BIOMARIN PHARMACEUTICAL INC
Form 10-Q
May 02, 2016
o

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2016

Or

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to .

Commission File Number: 000-26727

BioMarin Pharmaceutical Inc.

(Exact name of registrant as specified in its charter)

Delaware	68-0397820
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

770 Lindaro Street, San Rafael, California	94901
(Address of principal executive offices)	(Zip Code)

(415) 506-6700

(Registrant's telephone number including area code)

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

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

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

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

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

Applicable only to issuers involved in bankruptcy proceedings during the preceding five years:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes o No o

Applicable only to corporate issuers:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 162,322,439 shares of common stock, par value $0.001, outstanding as of April 22, 2016.

BIOMARIN PHARMACEUTICAL INC.

TABLE OF CONTENTS

BIOMARIN PHARMACEUTICAL INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

March 31, 2016 and December 31, 2015

(In thousands of U.S. dollars, except share amounts)

	March 31, 2016	December 31, 2015[1]
ASSETS	(unaudited)	
Current assets:		
Cash and cash equivalents	$270,453	$397,040
Short-term investments	186,400	195,579
Accounts receivable, net (allowance for doubtful accounts: $167 and $93, at March 31, 2016 and December 31, 2015, respectively)	180,751	164,959
Inventory	296,979	271,683
Other current assets	58,207	60,378
Total current assets	992,790	1,089,639
Noncurrent assets:		
Long-term investments	314,404	425,652
Property, plant and equipment, net	716,916	704,207
Intangible assets, net	1,177,232	683,996
Goodwill	197,039	197,039
Deferred tax assets	243,212	220,191
Other assets	25,400	408,644
Total assets	$3,666,993	$3,729,368
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$290,562	$392,511
Short-term contingent acquisition consideration payable	97,449	52,946
Total current liabilities	388,011	445,457
Noncurrent liabilities:		
Long-term convertible debt, net	668,009	662,286
Long-term contingent acquisition consideration payable	135,275	32,663
Deferred tax liabilities	143,527	143,527
Other long-term liabilities	41,935	44,588
Total liabilities	1,376,757	1,328,521
Stockholders' equity:		
Common stock, $0.001 par value: 250,000,000 shares authorized at March 31, 2016 and December 31, 2015: 162,243,016 and 161,526,044 shares issued and outstanding at March 31, 2016 and December 31, 2015, respectively	163	162
Additional paid-in capital	3,410,297	3,414,837
Company common stock held by Nonqualified Deferred Compensation Plan	(13,560)	(13,616)
Accumulated other comprehensive income	47	21,033
Accumulated deficit	(1,106,711)	(1,021,569)

Total stockholders' equity	2,290,236	2,400,847
Total liabilities and stockholders' equity	$3,666,993	$3,729,368

(1) December 31, 2015 balances were derived from the audited Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2015, filed with the Securities and Exchange Commission (the SEC) on February 29, 2016.

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

BIOMARIN PHARMACEUTICAL INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

Three Months Ended March 31, 2016 and 2015

(In thousands of U.S. dollars, except per share amounts)

(Unaudited)

	Three Months Ended March 31,	
	2016	2015
REVENUES:		
Net product revenues	$235,357	$201,312
Collaborative agreement revenues	233	376
Royalty, license and other revenues	1,146	1,232
Total revenues	236,736	202,920
OPERATING EXPENSES:		
Cost of sales	43,118	30,998
Research and development	158,793	142,074
Selling, general and administrative	105,300	92,806
Intangible asset amortization and contingent consideration	10,442	2,902
Total operating expenses	317,653	268,780
LOSS FROM OPERATIONS	(80,917)	(65,860)
Equity in the loss of BioMarin/Genzyme LLC	(135)	(150)
Interest income	1,571	683
Interest expense	(9,843)	(9,462)
Debt conversion expense	—	(163)
Other income	198	249
LOSS BEFORE INCOME TAXES	(89,126)	(74,703)
Benefit from income taxes	(3,984)	(7,202)
NET LOSS	$(85,142)	$(67,501)
NET LOSS PER SHARE, BASIC AND DILUTED	$(0.53)	$(0.43)
Weighted average common shares outstanding, basic and diluted	161,548	157,612
COMPREHENSIVE LOSS	$(106,128)	$(51,148)

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

BIOMARIN PHARMACEUTICAL INC.

CONDENSED CONSOLIDATED STATEMENTOF STOCKHOLDERS' EQUITY

Three Months Ended March 31, 2016

(In thousands of U.S. dollars)

(Unaudited)

	Common stock		Additional Paid-in	Company Common Stock Held by Nonqualified Deferred Compensation	Accumulated Other Comprehensive Income	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Plan	(Loss)	Deficit	Equity
Balance at December 31, 2015	161,526	$ 162	$3,414,837	$ (13,616)	$ 21,033	$(1,021,569)	$2,400,847
Net loss						(85,142)	(85,142)
Other comprehensive loss					(20,986)		(20,986)
Exercise of common stock options	114		3,521				3,521
Excess tax benefit from stock option exercises			99				99
Restricted stock vested during the period, net	524	1	(40,789)				(40,788)
Conversion of convertible notes, net	79		1,614				1,614
Common stock held by Nonqualified Deferred Compensation Plan (the NQDC)				56			56
Stock-based compensation			31,015				31,015
Balance at March 31, 2016	162,243	$ 163	$3,410,297	$ (13,560)	$ 47	$(1,106,711)	$2,290,236

BIOMARIN PHARMACEUTICAL INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Three Months Ended March 31, 2016 and 2015

(In thousands of U.S. dollars)

(Unaudited)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(85,142)	$(67,501)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	20,244	10,817
Non-cash interest expense	7,337	7,000
Accretion of discount on investments	309	417
Stock-based compensation	30,177	22,692
Deferred income taxes	(19,277)	(7,800)
Excess tax benefit from stock option exercises	(99)	(527)
Unrealized foreign exchange gain on forward contracts	(6,526)	(5,686)
Non-cash changes in the fair value of contingent acquisition consideration payable	2,936	282
Other	526	(130)
Changes in operating assets and liabilities:		
Accounts receivable, net	(16,044)	(26,789)
Inventory	(11,803)	(19,344)
Other current assets	2,399	(3,522)
Other assets	(1,232)	330
Accounts payable and accrued liabilities	(90,744)	(57,236)
Other long-term liabilities	(4,614)	9,186
Net cash used in operating activities	(171,553)	(137,811)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(45,204)	(43,832)
Maturities and sales of investments	181,267	124,137
Purchase of available-for-sale investments	(58,914)	(288,431)
Purchase of promissory note	(150)	(3,326)
Business acquisitions, net of cash acquired	—	(538,392)
Other	—	(1,027)
Net cash provided by (used in) investing activities	76,999	(750,871)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from exercises of stock options and Employee Stock Purchase Plan (the ESPP)	3,521	28,026
Taxes paid related to net share settlement of equity awards	(40,788)	(735)
Proceeds from public offering of common stock, net	—	888,257
Excess tax benefit from stock option exercises	99	527
Other	3	(1,284)
Net cash provided by (used in) financing activities	(37,165)	914,791
Effect of exchange rate changes on cash	5,132	(1,025)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(126,587)	25,084
Cash and cash equivalents:		

Beginning of period	$397,040	$875,486
End of period	$270,453	$900,570
SUPPLEMENTAL CASH FLOW DISCLOSURES:		
Cash paid for income taxes	73,215	1,358
Stock-based compensation capitalized into inventory	2,469	2,480
Depreciation capitalized into inventory	2,617	3,580
SUPPLEMENTAL CASH FLOW DISCLOSURES FOR NON CASH INVESTING AND FINANCING ACTIVITIES:		
Decrease in accounts payable and accrued liabilities related to fixed assets	(14,788)	(20,985)
Conversion of convertible debt	—	8,133
Accrual for inventory purchases related to the acquisition of the Merck PKU Business	2,436	—

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

BIOMARIN PHARMACEUTICAL INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars, except per share amounts or as otherwise disclosed)

(1) NATURE OF OPERATIONS AND BUSINESS RISKS

BioMarin Pharmaceutical Inc. (the Company or BioMarin), a Delaware corporation, develops and commercializes innovative biopharmaceuticals for serious diseases and medical conditions. BioMarin selects product candidates for diseases and conditions that represent a significant unmet medical need, have well-understood biology and provide an opportunity to be first-to-market or offer a significant benefit over existing products. The Company's product portfolio consists of five approved products and multiple clinical and pre-clinical product candidates. The Company's approved products are Vimizim (elosulfase alfa), Naglazyme (galsulfase), Kuvan (sapropterin dihydrochloride), Aldurazyme (laronidase) and Firdapse (amifampridine phosphate).

The Company expects to continue to finance future cash needs that exceed its operating activities primarily through its current cash, cash equivalents, short-term and long-term investments, and to the extent necessary, through proceeds from equity or debt financings, loans and collaborative agreements with corporate partners. If the Company elects to increase its spending on development programs significantly above current long-term plans or enters into potential licenses and other acquisitions of complementary technologies, products or companies, the Company may need additional capital.

The Company is subject to a number of risks, including: the financial performance of its approved products; the potential need for additional financings; the Company's ability to successfully commercialize its approved product candidates; the uncertainty of the Company's research and development (R&D) efforts resulting in future successful commercial products; the Company's ability to successfully obtain regulatory approval for new products; significant competition from larger organizations; reliance on the proprietary technology of others; dependence on key personnel; uncertain patent protection; dependence on corporate partners and collaborators; and possible restrictions on reimbursement from governmental agencies and healthcare organizations, as well as other changes in the health care industry.

(2) BASIS OF PRESENTATION

The accompanying Condensed Consolidated Financial Statements have been prepared pursuant to the rules and regulations of the SEC for Quarterly Reports on Form 10-Q and do not include all of the information and note disclosures required by the United States (U.S.) generally accepted accounting principles (U.S. GAAP) for complete financial statements, although the Company believes that the disclosures herein are adequate to ensure that the information presented is not misleading. The Condensed Consolidated Financial Statements should therefore be read in conjunction with the Consolidated Financial Statements and Notes thereto for the fiscal year ended December 31, 2015 included in the Company's Annual Report on Form 10-K.

The accompanying Condensed Consolidated Financial Statements have been prepared in accordance with U.S. GAAP, which requires management to make estimates and assumptions that affect amounts reported in the Condensed Consolidated Financial Statements and accompanying disclosures. Although these estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future, actual results may be different from those estimates. The Condensed Consolidated Financial Statements reflect all

adjustments of a normal, recurring nature that are, in the opinion of management, necessary for a fair presentation of results for these interim periods. The results of operations for the three months ended March 31, 2016 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2016.

Management performed an evaluation of the Company's activities through the date of filing of this Quarterly Report on Form 10-Q, and has concluded that there were no subsequent events or transactions that occurred subsequent to the balance sheet date prior to filing this Quarterly Report on Form 10-Q that would require recognition or disclosure in the Condensed Consolidated Financial Statements.

(3) SIGNIFICANT ACCOUNTING POLICIES

There have been no material changes to the Company's significant accounting policies during the three months ended March 31, 2016, as compared to the significant accounting policies disclosed in Note 3 of the Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2015.

BIOMARIN PHARMACEUTICAL INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(In thousands of U.S. dollars, except per share amounts or as otherwise disclosed)

(4) RECENT ACCOUNTING PRONOUNCEMENTS

Except as described below, there have been no new accounting pronouncements or changes to accounting pronouncements during the three months ended March 31, 2016, as compared to the recent accounting pronouncements described in Note 4 of the Company's Annual Report on Form 10-K for the year ended December 31, 2015, that are of significance or potential significance to the Company.

In March 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-09, Improvements to Employee Share-Based Payment Accounting (ASU 2016-09), which is intended to simplify several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. ASU 2016-09 is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. Early application is permitted. ASU 2016-09 will be effective for the Company's fiscal year beginning January 1, 2017 unless it elects early adoption. The Company is currently evaluating the potential impact the adoption of ASU 2016-09 will have on its consolidated financial statements and has not elected to early adopt the amendments.

In February 2016, the FASB issued ASU No. 2016-02, Leases (ASU 2016-02). The amended guidance requires balance sheet recognition of lease assets and liabilities by lessees for leases classified as operating leases, with an option to not recognize lease assets and lease liabilities for leases with a term of 12 months or less. The amendments also require new disclosures providing additional qualitative and quantitative information about the amounts recorded in the financial statements. Lessor accounting is largely unchanged. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early application is permitted. ASU 2016-02 will be effective for the Company's fiscal year beginning January 1, 2019 unless it elects early adoption. The amendments require a modified retrospective approach with optional practical expedients. The Company is currently evaluating the potential impact the adoption of ASU 2016-02 will have on its consolidated financial statements and has not elected to early adopt ASU 2016-02.

In May 2014, the FASB issued ASU No. 2014-09 (ASU 2014-09) regarding Accounting Standards Codification (ASC) Topic 606, Revenue from Contracts with Customers. ASU 2014-09 provides principles for recognizing revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. In August 2015, the FASB issued ASU 2015-14 to defer the effective date by one year with early adoption permitted as of the original effective date. ASU 2014-09 will be effective for the Company's fiscal year beginning January 1, 2018 unless it elects the earlier date of January 1, 2017. In March 2016, the FASB issued ASU 2016-08 to help provide interpretive clarifications on the new guidance for ASC Topic 606. In April 2016, the FASB issued ASU 2016-10 to clarify the guidance for identifying performance obligations and accounting for licenses of intellectual property. The Company is currently evaluating the accounting, transition, and disclosure requirements of the standard.

(5) ACQUISITIONS

The Merck PKU Business

On October 1, 2015 the Company entered into a Termination and Transition Agreement with Ares Trading S.A. (Merck Serono), as amended and restated on December 23, 2015 (the A&R Kuvan Agreement), to terminate the Development, License and Commercialization Agreement, dated May 13, 2005, as amended (the License Agreement), between the Company and Merck Serono, including the license to Kuvan granted in the License Agreement from the Company to Merck Serono. Also on October 1, 2015, the Company and Merck Serono entered into a Termination Agreement (the Pegvaliase Agreement) to terminate the license to pegvaliase granted in the License Agreement from the Company to Merck Serono. On January 1, 2016, pursuant to the A&R Kuvan Agreement and the Pegvaliase Agreement, the Company completed the acquisition from Merck Serono and its affiliates of certain rights and other assets with respect to Kuvan and pegvaliase (the Merck PKU Business). As a result, the Company acquired all global rights to Kuvan and pegvaliase from Merck Serono, with the exception of Kuvan in Japan. Previously, the Company had exclusive rights to Kuvan in the U.S. and Canada and pegvaliase in the U.S. and Japan. In connection with the acquisition of Merck PKU Business, the Company recognized transaction costs of $0.4 million, of which $0.3 million and $0.1 million, respectively, were recognized in the year ended December 31, 2015 and the three months ended March 31, 2016.

BIOMARIN PHARMACEUTICAL INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(In thousands of U.S. dollars, except per share amounts or as otherwise disclosed)

Pursuant to the A&R Kuvan Agreement, the Company paid Merck Serono $374.2 million, in cash, and is obligated to pay Merck Serono up to a maximum of €60.0 million, in cash, if future sales milestones are met. Pursuant to the Pegvaliase Agreement, the Company is obligated to pay Merck Serono up to a maximum of €125.0 million, in cash, if future development milestones are met. Merck Serono transferred certain inventory, regulatory materials and approvals, and intellectual property rights to the Company and will perform certain transition services for the Company.

The Company and Merck Serono have no further rights or obligations under the License Agreement with respect to pegvaliase. The License Agreement will continue in effect in order to complete the transfer of certain assets related to Kuvan, the majority of which occurred in January 2016. Accordingly, as of March 31, 2016, the Company continues to rely on Merck Serono to provide critical transition services for the sales and distribution of Kuvan until marketing authorizations can be transferred in approximately 12 remaining countries, but in no event later than December 31, 2016.

Prior to the consummation of the transactions described above, the Company sold Kuvan to Merck Serono at a price near its manufacturing costs, and Merck Serono resold the product to end users outside the U.S., Canada and Japan. The royalty earned by the Company from Kuvan product sold by Merck Serono was included as a component of Net Product Revenues in the period earned.

Kuvan is a commercialized product for the treatment of patients with phenylketonuria (PKU). Pegvaliase is currently in registration-enabling pivotal studies as a potential therapeutic option for adult patients with PKU. Kuvan has Orphan Drug exclusivity in Europe until 2020 and pegvaliase has Orphan Drug designation in the U.S. and European Union (EU).

The acquisition date fair value of the contingent acquisition consideration payments, Kuvan global marketing rights, with the exception of Japan, and pegvaliase in-process research and development (IPR&D) acquired was estimated by applying a probability-based income approach utilizing an appropriate discount rate. This estimation was based on significant inputs that are not observable in the market, referred to as level 3 inputs. Key assumptions include a discount rate and various probability factors. The range of outcomes and assumptions used to develop these estimates has been updated to estimate the fair value of the contingent acquisition consideration payable at March 31, 2016. See Note 14 to these Condensed Consolidated Financial Statements for additional discussion regarding fair value measurements of the contingent acquisition consideration payable included on the Company’s Condensed Consolidated Balance Sheet.

The following table presents the preliminary allocation of the purchase consideration for the Merck PKU Business acquisition, including the contingent acquisition consideration payable, based on the acquisition date fair value:

Cash payments	$374,192
Estimated fair value of contingent acquisition consideration payable	138,974
Total consideration	$513,166

Kuvan intangible assets	$173,486
Pegvaliase IPR&D	327,350
Inventory	12,330
Total identifiable assets acquired	$513,166

The amount allocated to the Kuvan intangible assets is considered to be finite-lived and will be amortized on a straight-line basis over its estimated useful life through 2024.

BIOMARIN PHARMACEUTICAL INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(In thousands of U.S. dollars, except per share amounts or as otherwise disclosed)

The amount allocated to acquired pegvaliase IPR&D is considered to be indefinite-lived until the completion or abandonment of the associated research and development efforts. During the period the assets are considered indefinite-lived, they will not be amortized but will be tested for impairment on an annual basis and between annual tests if the Company becomes aware of any events occurring or changes in circumstances that would indicate the reduction in the fair value of the IPR&D assets below their respective carrying amounts. When development is complete, which generally occurs if and when regulatory approval to market a product is obtained, the associated assets would be deemed finite-lived and would then be amortized based on their respective estimated useful lives at that point. See Note 8 to these Condensed Consolidated Financial Statements for further discussion of the indefinite-lived intangible assets.

Pro Forma Financial Information

The following unaudited pro forma financial information presents the combined results of operations of the Company and the Merck PKU Business as if the acquisition occurred on January 1, 2015. This unaudited pro forma financial information is presented for informational purposes only and is not necessarily indicative of the results of future operations that would have been achieved had the acquisitions taken place at the beginning of 2015.

	Three Months Ended March 31, 2015
Total revenues	$218,798
Net loss	$(61,281)
Net loss per share, basic and dilutive	$(0.39)
Weighted average common shares outstanding, basic and diluted	157,612

(6) NET LOSS PER COMMON SHARE

Potentially issuable shares of common stock include shares issuable upon the exercise of outstanding employee stock option awards, common stock issuable under the Company’s ESPP, unvested restricted stock units (RSUs), common stock held by the NQDC and contingent issuances of common stock related to convertible debt. The table below presents the shares of common stock that were excluded from the computation as they were anti-dilutive using the

treasury stock method (in thousands of shares):

	Three Months Ended March 31,	
	2016	2015
Options to purchase common stock	10,884	11,109
Common stock issuable under the 2017 Notes	1,464	1,567
Common stock issuable under the 2018 and 2020 Notes	7,966	7,966
Unvested restricted stock units	1,529	1,557
Potentially issuable common stock for ESPP purchases	151	223
Common stock held by the NQDC	238	213
Total number of potentially issuable shares	22,232	22,635

The effect of the Company’s 0.7% senior subordinated convertible notes due in 2018 (the 2018 Notes) and the Company’s 1.50% senior subordinated convertible notes due in 2020 (the 2020 Notes, and together with the 2018 Notes, the Notes) were excluded from the diluted net loss per common share because they may be settled in cash or shares at the Company’s option and the Company’s current intention is to settle up to the principal amount of the converted notes in cash and any excess conversion value (conversion spread) in shares of the Company’s common stock. As a result, during the three months ended March 31, 2016 and 2015, the Notes had no effect on diluted net loss per share as the Company’s stock price did not exceed the conversion price of $94.15 per share for the Notes.

BIOMARIN PHARMACEUTICAL INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(In thousands of U.S. dollars, except per share amounts or as otherwise disclosed)

(7) INVESTMENTS

All investments were classified as available-for-sale at March 31, 2016 and December 31, 2015. The amortized cost, gross unrealized holding gains or losses, and fair value of the Company's available-for-sale securities by major security type at March 31, 2016 and December 31, 2015 are summarized in the tables below:

	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Aggregate Fair Value at March 31, 2016
Certificates of deposit	$ 11,517	$ —	$ —	$ 11,517
Corporate debt securities	321,358	1,161	(164)	322,355
Commercial paper	6,247	—	—	6,247
U.S. government agency securities	160,376	210	(25)	160,561
Greek government-issued bonds	47	77	—	124
Total	$ 499,545	$ 1,448	$ (189)	$ 500,804

	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Aggregate Fair Value at December 31, 2015
Certificates of deposit	$ 63,919	$ 1	$ —	$ 63,920
Corporate debt securities	358,625	20	(732)	357,913
Commercial paper	12,733	—	—	12,733
U.S. government agency securities	186,882	—	(344)	186,538
Greek government-issued bonds	48	79	—	127
Total	$ 622,207	$ 100	$ (1,076)	$ 621,231

The Company has two investments in marketable equity securities measured using quoted prices in their respective active markets that are collectively considered strategic investments. As of March 31, 2016, the fair value of the Company's marketable equity securities was $8.1 million, which included an unrealized gain of $2.8 million. As of December 31, 2015, the fair value of the Company's marketable equity securities was $18.1 million, which included an unrealized gain of $12.7 million. These investments are recorded in Other Assets in the Company's Condensed

Consolidated Balance Sheets.

The fair values of available-for-sale securities by contractual maturity were as follows:

	March 31, 2016	December 31, 2015
Maturing in one year or less	$186,400	$ 195,579
Maturing after one year through five years	314,404	425,652
Total	$500,804	$ 621,231

Impairment assessments are made at the individual security level each reporting period. When the fair value of an investment is less than its cost at the balance sheet date, a determination is made as to whether the impairment is other-than-temporary and, if it is other-than-temporary, an impairment loss is recognized in earnings equal to the difference between the investment's amortized cost and fair value at such date. As of March 31, 2016, some of the Company's investments were in an unrealized loss position. However, the Company has the ability and intent to hold all investments that have been in a continuous loss position until maturity or recovery, thus no other-than-temporary impairment is deemed to have occurred.

See Note 13 to these Condensed Consolidated Financial Statements for additional discussion regarding the fair value of the Company's available-for-sale securities.

BIOMARIN PHARMACEUTICAL INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(In thousands of U.S. dollars, except per share amounts or as otherwise disclosed)

(8) INTANGIBLE ASSETS

Intangible assets consisted of the following:

	March 31, 2016	December 31, 2015
Intangible assets:		
Finite-lived intangible assets	$302,595	$129,572
Indefinite-lived intangible assets	935,361	607,548
Gross intangible assets:	1,237,956	737,120
Less: Accumulated amortization	(60,724)	(53,124)
Net carrying value	$1,177,232	$683,996

Indefinite-Lived Intangible Assets

Intangible assets related to IPR&D assets are considered to be indefinite-lived until the completion or abandonment of the associated R&D efforts. During the period the assets are considered indefinite-lived, they will not be amortized but will be tested for impairment on an annual basis and between annual tests if the Company becomes aware of any events occurring or changes in circumstances that would indicate a reduction in the fair value of the IPR&D assets below their respective carrying amounts. If and when development is complete, which generally occurs if and when regulatory approval to market a product is obtained, the associated assets would be deemed finite-lived and would then be amortized based on their respective estimated useful lives at that point in time.

See Note 8 to the Consolidated Financial Statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2015 for additional information related to the Company’s intangible assets.

(9) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, net consisted of the following:

	March 31, 2016	December 31, 2015
Building and improvements	$500,299	$ 442,100

Manufacturing and laboratory equipment	201,168	145,313
Computer hardware and software	118,563	113,442
Leasehold improvements	44,074	44,247
Furniture and equipment	24,714	22,817
Land improvements	4,881	4,881
Land	45,727	45,727
Construction-in-progress	71,607	164,283
	1,011,033	982,810
Less: Accumulated depreciation	(294,117)	(278,603)
Total property, plant and equipment, net	$716,916	$ 704,207

Construction in-process primarily includes costs related to the Company's significant in-process projects at its campus in Marin County, California, and its manufacturing facility in Shanbally, Cork, Ireland.

Depreciation expense for the three months ended March 31, 2016 and 2015 was $15.7 million and $11.5 million, respectively, of which $2.6 million and $3.6 million, respectively, was capitalized into inventory.

Capitalized interest related to the Company's property, plant and equipment purchases for each of the three months ended March 31, 2016 and 2015 was insignificant.

BIOMARIN PHARMACEUTICAL INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(In thousands of U.S. dollars, except per share amounts or as otherwise disclosed)

(10) SUPPLEMENTAL BALANCE SHEET INFORMATION

Inventory consisted of the following:

	March 31, 2016	December 31, 2015
Raw materials	$ 44,973	$ 46,115
Work-in-process	163,333	150,289
Finished goods	88,673	75,279
Total inventory	$ 296,979	$ 271,683

In the first quarter of 2016, process qualification production activities commenced in the Company's Shanbally facility related to Vimizim production. As of March 31, 2016 the value of the qualification campaign was $15.5 million as of March 31, 2016 and which was capitalized as inventory because the product is expected to be sold commercially. While the Company believes it is unlikely that the manufacturing process will not be approved for Vimizim production, should that occur, the value of the inventory would be expensed at that time.

Other Assets consisted of the following:

	March 31, 2016	December 31, 2015
Deposit for business acquisition	$ —	$ 371,756
Deposits	8,720	8,606
Strategic investments	8,142	18,056
Long-term forward foreign currency exchange contract assets	734	3,533
Other	7,804	6,693
Total other assets	$ 25,400	$ 408,644

Accounts Payable and Accrued Liabilities consisted of the following:

	March 31, 2016	December 31, 2015
Accounts payable and accrued operating expenses	$ 152,860	$ 179,294
Accrued compensation expense	45,031	78,424
Accrued rebates payable	34,158	32,553

Accrued vacation expense	19,696	16,921
Accrued royalties payable	10,787	10,412
Value added taxes payable	10,437	6,377
Accrued income taxes	1,593	59,572
Other	16,000	8,958
Total accounts payable and accrued liabilities	$ 290,562	$ 392,511

BIOMARIN PHARMACEUTICAL INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(In thousands of U.S. dollars, except per share amounts or as otherwise disclosed)

(11) CONVERTIBLE DEBT

The following table summarizes information regarding the Company's convertible debt:

	March 31, 2016	December 31, 2015
Convertible Notes due 2020	$374,993	$374,993