
Non-restructuring impairments	355.6	—	—		355.6	—	—		355.6
Gains on divestiture and license	(3.5)	—	—		(3.5)	—	—		(3.5)
Operating income	(229.8)	(29.8)	23.1		(236.5)	297.4	(76.9)		(16.0)
Interest expense	(121.6)	(1.2)	(9.9)	f	(132.7)	—	(51.7)	l	(184.4)
Interest income	1.3	—	—		1.3	—	—		1.3
Other income, net	6.5	—	—		6.5	(0.6)	—		5.9
Income from continuing operations before income taxes	(343.6)	(31.0)	13.2		(361.4)	296.8	(128.6)		(193.2)
Provision for income taxes	(70.7)	—	(12.2)	g	(82.9)	102.1	83.6	m	102.8
Income from continuing operations	(272.9)	(31.0)	25.4		(278.5)	194.7	(212.2)		(296.0)

(Continued on next page)

See the accompanying notes to the unaudited pro forma combined financial information.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF INCOME
For the Twelve Months Ended December 26, 2014
(in millions, except per share data)

(Continued)

	Mallinckrodt Subtotal After Questcor Acquisition	Pro Forma Ikaria	Ikaria Acquisition Pro Forma Adjustments		Pro Forma
Net sales	3,535.1	405.9	—		3,941.0
Cost of sales	1,737.4	54.8	129.5	o	1,921.7
Gross profit	1,797.7	351.1	(129.5)		2,019.3
Selling, general and administrative expenses	1,100.5	151.4	(65.2)	o	1,186.7
Research and development expenses	225.9	37.4	—		263.3
Separation costs	7.4	—	—		7.4
Restructuring charges, net	127.8	—	—		127.8
Non-restructuring impairments	355.6	—	—		355.6
Gains on divestiture and license	(3.5)	—	—		(3.5)
Operating income	(16.0)	162.3	(64.3)		82.0
Interest expense	(184.4)	(81.3)	7.8	p	(257.9)
Interest income	1.3	0.1	—		1.4
Other income, net	5.9	—	—		5.9
Income from continuing operations before income taxes	(193.2)	81.1	(56.5)		(168.6)
Provision for income taxes	102.8	30.8	(29.5)	q	104.1
Income from continuing operations	(296.0)	50.3	(27.0)		(272.7)

See the accompanying notes to the unaudited pro forma combined financial information.

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET

As of December 26, 2014

(in millions)

	Historical Mallinckrodt	Historical Compound Holdings II, Inc.	Ikaria Acquisition Pro Forma Adjustments		Pro Forma
Assets					
Current Assets:					
Cash and cash equivalents	$ 899.0	$ 98.9	$ (910.0)	a	$ 87.9
Accounts receivable, net	508.5	64.6	—		573.1
Inventories	369.3	51.6	98.4	b	519.3
Prepaid expenses and other current assets	288.2	32.2	(12.0)	c	308.4
Total current assets	2,065.0	247.3	(823.6)		1,488.7
Property, plant and equipment, net	945.6	64.1	—		1,009.7
Goodwill	2,413.7	457.9	58.7	d	2,930.3
Intangible assets, net	6,984.9	969.5	1,253.9	e	9,208.3
Other assets	364.4	32.1	(1.2)	f	395.3
Total Assets	12,773.6	1,770.9	487.8		15,032.3
Liabilities and Shareholders' Equity					
Current Liabilities:					
Current maturities of long-term debt	22.9	69.8	(69.8)	f	22.9
Accounts payable	122.4	12.3			134.7
Accrued and other current liabilities	619.7	43.1	25.5	c	688.3
Total current liabilities	765.0	125.2	(44.3)		845.9
Long-term debt	3,942.2	1,092.3	347.7	f	5,382.2
Pension and other postretirement benefits	116.2	—	—		116.2
Deferred income taxes	2,344.1	278.3	479.0	c	3,101.4
Other liabilities	534.3	0.5	—		534.8
Total Liabilities	7,701.8	1,496.3	782.4		9,980.5
Shareholders' Equity:					
Preferred shares	—	—	—		—
Ordinary shares	23.3	—	—		23.3
Ordinary shares held in treasury at cost	(28.1)	—	—		(28.1)
Additional paid-in capital	5,225.3	414.6	(414.6)	g	5,225.3
Retained earnings (accumulated deficit)	(193.1)	(139.8)	119.8	g, h	(213.1)
Accumulated other comprehensive income	44.4	(0.2)	0.2	g	44.4
Total Shareholders' Equity	5,071.8	274.6	(294.6)		5,051.8
Total Liabilities and Shareholders' Equity	12,773.6	1,770.9	487.8		15,032.3

See the accompanying notes to the unaudited pro forma combined financial information.

IKARIA UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
For the Fiscal Year Ended December 31, 2014
(in millions, except per share data)

	Ikaria, Inc. Period Ended February 12, 2014	Compound Holdings II, Inc. Period Ended December 31, 2014	Combined Ikaria Fiscal Year Ended December 31, 2014	Pro Forma Adjustments		Pro Forma Ikaria Fiscal Year Ended December 31, 2014
Revenues:						
Net Sales	47.9	347.2	395.1	—		395.1
Sales to related parties	0.3	10.5	10.8	—		10.8
Total revenues	48.2	357.7	405.9	—		405.9
Operating expenses:						
Cost of sales	6.3	336.2	342.5	(287.7)	a	54.8
Selling, general and administrative	12.3	79.3	91.6	—		91.6
Research and development	8.6	29.9	38.5	(1.1)	b	37.4
Amortization of acquired intangibles	—	57.5	57.5	7.6	c	65.1
Merger transaction costs and expenses	64.7	7.6	72.3	(72.3)	d	—
Other operating (income) expense, net	0.3	(5.6)	(5.3)	—		(5.3)
Total operating costs and expenses	92.2	504.9	597.1	(353.5)		243.6
Income from operations	(44.0)	(147.2)	(191.2)	353.5		162.3
Other (expense) income:						
Interest income	—	0.1	0.1	—		0.1
Interest expense	(9.5)	(71.8)	(81.3)	—		(81.3)
Loss on extinguishment of debt	—	—	—	—		—
Other expense, net	(9.5)	(71.7)	(81.2)	—		(81.2)
(Loss) income before income taxes	(53.5)	(218.9)	(272.4)	353.5		81.1
Income tax (benefit) expense	(20.1)	(81.4)	(101.5)	132.3	e	30.8
Net Income (loss)	(33.4)	(137.5)	(170.9)	221.2		50.3

See the accompanying notes to the unaudited pro forma combined financial information.

IKARIA UNAUDITED PRO FORMA UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

For the Three Months Ended December 31, 2014

(in millions, except per share data)

	Compound Holdings II, Inc. 3 Months Ended December 31, 2014	Pro Forma Adjustments		Pro Forma Ikaria 3 Months Ended December 31, 2014
Revenues:				
Net Sales	96.1	—		96.1
Sales to related parties	5.2	—		5.2
Total revenues	101.3	—		101.3
Operating expenses:				
Cost of sales	93.3	(78.3)	a	15.0
Selling, general and administrative	50.0	—		50.0
Research and development	12.1	—		12.1
Amortization of acquired intangibles	16.4	—		16.4
Merger transaction costs and expenses	—	—		—
Other operating (income) expense, net	(1.5)	—		(1.5)
Total operating costs and expenses	170.3	(78.3)		92.0
Income from operations	(69.0)	78.3		9.3
Other (expense) income:				
Interest income	—	—		—
Interest expense	(19.8)	—		(19.8)
Loss on extinguishment of debt	—	—		—
Other expense, net	(19.8)	—		(19.8)
(Loss) income before income taxes	(88.8)	78.3		(10.5)
Income tax (benefit) expense	(33.1)	29.9	e	(3.2)
Net Income (loss)	(55.7)	48.4		(7.3)

See the accompanying notes to the unaudited pro forma combined financial information.

IKARIA UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
For the Three Months Ended December 31, 2013
(in millions, except per share data)

	Ikaria, Inc. Three Months Ended December 31, 2013	Pro Forma Adjustments		Pro Forma Ikaria Three Months Ended December 31, 2013
Revenues:				
Net Sales	93.3	—		93.3
Sales to related parties	4.9	—		4.9
Total revenues	98.2	—		98.2
Operating expenses:				
Cost of sales	14.2	—		14.2
Selling, general and administrative	35.1	(2.5)	d	32.6
Research and development	25.2	(9.2)	b	16.0
Amortization of acquired intangibles	—	—		—
Merger transaction costs and expenses	—	—		—
Other operating (income) expense, net	1.2	—		1.2
Total operating costs and expenses	75.7	(11.7)		64.0
Income from operations	22.5	11.7		34.2
Other (expense) income:				
Interest income	0.2	—		0.2
Interest expense	(23.1)	—		(23.1)
Loss on extinguishment of debt	—	—		—
Other expense, net	(22.9)	—		(22.9)
(Loss) income before income taxes	(0.4)	11.7		11.3
Income tax (benefit) expense	8.4	4.5	e	12.9
Net Income (loss)	(8.8)	7.2		(1.6)

See the accompanying notes to the unaudited pro forma combined financial information.

IKARIA UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

For the Twelve Months Ended September 30, 2014

(in millions, except per share data)

	Pro Forma Ikaria Fiscal Year Ended December 31, 2014	Pro Forma Ikaria Three Months Ended December 31, 2014	Pro Forma Ikaria Three Months Ended December 31, 2013	Pro Forma Ikaria Twelve Months Ended September 30, 2014
Revenues:				
Net Sales	395.1	96.1	93.3	392.3
Sales to related parties	10.8	5.2	4.9	10.5
Total revenues	405.9	101.3	98.2	402.8
Operating expenses:				
Cost of sales	54.8	15.0	14.2	54.0
Selling, general and administrative	91.6	50.0	32.6	74.2
Research and development	37.4	12.1	16.0	41.3
Amortization of acquired intangibles	65.1	16.4	—	48.7
Merger transaction costs and expenses	—	—	—	—
Other operating (income) expense, net	(5.3)	(1.5)	1.2	(2.6)
Total operating costs and expenses	243.6	92.0	64.0	215.6
Income from operations	162.3	9.3	34.2	187.2
Other (expense) income:				
Interest income	0.1	—	0.2	0.3
Interest expense	(81.3)	(19.8)	(23.1)	(84.6)
Loss on extinguishment of debt	—	—	—	—
Other expense, net	(81.2)	(19.8)	(22.9)	(84.3)
(Loss) income before income taxes	81.1	(10.5)	11.3	102.9
Income tax (benefit) expense	30.8	(3.2)	12.9	46.9
Net Income (loss)	50.3	(7.3)	(1.6)	56.0

See the accompanying notes to the unaudited pro forma combined financial information.

1. Description of Transaction

Ikaria Acquisition. On March 5, 2015, Mallinckrodt entered into the Ikaria Acquisition Agreement pursuant to which Mallinckrodt will acquire Ikaria, a fully-integrated biotherapeutics company focused on developing and commercializing innovative therapeutics and interventions designed for the critical care market, for cash consideration of $2.3 billion. In connection with the Ikaria Acquisition, Mallinckrodt International Finance S.A., a wholly-owned subsidiary of Mallinckrodt, has entered into debt financing commitments that, together with cash on hand, are expected to be sufficient to provide the funds necessary to consummate the Ikaria Acquisition. The financing may include the notes offered hereby and other sources of financing. The Ikaria Acquisition is expected to provide a platform for future revenue and earnings growth within Mallinckrodt's Specialty Brands segment. Subject to customary closing conditions, the Ikaria Acquisition is currently expected to be completed in the second calendar quarter of 2015.

Questcor Acquisition. On August 14, 2014, the Company acquired all of the outstanding common stock of Questcor, a biopharmaceutical company, for total consideration of approximately $5.9 billion, comprised of cash consideration of $30.00 per share, 0.897 ordinary shares of the Company for each share of Questcor common stock owned and the portion of outstanding equity awards deemed to have been earned as of August 14, 2014. The acquisition was funded through an issuance of approximately 57 million common shares, proceeds from the issuance of $900.0 million aggregate principle amount of senior unsecured notes, proceeds from a $700.0 million senior secured term loan facility, $150.0 million of cash from a receivable securitization program and cash on hand. Acthar ® Gel (repository corticotropin injection), Questcor's primary product, is focused on the treatment of patients with serious, difficult-to-treat autoimmune and rare diseases. Acthar is an injectable drug that is approved by the U.S. Food and Drug Administration for use in 19 indications, including the areas of neurology, rheumatology, nephrology and pulmonology. Questcor also supplies specialty contract manufacturing services to the pharmaceutical and biotechnology industry through its wholly-owned subsidiary, Bio-Vectra, Inc.

Cadence Acquisition. On March 19, 2014, Mallinckrodt acquired all of the outstanding common stock of Cadence, a biopharmaceutical company focused on commercializing products principally for use in the hospital setting, for $14.00 per share in cash, or a total consideration of approximately $1.3 billion. The Cadence acquisition was primarily funded through a $1.3 billion senior secured term loan credit facility. Cadence's sole product, OFIRMEV, is a proprietary intravenous formulation of acetaminophen for the management of mild to moderate pain, the management of moderate to severe pain with adjunctive opioid analgesics and the reduction of fever. The Cadence acquisition added a growth product to Mallinckrodt's Specialty Brands product portfolio and provided Mallinckrodt an opportunity to expand its reach into the adjacent hospital market, in which Cadence has established a strong presence.

2. Basis of Pro Forma Presentation

The unaudited pro forma condensed combined financial statements are based on the historical financial information of Mallinckrodt, Questcor and Cadence as previously provided in or derived from the respective company's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed with the SEC and the historical financial statements of Ikaria and Target included in this offering circular. The unaudited pro forma condensed combined statements of income for the fiscal year ended September 26, 2014, the three months ended December 26, 2014, the three months ended December 27, 2013 and the twelve months ended December 26, 2014 assume that the

acquisitions of Cadence, Questcor and Ikaria and the related financings occurred on September 28, 2013. The unaudited pro forma condensed combined balance sheet as of December 26, 2014 assumes that the Ikaria Acquisition occurred on December 26, 2014. The Ikaria unaudited pro forma condensed combined statements of operations for the fiscal year ended December 31, 2014, the three months ended December 31, 2014 and the three months ended December 31, 2013 assume that the Target's acquisition of Ikaria occurred on January 1, 2014.

The pro forma adjustments reflected in the unaudited pro forma condensed combined statements of income are based on items that are (i) directly attributable to the Ikaria, Questcor and Cadence acquisitions and the related financings, (ii) factually supportable and (iii) expected to have a continuing impact on the results of operations of Mallinckrodt. The pro forma adjustments reflected in the unaudited pro forma condensed combined balance sheet are based on items that are directly attributable to the Ikaria Acquisition and related financing and are factually supportable. The pro forma adjustments are preliminary and are based upon available information and certain assumptions, as described further in Note 7, Note 8 and Note 9, that management believes are reasonable. Actual results may differ from the information presented by the unaudited pro forma condensed combined financial statements (including the assumptions contained within the unaudited pro forma condensed combined financial statements).

The acquisitions of Cadence, Questcor and Ikaria have been accounted for using the acquisition method of accounting, with Mallinckrodt identified as the acquirer. Under the acquisition method of accounting, Mallinckrodt records all assets acquired and liabilities assumed at their respective acquisition-date fair values. The excess purchase price over the amounts assigned to tangible or intangible assets acquired and liabilities assumed is recognized as goodwill. At this time, the valuation analysis and calculations necessary to arrive at the final estimates of the fair market value of Questcor and Ikaria assets acquired and liabilities assumed have not yet been finalized. As such, the assets and liabilities presented within the unaudited pro forma condensed combined financial information should be treated as preliminary values, and actual results may differ materially from the information presented. Additionally, this unaudited pro forma condensed combined financial information does not reflect the cost of any integration activities, benefits from any synergies that may be derived from the Ikaria, Questcor and Cadence acquisitions or revenue growth that may be anticipated, all of which may have a material impact on Mallinckrodt's results of operations following the acquisitions.

3. Ikaria Purchase Price Allocation

The preliminary estimate of the Ikaria purchase price was determined as follows:

Cash consideration	$ 2,300.0
Debt assumed	(1,162.2)
Total consideration	$ 1,137.8

The following preliminary allocation of the Ikaria purchase price is based on Mallinckrodt's preliminary estimates of the fair value of the tangible and intangible assets and liabilities of Ikaria, and was prepared using the historical book value of Ikaria assets and liabilities as of December 26, 2014. The final determination of the allocation of the purchase price will be based on the fair value of such assets and liabilities as of the date that the Ikaria Acquisition is completed. The final determination of the purchase price allocation may be materially different than the preliminary estimates used in this unaudited pro forma condensed combined financial information.

Total consideration	**$ 1,137.8**
Allocated to:	
Cash and cash equivalents	$ 98.9
Inventory	150.0
Intangible assets	2,223.4
Goodwill	504.4
Other assets	149.8
Deferred tax liabilities, net	(770.8)
Other liabilities	(55.7)
Long-term debt	(1,162.2)
Net assets acquired	$ 1,137.8

4. Historical Mallinckrodt

The financial information presented in the "Historical Mallinckrodt" column of the unaudited pro forma condensed combined statement of income for the twelve months ended December 26, 2014 represents the historical consolidated and combined statement of income of Mallinckrodt for the nine months ended September 26, 2014, which was derived by subtracting the condensed combined statement of income for the three months ended December 27, 2013 from the consolidated and combined statement of income for the fiscal year ended September 26, 2014, and adding the condensed consolidated statement of income for the three months ended December 26, 2014, as follows:

	Year Ended September 26, 2014	Three Months Ended December 27, 2013	Nine Months Ended September 26, 2014	Three Months Ended December 26, 2014	Twelve Months Ended December 26, 2014
Net sales	$ 2,540.4	$ 540.2	$ 2,000.2	$ 866.3	$ 2,866.5
Cost of sales	1,337.3	284.6	1,052.7	427.6	1,480.3
Gross profit	1,203.1	255.6	947.5	438.7	1,386.2
Selling, general and administrative expenses	842.1	146.2	695.9	262.5	958.4
Research and development expenses	166.9	39.0	127.9	42.4	170.3
Separation costs	9.6	2.2	7.4	—	7.4
Restructuring charges, net	128.6	8.0	120.6	7.2	127.8
Non-restructuring impairments	355.6	—	355.6	—	355.6
Gains on divestiture and license	(15.6)	(12.9)	(2.7)	(0.8)	(3.5)
Operating income (loss)	(284.1)	73.1	(357.2)	127.4	(229.8)
Interest expense	(82.6)	(9.8)	(72.8)	(48.8)	(121.6)
Interest income	1.5	0.3	1.2	0.1	1.3
Other (expense) income, net	1.8	(0.6)	2.4	4.1	6.5
Income (loss) from continuing operations before income taxes	(363.4)	63.0	(426.4)	82.8	(343.6)
Provision for income taxes	(44.8)	16.6	(61.4)	(9.3)	(70.7)
Income (loss) from continuing operations	$ (318.6)	$ 46.4	$ (365.0)	$ 92.1	$ (272.9)

5. Historical Cadence

The financial information presented in the "Historical Cadence" column of the unaudited pro forma condensed combined statement of income for the twelve months ended September 30, 2014 represents the historical condensed statement of operations of Cadence for the three months ended December 31, 2013, which was derived by subtracting the condensed statement of operations for the nine months ended September 30, 2013 from the statement of operations for the fiscal year ended December 31, 2013, and adding the unaudited financial information for the period January 1, 2014 to March 18, 2014. The financial information presented in the "Historical Cadence" column of the unaudited pro forma condensed combined statement of income for the three months ended December 27, 2013 represents the historical condensed statement of operations of Cadence for the three months ended December 31, 2013, which was derived by subtracting the condensed statement of operations for the nine months ended September 30, 2013 from the statement of operations for the fiscal year ended December 31, 2013. The financial information presented in the "Historical Cadence"

column of the unaudited pro forma condensed combined statement of income for the twelve months ended December 31, 2014 represents the financial information of Cadence for the period prior to its acquisition by Mallinckrodt, which was derived from the unaudited financial information for the period January 1, 2014 to March 18, 2014. The chart below depicts the calculation of the "Historical Cadence" columns outlined above, as follows:

	Year Ended December 31, 2013	Nine Months Ended September 30, 2013	Three Months Ended December 31, 2013	January 1, 2014 to March 18, 2014	Twelve Months Ended September 30, 2014	Twelve Months Ended December 31, 2014
Revenues:						
Product revenue, net	$ 110.5	$ 77.2	$ 33.3	$ 30.4	$ 63.7	$ 30.4
License revenue	2.0	—	2.0	—	2.0	—
Total net revenues	112.5	77.2	35.3	30.4	65.7	30.4
Costs and expenses:						
Cost of product sales	37.9	26.3	11.6	9.8	21.4	9.8
Amortization of patent license	1.3	1.0	0.3	0.3	0.6	0.3
Research and development	6.7	4.7	2.0	1.4	3.4	1.4
Selling, general and administrative	94.5	70.3	24.2	48.7	72.9	48.7
Impairment of long-lived assets	—	—	—	—	—	—
Other expense	(0.4)	(0.6)	0.2	—	0.2	—
Total costs and expenses	140.0	101.7	38.3	60.0	98.5	60.2
Loss from operations	(27.5)	(24.5)	(3.0)	(29.7)	(32.8)	(29.8)
Other income (expense):						
Interest income	0.1	0.1	—	—	—	—
Interest expense	(4.4)	(3.3)	(1.1)	(1.2)	(2.3)	(1.2)
Other income	7.6	7.6	—	—	—	—
Total other income (expense), net	3.3	4.4	(1.1)	(1.2)	(2.3)	(1.2)
Loss before income tax	(24.2)	(20.1)	(4.1)	(31.0)	(35.1)	(31.0)
Net loss	$ (24.2)	$ (20.1)	$ (4.1)	$ (31.0)	$ (35.1)	$ (31.0)

To conform with Mallinckrodt's presentation, amortization of patent license and impairment of long-lived assets have been included in cost of sales and other expense has been included within selling, general and administrative expense in the unaudited pro forma condensed combined statements of income.

The results of Cadence from and after the acquisition date of March 19, 2014 are included within the "Historical Mallinckrodt" column of the unaudited pro forma condensed combined statements of income.

6. Historical Questcor

The financial information presented in the "Historical Questcor" column of the unaudited pro forma condensed combined statement of income for the twelve months ended September 30, 2014 represents the historical condensed statement of operations of Questcor for the three months ended December 31, 2013, which was derived by subtracting the condensed statement of operations for the nine months ended September 30, 2013 from the statement of operations for the fiscal year ended December 31, 2013, adding the condensed statement of operations for the six months ended June 30, 2014 and adding the unaudited financial information for the period July 1, 2014 to August 14, 2014. The financial information presented in the "Historical Questcor" column of the unaudited pro forma condensed combined statement of income for the three months ended December 31, 2013 represents the historical condensed statement of operations of Questcor for the three months ended December 31, 2013, which was derived by subtracting the condensed statement of operations for the nine months ended September 30, 2013 from the statement of operations for the fiscal year ended December 31, 2013. The financial information presented in the "Historical Questcor" column of the unaudited pro forma condensed combined statement of income for the twelve months ended December 31, 2014 represents the historical condensed statement of operations of Questcor for the six months ended June 30, 2014, and the financial information of Questcor for the period prior to its acquisition by Mallinckrodt, which was derived from the unaudited financial information for the period July 1, 2014 to August 14, 2014. The chart below depicts the calculation of the "Historical Questcor" columns outlined above, as follows:

	Year Ended December 31, 2013	Nine Months Ended September 30, 2013	Three Months Ended December 31, 2013	Six Months Ended June 30, 2014	July 1, 2014 to August 14, 2014	Twelve Months Ended September 30, 2014	Twelve Months Ended December 31, 2014
Revenue							
Pharmaceutical net sales	$ 761.3	$ 531.1	$ 230.2	$ 471.2	$ 132.2	$ 833.6	$ 603.4
Contract manufacturing net sales	37.6	24.9	12.7	34.8	—	47.5	34.8
Total net sales	798.9	556.0	242.9	506.0	132.2	881.1	638.2
Cost of sales (exclusive of amortization of purchased technology)	74.3	53.4	20.9	44.6	10.9	76.4	55.5
Gross profit	724.6	502.6	222.0	461.4	121.3	804.7	582.7
Operating expenses:							
Selling and marketing	153.0	114.1	38.9	103.9	24.0	166.8	127.9
General and administrative	56.4	41.1	15.3	49.5	47.7	112.5	97.2
Research and development	59.7	40.1	19.6	41.9	12.3	73.8	54.2
Depreciation and amortization	4.1	3.1	1.0	2.1	0.5	3.6	2.6
Change in fair value of contingent consideration	9.8	1.3	8.5	2.4	1.0	11.9	3.4
Impairment of goodwill and intangibles	0.7	0.7	—	—	—	—	—
Total operating expenses	283.7	200.4	83.3	199.8	85.5	368.6	285.3
Income from operations	440.9	302.2	138.7	261.6	35.8	436.1	297.4
Interest and other income, net	(1.0)	(1.0)	—	(1.0)	0.5	(0.5)	(0.5)
Foreign currency transaction loss	(0.5)	(0.5)	—	(0.1)	—	(0.1)	(0.1)
Income before income taxes	439.4	300.7	138.7	260.5	36.3	435.5	296.8
Income tax expense	146.9	98.1	48.8	89.8	12.3	150.9	102.1
Net income	$ 292.5	$ 202.6	$ 89.9	$ 170.7	$ 24.0	$ 284.6	$ 194.7

To conform with Mallinckrodt's presentation, impairment of goodwill and intangibles has been included in cost of sales and selling and marketing, general and administrative, depreciation and amortization and change in fair value of contingent consideration have been included within selling, general and administrative expense in the unaudited pro forma condensed combined statements of income.

The results of Questcor from and after the acquisition date of August 14, 2014 are included within the "Historical Mallinckrodt" column of the unaudited pro forma condensed combined statements of income.

7. Pro Forma Statements of Income Adjustments

Cadence Acquisition Pro Forma Adjustments

a. The fair value of the identifiable intangible asset, which relates to Cadence's sole product, OFIRMEV, is $1.3 billion. For the purpose of determining additional pro forma amortization expense to be recorded in the unaudited pro forma condensed combined statements of income, the OFIRMEV intangible asset was assumed to have a useful life of eight years and was amortized on a straight-line basis. For the fiscal year ended September 26, 2014, historical Cadence patent amortization of $0.6 million was removed from cost of sales and $81.3 million of amortization was recorded for the OFIRMEV intangible asset. Additionally, the post-acquisition amortization expense recorded by Mallinckrodt in March 2014 of $4.8 million was removed from cost of sales. For the three months ended December 27, 2013, historical Cadence patent amortization of $0.3 million was removed from cost of sales and $40.6 million of amortization was recorded for the OFIRMEV intangible asset.

b. The fair value of Cadence's inventory as of the acquisition date was $21.0 million. This step-up in inventory increased cost of sales during the fiscal year ended September 26, 2014 by $12.1 million as the acquired inventory was sold. As there is no continuing impact, this $12.1 million increase has been removed from cost of sales in the unaudited pro forma condensed combined statements of income for the fiscal year ended September 26, 2014.

c. Shipping and handling costs of $1.3 million for the fiscal year ended September 26, 2014 and $0.8 million for the three months ended December 27, 2013 have been reclassified in the unaudited pro forma condensed combined statements of income from cost of sales to selling, general and administrative expenses to conform with Mallinckrodt's accounting policies.

d. In connection with the closing of the acquisition, Mallinckrodt terminated Cadence's existing directors and officers ("D&O") insurance policy and purchased a D&O insurance tail program providing six years of coverage for a net payment of $1.1 million, which will be amortized over the six-year coverage period. The pro forma adjustments for the fiscal year ended September 26, 2014 includes $0.2 million in amortization.

e. Reflects the removal of $17.6 million and $29.1 million in non-recurring acquisition-related costs expensed by Mallinckrodt and Cadence, respectively, during the fiscal year ended September 26, 2014.

f. In connection with the Cadence acquisition, Mallinckrodt entered into senior secured credit facilities consisting of a $1.3 billion term loan facility, with quarterly principal payments of 0.25% of the original principal amount of such term loan facility and the remainder due 2021, and a $250.0 million revolving credit facility due 2019, which was not utilized in the acquisition. Mallinckrodt incurred $32.4 million in deferred financing costs associated with the existing facilities. In addition, the term loan facility had an original issue discount of $3.3 million associated with it. Mallinckrodt also repaid

Cadence's existing debt in connection with the acquisition. The following pro forma adjustments were made in the unaudited pro forma condensed combined statements of income to reflect the impact of these transactions on interest expense:

	Year Ended September 26, 2014	Three Months Ended December 27, 2013
Interest expense on the existing facilities(1)	$ 22.5	$ 11.4
Removal of Cadence historical interest expense	(2.3)	(1.1)
Removal of historical interest expense booked on facilities for March 2014	(1.3)	—
Amortization of deferred financing costs	2.5	1.3
Amortization of original issue discount	0.2	0.1
	$ 21.6	$ 11.7

(1) Interest expense on the variable rate term loan facility has been calculated using the interest rate in effect as of September 26, 2014, or 3.50%. If the interest rate in effect were to have increased 1/8 of a percent during the periods presented, the interest expense on the existing facilities would have been $23.3 million for the fiscal year ended September 26, 2014 and $11.8 million for the three months ended December 27, 2013.

g. Reflects a reduction to tax expense of $12.9 million and $15.5 million, for the fiscal year ended September 26, 2014 and the three months ended December 27, 2013, respectively, associated with the tax effects of the pro forma adjustments at the applicable statutory income tax rates. Also includes a reduction to tax expense of $17.2 million and $9.3 million, for the fiscal year ended September 26, 2014 and the three months ended December 27, 2013, respectively, due to the increase in interest expense as well as changes in the internal capital structure resulting from the acquisition. Also represents a reduction to tax expense of $8.4 million and $1.5 million, for the fiscal year ended September 26, 2014 and the three months ended December 27, 2013, respectively, associated with the recognition of the tax benefit from the removal of the valuation allowance on current year's net operating losses that become realizable as a result of the acquisition.

Questcor Acquisition Pro Forma Adjustments

h. The fair value of the identifiable intangible asset, which relates to Questcor's product, Acthar, is $5,343.3 million. For the purpose of determining additional pro forma amortization expense to be recorded in the unaudited pro forma condensed combined statements of income, the Acthar intangible asset was assumed to have a useful life of 18 years and was amortized on a straight-line basis. For the fiscal year ended September 26, 2014, historical Questcor amortization of $8.7 million was removed from cost of sales and $296.9 million of amortization was recorded for the Acthar intangible asset. Additionally, the post-acquisition amortization expense recorded by Mallinckrodt in August and September 2014 of $34.3 million was removed from cost of sales. For the three months ended December 27, 2013, historical Questcor amortization of $2.6 million was removed from cost of sales and $74.2 million of amortization was recorded for the Acthar intangible asset.

i. The fair value of Questcor's inventory as of the acquisition date was $67.9 million. This step-up in inventory increased cost of sales during the fiscal year ended September 26, 2014 by $13.7 million as the acquired inventory was sold. As there is no continuing impact, this $13.7 million increase has been removed from cost of sales in the unaudited pro forma condensed combined statements of income for the fiscal year ended September 26, 2014.

j. The fair value of the identifiable intangible assets related to BioVectra, Inc., a wholly-owned subsidiary of Questcor, is $34.5 million. For the purpose of determining additional pro forma

amortization expense to be recorded in the unaudited pro forma condensed combined statements of income, the BioVectra intangible asset was assumed to have a useful life of 12 years and was amortized on a straight-line basis. For the fiscal year ended September 26, 2014, historical Questcor amortization of $2.7 million was removed from selling, general and administrative expenses and $3.3 million of amortization was recorded for the BioVectra intangible asset. Additionally, the post-acquisition amortization expense recorded by Mallinckrodt in August and September 2014 of $0.6 million was removed from selling, general and administrative expenses. For the three months ended December 27, 2013, historical Questcor amortization of $0.8 million was removed from selling, general and administrative expenses and $0.8 million of amortization was recorded for the BioVectra intangible asset.

k. Reflects the removal of $47.5 million and $44.2 million in non-recurring Questcor acquisition-related costs expensed by Mallinckrodt and Questcor, respectively, during the fiscal year ended September 26, 2014.

l. In connection with the acquisition of Questcor, certain subsidiaries of Mallinckrodt entered into $900.0 million eight-year 5.75% high-yield senior notes and a $700.0 million seven-year variable rate term loan facility as well as a $160.0 million three-year variable rate accounts receivable securitization facility (with an initial draw of $150 million). The term loan facility requires quarterly principal payments of 0.25% of the original principal amount of such term loan facility and had an original issue discount of $3.5 million. Additionally, certain subsidiaries of Mallinckrodt incurred approximately $38.0 million in deferred financing costs associated with the financing transactions. The following pro forma adjustments were made in the unaudited pro forma condensed combined statements of income to reflect the impact of these transactions on interest expense:

	Year Ended September 26, 2014	Three Months Ended December 27, 2013
Senior notes interest	$ 45.3	$ 12.9
Term loan interest(1)	21.2	6.1
Accounts receivable securitization facility interest(1)	1.3	0.4
Amortization of deferred financing costs	4.4	1.3
Amortization of original issue discount	0.4	0.1
	$ 72.5	$ 20.8

(1) Interest expense on the variable rate term loan facility has been calculated using an estimated interest rate of 3.50%, and interest expense on the variable rate accounts receivable securitization facility has been calculated using an estimated interest rate of 0.96%. If the interest rate for each facility were to have increased 1/8 of a percent during the periods presented, the combined interest expense would have been $23.3 million for the fiscal year ended September 26, 2014 and $6.7 million for the three months ended December 27, 2013.

m. Reflects an increase to tax expense of $109.8 million and a reduction to tax expense of $26.2 million for the fiscal year ended September 26, 2014 and the three months ended December 27, 2013, respectively, associated with the tax effects of the pro forma adjustments at the applicable statutory income tax rates. Also includes a reduction to tax expense of $73.0 million and $20.6 million, for the fiscal year ended September 26, 2014 and the three months ended December 27, 2013, respectively, due to the increase in interest expense as well as changes in the internal capital structure resulting from the acquisition.

n. Per the terms of our merger agreement with Questcor, Questcor shareholders received 54.0 million ordinary shares of Mallinckrodt and Questcor vested equity award holders received 1.5 million ordinary shares of Mallinckrodt. This represents a pro-rated portion of the additional shares issued for the period prior to acquisition.

Ikaria Acquisition Pro Forma Adjustments

o. The fair value of the identifiable intangible asset, which relates to Ikaria's product, INOMAX, is $1,942.0 million. For the purpose of determining additional pro forma amortization expense to be recorded in the unaudited pro forma condensed combined statements of income, the INOMAX intangible asset was assumed to have a useful life of 15 years and was amortized on a straight-line basis. For the fiscal year ended September 26, 2014 and three months ended December 31, 2014, historical Ikaria amortization of $48.8 million and $16.4 million, respectively, was removed from operating expenses. For the fiscal year ended September 26, 2014 and the three months ended December 27, 2013 and December 26, 2014, $129.5 million, $32.4 million and $32.4 million, respectively, of amortization was recorded in costs of sales for the INOMAX intangible asset.

p. Assumes certain subsidiaries of Mallinckrodt will enter into $500.0 million five-year 4.75% senior notes and $700.0 million ten-year 5.50% senior notes as well as a $240.0 million on the existing revolver at 3.00%. If the interest rate for each series of notes and the existing revolving facility were to have increased 1/8 of a percent during the periods presented, the combined interest expense would have been $71.3 million for the fiscal year ended September 26, 2014, $17.8 million for the three months ended December 26, 2014 and $17.8 million for the three months ended December 27, 2013. Additionally, certain subsidiaries of Mallinckrodt incurred approximately $30.0 million in deferred financing costs associated with the financing transactions. Mallinckrodt also repaid Ikaria's existing debt in connection with the acquisition. The following pro forma adjustments were made in the unaudited pro forma condensed combined statements of income to reflect the impact of these transactions on interest expense:

	Year Ended September 26, 2014	Three Months Ended December 26, 2014	Three Months Ended December 27, 2013
Removal of Ikaria historical interest expense	$ (84.6)	$ (19.8)	$ (23.1)
Five-year senior notes interest	23.8	6.0	6.0
Ten-year senior notes interest	38.5	9.6	9.6
Revolver interest	7.2	1.8	1.8
Amortization of deferred financing costs	4.0	1.0	1.0
	$ (11.1)	$ (1.4)	$ (4.7)

q. Reflects a reduction to tax expense of $30.8 million, $6.1 million and $12.3 million for the fiscal year ended September 26, 2014, the three months ended December 26, 2014 and the three months ended December 27, 2013, respectively, associated with the tax effects of the pro forma adjustments at the applicable statutory income tax rates. Also includes a reduction to tax expense of $3.6 million, $1.4 million and $0.2 million, for the fiscal year ended September 26, 2014, the three months ended December 26, 2014 and the three months ended December 27, 2013, respectively, due to changes in the internal capital structure resulting from the acquisition.

8. Pro Forma Balance Sheet Adjustments

As Cadence and Questcor were included within Mallinckrodt's financial position as of December 26, 2014, no Cadence- and Questcor acquisition-related pro forma adjustments were made to the historical balance sheet of Mallinckrodt.

Ikaria Acquisition Pro Forma Adjustments

a. The following pro forma adjustments were made in the unaudited pro forma condensed combined balance sheet to reflect the anticipated impact of the acquisition and the assumed related financing transactions on cash and cash equivalents:

Proceeds from senior notes	$ 1,200.0
Proceeds from revolver	240.0
Payment for Ikaria outstanding shares and debt instruments	(2,300.0)
Transaction fees and costs	(20.0)
Deferred financing costs	(30.0)
	$ (910.0)

b. Reflects the estimated fair value adjustment to step-up Ikaria's inventory to the preliminary fair value of $150.0 million. This step-up in inventory will increase cost of sales as the acquired inventory is sold, which Mallinckrodt estimates will be within nine to twelve months from the date of acquisition, based on December 31, 2014 inventory levels. As there is no continuing impact, the effect on cost of sales from the inventory step- up is not included in the unaudited pro forma condensed combined statements of income.

c. Represents a decrease in current deferred tax assets of $12.0 million, an increase to current deferred tax liabilities of $25.5 million and an increase to non-current deferred tax liabilities of $479.0 million, primarily resulting from estimated fair value adjustments for the inventory and identifiable intangible asset. The estimate of deferred taxes from fair value adjustments was determined based on the excess of book basis from fair value accounting over the tax basis of the inventory and identifiable intangible assets at a 38.2% statutory tax rate.

d. Based on Mallinckrodt's preliminary estimate, the excess of purchase price over net tangible and intangible assets acquired resulted in goodwill of approximately $516.6 million, which represents the assembled workforce, anticipated synergies and the tax-free nature of the transaction. The goodwill is not deductible for U.S. income tax purposes.

e. Reflects the preliminary fair value of the identifiable intangible assets acquired of $2,223.4 million. The intangible assets include the rights to the technology and patents of Ikaria's product, INOMAX, which is preliminarily expected to be amortized on a straight-line basis over a useful life of 15 years, and non-amortizable in-process research and development. The fair value of the intangible assets was determined using the income approach, which is a valuation technique that provides an estimate of the fair value of the asset based on market participant expectations of the cash flows an asset would generate over its remaining useful life.

f. The following pro forma adjustments were made in the unaudited pro forma condensed combined balance sheet to reflect the impact of the anticipated financing transactions on other assets and liabilities. Anticipated impact of the following transactions on cash and cash equivalents is included within pro forma adjustment “a”.

	Balance Sheet Line Item	Amount
Removal of Ikaria historical deferred financing costs	Other assets	$ (31.2)
Repayment of Ikaria historical term loan	Current maturities of long-term debt	(69.8)
Repayment of Ikaria historical term loan	Long-term debt	(1,092.3)
Deferred financing costs	Other assets	30.0
Senior notes—2020	Long-term debt	500.0
Senior notes—2025	Long-term debt	700.0
Revolver	Long-term debt	240.0

g. Ikaria’s historical equity accounts (the total of which is equal to its net book value) were eliminated as a result of the acquisition.

h. Anticipated acquisition-related costs of $20.0 million are reflected as a reduction to retained earnings in the unaudited pro forma condensed combined balance sheet. The costs, which will be expensed as incurred, are expected to include investment banking fees, filing fees, legal fees, accounting fees and other costs directly related to the acquisition.

9. Ikaria Pro Forma Statement of Operations Adjustments

a. Target recorded an inventory step-up adjustment of $326.4 million as part of its acquisition of Ikaria on February 12, 2014. This step-up in inventory increased cost of sales during the fiscal year and three months ended December 31, 2014 by $287.7 million and $78.3 million, respectively, as the acquired inventory was sold. As there is no continuing impact, this $287.7 million and $78.3 million increase has been removed from cost of sales in the unaudited pro forma condensed combined statements of operations for the fiscal year and three months ended December 31, 2014, respectively.

b. Represents the removal of $1.1 million and $9.2 million of research and development expenses for the fiscal year ended December 31, 2014 and the three months ended December 31, 2013, respectively. These represent direct expenses that were incurred prior to the date of the transaction and were directly related to the research and development programs that were included in the Bellerophen Spin-Out transaction.

c. The fair value of the identifiable intangible assets at the time Target’s acquisition of Ikaria was $913.0 million. For the purpose of determining additional pro forma amortization expense to be recorded in the unaudited pro forma condensed combined statements of income, the intangible asset was assumed to have a useful life of 15 years and was amortized on a straight-line basis. For the fiscal year ended December 31, 2014, an additional $7.6 million of amortization was added to reflect the amortization related to the period prior to the transaction (January 1, 2014—February 12, 2014).

d. Reflects the removal of $2.5 million and $72.3 million in non-recurring acquisition-related costs expensed by Ikaria and Target, during the three months ended December 31, 2013 and the fiscal year ended December 31, 2014, respectively.

e. Reflects an increase to tax expense of $132.3 million, $29.9 million and $4.5 million, for the fiscal year ended December 31, 2014, the three months ended December 31, 2014 and the three months ended December 31, 2013, respectively, associated with the tax effects of the pro forma adjustments at the applicable statutory income tax rates.

Exhibit 99.3

INDEX TO FINANCIAL STATEMENTS

Compond Holdings II, Inc. Annual Audited Consolidated Financial Statements

Ikaria, Inc. Annual Audited Consolidated Financial Statements

KPMG LLP
New Jersey Headquarters
51 John F. Kennedy Parkway
Short Hills, NJ 07078-2702

Independent Auditors' Report

The Board of Managers
Compound Holdings I, LLC and Compound Holdings II, Inc.:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Compound Holdings II, Inc. and its subsidiaries, which comprise the consolidated balance sheet as of December 31, 2014, and the related consolidated statements of operations, comprehensive loss, changes in stockholder's equity and cash flows for the year ended December 31, 2014, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly in all material respects, the financial position of Compound Holdings II, Inc. and its subsidiaries as of December 31, 2014, and the results of their operations and their cash flows for the year ended December 31, 2014 in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Short Hills, New Jersey
March 23, 2015

COMPOUND HOLDINGS II, INC.
CONSOLIDATED BALANCE SHEET
December 31, 2014
(Dollars in thousands, except share and per share amounts)

Assets	
Current assets:	
Cash and cash equivalents	$ 98,942
Time deposits	125
Accounts receivable, net of allowances of $1,145	64,633
Due from related parties	1,810
Inventories	51,565
Prepaid expenses and other current assets	3,233
Income tax receivable	15,017
Deferred tax assets	11,953
Total current assets	247,278
Property, plant and equipment, net	64,069
Goodwill and other intangibles, net	1,427,328
Other assets	32,081
Total assets	$1,770,756
Liabilities and Stockholder's Equity	
Current liabilities:	
Current portion of long-term debt	$ 69,822
Accounts payable	12,304
Income tax payable	271
Other current liabilities	42,667
Total current liabilities	125,064
Long-term debt	1,092,330
Deferred tax liabilities	278,303
Other liabilities	495
Total liabilities	1,496,192
Commitments and contingencies (Note 19)	
Stockholder's equity:	
Common stock, $0.01 par value per share:	
Voting common stock, 1,000 shares issued and outstanding at December 31, 2014	—
Additional paid-in capital	414,616
Accumulated deficit	(139,848)
Accumulated other comprehensive loss, net of tax	(204)
Total stockholder's equity	274,564
Total liabilities and stockholder's equity	$1,770,756

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

COMPOUND HOLDINGS II, INC.
CONSOLIDATED STATEMENT OF OPERATIONS
Year Ended December 31, 2014
(Amounts in thousands)

Revenues:	
Net sales	$ 347,205
Sales to related parties	10,542
Total revenues	357,747
Operating expenses:	
Cost of sales	336,150
Selling, general and administrative	79,344
Research and development	29,947
Amortization of acquired intangibles	57,542
Merger transaction costs and expenses	7,560
Other operating (income) expense, net	(5,576)
Total operating costs and expenses	504,967
Loss from operations	(147,220)
Other income (expense):	
Interest income	117
Interest expense	(71,843)
Other expense, net	(71,726)
Lose before income taxes	(218,946)
Income tax benefit	(81,478)
Net loss	$(137,468)

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

COMPOUND HOLDINGS II, INC.
CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS
Year Ended December 31, 2014
(Amounts in thousands)

Net loss	$(137,468)
Foreign currency translation loss, net of tax	(204)
Comprehensive loss	$(137,672)

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

COMPOUND HOLDINGS II, INC.
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY
Year Ended December 31, 2014
(Amounts in thousands)

	Voting Common stock		Additional Paid-in Capital	Accumulated Deficit	Other Comprehensive Loss	Total
	Shares	Par value				
Balance at January 1, 2014	1	$ —	$ —	$ (2,380)	$ —	$ (2,380)
Contribution from Compound Holdings I, LLC reprseneting initial interest in Ikaria, Inc.	—	—	412,000	—	—	412,000
Settlement of Compound Holdings I, LLC due from parent	—	—	(5)	—	—	(5)
Net loss	—	—	—	(137,468)	—	(137,468)
Stock-based compensation	—	—	2,621	—	—	2,621
Foreign currency translation loss, net of $124 tax benefit	—	—	—	—	(204)	(204)
Balance at December 31, 2014	1	$ —	$414,616	$ (139,848)	$ (204)	$ 274,564

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

COMPOUND HOLDINGS II, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended December 31, 2014
(Amounts in thousands)

Cash flows from operating activities:	
Net loss	$ (137,468)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Amortization of intangible assets	57,544
Depreciation	12,485
Amortization of deferred financing costs and discount	5,691
Cost of sales non-cash	287,737
Stock-based compensation	2,621
Loss on property, plant and equipment, net	650
Deferred taxes	(84,430)
Other non-cash items, net	(532)
Changes in operating assets and liabilities, net of the effects of acquisition:	
Accounts receivable	6,543
Income tax receivable	(7,577)
Due from related parties	(341)
Inventories	(4,525)
Prepaid expenses, other current assets and other assets	(604)
Accounts payable and other current liabilities	(43,871)
Deferred revenue and customer advances	(356)
Income tax payable	(11,953)
Other liabilities	467
Net cash provided by operating activities	82,081
Cash flows from investing activities:	
Capital expenditures	(8,542)
Proceeds from the sale of property, plant and equipment	42
Cash paid for acquisition of Ikaria, Inc., net of cash acquired	(65,358)
Purchase of short term securities	(125)
Net cash used in investing activities	(73,983)
Cash flows from financing activities:	
Proceeds from borrowings	1,213,075
Debt issuance costs	(36,034)
Repayments of debt	(1,051,263)
Special dividend bonus paid	(34,725)
Cash paid out to Compound Holding I, LLC	(5)
Net cash provided by financing activities	91,048
Effect of exchange rates on cash	(204)
Net increase in cash and cash equivalents	98,942
Cash and cash equivalents, at beginning of period	—
Cash and cash equivalents, at end of year	$ 98,942
Supplemental disclosures of cash flow information:	
Interest paid	$ 55,598
Income taxes paid, net of refunds	22,270
Noncash investing activities:	
Capital expenditures incurred, not yet paid	$ 574
Interest in Ikaria, Inc. contributed by Compound Holdings I, LLC	412,000

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

(1) Organization and Nature of the Business

On December 20, 2013, Compounding Holdings II, Inc. ("Holdings II" or the "Company") was founded, for the sole purpose of the acquisition of Ikaria, Inc. ("Ikaria") on February 12, 2014.

Ikaria, a wholly owned subsidiary of Holdings II, provides, through subsidiaries, products for and conducts research aimed at critically and/or acutely ill patients in hospitals and outpatient settings. Ikaria's primary product offering is the INOMAX therapy package, which includes the drug INOMAX® (nitric oxide) for inhalation, the only pharmaceutical treatment approved by the U.S. Food and Drug Administration, or FDA, for the treatment of hypoxic respiratory failure, or HRF, associated with pulmonary hypertension in term and near-term infants, INOcal® calibration gas, use of a proprietary FDA-cleared delivery system, distribution, emergency delivery, technical and clinical assistance, quality maintenance, on-site training and 24/7/365 customer service. INOMAX is manufactured and packaged at Ikaria's drug manufacturing facility in Louisiana, with a backup manufacturing facility in Texas. Ikaria's current generation of delivery systems for INOMAX is manufactured at Ikaria's device facility in Wisconsin. Ikaria distributes INOMAX and its delivery systems to its customers in the United States through its five regional service and distribution centers and supplements distribution with third-party logistics services providers. Ikaria distributes its products in other countries through distributors and third-party logistics services providers.

In the United States, INOMAX and its delivery systems are protected by a portfolio of patents, some of which are listed in the FDA Orange Book and expire as late as January 6, 2031. Certain patents have pediatric exclusivity periods extending six months after the patent expiration date. The last exclusivity period ends on July 6, 2031. In January 2013, all remaining licensed U.S. patents expired, eliminating Ikaria's required royalty payments in respect of sales in the U.S. Ikaria also recognizes revenue from the sale of drug delivery systems in Europe and South America and revenue from sales of Terlipressin, marketed as Lucassin in Australia. The Company is also subject to risks common to companies in similar industries and stages of development, including, but not limited to: competition from larger companies, protection of proprietary technology, compliance with government regulations, reliance on one primary manufacturing site, new technological innovations, the ability to acquire, license or successfully develop new products, dependence on key personnel, and reliance on third-party service providers and vendors.

On February 12, 2014, Compound Holdings I, LLC ("Holdings I") acquired Ikaria and contributed its interest in Ikaria to Holdings II upon the completion of a series of transactions initiated pursuant to an agreement and plan of merger ("Merger"), entered into on December 24, 2013 between Ikaria and Madison Dearborn Partners ("MDP"). The transaction included (i) the distribution ("Spin-Out"), of Ikaria's research and development (R&D) Business, that is, Bellerophon Therapeutics LLC ("Bellerophon") to existing Ikaria stockholders through a special dividend prior to the Merger and (ii) the execution of a New First Lien Term Loan, New Second Lien Term Loan and New Revolving Credit facility (collectively the "February 2014 Financing Activities"), for purposes of funding a portion of the acquisition purchase price and related transactions costs and expenses, the repayment of Ikaria's existing First Lien Term Loan, Second Lien Term Loan and Term Loan A, the extinguishment of Ikaria's existing Revolving Credit facility, and the payment of related debt costs and expenses, including the prepayment premium payable that was incurred in connection with the repayment of Ikaria's existing debt.

As a result of the Merger, (i) Ikaria became a wholly-owned subsidiary of Holdings II an entity wholly-owned by Holdings I, (ii) MDP retained a majority ownership position in Holdings I and

(iii) accredited investors of Ikaria received a minority ownership position in Holdings I. The results of Ikaria's operations prior to February 12, 2014 and Spin-Out are not included. For additional details regarding the Merger, Spin-Out and the February 2014 Financing Activities, see Note 4—*Merger* and Note 10—*Debt*.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying consolidated financial statements are presented have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP"). The accounts of all wholly-owned subsidiaries of Holdings II and Ikaria are included in the consolidated financial statements. The accounts of Holdings I are not included. All intercompany balances and transactions between Holdings II and its subsidiaries have been eliminated in consolidation.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported and the disclosure of contingent assets and liabilities. Estimates are used for, among other things, the valuation of assets acquired and liabilities assumed in business combinations, stock-based compensation, income tax provision, and the valuation of deferred tax assets. Estimates are also used to determine the remaining economic lives and recoverability of fixed assets and intangible assets, including goodwill and in-process research and development assets. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. Actual results could differ from those estimates.

Holdings I and Holdings II have accounted for the acquisition of Ikaria in their respective consolidated financial statements as a business combination utilizing the acquisition method of accounting and have pushed down acquisition accounting adjustments onto the books of Ikaria. This method requires that identifiable assets acquired and liabilities assumed or incurred in a business combination be recognized at their respective fair values as of the acquisition date and that in-process research and development be recorded at fair value on the balance sheet. See Note 5—*Purchase Price Allocation* for additional details.

(b) Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity date of three months or less to be cash equivalents.

(c) Time Deposits

Time deposits consist of fixed-term deposits with maturities greater than three months but less than one year. These deposits are recorded at cost, which approximates fair value.

(d) Accounts Receivable

Accounts receivable are primarily due from hospitals. At December 31, 2014, the Company had $9.0 million of unbilled net receivables related to goods and services taxes that are remittable to government authorities that are excluded from revenues; see Note 9—*Other Current Liabilities* for additional details. Accounts receivable include an allowance for doubtful accounts. The allowance for

doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable. The Company evaluates the collectability of its receivables based on historical experience and the length of time the receivable is past due. Account balances are charged against the allowance after reasonable means of collection have been exhausted and the potential for recovery is considered remote. Accounts receivable also include allowances for customer credits, which are discussed in Note 2(l), *Revenue Recognition.* See Note 17—*Related-Party Transactions*, for a discussion of amounts due from related parties.

(e) Inventories

Inventories are stated at the lower of cost or market using the first-in, first-out method. Standard costs approximate actual costs. Standard costs are updated once annually, unless actual costs dictate an update sooner than once annually. The Company periodically reviews inventory quantities on hand in order to identify excess and obsolete inventory and also writes down inventories for the difference between the carrying value of the inventory and its estimated market value.

(f) Property, Plant and Equipment

Property, plant and equipment are recorded at acquisition cost, which for internally developed assets includes labor, materials and overhead. Additions and improvements that increase the value or extend the life of an asset are capitalized. Repairs and maintenance costs are expensed as incurred.

Depreciation is computed using the straight-line method over the estimated useful lives described below:

Asset description	Estimated Useful Life (years)
Buildings and improvements	5 – 25
Machinery, equipment and furniture	3 – 15

Leasehold improvements are amortized using the straight-line method over their estimated useful lives or the remaining term of the lease, whichever is shorter.

(g) Impairment of Long-Lived Assets

Long-lived assets, such as property, plant and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be sold are no longer depreciated and are reclassified outside of property, plant and equipment at the lower of the carrying amount or fair value less costs to sell.

(h) Goodwill and Intangible Assets

Goodwill represents the excess of purchase price over the fair value of net assets acquired. The amortizable intangible assets primarily relate to core developed technology, customer relationships, and international distributor relationships and are amortized over their estimated useful lives on a

straight-line basis. Indefinite-lived intangible assets relate to Ikaria's trademarks and tradenames and in-process research and development ("IPR&D") projects that have not established technological feasibility, and are not amortized. If an IPR&D project has a successful completion, the Company will make a separate determination of the estimated useful life of the IPR&D asset and the related amortization will be recorded as an expense over the estimated useful life. The Company reevaluates the estimated useful lives of its intangible assets annually.

Goodwill and other indefinite-lived intangible assets are not amortized and are tested annually for impairment or between the annual tests if an event or change in circumstance occurs that would more likely than not reduce the fair value of the asset below its carrying amount. The IPR&D assets are subject to annual impairment testing until completion or abandonment of the projects, or between the annual tests if an event or change in circumstance occurs that would more likely than not reduce the fair value of the assets below its carrying value.

To test goodwill and intangible assets with indefinite lives for impairment, the Company first performs a qualitative assessment to determine whether it is more likely than not that it is impaired as a basis for determining whether it is necessary to perform the quantitative impairment test.

(i) Stock-Based Compensation

The Company recognizes the fair value of stock-based compensation as expense over the requisite service period of the individual grants, which generally equals the vesting period. See Note 15—*Stock Plans* for a discussion of stock-based compensation expense.

(j) Income Taxes

Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled.

The Company recognizes the benefit of an uncertain tax position that it has taken or expects to take on income tax returns it files if such tax position is more likely than not to be sustained on examination by the taxing authorities, based on the technical merits of the position. These tax benefits are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution. The liability for unrecognized tax benefits is classified as non-current unless the liability is expected to be settled in cash within twelve months of the reporting date.

(k) Derivative Financial Instruments

The Company carries derivative instruments on the consolidated balance sheet at their fair value. Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a fair-value hedge along with changes of the fair-value of the hedged asset or liability that are attributable to the hedged risk are recorded in current-period results. Changes in the fair value of a derivative that is highly effective, and that is designated and qualifies as a cash-flow hedge are recorded in accumulated other comprehensive income, or AOCI, and reclassified into earnings in the same period the hedged transaction affects earnings. Any hedge ineffectiveness is included in current-period results. The Company discontinues hedge accounting prospectively when the derivative is no longer

effective in offsetting cash flows attributable to the hedged risk, the derivative expires or is sold, terminated, or exercised, the cash flow hedge is de-designated because a forecasted transaction is not probable of occurring, or management determines to remove the designation of the cash flow hedge. In situations in which hedge accounting is discontinued and the derivative remains outstanding, the Company continues to carry the derivative at its fair value on the consolidated balance sheet and recognizes any subsequent changes in its fair value in earnings. When it is probable that a forecasted transaction will not occur, the Company discontinues hedge accounting and recognizes immediately in earnings gains and losses that were accumulated in AOCI related to the hedging relationship. In certain circumstances, the Company may enter into a derivative contract that does not qualify as a hedge or may choose not to designate it as a fair-value or a cash-flow hedge; in such cases, changes in fair value are recorded in current-period results.

(l) Revenue Recognition

INOMAX therapy consists of multiple elements, but is accounted for as a single unit of accounting. In 2013, the Company modified its tier-based billing model. Under the new billing model, which was fully implemented by April 1, 2013, customers can select from three contract options over a set period of time, the majority of which are one year, and some are multi-year. These include: (i) an option which offers unlimited access to INOMAX therapy for a fixed fee, (ii) a capped tier option offering a contracted number of hours of INOMAX for a fixed fee and (iii) a price-per-hour model.

For customers on the price-per-hour model, revenue is recognized based on actual meter readings at the applicable hourly price. For customers on the unlimited access and the capped-tier option, the Company provides services on a continual basis and, therefore, assuming the customer is provided with sufficient access to INOMAX therapy, revenue is recognized on a straight-line basis over the contract term. For any hours that exceed the limit imposed by the capped tier during the contract term, revenue is recognized based on actual meter readings at the applicable hourly price for the remainder of the contract period, as well as the continued straight-line revenue over the remaining contract term.

INOMAX therapy revenue is recorded net of expected customer credits related to meter adjustments. At both December 31, 2014, allowance for credits was $0.5 million.

Taxes collected from customers and remitted to governmental authorities are excluded from revenues.

Recognition of revenue requires the price to the buyer is fixed or determinable, reasonable assurance of collection of sales proceeds, and completion of all performance obligations. Revenues from the sale of Terlipressin are recognized when title and risk of loss passes to the customer. Provisions for discounts are provided for in the same period the related sales are recorded. Similarly, revenues from the sale of delivery systems to a related party are recognized when title and risk of loss passes to the customer.

(m) Foreign Currency

The Company has subsidiaries in Canada, Australia and Japan. The local currencies of these subsidiaries have been determined as the functional currencies. Results of operations are translated from the functional currency into U.S. dollars using the average currency rate for the period, which approximates the results that would be obtained using actual currency rates on the dates of individual

transactions. Assets and liabilities are translated to their U.S. dollar equivalents at the rate in effect at the balance sheet date. Adjustments resulting from translation are excluded from the results of operations and are recorded as a component of AOCI.

Foreign currency transaction gains and losses arise from receivables and payables that are denominated in a currency other than the functional currency. Transaction gains and losses are included in other operating expense (income), net in the Company's results of operations and resulted in a net loss of $0.8 million for the year ended December 31, 2014.

(n) Research and Development

Research and development costs are expensed as incurred. These expenses include the costs of the Company's proprietary research and development efforts, as well as costs incurred in connection with certain licensing arrangements. Upfront and milestone payments made to third parties in connection with research and development collaborations are expensed as incurred up to the point of regulatory approval. Payments made to third parties upon or subsequent to regulatory approval are capitalized and amortized over the remaining useful life of the related product. The Company also expenses the cost of purchased technology and equipment in the period of purchase if it believes that the technology or equipment has not demonstrated technological feasibility and it does not have an alternative future use. Nonrefundable advance payments for goods or services that will be used or rendered for future research and development activities are deferred and capitalized. These amounts are recognized as research and development expense as the related goods are delivered or the related services are performed.

(o) Purchase Accounting

The Merger has been accounted for in accordance with the provisions of Accounting Standards Codification Topic 805, *Business Combinations*, whereby the purchase price paid to effect the Merger has been allocated to the acquired assets and liabilities at fair value. The impact of the purchase accounting is reflected in these consolidated financial statements. Ikaria presented its contingent transaction costs and expenses in its predecessor period (period prior to February 12, 2014).

(3) Recent Accounting Standards

The following accounting standards were issued by the FASB, but have not yet been adopted by the Company.

Income Taxes

In July 2013, the FASB issued ASU No. 2013-11, *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*. The amendment in this update contains guidance to address the diversity in practice related to the financial statement presentation of unrecognized tax benefits either as a reduction of a deferred tax asset or as a liability when a net operating loss carryforward, a similar tax loss or a tax credit carryforward exists and requires that the unrecognized tax benefit, or a portion of such unrecognized tax benefit, be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except in certain situations, as defined in the guidance. This guidance is effective prospectively for fiscal years, and interim periods

within those years, beginning after December 15, 2014. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

Goodwill

In January 2014, the FASB issued ASU No. 2014-02, *Accounting for Goodwill.* The amendments in this update permit an entity other than a public business or not-for-profit entity to amortize goodwill on a straight-line basis over 10 years or less than 10 years if the entity demonstrates that another useful life is more appropriate. Furthermore, an entity that elects this accounting alternative is further required to make an accounting policy election to test goodwill for impairment at either the entity level or the reporting unit level. Goodwill would be tested for impairment when a triggering event occurs that indicates that the fair value of an entity (or reporting unit) may be below its carrying amount. The accounting alternative, if elected, should be applied prospectively to goodwill existing as of the beginning of the period of adoption and new goodwill recognized in annual periods beginning after December 15, 2014, and interim periods within annual periods beginning after December 15, 2015. Early application is permitted, including application to any period for which the entity's annual or interim financial statements have not yet been made available for issuance. The Company has not elected this accounting guidance and will not amortize goodwill.

Revenue from Contracts with Customers

In May 2014, the FASB issued guidance to clarify the principles for recognizing revenue and to develop a common revenue standard for GAAP and International Financial Reporting Standards. The standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes the most current revenue recognition guidance. This guidance is effective for fiscal years and interim periods within those years beginning after December 15, 2017, which is effective for the Company as of the first quarter of fiscal year 2018 using one of two retrospective application methods. The Company is evaluating the application methods and the impact of adopting this new accounting guidance on its consolidated financial statements.

(4) Merger

As discussed in Note 1—*Organization and Nature of the Business*, on December 24, 2013, Ikaria and MDP entered into the Merger. The Merger, Spin-Out and February 2014 Financing Activities were completed on February 12, 2014. The Merger cost was $611.7 million, of which Holdings I issued equity securities of $180.7 million and paid cash of $231.3 million and Holdings II paid cash of $199.7 million (or $65.4 million net of cash acquired) to Ikaria shareholders. Holdings I was determined to be the accounting acquirer, however all buyer transaction costs of $7.6 million in 2014 and $2.4 million in December 2013 were incurred and recorded by Holdings II, as the entity that became the direct parent of Ikaria and the entity that entered into the February 2014 Financing Activities.

At the time of the Merger, certain assumed Ikaria liabilities were paid, including (at fair values) $998.6 million of debt and accrued interest, $34.7 million of special dividend bonus plan obligations, $22.4 million of employee bonuses, $11.1 million of long-term incentive plan (LTIP) obligations, $21.6 million of seller transaction expenses and $2.3 million of other payroll expenses. Ikaria recorded $17.5 million of contingent transactions costs and expenses, related to investment banks fees which were contingent on the closing of the Merger, in its predecessor period. These payments were funded through new cash investments of $231.3 million (received by Holdings I from MDP), $134.4 million of cash on hand at Ikaria and $1,179.5 million of net borrowings from the new credit facility ($890 million

New First Lien Term Loan and $330 million New Second Lien Term Loan, offset by $40.5 million original issue discount and financing expenses).

Transition Services Agreement

In connection with the Spin-Out, Ikaria provides certain transition services to Bellerophon for a two year period pursuant to a Transition Services Agreement, which services include executive management, human resources, real estate, information technology, accounting, finance, legal, quality and regulatory support for $18.5 million plus out of pocket expenses, which is being recognized as other operating income ratably over the period. During the year ended December 31, 2014, the Company recognized income of $8.2 million in other operating (income) expense related to this agreement.

(5) Purchase Price Allocation

The Merger and the allocation of the purchase price have been recorded for accounting purposes as of February 12, 2014. In connection with the purchase price allocation, the Company has determined the fair values of acquired assets and liabilities assumed and related deferred income taxes as of the acquisition date. As of December 31, 2014, the purchase price allocation has been finalized.

The fair value of the total consideration transferred amounted to $611.7 million, consisting of $431.0 million of cash and $180.7 million of equity interests of Holdings I. As of December 31, 2014, $28.7 million was held in escrow. In February 2015, $1.2 million was paid to the escrow from Holdings II for certain tax recoveries and $28.9 million was paid to Ikaria stockholders. There is $1.0 million held in escrow for final stockholder expenses to settle in the future. The $28.9 million and $1.0 million have been included in the cash purchase price of $431.0 million.

The fair value of tangible and intangible assets acquired and liabilities assumed was established based upon appraisals as well as estimates of fair value utilizing projections of sales, costs and appropriate discount rates among other assumptions. The fair value of inventory was valued based on the estimated selling prices of INOMAX therapy less direct costs to sell and distribute the inventory and a reasonable profit margin on those costs. The fair value of the core developed technology was based on the discounted cash flow method. The IPR&D was based on estimates of discounted future cash flows associated with various projects less estimated costs to develop the technologies. Acquired

trademarks and trade names were valued using the relief from royalty method. The purchase price has been allocated, as follows (in thousands):

Assets acquired:	
Cash	$ 134,368
Inventory	334,899
Goodwill	457,872
Intangible assets	1,027,000
Other assets, current and non-current	143,352
Total assets acquired	$2,097,491
Liabilities assumed:	
Other liabilities, current and non-current	$ 48,513
Seller expenses	22,138
Deferred tax liabilities, net	342,463
Liabilities settled at closing	73,204
Financing agreement	3,479
Debt extinguished at closing	995,968
Total liabilities assumed	$1,485,765
Net assets acquired	$ 611,726
Consideration paid	
Cash consideration	$ 431,038
Equity instruments issued (by Holdings I)	180,688
Total consideration	$ 611,726

Total intangible assets are $1,027.0 million of which $756.0 million is comprised of Core developed technology for the marketed product INOMAX, which includes the drug INOMAX and drug delivery system. The fair value of inventories acquired included a step-up in the value of inventories of $326.4 million, of which $287.7 million was expensed as cost of sales during the period February 12, 2014 through December 31, 2014 (Successor) and the remaining $38.7 million is expected to be expensed in cost of sales during the first quarter of 2015. The fair value of property, plant and equipment acquired included a step-up in the value of $9.2 million; depreciation will be recognized using a straight-line method over the estimated remaining useful lives. The debt extinguished at closing was adjusted to fair value in purchase accounting by $25.3 million for a prepayment penalty and the remaining original issue discount and generated a deferred tax asset of $17.9 million. In addition, a deferred tax asset of $15.7 million was established in purchase accounting for the tax attributes related to stock-based compensation excess tax benefits generated in Ikaria’s predecessor period that could not be recorded due to the loss in that period. Long-term deferred tax liabilities resulted from the difference between the book basis (fair value) and tax basis (existing basis) of identifiable intangible assets, fixed assets and inventory. The deferred taxes were calculated as the product of the excess book basis over the tax basis and the statutory tax rate for the jurisdiction in which the deferred taxes exist. The goodwill of $458 million arising from the Merger relates to intangible assets that do not qualify for separate recognition, including Ikaria’s work force. Goodwill and the step-ups in fair value of amortizable and indefinite-live intangible assets, property plant and equipment and inventory arising from the Merger are not tax deductible, since for tax purposes, the assets have carryover basis.

(6) Inventory

Inventories consist of the following (in thousands):

	December 31, 2014
Replacement parts and raw materials	$ 8,012
Work in process	16,767
Finished goods	26,786
	$ 51,565

For inventories acquired at the time of the Merger, $38.7 million of the step-up in value remains at December 31, 2014, which is expected to be expensed in cost of sales during the first quarter of 2015.

(7) Property, Plant and Equipment

Property, plant and equipment and accumulated depreciation consist of the following (in thousands):

	December 31, 2014
Land and improvements	$ 2,349
Building and improvements	11,471
Machinery, equipment and furniture	59,830
Construction in progress	2,709
	76,359
Less accumulated depreciation	(12,290)
	$ 64,069

(8) Intangible Assets

The Company's intangible assets are summarized below (dollars in thousands):

December 31, 2014	Useful life (in years)	Carrying Amount	Accumulated Amortization	Carrying Amount
Nonamortizable intangibles:				
Trademarks and trade names	Indefinite	$ 57,000	$ —	$ 57,000
Goodwill	Indefinite	457,872	—	457,872
In-process research and development:				
INOmax—Next Generation Device	Indefinite	50,000	—	50,000
Japan Cardiovascular	Indefinite	7,000	—	7,000
Amortizable intangibles:				
Customer relationships—US	15.4	113,600	(6,517)	107,083
Customer relationships—Non-US	5.0	5,400	(953)	4,447
International distributor relationships	5.0	38,000	(6,706)	31,294
Core developed technology	15.4	756,000	(43,368)	712,632
Total		$1,484,872	$(57,544)	$1,427,328

Amortization expense was $57.5 million for the year ended December 31, 2014.

The estimated future amortization expense for intangible assets for the next five years and thereafter is as follows (in thousands):

	Estimated Amortization Expense
Year ended December 31:	
2015	$ 65,228
2016	65,228
2017	65,228
2018	65,228
2019	57,564
Thereafter	536,980

(9) Other Current Liabilities

Other current liabilities consist of the following (in thousands):

	December 31, 2014
Employee compensation and benefits	$ 16,765
Goods and services taxes payable	10,151
Accrued interest expense	9,837
Research and development	3,514
Customer advances	1,470
Other accrued liabilities	930
Total	$ 42,667

In December 2014, a charge of $2.0 million was recorded for accrued severance which is expected to be paid in the first few months of 2015.

In 2013, Ikaria identified a tax jurisdiction in which it failed to bill, collect and remit goods and services taxes from its customers. The Company is in the late stages of rectifying the situation, intends to bill its customers the goods and services tax and has paid certain amounts on behalf of its customers. The Company has an unbilled receivable of $9.0 million and an estimated allowance for doubtful accounts of $0.5 million at December 31, 2014. As the unbilled tax was past due to governmental authorities, the Company has recorded goods and services taxes payable of $10.2 million at December 31, 2014 which includes $8.7 million for the goods and services taxes and related accrued interest of $1.5 million. The related interest expense is recorded in other operating expense (income), net in the Consolidated Statement of Operations.

Under the Company’s license agreement with Massachusetts General Hospital, the Company is required to make royalty payments based on net sales of INOMAX in countries in which relevant licensed patents remain in effect. The obligation to pay expires when the patents expire in the applicable country. In January 2013, all remaining licensed U.S. patents expired, eliminating the Company’s required royalty payments in respect of sales in the U.S. The Company continues to pay royalties on sales in one non-US jurisdiction. Royalty expense for the year ended December 31, 2014 was $0.3 million.

(10) Debt

February 2014 Financing Activities

In connection with the Merger, Holdings II (as initial borrower) entered into a New First Lien Term Loan facility in the aggregate principal amount of $890.0 million, a New Second Lien Term Loan facility in the aggregate principal amount of $330.0 million and a $50.0 million New Revolving Credit facility with a group of financial institutions for purposes of (i) funding a portion of the acquisition purchase price, (ii) payment of related transaction costs and expenses, (iii) repayment of the Company's existing First Lien Term Loan, Second Lien Term Loan and Term Loan A, (iv) extinguishment of the Company's existing Revolving Credit facility and (v) payment of related debt costs and expenses, including a prepayment premium payable in connection with the repayment of existing debt.

Net proceeds from the New First Lien Term Loan, after solely deducting a $4.4 million original issue discount, were $885.6 million. Net proceeds from the New Second Lien Term Loan, after solely deducting a $2.5 million original issue discount, were $327.5 million.

In connection with the February 2014 Financing Activities, the Company repaid Ikaria's existing debt and extinguished its existing Revolving Credit facility and capitalized $36.0 million in deferred debt issuance costs pertaining to the acquisition of the new debt and the New Revolving Credit facility, of which $33.6 million were withheld from the proceeds and $2.4 million were paid in cash.

The New First Lien Term Loan requires quarterly principal payments of $2.2 million payable on the last day of each quarter starting September 30, 2014, with the remainder of the principal maturing on February 12, 2021. The New Revolving Credit facility matures on February 12, 2019. The New Second Lien Term Loan matures on February 12, 2022, with no interim scheduled payments until the New First Lien Term Loan is repaid. The New First Lien Term Loan and the New Second Lien Term Loan require mandatory repayments of up to 50% of excess cash flow, as defined, depending on the Company's net leverage ratio. Borrowings under the New Revolving Credit facility may not exceed $50.0 million and require a commitment fee of 0.50% per year. During 2014, no amounts were borrowed under the New Revolving Credit facility. In 2014, the Company prepaid $50.0 million on the New First Lien Term Loan.

The New First Lien Term Loan bears interest at an Adjusted London Interbank Offered Rate, or Adjusted LIBOR, equal to the London Interbank Offered Rate plus an applicable margin ranging from 3.75% to 4.0%, with an Adjusted LIBOR floor of 1.0%. As of December 31, 2014, the total interest rate on the New First Lien Term Loan was 5.0%. The New Second Lien Term Loan bears interest at an Adjusted LIBOR, equal to the London Interbank Offered Rate plus an applicable margin of 7.75%, with an Adjusted LIBOR floor of 1.0%. As of December 31, 2014, the total interest rate on the New Second Lien Term Loan was 8.75%. The original issue discount and the capitalized debt issuance costs are being amortized over the terms of the loans using the effective interest method. Borrowings under the New Revolving Credit facility bear interest at Adjusted LIBOR, equal to the London Interbank Offered Rate plus an applicable margin ranging from 3.125% to 3.50%.

The New First Lien Term Loan, New Second Lien Term Loan and the New Revolving Credit facility are secured by substantially all of the Company's assets and are guaranteed by Holdings II. The terms of these loans and credit facility also contain certain restrictions and covenants relating to leverage ratios, prepayment penalties, acquisitions, investments, sale of assets, dividend payments, guarantees and hedging arrangements, mergers, and the incurrence of additional indebtedness. The Company's long-term debt at December 31, 2014 also includes $2.6 million principal balance

pertaining to a software and services financing agreement. Such agreement includes annual payments of approximately $1.0 million and, an effective interest rate of 5.05%, and matures in January 2018.

As of December 31, 2014, the aggregate principal amount of the Company's total long-term debt, net of unamortized original issue discount, was $1,162.2 million. In addition, the Company had $1.1 million in standby letters of credit issued against the New Revolving Credit facility as of December 31, 2014.

At December 31, 2014, the required principal payments over the next five years and thereafter pertaining to the Company's long-term debt including the software services financing agreement are estimated at (in thousands):

2015	2016	2017	2018	2019	Thereafter	Total
$9,822	$9,822	$9,690	$8,900	$8,900	$1,121,050	$1,168,184

The Company made a $60.0 million voluntary prepayment on its New First Lien Term Loan in February 2015 which has been classified as current debt.

The final maturity dates of the Company's total long-term debt and the corresponding principal amounts at December 31, 2014 by borrowing are as follows (in thousands):

Borrowing	Maturity Date	December 31, 2014
New First Lien Term Loan	February 2021	$ 835,550
New Second Lien Term Loan	February 2022	330,000
Financing agreement	January 2018	2,634
Total		1,168,184
Less: Unamortized original issue discount		6,032
Total, net of discount		$ 1,162,152

(11) Financial Instruments

Interest Rate Derivatives

The Company is subject to the risk of fluctuating interest rates in the normal course of business. The Company has managed interest rate risks through the use of derivative financial instruments.

On October 30, 2013, the Ikaria entered into two interest rate cap agreements, as required by a previous debt facility with an aggregate notional amount of $500.0 million for a period of approximately two years from October 30, 2013 through November 9, 2015 for approximately $0.3 million. The interest rate caps would pay incremental interest on the notional amount if LIBOR exceeded 5.0%. The interest rate cap agreements were not designated as hedges for accounting purposes. The fair value of the outstanding interest rate cap agreements at December 31, 2014 was not significant.

Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction. To increase consistency

and comparability in fair value measurements, the ASC established a three-level hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels are:

- Level 1—Values are unadjusted quoted prices for identical assets and liabilities in active markets.
- Level 2—Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument.
- Level 3—Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement.

The interest rate caps are Level 2 valuations, which are measured at fair value using standard industry models that consider observable interest rates, forward yield curves at commonly quoted intervals and volatility from various market sources. The Company considers the impact of its own and the counterparties' credit risk on the fair value of contracts. Where independent pricing services provide fair values, the Company has validated the inputs to market data from observable and corroborated sources. The fair values of the Term Loans are classified as Level 2 and are based on market rates available on debt with similar terms and remaining maturities.

The following table summarizes the fair value of debt, which is carried at historical cost, at December 31, 2014 (in thousands):

	Carrying Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Financial Liabilities Carried at Historical Cost at December 31, 2014 Long-term debt, net of original issue discount	$1,162,151	$ —	$1,160,060	—

There were no transfers among Levels 1, 2 and 3 during the year ended December 31, 2014.

Credit Risk

Credit risk represents the loss that would be recognized if counterparties failed to completely perform as contracted. The financial instruments that subject the Company to credit risk consist principally of cash and cash equivalents and accounts receivable. The Company maintains cash and cash equivalents with major banks, the majority of which is in money market deposit accounts. In addition, a portion of the Company's cash is maintained in operating accounts with major banks. Hospitals account for a substantial portion of accounts receivable and collateral is not required. The risk associated with this concentration is mitigated by the Company's ongoing credit review procedures. See Note 17—*Related-Party Transactions*, for information on related-party receivables.

(12) Income Taxes

Loss before income taxes and the related tax benefit are as follows (in thousands):

	Year Ended December 31, 2014
Income (loss) before income taxes:	
Domestic	$ (220,130)
Foreign	1,184
Total loss before income taxes	$ (218,946)
Current taxes:	
Federal	$ 875
State	1,156
Foreign	776
Total current tax expense	2,807
Deferred taxes:	
Federal	(76,818)
State	(7,675)
Foreign	208
Total deferred tax benefit	(84,285)
Total income tax benefit	$ (81,478)

A reconciliation of the statutory federal income tax rate to the Company's effective tax rate for the year ended December 31, 2014 is as follows:

	Year Ended December 31, 2014
U.S. federal statutory rate	35.0%
State and local taxes, net of federal tax effect	3.1
Research tax credits	0.5
Foreign tax rate differential	(0.2)
Transaction costs	(0.5)
Other	(0.7)
	37.2%

In the 2014 period, the Company's effective tax rate was impacted by state income taxes and other non-deductible items such as transaction costs, stock compensation expense, lobbying expenses, meals and entertainment offset by the benefit from research tax credits, the latter credit was extended in December 2014 retroactively to the beginning of the year. The Company does not expect to generate significant amount of research and development tax credits after 2014 because most of the programs qualifying for these tax credits were transferred to Bellerophon in the Spin-Out. Research tax credits of $1.0 million were generated for the year ended December 31, 2014, offset by the requirement to permanently add back certain expenses included in the calculation of the credit, which on a net basis positively impacts the effective tax rate for the year. Annual studies are performed that support the availability of the orphan drug and research and development tax credits as well as the U.S. manufacturing activities deduction.

Deferred taxes reflect the tax effects of the differences between the amounts recorded as assets and liabilities for financial reporting purposes and the comparable amounts recorded for income tax purposes. Significant components of the deferred tax assets (liabilities) at December 31, 2014 are as follows (in thousands):

	December 31, 2014	
	Assets	Liabilities
Net operating loss carryforwards	$ 12,696	$ —
Tax credit carryforwards	21,945	—
Inventories	—	(12,829)
Allowance for doubtful accounts	234	—
Fixed assets	—	(16,501)
Intangible assets	78,201	(354,178)
Accrued expenses	301	—
Stock-based compensation and LTIP	1,457	—
Currency translation adjustment	127	—
Other	3,145	(792)
Subtotal	118,106	(384,300)
Valuation allowance	(156)	—
Total deferred taxes	$ 117,950	$(384,300)
Net deferred tax liabilities	$(266,350)	

At December 31, 2014, deferred tax assets (liabilities) were classified on the Company's consolidated balance sheet as follows (in thousands):

	December 31, 2014
Current:	
Current deferred tax assets	$ 27,073
Current deferred tax liabilities	(15,120)
Net current deferred tax assets	11,953
Non-current:	
Non-current deferred tax assets	14,623
Non-current deferred tax liabilities	(292,926)
Net non-current deferred tax liabilities	(278,303)
Net deferred tax liabilities	$ (266,350)

At December 31, 2014, the Company had $32.4 million federal net operating loss carryforwards. At December 31, 2014, the Company had foreign net operating loss carryforwards in the amount of approximately $0.5 million which begin to expire in the year 2018. At December 31, 2014, the Company had total tax credit carryovers of approximately $21.9 million consisting primarily of federal research tax credit carryforwards of approximately $19.2 million which begin to expire in 2032 and $2.0 million of alternative minimum tax credit carryforwards which have no expiration date.

Utilization of the Company's net operating loss, research credit and alternative minimum tax credit carryforwards are subject to an annual limitation due to ownership changes that occurred as a

result of the Merger. In accordance with Section 382 of the Internal Revenue Code of 1986, ownership changes may limit the amount of carryforwards of tax attributes that can be utilized annually to offset future taxable income and taxes. In general, an ownership change, as defined by Section 382, results from transactions increasing the ownership of certain shareholders in excess of 50 percent over a three year period. However, such limitation is not expected to result in expiration or loss of the Company's net operating loss and credit carryforwards.

Prepaid federal and state income taxes of $3.2 million at December 31, 2014 and federal and state income tax refunds receivable of $11.8 million at December 31, 2014 were included in income tax receivable on the consolidated balance sheet.

The Company assesses the realizability of the deferred tax assets at each balance sheet date based on actual and forecasted operating results in order to determine the proper amount, if any, required for a valuation allowance. As a result of this assessment, the Company has determined that it may not generate enough passive foreign source income to fully utilize its passive foreign tax credits carryforward and therefore the Company maintains a valuation allowance against its passive foreign tax credits of approximately $0.2 million as of December 31, 2014. The Company believes that it is more likely than not, given the weight of available evidence, that all other deferred tax assets will be realized. The Company will continue to assess the realizability of the deferred tax assets at each balance sheet date in order to determine the proper amount, if any, required for a valuation allowance.

No provision is made for foreign withholding or additional foreign income taxes associated with hypothetical repatriation of the cumulative undistributed earnings of two foreign subsidiaries. The Company recognizes U.S. and foreign income taxes for the foreign entities considered disregarded entities for U.S. federal income tax purposes. The cumulative undistributed earnings, if any, are expected to be reinvested in working capital and other business needs indefinitely. The earnings would be taxable upon repatriation in the form of dividends or otherwise. A determination of the amount of the unrecognized deferred tax liability with respect to such earnings is not practicable.

As of December 31, 2014 the Company had unrecognized tax benefit of $1.5 million which, if recognized, would be reflected as an income tax benefit. For the year ended December 31, 2014 the Company recorded a gross unrecognized tax benefits in the amount of $0.1 million primarily related to research credits. The Company anticipates that it is reasonably possible that approximately $0.9 million of unrecognized tax benefit may be recognized within the next 12 month period as a result of the lapse of the statute of limitations in certain tax jurisdictions and the anticipated settlement of an IRS audit. In October 2013 Ikaria was notified by the IRS that an examination of its U.S. federal income tax return for the year ended December 31, 2011 was being initiated. In February 2014, the IRS examination was extended to include Ikaria's U.S. federal income tax return for the year ended December 31, 2012.

The Company files income tax returns in U.S. federal, state and certain international jurisdictions. For federal and certain state income tax purposes, Ikaria's 2010 through 2014 tax years remain open for examination by the tax authorities under the normal statute of limitations. For certain international income tax purposes, Ikaria's 2011 through 2014 tax years remain open for examination by the tax authorities under the normal statute of limitations.

The Health Care and Education Reconciliation Act of 2010 imposed a new excise tax on the sale of taxable medical devices by a manufacturer or importer. The amount of excise tax is 2.3% of the sale

price of the medical device. The excise tax applies to sales after December 31, 2012. The impact of the medical device tax on the Company's 2014 consolidated financial statements was not material.

(13) Capitalization

One thousand shares of voting common stock of Holdings II, par value of $0.01 per share, were issued to Holdings I in connection with the Merger.

(14) Defined Contribution Plan

The Company has a 401(k) savings plan, which is an Employee Retirement Income Security Act, or ERISA, defined contribution plan. Under the plan, which covers substantially all U.S. employees, participating employees may elect to contribute up to 60% of their annual compensation, subject to annual Internal Revenue Service dollar limits. In 2014, the Company matched 100% of the first 6% contributed. The Company's contribution expense for the year ended December 31, 2014 was $2.0 million.

(15) Stock Plans

Stock-Based Compensation

Effective as of the closing of the Merger, all of the prior equity plans of Ikaria ceased to be effective and all existing equity grants and awards were paid out.

In February 2014, the Board of Managers of Holdings I approved the Series D class of equity interest, Series 1, Series 2 and Series 3 Units (collectively, "Series D Units"), for issuance under the 2014 Securities Purchase Plan (the "Holdings I Equity Plan"), under which Ikaria employees, managers and advisers ("Management Investors") may be provided the opportunity to receive grants of equity units of Holdings I. Series D Units are issued for no consideration. To date, the equity units issued by Holdings I have consisted of the following:

- Series 1 Series D ("Incentive Units")—are subject to vesting based on service conditions, can be repurchased by Holdings I, represent a right to a fractional portion of the profits and distributions of Holdings I in excess of a "participation threshold" that is calculated in accordance with the provisions of the Holdings I limited liability company agreement, subject to certain adjustments, in the underlying grant and employment agreements.
- Series 2 Series D ("Special Award Units")—are subject to vesting based on both performance and service conditions, can be repurchased by Holdings I, represent a right to a fractional portion of the profits and distributions of Holdings I in excess of a "participation threshold" that is calculated in accordance with the provisions of the Holdings I limited liability company agreement, subject to certain adjustments, in the underlying grant and employment agreements.
- Series 3 Series D ("Award Units")—are subject to vesting based on service conditions, can be repurchased by Holdings I, represent a right to a fractional portion of the profits and distributions of Holdings in excess of a "participation threshold" that is calculated in accordance with the provisions of the Holdings I limited liability company operating agreement, subject to certain adjustments, in the underlying grant and employment agreements.

As a holding company that operates through its subsidiaries, Holdings I is dependent on dividends, payments or other distributions from its subsidiaries to make any dividend payments to holders of the Incentive Units, Special Award Units and Award Units. As of December 31, 2014, Holdings I has not paid any dividends or made any other distributions on any of the outstanding units.

During the year ended December 31, 2014, the Company recognized non-cash stock-based compensation expense of $2.6 million, as allocated from Holdings I related to Ikaria employees and advisers.

Repurchase Feature

The Series D Units held by Management Investors are redeemable at Holdings I's option upon termination of the Management Investor's employment. The February 2014 Financing Activities contain a restricted payments covenant that allows equity unit repurchases up to $3.0 million in any year, subject to additional exceptions to the covenant.

Holdings I believes that the repurchase of these units is within its control and does not intend to repurchase any units prior to a six-month holding period as provided for in the agreement. These units are being accounted for similar to restricted stock and classified as permanent equity on the Consolidated Balance Sheet at fair value as of the grant date.

In the event that a Management Investor's employment with the Company is terminated, Holdings I has an option, pursuant to the Holdings I Equity Plan, to repurchase its equity units held by departing Management Investors at the current fair value. Holdings I did not repurchase any equity units in 2014.

Grants of Units

Series 1 Series D Incentive Units

During 2014, Holdings I entered into agreements to grant 4,097,010 time-based Incentive Units to certain of the Management Investors. The Incentive Units vest on a daily, straight-line basis through the fifth anniversary of the grant date subject to the Management Investor's continued employment by the Company or any of its respective subsidiaries; provided that (i) if a sale of the Company (as defined in the underlying grant agreements) occurs, all of the Incentive Units will immediately vest, (ii) if the Company completes an initial public offering or a public offering of a subsidiary ("IPO"), the Incentive Units that were scheduled to vest during the one-year period following the date of the IPO will vest at that time and the remaining unvested portion will continue to vest on a daily basis through the fourth anniversary of issuance, and (iii) upon the termination of a Management Investor's employment with the Company or any of its respective subsidiaries for any reason (as defined in the underlying employment agreements), all unvested Incentive Units will be automatically forfeited and all vested Incentive Units are subject to repurchase at the option of Holdings I as discussed above. The repurchase price per vested incentive unit will be the estimated fair value (as defined in the underlying grant agreements) of such unit as of the date of the sending of written notice of the repurchase to the Management Investor; provided that if the Management Investor's employment is terminated for cause, then each vested incentive unit will be automatically forfeited.

The grant date fair value of the Incentive Units was estimated using an option valuation model. The inputs for expected term, volatility and risk-free rate used in estimating the fair value of the

Incentive Units were 6 years, 65% and 1.911%, respectively, and the model also incorporated an assumption of a 30% discount for lack of marketability. The aggregate grant date fair value of the Incentive Units was estimated to be $10.9 million. As of December 31, 2014, 647,389 Incentive Units were vested. There were no forfeitures during 2014.

Series 2 Series D Special Award Units

On February 12, 2014, Holdings I entered into agreements to grant 938,410 time-and-performance-based Special Award Units to certain of the Executive Investors. The Special Award Units vest on a daily, straight-line basis through the fifth anniversary of the grant date subject to the Executive Investor's continued employment by the Company or any of its respective subsidiaries; provided that (i) if a sale of the Company (as defined in the underlying grant agreements) occurs, all of the Special Award Units will immediately vest, (ii) if the Company completes an IPO or a public offering of a subsidiary, the Special Award Units that were scheduled to vest during the one-year period following the date of the IPO will vest at that time and the remaining unvested portion will continue to vest on a daily basis through the fourth anniversary of issuance, and (iii) will performance vest when the Series A Unit Holders receive at least two and one half (2.5) times their investment into the Company at the close of the Merger.

If the Executive Investor ceases to be employed by the Company or any of its respective subsidiaries for any reason, all unvested Special Award Units will be automatically forfeited and all vested Special Award Units are subject to repurchase at the option of Holdings I. The repurchase price per vested incentive unit will be the estimated fair value (as defined in the underlying grant agreements) of such unit as of the date of the sending of written notice of the repurchase to the Executive Investor; provided that if the Executive Investor's employment is terminated for cause, then each vested incentive unit will be automatically forfeited.

The grant date fair value of the Special Award Units was estimated using an option valuation model and assumed the performance target would be achieved in 5 years from date of grant. The inputs for expected term, volatility and risk-free rate used in estimating the fair value of the Special Award Units were 6 years, 65% and 1.911%, respectively, and the model also incorporated an assumption of a 30% discount for lack of marketability. The aggregate grant date fair value of the Special Award Units was estimated to be $1.9 million. There were no forfeitures during 2014.

Series 3 Series D Award Units

During November 2014, Holdings I entered into agreements to grant 215,000 time-based Award Units to certain employees. The Award Units vest on July 1, 2017 subject to continued employment by the Company or any of its respective subsidiaries; provided that (i) if a sale of the Company (as defined in the underlying award unit agreements) occurs, all of the Award Units will immediately vest and (ii) if the Company completes an IPO or a public offering of a subsidiary, the Award Units that were scheduled to vest during the one-year period following the date of the IPO will vest at that time and the remaining unvested portion will not accelerate as a result of the IPO.

If the employee ceases to be employed by the Company or any of its respective subsidiaries for any reason, all unvested Award Units will be automatically forfeited and all vested Award Units are subject to repurchase at the option of the Company. The repurchase price per vested incentive unit will be the estimated fair value (as defined in the underlying grant agreements) of such unit as of the date of the sending of written notice of the repurchase to the employee; provided that if the employee's employment is terminated for cause, then each vested incentive unit will be automatically forfeited.

The grant date fair value of the Award Units was estimated using an option valuation model and assumed the performance target would be achieved. The inputs for expected term, volatility and risk-free rate used in estimating the fair value of the Award Units were 5.5 years, 70% and 1.675%, respectively, and the model also incorporated an assumption of a 30% discount for lack of marketability. The aggregate grant date fair value of the Award Units was estimated to be $752 thousand. There were no forfeitures during 2014.

(16) Product Acquisitions and Other Agreements

The Company may review potential acquisition of technologies, products and businesses complementary to its business. The Company will also consider entering into agreements to develop and commercialize drug candidates, which may include research and development, marketing and selling, manufacturing, and distribution. These agreements often require milestone and royalty or profit share payments, contingent upon the occurrence of certain future events linked to the success of the asset in development, as well as expense reimbursements. Revenues from these agreements are recorded in other revenue. Costs incurred pursuant to these agreements are reported in their respective expense line item in the consolidated statement of operations.

Lee's Pharmaceutical Limited

On November 19, 2014, Ikaria entered into a 15 year agreement with Lee's Pharmaceutical Limited, or Lee's Pharma, whereby Ikaria would manufacture and make available to hospitals pharmaceutical INOMAX (nitric oxide for inhalation) and related devices as a proprietary pharmaceutical therapy (collectively INOMAX Total Care). In return, Lee's Pharma will import into Hong Kong, sell and distribute INOMAX in Hong Kong, Mainland China and nearby territories. Lee's Pharma will be the marketing authorization holder and provider of promotion, sales-related services, and will be responsible for attaining pharmaceutical approvals for these territories. As part of this agreement, an upfront payment of $0.4 million was received from Lee's Pharma related to Ikaria providing access to information about INOMAX to obtain pharmaceutical approvals in the territories. Ikaria is amortizing the $0.4 million payment into other revenue over a period of four years, which is the period expected to be needed for Lee's Pharma to obtain pharmaceutical approvals in the territories. In addition, additional milestone and royalty payments are required to be paid to Ikaria should Lee's Pharma obtain approval for commercialization.

Synex Consulting Limited

On October 15, 2014, Ikaria entered into an agreement with Synex Consulting Limited, or Synex, to which Synex will obtain the exclusive right to market and sell the INOMAX (nitric oxide for inhalation) and related devices as a proprietary pharmaceutical therapy (collectively INOMAX Total Care) in the Republic of South Korea. As part of this agreement, Synex will pay the Company 53% of all recognized revenues by Synex for the sale of INOMAX Total Care to customers. No payments have been received under this contract. The agreement has a term of 5 years, with a renewal provision of additional periods of one year.

INOMAX (nitric oxide) for inhalation

The Company has an exclusive, royalty bearing license on certain patents from Massachusetts General Hospital, or MGH, to develop, manufacture, market, distribute and sell INOMAX in the U.S. market and certain other jurisdictions. The obligations of the license agreement are defined by the term

of the licensed patents, on a country-by-country basis, and expire when the patents expire in each respective country. Under the license agreement, Ikaria is required to pay royalties to MGH on net sales relating to INOMAX on a country-by-country basis. In the U.S., the licensed patents covering INOMAX expired on January 23, 2013. In Australia and Canada, the licensed patents expired in December 2011. In Mexico, the licensed patent expired in June 2013, and in Japan (where INOMAX is known as INOflo), the licensed patent expires in November 2016. The expiration of the MGH license agreement has no impact on the Company's ability to manufacture, market, distribute and sell INOMAX, nor does it represent the end of market exclusivity for INOMAX in any particular country.

In connection with the acquisition of INO Therapeutics, LLC ("INO") on March 28, 2007, Ikaria assumed certain obligations due to a former owner. These obligations include royalties on net sales relating to the use of inhaled nitric oxide in certain indications and an aggregate of $4.0 million of contingent payments remaining upon the achievement of development milestones, including successful submission or approval of a NDA in the U.S. for chronic, cardiac or acute respiratory distress syndrome indications. The $4.0 million has not been accrued since the contingent events have not occurred.

Orphan Therapeutics LLC

On March 29, 2010, Ikaria acquired the new drug application, or NDA, and investigational new drug, or IND, application for Lucassin, or Terlipressin, a potential treatment for advancing kidney failure in patients with cirrhosis and assumed all future development and ownership of the drug in North America and Australia from Orphan Therapeutics LLC, or Orphan. Ikaria made an upfront payment of $5.0 million and a development milestone payment of $5.0 million to Orphan, which were recorded in research and development expense, and may make additional payments in the aggregate of $22.5 million upon the achievement of certain milestones. In addition, Ikaria amended certain terms of the original agreement entered into with Orphan on August 29, 2008, including reducing royalties if the product is approved for commercialization.

BioLineRx Ltd.

On August 26, 2009, Ikaria entered into an agreement with BioLineRx Ltd., or BioLine, to obtain a worldwide exclusive license to a compound, BCM, being developed to treat ventricular remodeling following a heart attack. At the time of the agreement, the compound was in a Phase 2 clinical trial. The clinical trial was completed in 2010. Ikaria was responsible for completing clinical development and commercialization efforts. As part of this agreement, additional payments to BioLine would be required upon the achievement of various milestones that could aggregate up to $265.5 million. In addition, royalties will be paid should the product be approved for commercialization. The BCM technology agreement and obligations thereunder were assumed by Bellerophon as part of the Spin-Out.

(17) Related-Party Transactions

The Linde Group, or Linde, owned approximately 6% of Holdings as of December 31, 2014. The Company sells concentrated active pharmaceutical ingredient, delivery systems and service parts to

Linde or its affiliates. Related transactions with Linde or its affiliates for the year ended December 31, 2014 was as follows (in thousands):

	Year ended December 31, 2014
Sales of inventory	$ 10,542
Other (recorded as offset to cost of sales)	1,647
	$ 12,189

At December 31, 2014, the Company had a receivable balance of $1.8 million due from Linde, the vast majority of which has been collected subsequent to year end. During the year ended December 31, 2014, the Company purchased industrial gas supplies from Linde, received logistical support in certain regions outside the U.S. and reimbursed Linde for clinical trial support in Europe. The amount was immaterial in 2014. The transactions with Linde and its affiliates were made in the ordinary course of business.

(18) Geographic Information

The Company attributes net sales to an individual country based upon the location of its customer. The sales in other foreign countries represent sales in Australia, Japan, Mexico and to Linde in several South American and European countries. The Company's long-lived assets are primarily located in the United States.

Net sales by geographic area were (in thousands):

	Year ended December 31, 2014
United States	$ 318,098
Canada	12,790
Other foreign countries	26,859
	$ 357,747

(19) Commitments and Contingencies

Leases

The Company leases certain facilities and equipment, principally its corporate headquarters, regional service and distribution centers, fleet vehicles and office equipment under non-cancelable operating leases, expiring at various dates through 2021. Facility leases provide that the Company will pay operating expenses, which may include common area charges, insurance and taxes. Vehicle leases contain provisions that allow the Company to purchase vehicles at their fair market value. In October 2010, Ikaria entered into a ten-year lease agreement to rent office space for use as its corporate headquarters in Perryville, New Jersey, beginning in June 2011.

Minimum lease commitments by year, under non-cancelable operating leases, as of December 31, 2014 are as follows (in thousands):

2015	2016	2017	2018	2019	Thereafter	Total
$3,883	$3,727	$3,698	$2,731	$2,465	$5,955	$22,459

Total rental expense on all operating leases was $4.4 million, for the year ended December 31, 2014.

Litigation

The Company periodically becomes subject to legal proceedings and claims arising in connection with its business. The ultimate legal and financial liability of the Company in respect to all claims, lawsuits and proceedings cannot be estimated with any certainty. As of this report, any outcome, either individually or in the aggregate, is not expected to be material to the Company's financial position or results of operations.

Intellectual Property

The Company is involved in legal proceedings concerning its intellectual property rights. The inherent unpredictability of such proceedings means that there can be no assurances as to their ultimate outcome. A negative result in any such proceeding could potentially adversely affect the ability of the Company to sell its product or require the payment of substantial damages or royalties.

Compliance

The Company sells its products in various jurisdictions and is subject to federal, foreign, state and local taxes including, where applicable, sales and use tax. While the Company believes that it has properly paid or accrued for all such taxes based on its interpretation of applicable law, tax laws are complex and interpretations differ. Periodically, the Company may be audited by taxing authorities, and it is possible that additional assessments may be made in the future.

(20) Subsequent Events

The Company has evaluated events from the balance sheet date through March 23, 2015, the date at which the consolidated financial statements were available to be issued.

On March 5, 2015, Mallinckrodt plc and Compound Holdings II, Inc. entered into a definitive agreement under which a subsidiary of Mallinckrodt will acquire 100% of Compound Holdings II, Inc. and its subsidiaries from a Madison Dearborn Partners led investor group On February 12, 2015, the Company made a $60.0 million voluntary prepayment on its New First Lien Term Loan.

On February 3, 2015, the Company entered into an interest rate cap agreement for a notional amount of $500.0 million from November 9, 2015 through November 10, 2017, for approximately $0.3 million. The interest rate cap will pay incremental interest on the notional amount if LIBOR exceeds 4.0%. The interest rate cap agreement was not designated as a hedge for accounting purposes.

Effective January 1, 2015, the Company executed a Services Agreement with Bellerophon, by which Bellerophon would provide quality and regulatory support services to the Company for

$2.0 million. The period covered under this agreement is from the Spin-Out date of February 12, 2014 through February 8, 2016. During the year ended December 31, 2014, the Company recorded $0.9 million of expense related to this agreement.

On January 9, 2015, the Company entered into a collaboration agreement with Novoteris LLC (Novoteris) and certain other parties, whereby the Company agreed to provide Novoteris with drug and placebo supply, as well as a right to reference Company's NDA for INOmax, in support of Novoteris' program in cystic fibrosis (and possibly other indications). In consideration of Company's support, the Company received, among other things, rights to acquire the development programs and resulting regulatory approvals and clearances. In addition, the Company acquired certain development assets from a Novoteris related party, 12th Man, for $2.0 million.

During the week of January 5, 2015, Praxair Distribution, Inc. ("Praxair") filed two separate challenges to patents providing exclusivity for INOmax®. With respect to the first challenge, Praxair filed petitions seeking to initiate *Inter Partes* Review ("IPR") of five Ikaria, Inc. patents that provide protection for essential safety information relating to the administration of inhaled nitric oxide. In addition, on March 16, 2015, Praxair filed five additional petitions seeking to initiate IPR of five Ikaria, Inc. patents that provide protection for essential features of our INOmax DSIR.

With respect to the second challenge, Praxair filed an Abbreviated New Drug Application (ANDA) directed to 100 ppm and 800 ppm nitric oxide for inhalation. The Praxair ANDA contains a certification under 21 U.S.C. § 355(j)(2)(A)(vii)(IV) (known as a "Paragraph IV certification") that asserts that the claims of multiple patents owned by INO Therapeutics LLC, which are listed in the FDA *Orange Book* under INOmax®, are invalid, unenforceable, or not infringed. In addition, on March 16, 2015, Praxair filed five additional petitions seeking to initiate IPR of five Ikaria, Inc. patents that provide protection for essential features of our INOmax DSIR.

Ikaria received notice of the Paragraph IV certification on January 9, 2015. In view of the Certification, on February 19, 2015, Ikaria filed a lawsuit against Praxair in the United States District Court for the District of Delaware (*INO Therapeutics LLC and Ikaria, Inc. v. Praxair Distribution, Inc. and Praxair, Inc.*, Case No. 1:15-cv-00170). Because this lawsuit was filed within 45 days of receipt of the notice of Praxair's Certification, FDA will stay any final approval of Praxair's ANDA for the period prescribed by 21 U.S.C. 355(j)(5)(B)(iii) (i.e., 30 months), and any applicable extensions, absent a decision by the Court that the patents are invalid, unenforceable, or not infringed.

KPMG LLP
New Jersey Headquarters
51 John F. Kennedy Parkway
Short Hills, NJ 07078-2702

Independent Auditors' Report

The Board of Managers
Compound Holdings I, LLC and Ikaria, Inc.:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Ikaria, Inc. and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2014 (Successor Balance Sheet Date) and 2013 (Predecessor Balance Sheet Date), and the related consolidated statements of operations, comprehensive (loss) income, changes in stockholders' (deficit) (Predecessor), changes in stockholder's equity (Successor) and cash flows for the periods February 12, 2014 through December 31, 2014 (Successor Period), and January 1, 2014 through February 11, 2014 and the year ended December 31, 2013 (Predecessor Periods), and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly in all material respects, the financial position of Ikaria, Inc. and its subsidiaries as of December 31, 2014 (Successor
Balance Sheet Date) and 2013 (Predecessor Balance Sheet Date), and the results of their operations and their cash flows for the periods February 12, 2014 through December 31, 2014 (Successor Period) and January 1, 2014 through February 11, 2014 and the year ended December 31, 2013 (Predecessor Periods) in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in notes 1 and 4 to the consolidated financial statements, Ikaria, Inc. was acquired on February 12, 2014 by Compound Holdings I, LLC, who contributed its interest in Ikaria to Compound Holdings II, Inc. Compound Holdings II, Inc. is 100% owned by Compound Holdings I, LLC which is controlled by Madison Dearborn Capital Partners VI. The transaction was accounted for as a business combination and the assets acquired and liabilities assumed were recorded at fair value on February 12, 2014. The purchase accounting has been pushed down to Ikaria, Inc. as discussed in note 5 to the consolidated financial statements. Accordingly, the balance sheet of Ikaria, Inc. as of December 31, 2014 (Successor Balance Sheet Date) is on a different basis of accounting than the balance sheet of Ikaria, Inc. as of December 31, 2013 (Predecessor Balance Sheet Date). The consolidated statements of operations, comprehensive (loss) income, changes in stockholders' (deficit) (Predecessor), changes in stockholder's equity (Successor) and cash flows have been presented for the periods February 12, 2014 through December 31, 2014 (Successor Period), and January 1, 2014 through February 11, 2014 and the year ended December 31, 2013 (Predecessor Periods). The impact of the push-down of the purchase accounting is reflected in the Successor Period in the consolidated statements of operations, comprehensive (loss) income, changes in stockholder's equity and cash flows. Our opinion is not modified with respect to this matter.

KPMG LLP

Short Hills, New Jersey
March 23, 2015

IKARIA, INC.
CONSOLIDATED BALANCE SHEETS
December 31, 2014 and 2013
(Dollars in thousands, except share and per share amounts)

	Successor December 31, 2014	Predecessor December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	$ 98,942	$ 211,692
Time deposits	125	—
Accounts receivable, net of allowances of $1,145 and $947, respectively	64,633	67,814
Due from related parties	1,810	4,385
Inventories	51,565	7,949
Prepaid expenses and other current assets	3,233	4,396
Income tax receivable	14,860	7,539
Deferred tax assets	10,947	11,046
Total current assets	246,115	314,821
Property, plant and equipment, net	64,069	62,346
Goodwill and other intangibles, net	1,427,328	41,513
Deferred tax assets	—	99,860
Other assets	32,080	20,206
Total assets	$ 1,769,592	$ 538,746
Liabilities, Redeemable Preferred Stock and Stockholder's Equity / Stockholders' (Deficit)		
Current liabilities:		
Current portion of long-term debt	$ 69,822	$ 65,492
Accounts payable	11,109	17,735
Income tax payable	271	10,198
Other current liabilities	42,667	54,915
Total current liabilities	123,869	148,340
Long-term debt	1,092,330	908,298
Deferred tax liabilities	278,792	—
Other liabilities	495	30,965
Total liabilities	1,495,486	1,087,603
Commitments and contingencies (Note 21)		
Predecessor:		
Redeemable convertible preferred stock, $0.01 par value per share:		
Series A, liquidation value of $11,411	—	32,438
Series B, liquidation value of $356,775	—	356,777
Series C, liquidation value of $1	—	1
Total redeemable preferred stock	—	389,216
Stockholders' deficit:		
Common stock, $0.01 par value per share:		
Voting common stock, 3,733,081 shares issued and outstanding at December 31, 2014	—	37
Nonvoting common stock, 2,148,694 shares issued and outstanding at December 31, 2014	—	22
Additional paid-in capital	—	19,198
Accumulated deficit	—	(956,905)
Accumulated other comprehensive loss, net of tax	—	(425)
Total stockholders' deficit	—	(938,073)
Successor:		
Stockholder's equity:		
Common stock, $0.01 par value per share:		
Voting common stock, 1,000 shares issued and outstanding at December 31, 2014	—	—
Additional paid-in capital	405,871	—
Accumulated deficit	(131,561)	—
Accumulated other comprehensive loss, net of tax	(204)	—
Total stockholder's equity	274,106	—
Total liabilities, redeemable preferred stock and stockholder's equity / stockholders' (deficit)	$ 1,769,592	$ 538,746

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

IKARIA, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
For the periods February 12, 2014 through December 31, 2014 and January 1, 2014 through February 11, 2014, and the Year Ended December 31, 2013
(Amounts in thousands)

	Successor February 12, 2014 through December 31, 2014	Predecessor January 1, 2014 through February 11, 2014	Predecessor Year Ended December 31, 2013
Revenues:			
Net sales	$ 347,205	$ 47,910	$ 366,530
Sales to related parties	10,542	336	7,874
Total revenues	357,747	48,246	374,404
Operating expenses:			
Cost of sales	336,150	6,334	53,566
Selling, general and administrative	79,344	12,332	102,361
Research and development	29,947	8,603	93,722
Amortization of acquired intangibles	57,542	6	13,548
Merger transaction costs and expenses	—	64,744	4,311
Other operating (income) expense, net	(5,576)	294	4,922
Total operating costs and expenses	497,407	92,313	272,430
(Loss) income from operations	(139,660)	(44,067)	101,974
Other income (expense):			
Interest income	117	48	547
Interest expense	(71,843)	(9,468)	(57,936)
Loss on extinguishment of debt	—	—	(4,060)
Other expense, net	(71,726)	(9,420)	(61,449)
(Loss) income before income taxes	(211,386)	(53,487)	40,525
Income tax (benefit) expense	(79,825)	(20,041)	17,008
Net (loss) income	$ (131,561)	$ (33,446)	$ 23,517

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

IKARIA, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
For the periods February 12, 2014 through December 31, 2014 and January 1, 2014 through February 11, 2014, and the Year Ended December 31, 2013
(Amounts in thousands)

	Successor	Predecessor	Predecessor
	February 12, 2014 Through December 31, 2014	January 1, 2014 Through February 11, 2014	Year Ended December 31, 2013
Net (loss) income	$ (131,561)	$ (33,446)	$ 23,517
Foreign currency translation loss, net of tax	(204)	(85)	(759)
Comprehensive (loss) income	$ (131,765)	$ (33,531)	$ 22,758

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

IKARIA, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDER(S') (DEFICIT) EQUITY
For the periods February 12, 2014 through December 31, 2014 and January 1, 2014 through February 11, 2014, and the Year Ended December 31, 2013
(Amounts in thousands)

Predecessor:	Voting Common stock		Non-Voting Common stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Par value	Shares	Par value				
Balance at December 31, 2012	3,733	$ 37	1,960	$ 20	$ 5,621	$ (490,432)	$ 334	$ (484,420)
Net income	—	—	—	—	—	23,517	—	23,517
Exercise of stock options	—	—	1	—	3	—	—	3
Stock-based compensation	—	—	—	—	12,413	—	—	12,413
Settlement of stock options, net of $517 tax benefit	—	—	—	—	(2,436)	—	—	(2,436)
Shares issued from vesting and release of restricted stock units and related payroll taxes	—	—	188	2	(125)	—	—	(123)
Cash dividends declared ($4.72 per share)	—	—	—	—	(8,759)	(435,498)	—	(444,257)
Tax detriment associated with stock options and restricted stock units	—	—	—	—	(955)	—	—	(955)
Special dividend bonus accrued and tax benefit on special dividend bonus paid	—	—	—	—	13,436	(54,492)	—	(41,056)
Foreign currency translation loss, net of $402 tax benefit	—	—	—	—	—	—	(759)	(759)
Balance at December 31, 2013	3,733	37	2,149	22	19,198	(956,905)	(425)	(938,073)
Net loss	—	—	—	—	—	(33,446)	—	(33,446)
Stock-based compensation	—	—	—	—	17,097	—	—	17,097
Distribution of Bellerophon net assets to Ikaria stockholders, including tax impact of $12,951	—	—	—	—	(33,615)	(54,822)	—	(88,437)
Tax detriment on special dividend bonus	—	—	—	—	(152)	—	—	(152)
Net tax detriment for the settlement of restricted stock units and stock options	—	—	—	—	(2,528)	—	—	(2,528)
Foreign currency translation loss, net of $33 tax benefit	—	—	—	—	—	—	(85)	(85)
Balance at February 11, 2014	3,733	$ 37	2,149	$ 22	$ —	$(1,045,173)	$ (510)	$(1,045,624)

Successor:	Voting Common Stock		Additional Paid-in Capital	Accumulated Comprehensive Deficit	Accumulated Other Income (Loss)	Total
	Shares	Par value				
Initial capitalization representing the fair vale of net assets acquired less liabilities assumed at February 12, 2014	1	$ —	$ 611,726	$ —	$ —	$ 611,726
Push-down of incremental debt to Ikaria, net of original interest discount and debt costs	—	—	(183,572)	—	—	(183,572)
Settlement of merger related activities by Compound Holdings II, Inc., net	—	—	(24,904)	—	—	(24,904)
Net loss	—	—	—	(131,561)	—	(131,561)
Stock-based compensation	—	—	2,621	—	—	2,621
Foreign currency translation loss, net of $124 tax benefit	—	—	—	—	(204)	(204)
Balance at December 31, 2014	1	$ —	$ 405,871	$ (131,561)	$ (204)	$ 274,106

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

IKARIA, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the periods February 12, 2014 through December 31, 2014 and January 1, 2014 through February 11, 2014, and the Year Ended December 31, 2013
(Amounts in thousands)

	Successor February 12, 2014 Through December 31, 2014	Predecessor January 1, 2014 Through February 11, 2014	Predecessor Year Ended December 31, 2013
Cash flows from operating activities:			
Net (loss) income	$ (131,561)	$ (33,446)	$ 23,517
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Amortization of intangible assets	57,544	6	13,548
Depreciation	12,485	2,097	11,467
Amortization of deferred financing costs and discount	5,691	1,008	5,689
Cost of sales non-cash	287,737	—	—
Stock-based compensation	2,621	17,097	13,900
Loss on extinguishment and modification of debt	—	—	4,060
Loss on property, plant and equipment, net	650	—	107
Deferred taxes	(82,790)	(19,664)	(667)
Other non-cash items, net	(532)	36	3,268
Changes in operating assets and liabilities:			
Accounts receivable	6,543	(3,558)	(11,589)
Income tax receivable	(7,419)	—	—
Due from related parties	(341)	2,917	2,777
Inventories	(4,525)	(517)	(3,191)
Prepaid expenses, other current assets and other assets	(604)	993	(5,589)
Accounts payable and other current liabilities	(17,892)	42,239	9,357
Deferred revenue and customer advances	(356)	(83)	(235)
Income tax payable	(12,098)	(183)	2,484
Other liabilities	467	(2,798)	1,161
Net cash provided by operating activities	115,620	6,144	70,064
Cash flows from investing activities:			
Capital expenditures	(8,542)	(663)	(10,133)
Proceeds from the sale of property, plant and equipment	42	—	19
Purchase of short term securities	(125)	—	—
Net cash used in investing activities	(8,625)	(663)	(10,114)
Cash flows from financing activities:			
Proceeds from borrowings	—	—	840,402
Debt issuance costs	(106)	—	(22,076)
Repayments of debt	(55,295)	—	(217,038)
Dividends paid	—	—	(444,257)
Distribution of Bellerophon to Ikaria stockholders	—	(80,000)	—
Special dividend bonus paid	(34,725)	(2,568)	(37,833)
Settlement of Ikaria stock options and restricted stock units	(29,810)	—	—
Distribution to Compound Holdings II, Inc. for settlement of merger related activities	(22,281)	—	—
Tax (expense) benefit on special dividend bonus paid	—	(152)	13,436
Stock option settlement	—	—	(4,439)
Proceeds from exercise of stock options	—	—	3
Excess tax benefits pertaining to exercise of stock options, vesting and release of restricted stock units and settlement of stock options	—	—	517
Net cash (used in) provided by financing activities	(142,217)	(82,720)	128,715
Effect of exchange rates on cash	(204)	(85)	(1,666)
Net (decrease) increase in cash and cash equivalents	(35,426)	(77,324)	186,999
Cash and cash equivalents, at beginning of period	134,368	211,692	24,693
Cash and cash equivalents, at end of period	$ 98,942	$ 134,368	$ 211,692
Supplemental disclosures of cash flow information:			
Interest paid	$ 55,598	$ 9,556	$ 52,210
Income taxes paid, net of refunds	22,270	—	7,045
Noncash investing activity:			
Capital expenditures incurred, not yet paid	$ 574	$ —	$ 94
Noncash financing activities:			
Distribution of net liabilities of Bellerophon to Ikaria shareholders	$ —	$ 4,514	$ —
Payment of additional debt costs by Compound Holdings II, Inc	2,363	—	—
Push down of incremental debt, net of OID & debt costs from Compound Holdings II, Inc	(183,572)	—	—
Liabilities paid by Compund Holdings II, Inc	24,824	—	—

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

(1) Organization and Nature of the Business

On March 28, 2007, Ikaria, Inc. ("Ikaria" or the "Company"), was founded.

Ikaria provides products for and conducts research aimed at critically and/or acutely ill patients in hospitals and outpatient settings. The Company's primary product offering is the INOMAX therapy package, which includes the drug INOMAX® (nitric oxide) for inhalation, the only pharmaceutical treatment approved by the U.S. Food and Drug Administration, or FDA, for the treatment of hypoxic respiratory failure, or HRF, associated with pulmonary hypertension in term and near-term infants, INOcal® calibration gas, use of a proprietary FDA-cleared delivery system, distribution, emergency delivery, technical and clinical assistance, quality maintenance, on-site training and 24/7/365 customer service. INOMAX is manufactured and packaged at the Company's drug manufacturing facility in Louisiana, with a backup manufacturing facility in Texas. The Company's current generation of delivery systems for INOMAX is manufactured at the Company's device facility in Wisconsin. The Company distributes INOMAX and its delivery systems to its customers in the United States through its five regional service and distribution centers and supplements distribution with third-party logistics services providers. The Company distributes its products in other countries through distributors and third-party logistics services providers.

In the United States, INOMAX and its delivery systems are protected by a portfolio of patents, some of which are listed in the FDA Orange Book and expire as late as January 6, 2031. Certain patents have pediatric exclusivity periods extending six months after the patent expiration date. The last exclusivity period ends on July 6, 2031. In January 2013, all remaining licensed U.S. patents expired, eliminating Ikaria's required royalty payments in respect of sales in the U.S. The Company also recognizes revenue from the sale of drug delivery systems in Europe and South America and revenue from sales of Terlipressin, marketed as Lucassin in Australia. The Company is also subject to risks common to companies in similar industries and stages of development, including, but not limited to: competition from larger companies, protection of proprietary technology, compliance with government regulations, reliance on one primary manufacturing site, new technological innovations, the ability to acquire, license or successfully develop new products, dependence on key personnel, and reliance on third-party service providers and vendors.

On February 12, 2014, Compound Holdings I, LLC ("Holdings I") acquired Ikaria and contributed its interests in Ikaria to Compound Holdings II, Inc. ("Holdings II") upon the completion of a series of transactions initiated pursuant to an agreement and plan of merger ("Merger"), entered into on December 24, 2013 between Ikaria and Madison Dearborn Partners ("MDP"). The transaction included (i) the distribution ("Spin-Out"), of Ikaria's research and development (R&D) Business, that is, Bellerophon Therapeutics LLC ("Bellerophon") to existing Ikaria stockholders through a special dividend prior to the Merger and (ii) the execution of a New First Lien Term Loan, New Second Lien Term Loan and New Revolving Credit facility (collectively the "February 2014 Financing Activities"), for purposes of funding a portion of the acquisition purchase price and related transactions costs and expenses, the repayment of Ikaria's existing First Lien Term Loan, Second Lien Term Loan and Term Loan A, the extinguishment of Ikaria's existing Revolving Credit facility, and the payment of related debt costs and expenses, including the prepayment premium payable that was incurred in connection with the repayment of Ikaria's existing debt.

As a result of the Merger, (i) Ikaria became a wholly-owned subsidiary of Holdings II, an entity wholly-owned by Holdings I, (ii) MDP retained a majority ownership position in Holdings I and (iii) accredited investors of Ikaria received a minority ownership position in Holdings I. For additional

details regarding the Merger, Spin-Out and the February 2014 Financing Activities, see Note 4—*Bellerophon Spin-Out and Merger* and Note 10—*Debt*.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying consolidated financial statements are presented as "Predecessor" or "Successor" to indicate whether they relate to the periods preceding the Merger (Predecessor) or the period succeeding the Merger (Successor), respectively, and have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP"). The accounts of all wholly-owned subsidiaries of Ikaria are included in the consolidated financial statements. The accounts of Holdings I and Holdings II are not included. All intercompany balances and transactions between Ikaria and its subsidiaries have been eliminated in consolidation.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported and the disclosure of contingent assets and liabilities. Estimates are used for, among other things, the valuation of assets acquired and liabilities assumed in business combinations, valuation of common and preferred stock (Predecessor), stock-based compensation, income tax provision and the valuation of deferred tax assets. Estimates are also used to determine the remaining economic lives and recoverability of fixed assets and intangible assets, including goodwill and in-process research and development assets. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. Actual results could differ from those estimates.

The consolidated financial statements as presented reflect certain reclassifications from previously issued financial statements to conform to the current year presentation.

Holdings I and Holdings II have accounted for the acquisition of Ikaria in their respective consolidated financial statements as a business combination utilizing the acquisition method of accounting and have pushed down acquisition accounting adjustments onto the books of Ikaria. This method requires that identifiable assets acquired and liabilities assumed or incurred in a business combination be recognized at their respective fair values as of the acquisition date and that in-process research and development be recorded at fair value on the balance sheet. See Note 5—*Purchase Price Allocation* for additional details.

(b) Changes in Capital Structure

In connection with the Merger, each outstanding share of common stock, Series A, Series B and Series C Preferred stock were settled; see Note 4—*Bellerophon Spin-Out and Merger.* One thousand shares of Ikaria Voting Common Stock, par value of $0.01 per share, were issued to Holdings II at the time of the Merger.

(c) Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity date of three months or less to be cash equivalents.

(d) Time Deposits

Time deposits consist of fixed-term deposits with maturities greater than three months but less than one year. These deposits are recorded at cost, which approximates fair value.

(e) Accounts Receivable

Accounts receivable are primarily due from hospitals. At December 31, 2014 and 2013, the Company had $9.0 million and $7.5 million, respectively, of unbilled net receivables related to goods and services taxes that are remittable to government authorities that are excluded from revenues; see Note 9—*Other Current Liabilities* for additional details. Accounts receivable include an allowance for doubtful accounts. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable. The Company evaluates the collectability of its receivables based on historical experience and the length of time the receivable is past due. Account balances are charged against the allowance after reasonable means of collection have been exhausted and the potential for recovery is considered remote. Accounts receivable also include allowances for customer credits, which are discussed in Note 2(m), *Revenue Recognition*. See Note 19—*Related-Party Transactions*, for a discussion of amounts due from related parties.

(f) Inventories

Inventories are stated at the lower of cost or market using the first-in, first-out method. During the fourth quarter of 2013, the Company implemented a standard costing system for its inventory. Standard costs approximate actual costs. Standard costs are updated once annually, unless actual costs dictate an update sooner than once annually. The Company periodically reviews inventory quantities on hand in order to identify excess and obsolete inventory and also writes down inventories for the difference between the carrying value of the inventory and its estimated market value.

(g) Property, Plant and Equipment

Property, plant and equipment are recorded at acquisition cost, which for internally developed assets includes labor, materials and overhead. Additions and improvements that increase the value or extend the life of an asset are capitalized. Repairs and maintenance costs are expensed as incurred.

Depreciation is computed using the straight-line method over the estimated useful lives described below:

Asset description	Estimated Useful Life (years)
Buildings and improvements	5 – 25
Machinery, equipment and furniture	3 – 15

Leasehold improvements are amortized using the straight-line method over their estimated useful lives or the remaining term of the lease, whichever is shorter.

(h) Impairment of Long-Lived Assets

Long-lived assets, such as property, plant and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying

amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be sold are no longer depreciated and are reclassified outside of property, plant and equipment at the lower of the carrying amount or fair value less costs to sell.

(i) Goodwill and Intangible Assets

Goodwill represents the excess of purchase price over the fair value of net assets acquired. The amortizable intangible assets primarily relate to core developed technology, customer relationships, and international distributor relationships and are amortized over their estimated useful lives on a straight-line basis. Our indefinite-lived intangible assets relate to our trademarks and tradenames and in-process research and development ("IPR&D") projects that have not established technological feasibility, and are not amortized. If an IPR&D project has a successful completion, the Company will make a separate determination of the estimated useful life of the IPR&D asset and the related amortization will be recorded as an expense over the estimated useful life. The Company reevaluates the estimated useful lives of its intangible assets annually.

Goodwill and other indefinite-lived intangible assets are not amortized and are tested annually for impairment or between the annual tests if an event or change in circumstance occurs that would more likely than not reduce the fair value of the asset below its carrying amount. The IPR&D assets are subject to annual impairment testing until completion or abandonment of the projects, or between the annual tests if an event or change in circumstance occurs that would more likely than not reduce the fair value of the asset below its carrying amount.

To test goodwill and intangible assets with indefinite lives for impairment, the Company first performs a qualitative assessment to determine whether it is more likely than not that it is impaired as a basis for determining whether it is necessary to perform the quantitative impairment test.

(j) Stock-Based Compensation

The Company recognizes the fair value of stock-based compensation as expense over the requisite service period of the individual grants, which generally equals the vesting period. See Note 16—*Stock Plans* for a discussion of stock-based compensation expense.

(k) Income Taxes

Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled.

The Company recognizes the benefit of an uncertain tax position that it has taken or expects to take on income tax returns it files if such tax position is more likely than not to be sustained on examination by the taxing authorities, based on the technical merits of the position. These tax benefits are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution. The liability for unrecognized tax benefits is classified as non-current unless the liability is expected to be settled in cash within twelve months of the reporting date.

(l) Derivative Financial Instruments

The Company carries derivative instruments on the consolidated balance sheets at their fair value. Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a fair-value hedge along with changes of the fair-value of the hedged asset or liability that are attributable to the hedged risk are recorded in current-period results. Changes in the fair value of a derivative that is highly effective, and that is designated and qualifies as a cash-flow hedge are recorded in accumulated other comprehensive income, or AOCI, and reclassified into earnings in the same period the hedged transaction affects earnings. Any hedge ineffectiveness is included in current-period results. The Company discontinues hedge accounting prospectively when the derivative is no longer effective in offsetting cash flows attributable to the hedged risk, the derivative expires or is sold, terminated, or exercised, the cash flow hedge is de-designated because a forecasted transaction is not probable of occurring, or management determines to remove the designation of the cash flow hedge. In situations in which hedge accounting is discontinued and the derivative remains outstanding, the Company continues to carry the derivative at its fair value on the consolidated balance sheets and recognizes any subsequent changes in its fair value in earnings. When it is probable that a forecasted transaction will not occur, the Company discontinues hedge accounting and recognizes immediately in earnings gains and losses that were accumulated in AOCI related to the hedging relationship. In certain circumstances, the Company may enter into a derivative contract that does not qualify as a hedge or may choose not to designate it as a fair-value or a cash-flow hedge; in such cases, changes in fair value are recorded in current-period results.

(m) Revenue Recognition

INOMAX therapy consists of multiple elements, but is accounted for as a single unit of accounting. In 2013, the Company modified its tier-based billing model. Under the new billing model, which was fully implemented by April 1, 2013, customers can select from three contract options over a set period of time, the majority of which are one year, and some are multi-year. These include: (i) an option which offers unlimited access to INOMAX therapy for a fixed fee, (ii) a capped tier option offering a contracted number of hours of INOMAX for a fixed fee and (iii) a price-per-hour model.

For customers on the price-per-hour model, revenue is recognized based on actual meter readings at the applicable hourly price. For customers on the unlimited access and the capped-tier option, the Company provides services on a continual basis and, therefore, assuming the customer is provided with sufficient access to INOMAX therapy, revenue is recognized on a straight-line basis over the contract term. For any hours that exceed the limit imposed by the capped tier during the contract term, revenue is recognized based on actual meter readings at the applicable hourly price for the remainder of the contract period, as well as the continued straight-line revenue over the remaining contract term.

Previously the Company had all the options offered above and two additional capped tier options offering increasing allocations of hours of INOMAX use for a fixed fee. Revenue for these top two capped tiers was recognized on a straight-line basis subject to the option of moving to the next lower tier if their usage was below a specified level following the eighth month of the contract. In this case, the customer was billed an adjusted monthly fee for the remainder of the contract such that the total cost of the INOMAX therapy service agreement was equal to the cost of the lower tier. As a result, revenue from each of these customers was recognized monthly as if it was contracted at the lower tier and the incremental revenue was deferred until the earliest to occur, if any, of (i) the customer’s hours exceeding the set cap for the lower tier and, therefore, the ability to move down one tier was eliminated, (ii) the customer electing to stay at the initially selected tier or (iii) the expiration of the time

period for which the customer could move to a lower tier in the tenth month of the contract term. For those customers that moved to a lower tier, the incremental revenue that was deferred was recorded as a customer deposit liability. As a result of the elimination of these two capped tier options in 2013, the Company no longer has deferred revenue.

INOMAX therapy revenue is recorded net of expected customer credits related to meter adjustments. At both December 31, 2014 and 2013, allowances for credits were $0.5 million.

Taxes collected from customers and remitted to governmental authorities are excluded from revenues.

Recognition of revenue requires the price to the buyer is fixed or determinable, reasonable assurance of collection of sales proceeds, and completion of all performance obligations. Revenues from the sale of Terlipressin are recognized when title and risk of loss passes to the customer. Provisions for discounts are provided for in the same period the related sales are recorded. Similarly, revenues from the sale of delivery systems to a related party are recognized when title and risk of loss passes to the customer.

(n) Foreign Currency

The Company has subsidiaries in Canada, Australia and Japan. The local currencies of these subsidiaries have been determined as the functional currencies. Results of operations are translated from the functional currency into U.S. dollars using the average currency rate for the period, which approximates the results that would be obtained using actual currency rates on the dates of individual transactions. Assets and liabilities are translated to their U.S. dollar equivalents at the rate in effect at the balance sheet date. Adjustments resulting from translation are excluded from the results of operations and are recorded as a component of AOCI.

Foreign currency transaction gains and losses arise from receivables and payables that are denominated in a currency other than the functional currency. Transaction gains and losses included in other operating expense (income), net in the Company’s results of operations were net losses of $0.8 million for the period February 12, 2014 through December 31, 2014 (Successor) and $0.1 million and $1.9 million for the period January 1, 2014 through February 11, 2014 (Predecessor) and the year ended December 31, 2013 (Predecessor), respectively.

(o) Research and Development

Research and development costs are expensed as incurred. These expenses include the costs of the Company’s proprietary research and development efforts, as well as costs incurred in connection with certain licensing arrangements. Upfront and milestone payments made to third parties in connection with research and development collaborations are expensed as incurred up to the point of regulatory approval. Payments made to third parties upon or subsequent to regulatory approval are capitalized and amortized over the remaining useful life of the related product. The Company also expenses the cost of purchased technology and equipment in the period of purchase if it believes that the technology or equipment has not demonstrated technological feasibility and it does not have an alternative future use. Nonrefundable advance payments for goods or services that will be used or rendered for future research and development activities are deferred and capitalized. These amounts are recognized as research and development expense as the related goods are delivered or the related services are performed.

(p) Purchase Accounting

The Merger has been accounted for in accordance with the provisions of Accounting Standards Codification Topic 805, *Business Combinations*, whereby the purchase price paid to effect the Merger has been allocated to the acquired assets and liabilities at fair value. The impact of the purchase accounting has been pushed down to the Company's consolidated financial statements. The Company presents its contingent transaction costs and expenses in the acquiree's Predecessor Period.

(3) Recent Accounting Standards

In November 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-17, "Business Combinations (Topic 805): Pushdown Accounting." The amendments in the ASU provide an acquired entity with an option to apply pushdown accounting in its separate financial statements upon occurrence of an event in which an acquirer obtains control of the acquired entity. An acquired entity may elect the option to apply pushdown accounting in the reporting period in which the change-in-control event occurs. An acquired entity should determine whether to elect to apply pushdown accounting for each individual change-in-control event in which an acquirer obtains control of the acquired entity. If pushdown accounting is not applied in the reporting period in which the change-in-control event occurs, an acquired entity will have the option to elect to apply pushdown accounting in a subsequent reporting period to the acquired entity's most recent change-in-control event. An election to apply pushdown accounting in a reporting period after the reporting period in which the change-in-control event occurred should be considered a change in accounting principle in accordance with Topic 250, Accounting Changes and Error Corrections. If pushdown accounting is applied to an individual change-in-control event, that election is irrevocable. The amendments in this ASU are effective on November 18, 2014. After the effective date, an acquired entity can make an election to apply the guidance to future change-in-control events or to its most recent change-in-control event. However, if the financial statements for the period in which the most recent change-in-control event occurred already have been issued or made available to be issued, the application of this guidance would be a change in accounting principle. The Company has elected to adopt ASU 2014-17 in the current set of consolidated financial statements. The impact of this ASU is recorded throughout the financial statements and discussed further in Note 5—Purchase Price Allocation.

In addition, the following accounting standards were issued by the FASB, but have not yet been adopted by the Company.

Income Taxes

In July 2013, the FASB issued ASU No. 2013-11, *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*. The amendment in this update contains guidance to address the diversity in practice related to the financial statement presentation of unrecognized tax benefits either as a reduction of a deferred tax asset or as a liability when a net operating loss carryforward, a similar tax loss or a tax credit carryforward exists and requires that the unrecognized tax benefit, or a portion of such unrecognized tax benefit, be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except in certain situations, as defined in the guidance. This guidance is effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2014. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

Goodwill

In January 2014, the FASB issued ASU No. 2014-02, *Accounting for Goodwill.* The amendments in this update permit an entity other than a public business or not-for-profit entity to amortize goodwill on a straight-line basis over 10 years or less than 10 years if the entity demonstrates that another useful life is more appropriate. Furthermore, an entity that elects this accounting alternative is further required to make an accounting policy election to test goodwill for impairment at either the entity level or the reporting unit level. Goodwill would be tested for impairment when a triggering event occurs that indicates that the fair value of an entity (or reporting unit) may be below its carrying amount. The accounting alternative, if elected, should be applied prospectively to goodwill existing as of the beginning of the period of adoption and new goodwill recognized in annual periods beginning after December 15, 2014, and interim periods within annual periods beginning after December 15, 2015. Early application is permitted, including application to any period for which the entity's annual or interim financial statements have not yet been made available for issuance. The Company has not elected this accounting guidance and will not amortize goodwill.

Revenue from Contracts with Customers

In May 2014, the FASB issued guidance to clarify the principles for recognizing revenue and to develop a common revenue standard for GAAP and International Financial Reporting Standards. The standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes the most current revenue recognition guidance. This guidance is effective for fiscal years and interim periods within those years beginning after December 15, 2017, which is effective for the Company as of the first quarter of fiscal year 2018 using one of two retrospective application methods. The Company is evaluating the application methods and the impact of adopting this new accounting guidance on its consolidated financial statements.

(4) Bellerophon Spin-Out and Merger

As discussed in Note 1—*Organization and Nature of the Business*, on December 24, 2013, Ikaria and MDP entered into the Merger. The Merger, Spin-Out and February 2014 Financing Activities were completed on February 12, 2014. The total Merger cost was $611.7 million, which was comprised of $431.0 million of cash paid to Ikaria stockholders and $180.7 million of equity interests in Holdings I issued to Ikaria stockholders.

At the time of the Merger, certain assumed Company liabilities were paid, including (at fair values) $998.6 million of debt and accrued interest, $34.7 million of special dividend bonus plan obligations, $22.4 million of employee bonuses, $11.1 million of long-term incentive plan (LTIP) obligations, $21.6 million of transaction expenses and $2.3 million of other payroll expenses. The Company recorded $17.5 million of contingent transactions costs and expenses, related to investment banks fees which were contingent on the closing of the Merger, in the Predecessor Period.

These payments were funded through new cash investments of $231.3 million (received by Holdings I from MDP and certain members of management of Ikaria), $134.4 million of cash on hand at Ikaria and $1,179.5 million of net borrowings from the new credit facility ($890 million New First Lien Term Loan and $330 million New Second Lien Term Loan, offset by $40.5 million original issue discount and financing expenses).

Equity Modifications

Stock Options

On February 12, 2014, immediately prior to the Spin-Out, each outstanding Ikaria stock option was modified to become fully vested and bifurcated into an option to acquire shares of Ikaria non-voting common stock, or an Adjusted Ikaria Option, and an option to acquire non-voting limited liability company equity interests of Bellerophon, or a Bellerophon Option. The exercise price per option was adjusted by allocating the relative post Spin-Out fair values of Ikaria, Inc. and Bellerophon Therapeutics, LLC in a ratio of 85% and 15%, respectively, reflecting the relative estimated fair value of each entity at the time. As a result of the modification, the Company recorded $0.3 million of incremental share based compensation expense. The options expiry date was not modified.

Restricted Stock Units

Each Ikaria restricted stock unit (“RSU”) was modified to become fully vested and bifurcated to become an RSU for a share of Ikaria non-voting common stock (“Adjusted Ikaria RSU”), and an RSU for a non-voting limited liability company equity interest in Bellerophon (“Bellerophon RSU”).

Bellerophon Spin-Out

On February 12, 2014 prior to the Merger, Ikaria distributed net assets of Bellerophon of $75.4 million to existing Ikaria stockholders. The distribution was comprised of $80.0 million of cash and $4.6 million of net liabilities. In addition, the Company recorded a $13.0 million charge to additional paid-in-capital related to tax on the gain on the Spin-Out. Ikaria Common, Series A and Series B Preferred stockholders received one share of non-voting limited liability company equity interest in Bellerophon for each share outstanding. Ikaria Series C Preferred stockholders received one share of non-voting limited liability company equity interest in Bellerophon for three Series C Preferred outstanding shares. Holders of Bellerophon RSUs received one share of non-voting limited liability company equity interest in Bellerophon for each Bellerophon RSU. Bellerophon Options are fully vested and expire based on the original expiry date. There were 15,750 options held by non-employee non-accredited investors which were settled in cash. Since the Spin-Out occurred prior to the Merger, for ease of reference, it has been reflected in the Predecessor Period (January 1, 2014 through February 11, 2014) as if it occurred on the evening of February 11, 2014.

Settlement of Equity

In connection with the Merger, each outstanding share of Ikaria Common, Series A and Series B Preferred held by accredited investors was settled with consideration value of $5.89 per share, in the form of 0.178 units of Holdings I valued at $1.78, $3.76 in cash and $0.35 in escrowed cash to be settled later. Each share of Ikaria Series C Preferred was settled for consideration with a value of $1.96, in the form of 0.059 units of Holdings valued at $0.59, $1.25 in cash and $0.12 in escrowed cash to be settled later. For non-accredited investors, each share of Ikaria Common was settled for $5.39 in cash and $0.50 in escrowed cash to be settled later. There were no non-accredited investors holding Series A, Series B or Series C Preferred stock.

For accredited investors, each in-the-money Adjusted Ikaria Option (with strike prices of $5.28 and below) was settled for $5.89, less the adjusted exercise price per option, in the form of Holdings I non-voting units, cash, escrowed cash to be settled later and non-voting limited liability membership equity interest in Bellerophon. For non-accredited investors, each in-the-money Adjusted Ikaria Option

was settled for $5.89, less the adjusted exercise price per option, in the form of cash and escrowed cash to be settled later. All out-of-the-money options were cancelled.

For accredited investors, each Adjusted Ikaria RSU was settled with consideration value of $5.89, in the form of 0.178 Holdings I units valued at $1.78, $3.76 in cash and $0.35 in escrowed cash to be settled later. For non-accredited investors, each Adjusted Ikaria RSU was settled with consideration value of $5.89, in the form $5.39 in cash and $0.50 in escrowed cash to be settled later.

In connection with the Merger, all amounts due under the long term incentive plan and special dividend plan became vested and were assumed by Holdings II and settled in cash by Ikaria on February 12, 2014 or shortly thereafter for $11.1 million and $34.7 million, respectively. In addition, approximately $20.4 million of cash compensation bonuses were assumed and subsequently settled in cash, which were contingent upon the closing of the Merger.

Merger Transaction Costs and Expense

During the period January 1, 2014 through February 11, 2014, the Company incurred $64.7 million of merger transaction costs and expenses, consisting of $19.3 million transaction expenses, $15.7 million share based compensation expense from acceleration of options and RSUs as a result of the change in control, pursuant to the original terms of the option and RSU plans, $20.4 million employee bonuses expense, $8.1 million accelerated long term incentive plan expense, $0.5 million payroll tax expense and $0.7 million of other transaction expenses. The Company elected a policy of recording all such expenses in the Predecessor Period since there was no service required subsequent to the Merger. During the year ended December 31, 2013, the Company recorded merger transactions costs of $4.3 million, consisting of $2.3 million transactions expenses and $2.0 million employee bonuses expense.

Transition Services Agreement

In connection with the Spin-Out, Ikaria provides certain transition services to Bellerophon for a two year period pursuant to a Transition Services Agreement, which services include executive management, human resources, real estate, information technology, accounting, finance, legal, quality and regulatory support for $18.5 million plus out of pocket expenses, which is being recognized as other operating income ratably over the period. During the period February 12, 2014 through December 31, 2014, the Company recognized income of $8.2 million in other operating (income) expense related to this agreement.

(5) Purchase Price Allocation

The Merger and the allocation of the purchase price have been recorded for accounting purposes as of February 12, 2014. In connection with the purchase price allocation, the Company has determined the fair values of acquired assets and liabilities assumed and related deferred income taxes as of the acquisition date. As of December 31, 2014, the purchase price allocation has been finalized.

The fair value of the total consideration transferred amounted to $611.7 million, consisting of $431.0 million of cash and $180.7 million of equity interests of Holdings I. As of December 31, 2014, $28.7 million was held in escrow. In February 2015, $1.2 million was paid to the escrow from Holdings II for certain tax recoveries and $28.9 million was paid to Ikaria stockholders. There is

$1.0 million held in escrow for final stockholder expenses to settle in the future. The $28.9 million and $1.0 million have been included in the cash purchase price of $431.0 million.

The fair value of tangible and intangible assets acquired and liabilities assumed was established based upon appraisals as well as estimates of fair value utilizing projections of sales, costs and appropriate discount rates among other assumptions. The fair value of inventory was valued based on the estimated selling prices of INOMAX therapy less direct costs to sell and distribute the inventory and a reasonable profit margin on those costs. The fair value of the core developed technology was based on the discounted cash flow method. The IPR&D was based on estimates of discounted future cash flows associated with various projects less estimated costs to develop the technologies. Acquired trademarks and trade names were valued using the relief from royalty method. The purchase price has been allocated, and pushed down to Ikaria, as follows (in thousands):

Assets acquired:	
Cash	$ 134,368
Inventory	334,899
Goodwill	457,872
Intangible assets	1,027,000
Other assets, current and non-current	143,352
Total assets acquired	$2,097,491
Liabilities assumed:	
Other liabilities, current and non-current	$ 48,513
Seller expenses	22,138
Deferred tax liabilities, net	342,463
Liabilities settled at closing	73,204
Financing agreement	3,479
Debt extinguished at closing	995,968
Total liabilities assumed	$1,485,765
Net assets acquired	$ 611,726
Consideration paid	
Cash consideration	$ 431,038
Equity instruments issued (by Holdings I)	180,688
Total consideration	$ 611,726

Total intangible assets are $1,027.0 million of which $756.0 million is comprised of Core developed technology for the marketed product INOMAX, which includes the drug INOMAX and drug delivery system. The fair value of inventories acquired included a step-up in the value of inventories of $326.4 million, of which $287.7 million was expensed as cost of sales during the period February 12, 2014 through December 31, 2014 (Successor) and the remaining $38.7 million is expected to be expensed in cost of sales during the first quarter of 2015. The fair value of property, plant and equipment acquired included a step-up in the value of $9.2 million; depreciation will be recognized using a straight-line method over the estimated remaining useful lives. The debt extinguished at closing was adjusted to fair value in purchase accounting by $25.3 million for a prepayment penalty and the remaining original issue discount and generated a deferred tax asset of $17.9 million. In addition, a deferred tax asset of $15.7 million was established in purchase accounting for the tax attributes related to stock-based compensation excess tax benefits generated in the Predecessor Period that could not be recorded due to the loss in that period. Long-term deferred tax liabilities resulted from the difference between the book basis (fair value) and tax basis (existing basis) of identifiable intangible assets, fixed

assets and inventory. The deferred taxes were calculated as the product of the excess book basis over the tax basis and the statutory tax rate for the jurisdiction in which the deferred taxes exist. The goodwill of $458 million arising from the Merger relates to intangible assets that do not qualify for separate recognition, including Ikaria's work force. Goodwill and the step-ups in fair value of amortizable and indefinite-live intangible assets, property plant and equipment and inventory arising from the Merger are not tax deductible, since for tax purposes, the assets have carryover basis.

(6) Inventory

Inventories consist of the following (in thousands):

	Successor December 31, 2014	Predecessor December 31, 2013
Replacement parts and raw materials	$ 8,012	$ 3,941
Work in process	16,767	1,416
Finished goods	26,786	2,592
	$ 51,565	$ 7,949

For inventories acquired at the time of the Merger, $38.7 million of step-up in value remains at December 31, 2014, which is expected to be expensed in cost of sales during the first quarter of 2015.

(7) Property, Plant and Equipment

Property, plant and equipment and accumulated depreciation consist of the following (in thousands):

	Successor December 31, 2014	Predecessor December 31, 2013
Land and improvements	$ 2,349	$ 839
Building and improvements	11,471	13,214
Machinery, equipment and furniture	59,830	109,769
Construction in progress	2,709	3,307
	76,359	127,129
Less accumulated depreciation	(12,290)	(64,783)
	$ 64,069	$ 62,346

(8) Intangible Assets

The Company's intangible assets are summarized below (dollars in thousands):

Successor:

December 31, 2014	Useful life (in years)	Carrying Amount	Accumulated Amortization	Carrying Amount
Nonamortizable intangibles:				
Trademarks and trade names	Indefinite	$ 57,000	$ —	$ 57,000
Goodwill	Indefinite	457,872	—	457,872
In-process research and development:				
INOmax—Next Generation Device	Indefinite	50,000	—	50,000
Japan Cardiovascular	Indefinite	7,000	—	7,000
Amortizable intangibles:				
Core developed technology	15.4	756,000	(43,368)	712,632
Customer relationships—US	15.4	113,600	(6,517)	107,083
Customer relationships—Non-US	5.0	5,400	(953)	4,447
International distributor relationships	5.0	38,000	(6,706)	31,294
Total		$1,484,872	$ (57,544)	$1,427,328

Amortization expense was $57.5 million for the period February 12, 2014 through December 31, 2014.

Predecessor:

December 31, 2013	Useful life (in years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Nonamortizable intangibles:				
Trademarks and trade names	Indefinite	$ 41,288	$ —	$41,288
Amortizable intangibles:				
Core developed technology	6.25	170,226	(170,226)	—
License agreement	10.00	500	(275)	225
Total		$212,014	$ (170,501)	$41,513

Amortization expense was not material for the period January 1, 2014 through February 11, 2014 and $13.5 million for the year ended December 31, 2013.

Successor:

The estimated future amortization expense for intangible assets for the next five years and thereafter is as follows (in thousands):

Year ending December 31,	Estimated Amortization Expense
2015	$ 65,228
2016	65,228
2017	65,228
2018	65,228
2019	57,564
Thereafter	536,980

(9) Other Current Liabilities

Other current liabilities consist of the following (in thousands):

	Successor December 31, 2014	Predecessor December 31, 2013
Employee compensation and benefits	$ 16,765	$ 22,049
Goods and services taxes payable	10,151	8,917
Accrued interest expense	9,837	221
Research and development	3,514	10,796
Special dividend bonus payable	—	10,060
Customer advances	1,470	1,909
Other accrued liabilities	930	963
Total	$ 42,667	$ 54,915

In December 2014, a charge of $2.0 million was recorded for accrued severance which is expected to be paid in the first few months of 2015.

In 2013, the Company identified a tax jurisdiction in which it failed to bill, collect and remit goods and services taxes from its customers. The Company is in the late stages of rectifying the situation, intends to bill its customers the goods and services tax and has paid certain amounts on behalf of its customers. The Company recorded an unbilled net receivable in 2013 for the years 2009 through 2013. The balance of the unbilled receivable is $9.0 million and $7.5 million at December 31, 2014 and December 31, 2013, respectively. An estimated allowance for doubtful accounts of $0.5 million and $0.4 million was recorded by the Company on the unbilled net receivable and included within the allowance for doubtful accounts at December 31, 2014 and 2013. As the unbilled tax was past due to governmental authorities, Ikaria recorded goods and services taxes payable liabilities in 2013, the balance of which is $10.2 million and $8.9 million at December 31, 2014 and 2013, respectively, which includes $8.7 million and $8.0 million for the goods and services taxes and related accrued interest of $1.5 million and $0.9 million, respectively. The related interest expense is recorded in other operating expense (income), net in the Consolidated Statements of Operations.

Under the Company’s license agreement with Massachusetts General Hospital, the Company is required to make royalty payments based on net sales of INOMAX in countries in which relevant

licensed patents remain in effect. The obligation to pay expires when the patents expire in the applicable country. In January 2013, all remaining licensed U.S. patents expired, eliminating the Company's required royalty payments in respect of sales in the U.S. The Company continues to pay royalties on sales in one non-US jurisdiction. Royalty expense for the periods of February 12, 2014 through December 31, 2014, January 1, 2014 through February 11, 2014 and the year ended December 31, 2013 was $0.3 million, $0.1 million and $1.9 million, respectively.

See Note 11—*Dividend and Special Dividend Bonus*, for a discussion of the special dividend bonus.

(10) Debt

Successor:

February 2014 Financing Activities

In connection with the Merger, Holdings II (as initial borrower) entered into a New First Lien Term Loan facility in the aggregate principal amount of $890.0 million, a New Second Lien Term Loan facility in the aggregate principal amount of $330.0 million and a $50.0 million New Revolving Credit facility with a group of financial institutions for purposes of (i) funding a portion of the acquisition purchase price, (ii) payment of related transaction costs and expenses, (iii) repayment of the Company's existing First Lien Term Loan, Second Lien Term Loan and Term Loan A, (iv) extinguishment of the Company's existing Revolving Credit facility and (v) payment of related debt costs and expenses, including a prepayment premium payable in connection with the repayment of existing debt.

Net proceeds from the New First Lien Term Loan, after solely deducting a $4.4 million original issue discount, were $885.6 million. Net proceeds from the New Second Lien Term Loan, after solely deducting a $2.5 million original issue discount, were $327.5 million.

In connection with the February 2014 Financing Activities, Holdings II repaid the Company's existing debt and extinguished the existing Revolving Credit facility and capitalized $36.0 million in deferred debt issuance costs pertaining to the acquisition of the new debt and the New Revolving Credit facility, of which $33.6 million were withheld from the proceeds and $2.4 million were paid in cash.

The New First Lien Term Loan requires quarterly principal payments of $2.2 million payable on the last day of each quarter starting September 30, 2014, with the remainder of the principal maturing on February 12, 2021. The New Revolving Credit facility matures on February 12, 2019. The New Second Lien Term Loan matures on February 12, 2022, with no interim scheduled payments until the New First Lien Term Loan is repaid. The New First Lien Term Loan and the New Second Lien Term Loan require mandatory repayments of up to 50% of excess cash flow, as defined, depending on the Company's net leverage ratio. Borrowings under the New Revolving Credit facility may not exceed $50.0 million and require a commitment fee of 0.50% per year. During 2014, no amounts were borrowed under the New Revolving Credit facility. In 2014, the Company prepaid $50.0 million on the New First Lien Term Loan.

The New First Lien Term Loan bears interest at an Adjusted London Interbank Offered Rate, or Adjusted LIBOR, equal to the London Interbank Offered Rate plus an applicable margin ranging from 3.75% to 4.0%, with an Adjusted LIBOR floor of 1.0%. As of December 31, 2014, the total interest rate on the New First Lien Term Loan was 5.0%. The New Second Lien Term Loan bears interest at an

Adjusted LIBOR, equal to the London Interbank Offered Rate plus an applicable margin of 7.75%, with an Adjusted LIBOR floor of 1.0%. As of December 31, 2014, the total interest rate on the New Second Lien Term Loan was 8.75%. The original issue discount and the capitalized debt issuance costs are being amortized over the terms of the loans using the effective interest method. Borrowings under the New Revolving Credit facility bear interest at Adjusted LIBOR, equal to the London Interbank Offered Rate plus an applicable margin ranging from 3.125% to 3.50%.

The New First Lien Term Loan, New Second Lien Term Loan and the New Revolving Credit facility are secured by substantially all of the Company's assets and are guaranteed by Holdings II. The terms of these loans and credit facility also contain certain restrictions and covenants relating to leverage ratios, prepayment penalties, acquisitions, investments, sale of assets, dividend payments, guarantees and hedging arrangements, mergers, and the incurrence of additional indebtedness. The Company's long-term debt at December 31, 2014 also includes $2.6 million principal balance pertaining to a software and services financing agreement. Such agreement includes annual payments of approximately $1.0 million and, an effective interest rate of 5.05%, and matures in January 2018.

As of December 31, 2014, the aggregate principal amount of the Company's total long-term debt, net of unamortized original issue discount, was $1,162.2 million. In addition, the Company had $1.1 million in standby letters of credit issued against the New Revolving Credit facility as of December 31, 2014.

At December 31, 2014, the required principal payments over the next five years and thereafter pertaining to the Company's long-term debt including the software services financing agreement are estimated at (in thousands):

2015	2016	2017	2018	2019	Thereafter	Total
$9,822	$9,822	$9,690	$8,900	$8,900	$1,121,050	$1,168,184

The Company made a $60.0 million voluntary prepayment on its New First Lien Term Loan in February 2015 which has been classified as current debt.

The final maturity dates of the Company's total long-term debt and the corresponding principal amounts at December 31, 2014 by borrowing are as follows (in thousands):

Borrowing	Maturity Date	December 31, 2014
New First Lien Term Loan	February 2021	$ 835,550
New Second Lien Term Loan	February 2022	330,000
Financing agreement	January 2018	2,634
Total		1,168,184
Less: Unamortized original issue discount		6,032
Total, net of discount		$ 1,162,152

Predecessor:

July 2013 Financing Activities

On July 3, 2013, the Company amended various provisions of its existing credit agreement with a group of financial institutions, the Amended and Restated Credit Agreement, and also obtained a First

Lien Term Loan thereunder in the aggregate principal amount of $525.0 million. Concurrently, the Company obtained a Second Lien Term Loan under a separate credit agreement in the aggregate principal amount of $325.0 million. The Company utilized the net proceeds received from the First Lien Term Loan and the Second Lien Term Loan, together with cash on hand, to (i) repay its existing Term Loan B, (ii) pay a cash dividend of $444.3 million, or $4.72 per share, and pay a special dividend bonus, (iii) earmark $180 million to be used for the purpose of making investments in the R&D Business in accordance with the provisions stipulated in the Amended and Restated Credit Agreement, provided that any amounts not so used may be used for other purposes permitted under the Amended and Restated Credit Agreement, and (iv) pay related fees and expenses, including any prepayment premiums payable in connection with the existing Term Loan B refinancing. Net proceeds from the First Lien Term Loan, after deducting a $7.9 million original issue discount, were $517.1 million. Net proceeds from the Second Lien Term Loan, after deducting a $4.9 million original issue discount, were $320.1 million. The principal, interest rate, maturity and repayment terms of the Company's existing Term Loan A and Revolving Credit Facility did not change, although the language of the Term Loan A and Revolving Credit Facility was modified to allow for the additional debt.

Related to the amendment of its existing credit agreement, the modification and extinguishment of the existing Term Loan B, and borrowings under the new First Lien Term Loan and the new Second Lien Term Loan, the Company expensed $4.1 million of costs as a loss on extinguishment and modification of debt and capitalized $18.4 million for the modification of debt and the acquisition of new debt.

The Term Loan A required quarterly principal payments of $7.1 million payable through March 31, 2016 with the remainder of the principal maturing on June 22, 2016. The Revolving Credit Facility was also set to mature on June 22, 2016. The First Lien Term Loan required quarterly principal payments of $6.6 million for the first three years starting September 2013 and quarterly payments of $13.1 million for the remaining two years with the remainder of the principal maturing on July 3, 2018. The Second Lien Term Loan was set to mature on July 3, 2019, with no interim scheduled payments. The Term Loan A and the First Lien Term Loan required mandatory repayments of up to 75% of excess cash flow, as defined, depending on the Company's net leverage ratio. Borrowing under the Revolving Credit Facility could not exceed $40.0 million and required a commitment fee of 0.50% per year. During 2013 through February 11, 2014, no amounts were borrowed under the Revolving Credit Facility.

The Term Loan A bore interest at the London Interbank Offered Rate, or LIBOR, plus an applicable margin ranging from 3.5% to 4.5%. As of December 31, 2013, the interest rate on the Term Loan A was 4.67%. The new First Lien Term Loan bore interest at Adjusted LIBOR, plus an applicable margin of 6.0%, with an Adjusted LIBOR floor of 1.25%. As of December 31, 2013, the interest rate on the First Lien Term Loan was 7.25%. The Second Lien Term Loan bore interest at Adjusted LIBOR, plus an applicable margin of 9.75%, with an Adjusted LIBOR floor of 1.25%. As of December 31, 2013, the interest rate on the Second Lien Term Loan was 11.00%. The original issue discount and the capitalized debt issuance costs were being amortized over the terms of the loans using the effective interest method. Borrowings under the Revolving Credit Facility bore interest at Adjusted LIBOR, plus an applicable margin ranging from 3.00% to 4.00%.

The Term Loan A, First Lien Term Loan, Second Lien Term Loan and the Revolving Credit Facility were secured by substantially all of the Company's assets. The credit agreements also contained certain restrictions and covenants relating to annual research and development expenditure limits exclusive of the R&D Business funding, leverage ratios, prepayment penalties, acquisitions, investments, sales of assets, dividend payments, guarantees and hedging arrangements, mergers, and the incurrence of additional indebtedness. The R&D Business was not subject to the affirmative or

negative covenants of the agreements, but spending was limited to $180.0 million. Company long-term debt at December 31, 2013 also included $3.5 million principal balance pertaining to a software and services financing agreement. Such agreement includes annual payments of approximately $1.0 million and, an effective interest rate of 5.05%, and matures in January 2018.

(11) Dividend and Special Dividend Bonus

Predecessor:

In 2013, the Company's Board of Directors declared $444 million cash dividends on outstanding preferred and common stock of $417.2 million and $27.0 million, respectively, or $4.72 dividends per share. The cash dividends were charged against available paid-in capital on the declaration date, with the remainder charged to accumulated deficit.

Under the special dividend bonus plan adopted in October 2011, each employee or board member who held equity awards was eligible to receive a cash payment equal to the amount of the cash dividend per share multiplied by the number of equity awards outstanding. Amounts were generally payable twice a year when equity awards vested. As a result of the cash dividends declared during 2013 the Company was committed to make special dividend bonus payments of up to $54.5 million. During 2013, the Company paid $37.8 million to employees and board members as a result of the 2014 special dividend bonus as well as prior years' special dividend bonuses. Based on contractual payment dates, the total liability at December 31, 2013 for the special dividend bonus payments was $37.3 million, with $10.1 million reflected in current liabilities and $27.2 million reflected in other liabilities. For the period January 1, 2014 through February 11, 2014, the Company made cash payments of $2.6 million and reversed $0.4 million due to terminations. As of February 12, 2014, the total liability was $34.7 million. In connection with the Merger, all amounts accrued under the special dividend plan became vested and were assumed and settled in cash totaling $34.7 million.

(12) Financial Instruments

Interest Rate Derivatives

The Company is subject to the risk of fluctuating interest rates in the normal course of business. The Company has managed interest rate risks through the use of derivative financial instruments.

In connection with the Amended and Restated Credit Agreement entered into on July 3, 2013, the Company was required to enter into, and for a minimum of two years thereafter maintain, hedging agreements that result in at least 50% of the aggregate principal amount of the outstanding term loans (i.e., Term Loan A, First Lien Term Loan and Second Lien Term Loan) being effectively subject to a fixed or maximum interest rate that is reasonably acceptable to the administrative agent of the Amended and Restated Credit Agreement. On October 30, 2013, the Company entered into two interest rate cap agreements with an aggregate notional amount of $500.0 million for a period of approximately two years from October 30, 2013 through November 9, 2015 for approximately $0.3 million. The interest rate caps would pay incremental interest on the notional amount if LIBOR exceeded 5.0%. The interest rate cap agreements were not designated as hedges for accounting purposes. The fair values of the outstanding interest rate cap agreements at December 31, 2014 and 2013 were not significant. For the periods February 12, 2014 through December 31, 2014 (Successor) and January 1, 2014 through February 11, 2014 the amount recorded in interest expense related to the interest rate caps was not material. For the year ended December 31, 2013 (Predecessor), the Company recorded $0.3 million in interest expense related to the interest rate caps.

In 2012, the Company entered into an interest rate cap agreement for a notional amount of $125.0 million from September 28, 2012 through September 30, 2013. The interest rate cap paid incremental interest on the notional amount if LIBOR exceeded 5.0%. The interest rate cap agreements were not designated as hedges for accounting purposes.

Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction. To increase consistency and comparability in fair value measurements, the ASC established a three-level hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels are:

- Level 1—Values are unadjusted quoted prices for identical assets and liabilities in active markets.
- Level 2—Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument.
- Level 3—Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement.

The interest rate caps are Level 2 valuations, which are measured at fair value using standard industry models that consider observable interest rates, forward yield curves at commonly quoted intervals and volatility from various market sources. The Company considers the impact of its own and the counterparties' credit risk on the fair value of contracts. Where independent pricing services provide fair values, the Company has validated the inputs to market data from observable and corroborated sources. The fair values of the Term Loans are classified as Level 2 and are based on market rates available on debt with similar terms and remaining maturities.

The following table summarizes the fair value of debt, which is carried at historical cost, at December 31, 2014 and 2013 (in thousands):

Successor:

	Carrying Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Financial Liabilities Carried at Historical Cost at December 31, 2014:				
Long-term debt, net of original issue discount	$1,162,152	$ —	$1,160,060	$ —

Predecessor:

	Carrying Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Financial Liabilities Carried at Historical Cost at December 31, 2013:				
Long-term debt, net of original issue discount	$ 973,790	$ —	$ 991,528	$ —

There were no transfers among Levels 1, 2 and 3 during the periods February 12, 2014 through December 31, 2014 (Successor) and January 1, 2014 through February 11, 2014 and the year ended December 31, 2013 (Predecessor).

Credit Risk

Credit risk represents the loss that would be recognized if counterparties failed to completely perform as contracted. The financial instruments that subject the Company to credit risk consist principally of cash and cash equivalents and accounts receivable. The Company maintains cash and cash equivalents with major banks, the majority of which is in money market deposit accounts. In addition, a portion of the Company's cash is maintained in operating accounts with major banks. Hospitals account for a substantial portion of accounts receivable and collateral is not required. The risk associated with this concentration is mitigated by the Company's ongoing credit review procedures. See Note 19—*Related-Party Transactions*, for information on related-party receivables.

(13) Income Taxes

Income (loss) before income taxes and the related tax expense (benefit) are as follows (in thousands):

	Successor February 12, 2014 Through December 31, 2014	Predecessor January 1, 2014 Through February 11, 2014	Predecessor Year Ended December 31, 2013
Income (loss) before income taxes:			
Domestic	$ (212,570)	$ (53,580)	$ 39,971
Foreign	1,184	93	554
Total (loss) income before income taxes	$ (211,386)	$ (53,487)	$ 40,525
Current taxes:			
Federal	$ 961	$ (2,289)	$ 4,630
State	1,228	1,664	12,179
Foreign	776	248	866
Total current tax expense (benefit)	2,965	(377)	17,675
Deferred taxes:			
Federal	(75,374)	(16,073)	(3,204)
State	(7,624)	(3,541)	2,757
Foreign	208	(50)	(220)
Total deferred tax (benefit) expense	(82,790)	(19,664)	(667)
Total income tax (benefit) expense	$ (79,825)	$ (20,041)	$ 17,008

A reconciliation of the statutory federal income tax rate to the Company's effective tax rate for the periods February 12, 2014 through December 31, 2014 and January 1, 2014 through February 11, 2014 and the year ended December 31, 2013 is as follows:

	Successor February 12, 2014 Through December 31, 2014	Predecessor January 1, 2014 Through February 11, 2014	Predecessor Year Ended December 31, 2013
U.S. federal statutory rate	35.0%	35.0%	35.0%
State and local taxes, net of federal tax effect	3.2	2.8	23.5
Research tax credits	0.5	5.4	(17.4)
License payments	—	—	(5.7)
Foreign tax rate differential	(0.2)	(0.1)	(0.2)
Incentive stock options	—	1.5	1.4
Transaction costs	—	(5.1)	4.6
U.S. manufacturing activities deduction	—	0.1	(2.8)
State tax rate changes on deferred balances	—	(1.3)	0.4
Other	(0.7)	(0.8)	3.2
	37.8%	37.5%	42.0%

In the 2014 Successor Period, the Company's effective tax rate was impacted by state income taxes and other non-deductible items such as lobbying expenses, meals and entertainment offset by the benefit from the orphan drug and research and development tax credits, the latter credit was extended in December 2014 retroactively to the beginning of the year and thus is recognized in the Successor Period. In the 2014 Predecessor Period, the Company's effective tax rate was impacted by state income taxes, non-deductible transaction costs and stock compensation expense, offset in part by the net benefits from the orphan drug credits. The Company does not expect to generate a significant amount of research and development tax credits after 2014 because most of the R&D assets were transferred in the Spin-Off in February 2014. In 2013, the Company's effective tax rate was impacted by certain state income tax effects related to the 2013 cash dividend paid, non-deductible transaction costs and stock-based compensation expense for incentive stock options, offset in part by the net benefits from the orphan drug and research and development tax credits, the domestic production activities deduction and the termination of a license agreement. Orphan drug and research and development tax credits of $1.0 million, $1.9 million and $7.3 million were generated for the periods February 12, 2014 through December 31, 2014 (Successor), January 1, 2014 through February 11, 2014 and for the year ended December 31, 2013 (Predecessor), respectively, offset by the requirement to permanently add back certain expenses included in the calculation of the credit, which on a net basis positively impacts the effective tax rate for each year. Deductions generated by U.S. manufacturing activities were $0.1 million and $4.3 million for the period ended February 12, 2014 through December 31, 2014 (Successor) and for the year ended December 31, 2013 (Predecessor), respectively, which positively impacted the effective tax rate for each year. Annual studies are performed that support the availability of the orphan drug and research and development tax credits as well as the U.S. manufacturing activities deduction.

Deferred taxes reflect the tax effects of the differences between the amounts recorded as assets and liabilities for financial reporting purposes and the comparable amounts recorded for income tax

purposes. Significant components of the deferred tax assets (liabilities) at December 31, 2014 and 2013 are as follows (in thousands):

	Successor		Predecessor	
	December 31, 2014		December 31, 2013	
	Assets	Liabilities	Assets	Liabilities
Net operating loss carryforwards	$ 11,728	$ —	$ 296	$ —
Tax credit carryforwards	21,455	—	13,772	—
Inventories	—	(12,829)	1,473	—
Allowance for doubtful accounts	234	—	190	—
Fixed assets	—	(16,501)	—	(14,997)
Intangible assets	78,201	(354,178)	102,726	(7,522)
Accrued expenses	301	—	2,765	—
Stock-based compensation and LTIP	1,457	—	12,900	—
Currency translation adjustment	127	—	162	—
Other	3,108	(792)	1,354	(1,951)
Subtotal	116,611	(384,300)	135,638	(24,470)
Valuation allowance	(156)	—	(262)	—
Total deferred tax assets (liabilities)	$ 116,455	$(384,300)	$135,376	$(24,470)
Net deferred tax (liabilities) assets	$(267,845)		$110,906	

At December 31, 2014 and 2013, deferred tax assets (liabilities) were classified on the Company's consolidated balance sheets as follows (in thousands):

	Successor	Predecessor
	December 31, 2014	December 31, 2013
Current:		
Current deferred tax assets	$ 26,067	$ 11,625
Current deferred tax liabilities	(15,120)	(579)
Net current deferred tax assets	10,947	11,046
Non-current:		
Non-current deferred tax assets	14,134	124,232
Non-current deferred tax liabilities	(292,926)	(24,372)
Net non-current deferred tax (liabilities) assets	(278,792)	99,860
Net deferred tax (liabilities) assets	$ (267,845)	$ 110,906

At December 31, 2014, the Company had $29.8 million federal net operating loss carryforwards. At December 31, 2014, the Company had foreign net operating loss carryforwards in the amount of approximately $0.5 million which begin to expire in the year 2018. At December 31, 2014, the Company had total tax credit carryovers of approximately $21.5 million consisting primarily of federal research tax credit carryforwards of approximately $20.0 million which begin to expire in 2032 and $1.5 million of alternative minimum tax credit carryforwards which have no expiration date.

Utilization of the Company's net operating loss, research tax credit and alternative minimum tax credit carryforwards are subject to an annual limitation due to ownership changes that occurred as a result of the Merger. In accordance with Section 382 of the Internal Revenue Code of 1986, ownership changes may limit the amount of carryforwards of tax attributes that can be utilized annually to offset

future taxable income and taxes. In general, an ownership change, as defined by Section 382, results from transactions increasing the ownership of certain shareholders in excess of 50 percent over a three year period. However, such limitation is not expected to result in expiration or loss of the Company's net operating loss and credit carryforwards.

Prepaid federal and state income taxes of $3.1 million and $1.1 million at December 31, 2014 and 2013, respectively, and federal and state income tax refunds receivable of $11.7 million and $6.4 million at December 31, 2014 and 2013 respectively, were included in income tax receivable on the consolidated balance sheets.

The Company assesses the realizability of the deferred tax assets at each balance sheet date based on actual and forecasted operating results in order to determine the proper amount, if any, required for a valuation allowance. As a result of this assessment, the Company has determined that it may not generate enough passive foreign source income to fully utilize its passive foreign tax credits carryforward and therefore the Company maintains a valuation allowance against its passive foreign tax credits of approximately $0.2 million as of December 31, 2014. The Company believes that it is more likely than not, given the weight of available evidence, that all other deferred tax assets will be realized. The Company will continue to assess the realizability of the deferred tax assets at each balance sheet date in order to determine the proper amount, if any, required for a valuation allowance.

No provision is made for foreign withholding or additional foreign income taxes associated with hypothetical repatriation of the cumulative undistributed earnings of two foreign subsidiaries. The Company recognizes U.S. and foreign income taxes for the foreign entities considered disregarded entities for U.S. federal income tax purposes. The cumulative undistributed earnings, if any, are expected to be reinvested in working capital and other business needs indefinitely. The earnings would be taxable upon repatriation in the form of dividends or otherwise. A determination of the amount of the unrecognized deferred tax liability with respect to such earnings is not practicable.

As of December 31, 2014 and 2013, the Company had unrecognized tax benefits of $1.5 million and $1.4 million, respectively, which, if recognized, would be reflected as an income tax benefit. For the periods February 12, 2014 through December 31, 2014 (Successor) and January 1, 2014 through February 11, 2014 (Predecessor), the Company recorded a gross unrecognized tax benefit primarily relating to research credits. The amounts were immaterial for the periods. The Company anticipates that it is reasonably possible that approximately $0.9 million of unrecognized tax benefits may be recognized within the next 12 month period as a result of the lapse of the statute of limitations in certain tax jurisdictions and the anticipated settlement of an IRS audit. In October 2013 the Company was notified by the IRS that an examination of its U.S. federal income tax return for the year ended December 31, 2011 was being initiated. In February 2014, the IRS examination was extended to include the Company's U.S. federal income tax return for the year ended December 31, 2012.

The Company files income tax returns in U.S. federal, state and certain international jurisdictions. For federal and certain state income tax purposes, the Company's 2010 through 2014 tax years remain open for examination by the tax authorities under the normal statute of limitations. For certain international income tax purposes, the Company's 2011 through 2014 tax years remain open for examination by the tax authorities under the normal statute of limitations.

The Health Care and Education Reconciliation Act of 2010 imposed a new excise tax on the sale of taxable medical devices by a manufacturer or importer. The amount of excise tax is 2.3% of the sale price of the medical device. The excise tax applies to sales after December 31, 2012. The impact of the medical device tax on the Company's 2013 and 2014 consolidated financial statements was not material.

(14) Capitalization

Successor:

One thousand shares of voting common stock, par value of $0.01 per share, were issued to Holdings II at the time of the Merger.

Predecessor:

Redeemable Preferred Stock

A summary of the preferred stock at December 31, 2013 is as follows:

Redeemable, convertible preferred stock	Authorized	Issued and Outstanding	Liquidation Value	Carrying Value
Series A, stated value $1.00 per share	11,421,300	11,410,833	$ 11,410,833	$ 32,437,938
Series B, stated value $4.63 per share	76,980,900	76,980,811	$ 356,775,267	$356,776,663
Series C-1A special voting	100	100	$ 33	$ 94
Series C-1B special voting	100	100	$ 33	$ 94
Series C-1C special voting	100	100	$ 33	$ 94
Series C-2 special voting	300	300	$ 100	$ 282
Series C-3 special voting	300	300	$ 100	$ 282
Series C-4 special voting	300	300	$ 100	$ 282

In connection with the Merger, each outstanding share of Series A, Series B and Series C preferred stock was settled, see Note 4—*Bellerophon Spin-Out and Merger*.

The following are the amended rights, preferences and restrictions of series A, series B and series C preferred stock as of December 31, 2013:

Conversion—The series A and series B preferred stock were convertible into a number of shares of voting common stock based on a conversion ratio, subject to certain anti-dilution adjustments, at any time at the option of the holders. In the event of an initial public offering, the shares of series A and series B preferred stock would automatically convert into shares of voting common stock if holders of at least 75% of the outstanding series B preferred stock vote in favor of conversion. The conversion ratios of the series A and series B preferred stock were one-to-one and were subject to change based on items such as stock dividends, stock splits and issuances of additional securities at less than the stated values. Each share of series C special voting preferred stock was convertible at the option of the holder into 0.3333 shares of voting common stock. Each series C share was automatically convertible upon certain events including (i) the sale or transfer of series C preferred shares to a non-affiliate with certain exceptions including the transfer of a minimum number of common shares or (ii) when the applicable class of series C preferred stock no longer has the right to elect directors pursuant to the certificate of incorporation including failure to own a defined minimum number of common shares.

Dividends—In the event the board of directors declared any dividends for the common stock, the holders of series A and series B preferred stock were entitled to share in such dividends with the common stockholders based on their equivalent common shares. The holders of series C preferred stock were not entitled to dividends.

Liquidation Rights—In the event of any voluntary or involuntary liquidation of the Company, the holders of preferred stock would be entitled to receive, prior and in preference to any payments to

holders of common stock, cash equal to their respective liquidation preferences. Distributions to the preferred stockholders upon liquidation would be made in the following order: (1) Liquidation value of series B preferred stock, (2) Liquidation value of series A preferred stock, and (3) Liquidation value of series C preferred stock. The holders of series A and series B preferred stock were entitled to receive the greater of (i) the stated value per share (series A preferred stock stated value is $1.00 and series B preferred stock stated value is $4.63) plus any declared and unpaid dividends or (ii) the amount that would be payable upon liquidation if the preferred stock outstanding were converted into voting common stock. The holders of series C preferred stock were entitled to $0.3333 per share upon liquidation.

Redemption—In the event of any liquidation or dissolution of the Company, including a sale of substantially all of the assets, or a merger with another entity in which the beneficial owners of the Company's outstanding stock own less than 50% of the surviving entity, the preferred stockholders were entitled to receive their respective liquidation preferences described above. The preferred stockholders, who held the majority of the voting shares and controlled a majority of the board of directors' seats, had the ability to initiate a merger or deemed liquidation event. Because these events could have triggered redemption and were not solely within the control of the Company, the preferred shares were classified as redeemable preferred stock outside of permanent equity as of December 31, 2013.

Voting Rights—The holders of the series A and series B preferred stock were entitled to vote with the holders of the voting common stock as if they were a single class on all matters submitted to a vote, except where a separate vote is required by law. Certain special voting rights apply to the series A and series B preferred stock. Each share of voting common stock was entitled to one vote, and each share of series A and series B preferred stock was entitled to the number of votes equal to the number of shares of voting common stock into which such shares were then convertible. The holders of each class of series C preferred stock, each voting separately as a class, were entitled to elect one individual to the board of directors for as long as they maintained a defined minimum number of outstanding common shares.

Common Stock

Voting Common Stock—The Company was authorized to issue up to 399,596,600 shares of voting common stock, $0.01 par value per share as of December 31, 2013. At December 31, 2013, there were 3,733,081 shares of voting common stock issued and outstanding. Each holder of issued and outstanding shares of voting common stock was entitled to one vote for each share on each matter submitted to a vote of stockholders, with the exception of certain amendments to the Certificate of Incorporation relating to the outstanding preferred stock and the election of certain directors. Subject to the preferential rights of the preferred stockholders, the voting common stockholders were entitled to receive ratably dividends that are declared by the board of directors.

Non-voting Common Stock—At December 31, 2013, there were 2,148,694 shares of non-voting common stock issued and outstanding. Holders of non-voting common stock were not entitled to vote. Subject to the preferential rights of the preferred stockholders, the non-voting common stockholders were entitled to receive ratably dividends that are declared by the board of directors. All shares of non-voting common stock would have automatically converted into an equal number of shares of voting common stock upon the consummation of an initial public offering by the Company, which did not occur prior to the Merger.

Shares Reserved for Future Issuance—At December 31, 2013, the Company had reserved shares of voting common stock for future issuance for the following purposes:

Conversion of series A preferred stock into voting common stock	11,410,833
Conversion of series B preferred stock into voting common stock	76,980,811
Conversion of series C preferred stock into voting common stock	400
Exercise of stock options outstanding	7,918,730
Settlement of restricted stock units outstanding	4,725,331
Conversion of non-voting common stock into voting common stock	2,148,694
Total	103,184,799

In connection with the Merger, each outstanding share of common stock was settled. See Note 4—*Bellerophon Spin-Out and Merger*.

(15) Defined Contribution Plan

The Company has a 401(k) savings plan, which is an Employee Retirement Income Security Act, or ERISA, defined contribution plan. Under the plan, which covers substantially all U.S. employees, participating employees may elect to contribute up to 60% of their annual compensation, subject to annual Internal Revenue Service dollar limits. In 2014 and 2013, the Company matched 100% of the first 6% contributed. The Company's contribution expense for the periods February 12, 2014 through December 31, 2014 (Successor), January 1, 2014 through February 11, 2014 and the year ended December 31, 2013 (Predecessor), was $2.0 million, $0.3 million, and $3.6 million, respectively.

(16) Stock Plans

Successor:

Stock-Based Compensation

Effective as of the closing of the Merger, all of the prior equity plans of Ikaria ceased to be effective and all existing equity grants and awards were paid out.

In February 2014, the Board of Managers of Holdings I approved the Series D class of equity interest, Series 1, Series 2 and Series 3 Units (collectively, "Series D Units"), for issuance under the 2014 Securities Purchase Plan (the "Holdings I Equity Plan"), under which Ikaria employees, managers and advisers ("Management Investors") may be provided the opportunity to receive grants of equity units of Holdings I. Series D Units are issued for no consideration. To date, the equity units issued by Holdings I have consisted of the following:

- Series 1 Series D ("Incentive Units")—are subject to vesting based on service conditions, can be repurchased by Holdings I, represent a right to a fractional portion of the profits and distributions of Holdings I in excess of a "participation threshold" that is calculated in accordance with the provisions of the Holdings I limited liability company agreement, subject to certain adjustments, in the underlying grant and employment agreements.
- Series 2 Series D ("Special Award Units")—are subject to vesting based on both performance and service conditions, can be repurchased by Holdings I, represent a right to a fractional portion of the profits and distributions of Holdings I in excess of a "participation threshold" that

is calculated in accordance with the provisions of the Holdings I limited liability company agreement, subject to certain adjustments, in the underlying grant and employment agreements.

- Series 3 Series D ("Award Units")—are subject to vesting based on service conditions, can be repurchased by Holdings I, represent a right to a fractional portion of the profits and distributions of Holdings I in excess of a "participation threshold" that is calculated in accordance with the provisions of the Holdings I limited liability company operating agreement, subject to certain adjustments, in the underlying grant and employment agreements.

As a holding company that operates through its subsidiaries, Holdings I is dependent on dividends, payments or other distributions from its subsidiaries to make any dividend payments to holders of the Incentive Units, Special Award Units and Award Units. As of December 31, 2014, Holdings has not paid any dividends or made any other distributions on any of the outstanding units.

During the period February 12, 2014 through December 31, 2014, the Company recognized non-cash stock-based compensation expense of $2.6 million, as allocated from Holdings I related to Ikaria employees and advisers.

Repurchase Feature

The Series D Units held by Management Investors are redeemable at Holdings I's option upon termination of the Management Investor's employment. The February 2014 Financing Activities contain a restricted payments covenant that allows equity unit repurchases up to $3.0 million in any year, subject to additional exceptions to the covenant.

Holdings I believes that the repurchase of these units is within its control and does not intend to repurchase any units prior to a six-month holding period as provided for in the agreements. These units are being accounted for similar to restricted stock and classified as permanent equity on the Consolidated Balance Sheets at fair value as of the grant date.

In the event that a Management Investor's employment with the Company is terminated, Holdings I has an option, pursuant to the Holdings I Equity Plan, to repurchase its equity units held by departing Management Investors at the current fair value. Holdings I did not repurchase any equity units in 2014.

Grants of Units

Series 1 Series D Incentive Units

During 2014, Holdings I entered into agreements to grant 4,097,010 time-based Incentive Units to certain of the Management Investors. The Incentive Units vest on a daily, straight-line basis through the fifth anniversary of the grant date subject to the Management Investor's continued employment by the Company or any of its respective subsidiaries; provided that (i) if a sale of the Company (as defined in the underlying grant agreements) occurs, all of the Incentive Units will immediately vest, (ii) if the Company completes an initial public offering or a public offering of a subsidiary ("IPO"), the Incentive Units that were scheduled to vest during the one-year period following the date of the IPO will vest at that time and the remaining unvested portion will continue to vest on a daily basis through the fourth anniversary of issuance, and (iii) upon the termination of a Management Investor's employment with the Company or any of its respective subsidiaries for any reason (as defined in the underlying employment agreements), all unvested Incentive Units will be automatically forfeited and all vested

Incentive Units are subject to repurchase at the option of Holdings I as discussed above. The repurchase price per vested incentive unit will be the estimated fair value (as defined in the underlying grant agreements) of such unit as of the date of the sending of written notice of the repurchase to the Management Investor; provided that if the Management Investor's employment is terminated for cause, then each vested incentive unit will be automatically forfeited.

The grant date fair value of the Incentive Units was estimated using an option valuation model. The inputs for expected term, volatility and risk-free rate used in estimating the fair value of the Incentive Units were 6 years, 65% and 1.911%, respectively, and the model also incorporated an assumption of a 30% discount for lack of marketability. The aggregate grant date fair value of the Incentive Units was estimated to be $10.9 million. As of December 31, 2014, 647,389 Incentive Units were vested. There were no forfeitures during 2014.

Series 2 Series D Special Award Units

On February 12, 2014, Holdings I entered into agreements to grant 938,410 time-and-performance-based Special Award Units to certain of the Executive Investors. The Special Award Units vest on a daily, straight-line basis through the fifth anniversary of the grant date subject to the Executive Investor's continued employment by the Company or any of its respective subsidiaries; provided that (i) if a sale of the Company (as defined in the underlying grant agreements) occurs, all of the Special Award Units will immediately vest, (ii) if the Company completes an IPO or a public offering of a subsidiary, the Special Award Units that were scheduled to vest during the one-year period following the date of the IPO will vest at that time and the remaining unvested portion will continue to vest on a daily basis through the fourth anniversary of issuance, and (iii) will performance vest when the Series A Unit Holders receive at least two and one half (2.5) times their investment into the Company at the close of the Merger.

If the Executive Investor ceases to be employed by the Company or any of its respective subsidiaries for any reason, all unvested Special Award Units will be automatically forfeited and all vested Special Award Units are subject to repurchase at the option of Holdings I. The repurchase price per vested incentive unit will be the estimated fair value (as defined in the underlying grant agreements) of such unit as of the date of the sending of written notice of the repurchase to the Executive Investor; provided that if the Executive Investor's employment is terminated for cause, then each vested incentive unit will be automatically forfeited.

The grant date fair value of the Special Award Units was estimated using an option valuation model and assumed the performance target would be achieved in 5 years from date of grant. The inputs for expected term, volatility and risk-free rate used in estimating the fair value of the Special Award Units were 6 years, 65% and 1.911%, respectively, and the model also incorporated an assumption of a 30% discount for lack of marketability. The aggregate grant date fair value of the Special Award Units was estimated to be $1.9 million. There were no forfeitures during 2014.

Series 3 Series D Award Units

During November 2014, Holdings I entered into agreements to grant 215,000 time-based Award Units to certain employees. The Award Units vest on July 1, 2017 subject to continued employment by the Company or any of its respective subsidiaries; provided that (i) if a sale of the Company (as defined in the underlying award unit agreements) occurs, all of the Award Units will immediately vest and (ii) if the Company completes an IPO or a public offering of a subsidiary, the Award Units that were

scheduled to vest during the one-year period following the date of the IPO will vest at that time and the remaining unvested portion will not accelerate as a result of the IPO.

If the employee ceases to be employed by the Company or any of its respective subsidiaries for any reason, all unvested Award Units will be automatically forfeited and all vested Award Units are subject to repurchase at the option of the Company. The repurchase price per vested incentive unit will be the estimated fair value (as defined in the underlying grant agreements) of such unit as of the date of the sending of written notice of the repurchase to the employee; provided that if the employee's employment is terminated for cause, then each vested incentive unit will be automatically forfeited.

The grant date fair value of the Award Units was estimated using an option valuation model and assumed the performance target would be achieved. The inputs for expected term, volatility and risk-free rate used in estimating the fair value of the Award Units were 5.5 years, 70% and 1.675%, respectively, and the model also incorporated an assumption of a 30% discount for lack of marketability. The aggregate grant date fair value of the Award Units was estimated to be $752 thousand. There were no forfeitures during 2014.

Predecessor:

The Company maintained the 2007 Stock Option Plan and the 2010 Long Term Incentive Plan, which effective as of the closing of the Merger, ceased to be effective and all existing equity grants and awards were paid out. The following table contains information about these plans:

	December 31, 2013		
Plan	Awards Authorized for Issuance	Awards Issued	Awards Available for Grant
2007 Stock Option Plan	11,058,834	6,067,218	4,991,616
2010 Long Term Incentive Plan	11,265,416	8,053,581	3,211,835
	22,324,250	14,120,799	8,203,451

In connection with the Spin-Out and Merger, each award issued was modified to become fully vested and bifurcated into an award to acquire shares of Ikaria non-voting common stock and an award to acquire non-voting limited liability company equity interests of Bellerophon, or a Bellerophon Option. See Note 4—*Bellerophon Spin-Out* and *Merger*.

In determining the exercise prices for stock options granted and the fair value of RSUs granted, the Company's board of directors considered the fair value of the common stock as of the date of grant. The fair value of the common stock was determined by the board of directors after considering a broad range of factors, including, but not limited to, the rights, preferences and privileges of the redeemable convertible preferred stock relative to those of the Company's common stock, the Company's operating and financial performance, the introduction of new products, the stage of development of the Company's product candidates and the likelihood of regulatory approval, the Company's revenue growth, the lack of an active public market for the Company's stock, industry information such as market growth and volume, the performance of similarly situated companies in the Company's industry, the execution of strategic and development agreements, and the likelihood of achieving a liquidity event, such as an initial public offering, given prevailing market conditions and the nature and history of the Company's business.

Stock Options

Stock options were generally granted with an exercise price equal to the estimated fair value of a share of non-voting common stock on the date of the grant. Stock options had a contractual life of 10 years and a vesting term of generally four years. The Company issued previously unissued non-voting common stock for the exercise of stock options. Compensation expense for stock options granted to employees and directors was based on the estimated grant date fair value of options recognized over the requisite service period on a straight-line expense attribution method. At February 11, 2014 there were 7,760,230 stock options outstanding, which were settled on February 12, 2014. During the period January 1, 2014 through February 11, 2014, 158,500 stock options were cancelled and no stock options were granted, exercised or expired.

In July 2013, the Company settled 1.3 million fully vested options and modified 1.5 million options with a former member of the board of directors. In conjunction with the option settlement agreement, the Company recognized $1.5 million of stock-based compensation expense in selling, general and administrative expense and a $3.0 million charge to additional paid in capital, net of $0.5 million in tax benefits. The Company also paid $4.4 million in cash in connection with the option settlement. In conjunction with the option modification, the Company recognized $1.5 million of stock based compensation expense in selling, general and administrative expense.

Valuation Assumptions for Stock Options

During 2013, the weighted average grant date fair value of stock options granted to employees and directors was $1.95 and the weighted average assumptions used to estimate the grant date fair value of the options using the Black-Scholes-Merton option pricing model were risk-free rate, expected volatility, expected term and dividend yield were 0.90%, 46.5%, 5.00 years and 0%, respectively. There were no grants during the period January 1, 2014 through February 11, 2014.

As the Company was not publicly traded and has had limited operating history, the expected volatility was based on the median historic volatility for publicly traded industry peers. In addition, the Company had minimal historical information to develop expectations about future exercise patterns for its stock option grants. As a result, the expected term was based on an average of the expected term of options granted by the Company's publicly traded industry peers. The risk-free interest rate was based on the implied yield on U.S. Treasury zero coupon bonds for periods commensurate with the expected term of the options. The dividend yield on the Company's common stock was zero which is consistent with offering dividend equivalent rights for vested options and RSUs. Prior to the dividend equivalent rights program, the Company did not intend to pay dividends at the time of grant or during the expected term of its stock options.

Restricted Stock Units

The Company historically granted RSUs to employees that generally vested over a four-year period. RSUs granted prior to 2011 vested 25% annually. RSUs granted subsequent to 2010 vested 25% on the second and third anniversary of the vesting commencement date and 50% on the fourth anniversary of the vesting commencement date. Shares of Company non-voting common stock would be delivered to the employee upon vesting, subject to payment of applicable minimum withholding taxes, which may have been paid in cash or an equivalent amount of shares withheld. Compensation expense for all RSUs was based on the grant date fair value of the RSU issued, which was based on the estimated fair value of non-voting common stock. The Company recognized compensation expense for RSUs on a straight-line basis over the requisite service period. At February 11, 2014 there

were 4,672,001 RSUs outstanding, which were settled on February 12, 2014. During the period January 1, 2014 through February 11, 2014, 53,330 RSUs were forfeited and none were granted or expired.

Special Dividend Plan

In October 2011, the Company approved dividend equivalent rights for options, RSUs and other equity awards granted under its equity award plans. In the event that the board declared a dividend, each employee who held equity awards was eligible to receive a cash payment equal to the amount of the dividend per share multiplied by the number of equity awards outstanding. The payment would be payable as of the declaration date for vested options. For unvested options and unvested RSUs, payment would be due upon vesting. The plan also provided for a similar cash payment for all employee owners of common stock. See Note 11—*Dividend and Special Dividend Bonus* for additional information on this plan.

Stock-Based Compensation Expense, Net of Estimated Forfeitures

During the period January 1, 2014 through February 11, 2014 and the year ended December 31, 2013 (Predecessor), the Company recognized compensation expense for stock options and RSUs granted to employees and directors, including the expense related to acceleration of outstanding awards as a result of the Merger, as follows (in thousands):

	January 1, 2014 through February 11, 2014	2013
Stock options	$ 4,773	$ 5,893
Restricted stock units redeemable in stock	12,324	8,007
Total expense	17,097	13,900
Tax benefit	(6,411)	(2,900)
Expense, net of tax benefit	$ 10,686	$11,000

The following table summarizes stock-based compensation expense by consolidated statement of operations line item (in thousands):

	January 1, 2014 through February 11, 2014	2013
Selling, general and administrative	$ 12,341	$10,966
Research and development	3,957	2,240
Cost of sales	799	694
Total expense	$ 17,097	$13,900

Long Term Incentive Plan

In August 2012, under the Long-Term Incentive Plan, or LTIP, the Company granted cash settled awards to its employees. The awards vested over four years, 25% on the second and third anniversary of the grant and 50% on the fourth anniversary of the grant, and were expensed over the requisite

service period on a straight-line expense attribution method. The award value was tied to the Company's stock price and was adjusted at each reporting period to estimated fair value. In December 2013 in consideration of cash dividends paid since the award date, the 2012 LTIP award was modified to include a fixed $6.60 cash value in addition to the variable portion of the award which was based on stock price. The modification increased total fair value of the LTIP award by $4.1 million. At December 2013, the estimated aggregate fair value of the 201 LTIP was $7.8 million. Of the $2.7 million of expense recognized at December 31, 2013, $2.0 million was recorded in current liabilities and $0.7 million was recorded in other liabilities. Unrecognized compensation related to the 2012 LTIP units was approximately $5.1 million as of December 31, 2013.

In December 2013 under the LTIP, the Company granted cash awards to employees that would vest over four years, 25% on the second and third anniversary of the vesting commencement date and 50% on the fourth anniversary of vesting commencement date. At December 2013, the aggregate fair value of the 2013 LTIP award was $3.4 million. Unrecognized compensation cost related to the 2013 LTIP award was also $3.4 million as of December 31, 2013.

In connection with the Merger, all LTIP awards outstanding became vested and were settled in cash for $11.1 million.

(17) Product Acquisitions and Other Agreements

The Company may review potential acquisition of technologies, products and businesses complementary to its business. The Company will also consider entering into agreements to develop and commercialize drug candidates, which may include research and development, marketing and selling, manufacturing, and distribution. These agreements often require milestone and royalty or profit share payments, contingent upon the occurrence of certain future events linked to the success of the asset in development, as well as expense reimbursements. Revenues from these agreements are recorded in other revenue. Costs incurred pursuant to these agreements are reported in their respective expense line item in the consolidated statements of operations.

Lee's Pharmaceutical Limited

On November 19, 2014, the Company entered into a 15 year agreement with Lee's Pharmaceutical Limited, or Lee's Pharma, whereby the Company would manufacture and make available to hospitals pharmaceutical INOMAX (nitric oxide for inhalation) and related devices as a proprietary pharmaceutical therapy (collectively INOMAX Total Care). In return, Lee's Pharma will import into Hong Kong, sell and distribute INOMAX in Hong Kong, Mainland China and nearby territories. Lee's Pharma will be the marketing authorization holder and provider of promotion, sales-related services, and will be responsible for attaining pharmaceutical approvals for these territories. As part of this agreement, an upfront payment of $0.4 million was received from Lee's Pharma related to Ikaria providing access to information about INOMAX to obtain pharmaceutical approvals in the territories. The Company is amortizing the $0.4 million payment into other revenue over a period of four years, which is the period expected to be needed for Lee's Pharma to obtain pharmaceutical approvals in the territories. In addition, additional milestone and royalty payments are required to be paid to Ikaria should Lee's Pharma obtain approval for commercialization.

Synex Consulting Limited

On October 15, 2014, the Company entered into an agreement with Synex Consulting Limited, or Synex, to which Synex will obtain the exclusive right to market and sell the INOMAX (nitric oxide for

inhalation) and related devices as a proprietary pharmaceutical therapy (collectively INOMAX Total Care) in the Republic of South Korea. As part of this agreement, Synex will pay the Company 53% of all recognized revenues by Synex for the sale of INOMAX Total Care to customers. No payments have been received under this contract. The agreement has a term of 5 years, with a renewal provision of additional periods of one year.

INOMAX (nitric oxide) for inhalation

The Company has an exclusive, royalty bearing license on certain patents from Massachusetts General Hospital, or MGH, to develop, manufacture, market, distribute and sell INOMAX in the U.S. market and certain other jurisdictions. The obligations of the license agreement are defined by the term of the licensed patents, on a country-by-country basis, and expire when the patents expire in each respective country. Under the license agreement, the Company is required to pay royalties to MGH on net sales relating to INOMAX on a country-by-country basis. In the U.S., the licensed patents covering INOMAX expired on January 23, 2013. In Australia and Canada, the licensed patents expired in December 2011. In Mexico, the licensed patent expired in June 2013, and in Japan (where INOMAX is known as INOflo), the licensed patent expires in November 2016. The expiration of the MGH license agreement has no impact on the Company's ability to manufacture, market, distribute and sell INOMAX, nor does it represent the end of market exclusivity for INOMAX in any particular country.

In connection with the acquisition of INO Therapeutics, LLC ("INO") on March 28, 2007, the Company assumed certain obligations due to a former owner. These obligations include royalties on net sales relating to the use of inhaled nitric oxide in certain indications and an aggregate of $4.0 million of contingent payments remaining upon the achievement of development milestones, including successful submission or approval of a NDA in the U.S. for chronic, cardiac or acute respiratory distress syndrome indications. The $4.0 million has not been accrued since the contingent events have not occurred.

Orphan Therapeutics LLC

On March 29, 2010, the Company acquired the new drug application, or NDA, and investigational new drug, or IND, application for Lucassin, or Terlipressin, a potential treatment for advancing kidney failure in patients with cirrhosis and assumed all future development and ownership of the drug in North America and Australia from Orphan Therapeutics LLC, or Orphan. The Company made an upfront payment of $5.0 million and a development milestone payment of $5.0 million to Orphan, which were recorded in research and development expense, and may make additional payments in the aggregate of $22.5 million upon the achievement of certain milestones. In addition, the Company amended certain terms of the original agreement entered into with Orphan on August 29, 2008, including reducing royalties if the product is approved for commercialization.

BioLineRx Ltd.

On August 26, 2009, the Company entered into an agreement with BioLineRx Ltd., or BioLine, to obtain a worldwide exclusive license to a compound, BCM, being developed to treat ventricular remodeling following a heart attack. At the time of the agreement, the compound was in a Phase 2 clinical trial. The clinical trial was completed in 2010. The Company is responsible for completing clinical development and commercialization efforts. As part of this agreement, additional payments to BioLine would be required upon the achievement of various milestones that could aggregate up to $265.5 million. In addition, royalties will be paid should the product be approved for commercialization.

The BCM technology agreement and obligations thereunder were assumed by Bellerophon as part of the Spin-Out.

(18) Due from Holdings II

At the time of the Merger, the initial capitalization was $611.7 million, which represented the fair value of net assets acquired less liabilities assumed. Concurrently, incremental debt of $183.6 million was pushed down to Ikaria, net of debt costs and original issue discount, and $24.9 million, net was distributed to Holdings II to settle transaction related activities. As result, a due from Holdings II was recorded and settled within equity.

(19) Related-Party Transactions

The Linde Group, or Linde, owned approximately 6% of Holdings as of December 31, 2014 and approximately 17% of Ikaria, Inc. as of December 31, 2013. The Company sells concentrated active pharmaceutical ingredient, delivery systems and service parts to Linde or its affiliates. Related transactions with Linde or its affiliates for the periods February 12, 2014 through December 31, 2014 (Successor) and January 1, 2014 through February 11, 2014 and the year ended December 31, 2013 (Predecessor) were as follows (in thousands):

	Successor February 12, 2014 Through December 31, 2014	Predecessor January 1, 2014 Through February 11, 2014	Predecessor Year Ended December 31, 2013
Sales of inventory	$ 10,542	$ 336	$ 7,874
Other (recorded as offset to cost of sales) .	1,647	—	913
	$ 12,189	$ 336	$ 8,787

At December 31, 2014, the Company had a receivable balance of $1.8 million due from Linde, the vast majority of which has been collected subsequent to year end. During the periods February 12, 2014 through December 31, 2014 (Successor) and January 1, 2014 through February 11, 2014 and the year ended December 31, 2013 (Predecessor), the Company purchased industrial gas supplies from Linde, received logistical support in certain regions outside the U.S. and reimbursed Linde for clinical trial support in Europe. The amount was immaterial in 2014 and $0.2 million in 2013. The transactions with Linde and its affiliates were made in the ordinary course of business.

(20) Geographic Information

The Company attributes net sales to an individual country based upon the location of its customer. The sales in other foreign countries represent sales in Australia, Japan, Mexico and to Linde in several South American and European countries. The Company’s long-lived assets are primarily located in the United States.

Net sales by geographic area were (in thousands):

	Successor	Predecesor	Predecessor
	February 12, 2014 Through December 31, 2014	January 1, 2014 Through February 11, 2014	Year Ended December 31, 2013
United States	$ 318,098	$ 44,007	$ 333,789
Canada	12,790	1,870	16,550
Other foreign countries	26,859	2,369	24,065
	$ 357,747	$ 48,246	$ 374,404

(21) Commitments and Contingencies

Leases

The Company leases certain facilities and equipment, principally its corporate headquarters, regional service and distribution centers, fleet vehicles and office equipment under non-cancelable operating leases, expiring at various dates through 2021. Facility leases provide that the Company will pay operating expenses, which may include common area charges, insurance and taxes. Vehicle leases contain provisions that allow the Company to purchase vehicles at their fair market value. In October 2010, the Company entered into a ten-year lease agreement to rent office space for use as its corporate headquarters in Perryville, New Jersey, beginning in June 2011.

Minimum lease commitments by year, under non-cancelable operating leases, as of December 31, 2014 are as follows (in thousands):

2015	2016	2017	2018	2019	Thereafter	Total
$3,883	$3,727	$3,698	$2,731	$2,465	$5,955	$22,459

Total rental expense on all operating leases was $4.4 million, $0.7 million and $4.1 million for the periods February 12, 2014 through December 31, 2014 (Successor) and January 1, 2014 through February 11, 2014 and the year ended December 31, 2013 (Predecessor), respectively.

Litigation

The Company periodically becomes subject to legal proceedings and claims arising in connection with its business. The ultimate legal and financial liability of the Company in respect to all claims, lawsuits and proceedings cannot be estimated with any certainty. As of this report, any outcome, either individually or in the aggregate, is not expected to be material to the Company’s financial position or results of operations.

Intellectual Property

The Company is involved in legal proceedings concerning its intellectual property rights. The inherent unpredictability of such proceedings means that there can be no assurances as to their ultimate outcome. A negative result in any such proceeding could potentially adversely affect the ability of the Company to sell its product or require the payment of substantial damages or royalties.

Compliance

The Company sells its products in various jurisdictions and is subject to federal, foreign, state and local taxes including, where applicable, sales and use tax. While the Company believes that it has properly paid or accrued for all such taxes based on its interpretation of applicable law, tax laws are complex and interpretations differ. Periodically, the Company may be audited by taxing authorities, and it is possible that additional assessments may be made in the future.

(22) Subsequent Events

The Company has evaluated events from the balance sheet date through March 23, 2015, the date at which the consolidated financial statements were available to be issued.

On March 5, 2015, Mallinckrodt plc and Compound Holdings II, Inc. entered into a definitive agreement under which a subsidiary of Mallinckrodt will acquire 100% of Compound Holdings II, Inc. and its subsidiaries from a Madison Dearborn Partners led investor group.

On February 12, 2015, the Company made a $60.0 million voluntary prepayment on its New First Lien Term Loan.

On February 3, 2015, the Company entered into an interest rate cap agreement for a notional amount of $500.0 million from November 9, 2015 through November 10, 2017, for approximately $0.3 million. The interest rate cap will pay incremental interest on the notional amount if LIBOR exceeds 4.0%. The interest rate cap agreement was not designated as a hedge for accounting purposes.

Effective January 1, 2015, the Company executed a Services Agreement with Bellerophon, by which Bellerophon would provide quality and regulatory support services to the Company for $2.0 million. The period covered under this agreement is from the Spin-Out date of February 12, 2014 through February 8, 2016. During the period of February 12, 2014 through December 31, 2014, the Company recorded $0.9 million of expense related to this agreement.

On January 9, 2015, the Company entered into a collaboration agreement with Novoteris LLC (Novoteris) and certain other parties, whereby the Company agreed to provide Novoteris with drug and placebo supply, as well as a right to reference Company's NDA for INOmax, in support of Novoteris' program in cystic fibrosis (and possibly other indications). In consideration of Company's support, the Company received, among other things, rights to acquire the development programs and resulting regulatory approvals and clearances. In addition, the Company acquired certain development assets from a Novoteris related party, 12th Man, for $2.0 million.

During the week of January 5, 2015, Praxair Distribution, Inc. ("Praxair") filed two separate challenges to patents providing exclusivity for INOmax®. With respect to the first challenge, Praxair filed petitions seeking to initiate *Inter Partes* Review ("IPR") of five Ikaria, Inc. patents that provide protection for essential safety information relating to the administration of inhaled nitric oxide.

With respect to the second challenge, Praxair filed an Abbreviated New Drug Application (ANDA) directed to 100 ppm and 800 ppm nitric oxide for inhalation. The Praxair ANDA contains a certification under 21 U.S.C. § 355(j)(2)(A)(vii)(IV) (known as a "Paragraph IV certification") that asserts that the claims of multiple patents owned by INO Therapeutics LLC, which are listed in the FDA *Orange Book*

under INOmax®, are invalid, unenforceable, or not infringed. In addition, on March 16, 2015, Praxair filed five additional petitions seeking to initiate IPR of five Ikaria, Inc. patents that provide protection for essential features of our INOmax DSIR.

Ikaria received notice of the Paragraph IV certification on January 9, 2015. In view of the Certification, on February 19, 2015, Ikaria filed a lawsuit against Praxair in the United States District Court for the District of Delaware (*INO Therapeutics LLC and Ikaria, Inc. v. Praxair Distribution, Inc. and Praxair, Inc*., Case No. 1:15-cv-00170). Because this lawsuit was filed within 45 days of receipt of the notice of Praxair's Certification, FDA will stay any final approval of Praxair's ANDA for the period prescribed by 21 U.S.C. 355(j)(5)(B)(iii) (i.e., 30 months), and any applicable extensions, absent a decision by the Court that the patents are invalid, unenforceable, or not infringed.

MALLINCKRODT LAUNCHES NOTES OFFERING

DUBLIN – April 6, 2015 – Mallinckrodt plc (NYSE: MNK) ("Mallinckrodt" or "the company") today announced that two of its wholly-owned subsidiaries, Mallinckrodt International Finance S.A. and Mallinckrodt CB LLC, intend to offer (the "Offering"), subject to market and other conditions, approximately $1.2 billion of U.S. dollar-denominated senior unsecured notes due 2020 and 2025 (the "Notes"). The Notes will be guaranteed on a senior unsecured basis by Mallinckrodt and certain of its subsidiaries.

Mallinckrodt intends to use the proceeds from the Offering to finance its previously announced acquisition (the "Acquisition") of all of the capital stock of Compound Holdings II, Inc. (the "Target") and to pay certain fees, commissions and expenses related to the Offering and Acquisition. Ikaria, Inc. ("Ikaria") is a wholly-owned subsidiary of the Target. There can be no assurance that the company will successfully complete the Offering on the terms described herein or at all.

The Notes will be offered and sold to qualified institutional buyers in the United States pursuant to Rule 144A and outside the United States pursuant to Regulation S under the Securities Act of 1933.

The Notes have not been registered under the Securities Act of 1933 or any state securities laws and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the Securities Act of 1933 and applicable state laws.

This press release does not constitute an offer to sell or a solicitation of an offer to purchase the Notes or any other securities and does not constitute an offer, solicitation or sale in any state or jurisdiction in which such an offer, solicitation or sale would be unlawful.

In relation to each member state of the European Economic Area which has implemented the 2003/71/EC directive as amended (the "Prospectus Directive") (each a "Relevant Member State"), an offer of Notes to the public has not been made and will not be made in that Relevant Member State, except that an offer in that Relevant Member State of Notes may be made at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive; to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of Goldman Sachs, as the representative of the initial purchasers; or in any other circumstances falling within Article 3(2) of the Prospectus Directive, and provided that no such offer shall result in a requirement to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

ABOUT MALLINCKRODT:

Mallinckrodt is a global specialty biopharmaceutical and medical imaging business that develops, manufactures, markets and distributes specialty pharmaceutical products and medical imaging agents. Areas of focus include therapeutic drugs for autoimmune and rare disease specialty areas like neurology, rheumatology, nephrology and pulmonology along with analgesics and central nervous system drugs for prescribing by office- and hospital-based physicians. The company's core strengths include the acquisition and management of highly regulated raw materials; deep regulatory expertise; and specialized chemistry, formulation and manufacturing capabilities. The company's Specialty Brands segment includes branded medicines; its Specialty Generics segment includes specialty generic drugs, active pharmaceutical ingredients and external manufacturing; and the Global Medical Imaging segment includes contrast media and nuclear imaging agents. Mallinckrodt has approximately 5,500 employees worldwide and a commercial presence in roughly 65 countries. The company's fiscal 2014 revenue totaled $2.54 billion. To learn more about Mallinckrodt, visit www.mallinckrodt.com.

FORWARD-LOOKING STATEMENTS:

Statements made herein that are not strictly historical, including statements regarding the Offering, the proposed acquisition of Ikaria, the expected timetable for the completion of the Offering or the proposed acquisition of Ikaria, future financial condition and operating results, economic, business, competitive and/or regulatory factors affecting Mallinckrodt's and Ikaria's businesses and any other statements regarding events or developments that we believe or anticipate will or may occur in the future, may be "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995, and involve a number of risks and uncertainties. There are a number of important factors that could cause actual events to differ materially from those suggested or indicated by such forward-looking statements and you should not place undue reliance on any such forward-looking statements. These factors include risks and uncertainties related to, among other things: general economic conditions and conditions affecting the industries in which we and Ikaria operate; the commercial success of Mallinckrodt's products and of INOMAX®; Mallinckrodt's ability to complete the Offering on the anticipated timeline or at all; the parties' ability to satisfy the conditions to the acquisition of Ikaria, including the expiration of the waiting period (and any extensions thereof) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and complete the acquisition of Ikaria on the anticipated timeline or at all; Mallinckrodt's ability to realize anticipated growth, synergies and costs savings from its recently completed acquisitions and the acquisition of Ikaria; changes in laws and regulations; Mallinckrodt's ability to identify, acquire or close future acquisitions; Mallinckrodt's ability to successfully integrate acquisitions of operations, technology, products and businesses generally and to realize anticipated growth, synergies and cost savings (including with respect to the acquisition of Ikaria); the parties' ability to successfully develop or commercialize new products; the parties' ability to protect intellectual property rights; Mallinckrodt's ability to receive procurement and production quotas granted by the U.S. Drug Enforcement Administration; customer concentration; Mallinckrodt's reliance on certain individual products that are material to its financial performance; cost containment efforts of customers, purchasing groups, third-party payers and governmental organizations; the reimbursement practices of a small number of public or private insurers; limited clinical trial data for H.P. Acthar® Gel; complex reporting and payment obligations under healthcare rebate programs; Mallinckrodt's ability to achieve anticipated benefits of price increases; Mallinckrodt's ability to achieve expected benefits from restructuring activities; complex manufacturing processes; competition; product liability losses and other litigation liability; ongoing governmental investigations; material health, safety and environmental liabilities; retention of key personnel; conducting business internationally; and the effectiveness of information technology infrastructure. These and other factors are identified and described in more detail in the "Risk Factors" section of Mallinckrodt's Annual Report on Form 10-K for the fiscal year ended September 26, 2014. The forward-looking statements made herein speak only as of the date hereof and Mallinckrodt does not assume any obligation to update or revise any forward-looking statement, whether as a result of new information, future events and developments or otherwise, except as required by law.

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