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

FORM 8-K/A
(Amendment No. 1)

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

Date of Report (Date of earliest event reported): May 5, 2021

JAZZ PHARMACEUTICALS PUBLIC LIMITED COMPANY
(Exact Name of Registrant as Specified in its Charter)

Ireland	001-33500	98-1032470
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

Fifth Floor, Waterloo Exchange,
Waterloo Road, Dublin 4, Ireland D04 E5W7
(Address of principal executive offices) (Zip Code)

011-353-1-634-7800
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

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))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Ordinary shares, nominal value $0.0001 per share	**Jazz**	**The Nasdaq Stock Market LLC**

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

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

EXPLANATORY NOTE

On February 3, 2021, Jazz Pharmaceuticals Public Limited Company, an Ireland public limited company ("Jazz"), entered into a Transaction Agreement ("Transaction Agreement") with GW Pharmaceuticals plc, a public limited company incorporated under the laws of England and Wales ("GW"), and Jazz Pharmaceuticals UK Holdings Limited, a private limited company incorporated under the laws of England and Wales and an indirect wholly owned subsidiary of Jazz ("Bidco"), pursuant to which Bidco (and/or, at Bidco's election, Bidco's nominee(s)) acquired the entire issued share capital of GW (the "Transaction") on May 5, 2021 pursuant to a scheme of arrangement under Part 26 of the United Kingdom Companies Act 2006 (the "Scheme").

On May 5, 2021, Jazz filed a Current Report on Form 8-K (the "Original Form 8-K") reporting the closing of the Transaction. The Transaction was conditioned on, among other things, the sanction of the Scheme by the High Court of Justice of England and Wales (the "Court"). On May 5, 2021, the Court issued an order sanctioning the Scheme. Upon the delivery of such order to the Registrar of Companies in England and Wales on May 5, 2021, the Scheme became effective (the "Effective Time"). As a result, GW became an indirect wholly owned subsidiary of Jazz. At the Effective Time, the Scheme Shareholders (as defined in the Scheme) became entitled to receive for each Scheme Share (as defined in the Scheme) held by them at such time an amount equal to $16.662/3 in cash plus 0.010030 ordinary shares (the "Share Deliverable"), nominal value $0.0001 per share, of Jazz ("Jazz Ordinary Shares"). In addition, because each American Depositary Share issued by Citibank, N.A., as depositary, in respect of GW ("GW ADS") represented a beneficial interest in 12 Scheme Shares held by such depositary, holders of GW ADSs became entitled under such depositary arrangements to receive, for each GW ADS (1) an amount equal to $200 in cash (less (a) a $0.05 per GW ADS cancellation fee, (b) a $0.05 per GW ADS distribution fee, (c) any other fees and expenses payable by such holders pursuant to the terms of the deposit agreement, dated as of May 7, 2013 (as amended), by and among GW, Citibank, N.A., as depositary, and all holders and beneficial owners of GW ADSs issued thereunder and (d) any applicable withholding taxes) and (2) an amount of Jazz Ordinary Shares equal to 12 times the Share Deliverable. Scheme Shareholders and holders of GW ADSs became entitled to receive cash in lieu of any fractional Jazz Ordinary Shares to which they would have otherwise been entitled to in accordance with the Scheme. In connection with the Transaction, 3,798,105 Jazz Ordinary Shares were issued to such Scheme Shareholders.

This Current Report on Form 8-K/A amends the Original Form 8-K to provide the consolidated financial statements of GW as required under Item 9.01(a) and the pro forma financial information required under Item 9.01(b).

Item 9.01. Financial Statements and Exhibits.

(a) ***Financial statements of business acquired.***

The audited consolidated financial statements of GW as of December 31, 2020 and 2019 and for the years then ended, and the notes related thereto, are filed as Exhibit 99.2 to this Current Report on Form 8-K/A and are incorporated herein by reference. The consent of Deloitte & Touche LLP, the independent registered public accounting firm of GW, is attached hereto as Exhibit 23.1 to this Current Report on Form 8-K/A.

The unaudited consolidated financial statements of GW as of March 31, 2021 and December 31, 2020 and for the three months ended March 31, 2021 and 2020, and the notes related thereto, are filed as Exhibit 99.3 to this Current Report on Form 8-K/A and are incorporated herein by reference.

(b) ***Pro forma financial information.***

The unaudited pro forma condensed combined financial statements of Jazz and GW as of and for the three months ended March 31, 2021 and for the year ended December 31, 2020, and the notes related thereto, each giving effect to the Transaction, are included as Exhibit 99.4 to this Current Report on Form 8-K/A and are incorporated herein by reference.

(d) ***Exhibits.***

Exhibit No.	Description of Exhibit
2.1	Transaction Agreement, dated as of February 3, 2021, by and among Jazz Pharmaceuticals UK Holdings Limited, Jazz Pharmaceuticals Public Limited Company and GW Pharmaceuticals plc (incorporated herein by reference to Exhibit 2.1 to the Current Report on Form 8-K (File No. 001-33500), as filed by Jazz with the SEC on February 4, 2021).*
10.1	Credit Agreement, dated as of May 5, 2021, by and among Jazz Pharmaceuticals Public Limited Company, the other borrowers from time to time party thereto, the lenders and issuing banks from time to time party thereto, Bank of America, N.A., as administrative agent, and U.S. Bank National Association, as collateral trustee (incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 001-33500), as filed by Jazz with the SEC on May 5, 2021). *
23.1	Consent of Deloitte & Touche LLP.
99.1	Jazz Press Release dated as of May 5, 2021 (incorporated herein by reference to Exhibit 99.1 to the Current Report on Form 8-K (File No. 001-33500), as filed by Jazz with the SEC on May 5, 2021).
99.2	Audited consolidated financial statements of GW as of and for the years ended December 31, 2020 and 2019, and the notes related thereto.
99.3	Unaudited consolidated financial statements of GW as of March 31, 2021 and December 31, 2020 and for the three months ended March 31, 2021 and 2020, and the notes related thereto.
99.4	Unaudited pro forma condensed combined financial statements as of and for the three months ended March 31, 2021 and for the year ended December 31, 2020, and the notes related thereto.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

* Certain schedules and exhibits have been omitted pursuant to Item 601(a)(5) of Regulation S-K. Jazz agrees to furnish supplementally a copy of any omitted schedule or exhibit to the SEC upon its request.

SIGNATURE

Pursuant to the requirements 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.

Date: July 19, 2021

JAZZ PHARMACEUTICALS PUBLIC LIMITED COMPANY

By: /s/ Neena M. Patil
Name: Neena M. Patil
Title: Chief Legal Officer and SVP, Legal and Corporate Affairs

Exhibit 23.1

Consent of Deloitte & Touche LLP.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in registration Statement No. 333-249807, No. 333-236636, No. 333-229889, No. 333-224757, No. 333-216338, No. 333-209767, No. 333-202269, No. 333-194131, No. 333-186886, No. 333-179075, No. 333-253417 and No. 333-255895 on Form S-8 of Jazz Pharmaceuticals Public Limited Company of our report dated February 26, 2021, relating to the financial statements of GW Pharmaceuticals plc and subsidiaries appearing in this Current Report on Form 8-K/A dated July 19, 2021.

/s/ DELOITTE & TOUCHE LLP

San Diego, California
July 19, 2021

GW PHARMACEUTICALS PLC
Audited Consolidated Financial Statements
As of and for the years ended December 31, 2020 and 2019

GW PHARMACEUTICALS PLC
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of GW Pharmaceuticals plc

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of GW Pharmaceuticals plc and subsidiaries (the "Company") as of December 31, 2020 and 2019, the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows, for each of the two years in the period ended December 31, 2020, three month period ended December 31, 2018, and year ended September 30, 2018, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2020, three month period ended December 31, 2018, and year ended September 30, 2018, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Epidiolex Product Net Sales — Rebates — Refer to Note 2 to the financial statements

Critical Audit Matter Description

As more fully disclosed in Note 2 to the financial statements, the Company recognizes revenue from product sales, net of allowances for rebates, which are included in accrued liabilities on the consolidated balance sheet. Allowances for rebates include mandated discounts under the Medicaid Drug Rebate Program and the Medicare Part D prescription drug benefit as well as contractual rebates with commercial payers. The allowance for rebates is based on contracted or statutory discount rates and expected utilization by benefit plan participants.

Given the significant estimation and uncertainty involved in management's assumptions to calculate the rebates, such as consideration of historical claims experience, expected utilization, unbilled claims, claims submission time lags, and the limited historical data currently available, auditing these estimates involved especially subjective judgment.

How the Critical Audit Matter Was Addressed in the Audit

Our auditing procedures related to allowances for rebates for Epidiolex product sales included the following, among others:

- We tested the effectiveness of eight internal controls over the development of the allowances for rebates, including the underlying assumptions and key inputs into the Company's allowances for rebates as well as controls over management's review of the application of the governmental pricing regulations.
- We engaged internal Government Pricing specialists to assess the government pricing and accrual methodology for reasonableness.
- We compared the significant assumptions used by management to currently available historical trends, evaluated the change in the accruals from prior periods, and assessed the historical accuracy of management's estimates against actual results.
- We estimated the rebates accrual for a sample of U.S. programs, using a combination of Company internal data, historical information, executed contracts, and third-party data and compared our estimate to the amount recorded by the Company.
- We tested the completeness and accuracy of the underlying data used in the Company's calculations through reconciliation to third-party invoices, executed contracts, claims data, and actual cash payments.

/s/ DELOITTE & TOUCHE LLP

San Diego, California
February 26, 2021

We have served as the Company's auditor since 2018.

GW PHARMACEUTICALS PLC
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)

	December 31, 2020	December 31, 2019
Assets		
Cash and cash equivalents	$ 486,752	$ 536,933
Accounts receivable, net	71,168	48,883
Inventory	129,138	85,528
Prepaid expenses and other current assets	42,472	28,292
Total current assets	729,530	699,636
Property, plant, and equipment, net	143,767	127,765
Operating lease assets	25,118	24,916
Intangible assets, net	5,565	—
Goodwill	6,959	6,959
Deferred tax assets	20,777	18,123
Other assets	7,795	4,850
Total assets	$ 939,511	$ 882,249
Liabilities and stockholders' equity		
Accounts payable	$ 21,870	$ 9,990
Accrued liabilities	127,849	99,374
Current tax liabilities	877	437
Other current liabilities	9,210	7,760
Total current liabilities	159,806	117,561
Long-term liabilities:		
Finance lease liabilities	5,454	5,573
Operating lease liabilities	22,127	21,650
Other liabilities	11,034	11,431
Total long-term liabilities	38,615	38,654
Total liabilities	198,421	156,215
Commitments and contingencies (Note 10)		
Stockholders' equity:		
Ordinary shares par value £0.001; 375,196,172 and 371,068,436 shares outstanding as of December 31, 2020 and 2019, respectively	577	570
Additional paid-in capital	1,690,151	1,632,046
Accumulated deficit	(896,087)	(837,959)
Accumulated other comprehensive loss	(53,551)	(68,623)
Total stockholders' equity	741,090	726,034
Total liabilities and stockholders' equity	$ 939,511	$ 882,249

See accompanying notes to consolidated financial statements.

GW PHARMACEUTICALS PLC
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)

	Year Ended December 31, 2020	Year Ended December 31, 2019	Three Months Ended December 31, 2018	Years Ended September 30, 2018
Revenues				
Product net sales	$526,830	$ 310,331	$ 6,617	$ 10,469
Other revenue	375	1,001	37	2,268
Total revenues	527,205	311,332	6,654	12,737
Operating expenses				
Cost of product sales	37,531	27,199	1,829	5,986
Research and development	205,396	142,678	29,086	153,736
Selling, general and administrative	336,043	259,880	49,083	141,818
Total operating expenses	578,970	429,757	79,998	301,540
Loss from operations	(51,765)	(118,425)	(73,344)	(288,803)
Interest income	1,814	8,464	2,449	3,645
Interest expense	(1,121)	(1,087)	(295)	(1,249)
Other income	—	104,117	—	—
Foreign exchange loss	(3,974)	(2,272)	(982)	(4,963)
Loss before income taxes	(55,046)	(9,203)	(72,172)	(291,370)
Income tax expense (benefit)	3,082	(184)	(266)	3,797
Net loss	$ (58,128)	$ (9,019)	$ (71,906)	$ (295,167)
Net loss per common share, basic and diluted	$ (0.15)	$ (0.02)	$ (0.20)	$ (0.88)
Weighted average common shares outstanding, basic and diluted	375,586	371,580	366,458	333,936

See accompanying notes to consolidated financial statements.

GW PHARMACEUTICALS PLC
CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(in thousands)

	Year Ended December 31, 2020	Year Ended December 31, 2019	Three Months Ended December 31, 2018	Year Ended September 30, 2018
Net loss	$(58,128)	$ (9,019)	$ (71,906)	$ (295,167)
Foreign currency translation adjustments	15,072	10,065	(3,494)	(676)
Comprehensive (loss) income	$(43,056)	$ 1,046	$ (75,400)	$ (295,843)

See accompanying notes to consolidated financial statements.

GW PHARMACEUTICALS PLC
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31, 2020	Year Ended December 31, 2019	Three Months Ended December 31, 2018	Years Ended September 30, 2018
Cash flows from operating activities				
Net loss	$ (58,128)	$ (9,019)	$ (71,906)	$ (295,167)
Adjustments to reconcile net loss to net cash used in operating activities:				
Foreign exchange loss	910	2,709	742	4,917
Stock-based compensation	58,359	48,030	9,683	31,627
Depreciation and amortization	12,757	9,240	2,534	9,290
Deferred income taxes	(2,654)	(9,698)	(1,265)	(317)
Gain from sale of priority review voucher	—	(104,117)	—	—
Other	528	39	—	241
Changes in operating assets and liabilities:				
Accounts receivable, net	(22,104)	(44,623)	(2,125)	(804)
Inventory	(39,873)	(51,125)	(14,460)	(13,646)
Prepaid expenses and other current assets	(9,624)	(9,831)	(3,635)	14,489
Other assets	3,290	3,888	(47)	(564)
Accounts payable	9,862	805	(1,211)	2,238
Current tax liabilities	(3,404)	(963)	878	54
Accrued liabilities	24,890	43,110	5,942	16,507
Other liabilities	(2,194)	(1,914)	410	(733)
Net cash used in operating activities	(27,385)	(123,469)	(74,460)	(231,868)
Cash flows from investing activities				
Proceeds from sale of priority review voucher	—	104,117	—	—
Additions to property, plant and equipment	(18,585)	(40,386)	(18,687)	(31,362)
Additions to capitalized software	(3,018)	(2,102)	(63)	(2,042)
Additions to intangible assets - licenses	(6,404)	—	—	—
Proceeds from disposal of property, plant and equipment	—	—	—	517
Net cash (used in) provided by investing activities	(28,007)	61,629	(18,750)	(32,887)
Cash flows from financing activities				
Proceeds from issuance of ordinary shares, net of issuance costs	—	—	324,638	297,931
Proceeds from exercise of stock options	1,579	2,878	—	621
Payments in connection with common stock withheld for employee tax obligation	(1,826)	—	—	—
Payments on finance leases	(299)	(389)	(40)	(276)
Payments on landlord financing obligation	(583)	(543)	(130)	(522)
Net cash (used in) provided by financing activities	(1,129)	1,946	324,468	297,754
Effect of exchange rate changes on cash	6,340	5,330	5,326	(240)
Net (decrease) increase in cash and cash equivalents	(50,181)	(54,564)	236,584	32,759
Cash and cash equivalents at beginning of period	536,933	591,497	354,913	322,154
Cash and cash equivalents at end of period	$486,752	$ 536,933	$ 591,497	$ 354,913
Supplemental disclosure of cash flow information:				
Income taxes paid	$ 9,139	$ 10,462	$ —	$ 3,726
Interest paid	$ 1,121	$ 1,087	$ 198	$ 1,249
Supplemental disclosure of noncash information:				
Property and equipment purchases in accounts payable and accrued liabilities	$ 2,396	$ 923	$ 1,899	$ 322

See accompanying notes to consolidated financial statements.

GW PHARMACEUTICALS PLC
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount				
Balances at September 30, 2017	304,440	$ 482	$ 916,726	$ (461,867)	$ (74,518)	$ 380,823
Issuance of common stock in public offering, net of issuance costs	33,120	44	297,888	—	—	297,932
Issuance of common stock from exercise of stock options	2,687	4	616	—	—	620
Net loss	—	—	—	(295,167)	—	(295,167)
Stock-based compensation	—	—	31,627	—	—	31,627
Other comprehensive loss	—	—	—	—	(676)	(676)
Balances at September 30, 2018	340,247	$ 530	$1,246,857	$ (757,034)	$ (75,194)	$ 415,159
Issuance of common stock in public offering, net of issuance costs	26,220	34	324,604	—	—	324,638
Issuance of common stock from exercise of stock options	150	—	—	—	—	—
Net loss	—	—	—	(71,906)	—	(71,906)
Stock-based compensation	—	—	9,683	—	—	9,683
Other comprehensive loss	—	—	—	—	(3,494)	(3,494)
Balances at December 31, 2018	366,617	$ 564	$1,581,144	$ (828,940)	$ (78,688)	$ 674,080
Issuance of common stock from exercise of stock options	4,452	6	2,872	—	—	2,878
Net loss	—	—	—	(9,019)	—	(9,019)
Stock-based compensation	—	—	48,030	—	—	48,030
Other comprehensive income	—	—	—	—	10,065	10,065
Balances at December 31, 2019	371,069	$ 570	$1,632,046	$ (837,959)	$ (68,623)	$ 726,034
Issuance of common stock from exercise of stock options	4,127	7	1,572	—	—	1,579
Net loss	—	—	—	(58,128)	—	(58,128)
Common stock withheld for employee tax obligations	—	—	(1,826)	—	—	(1,826)
Stock-based compensation	—	—	58,359	—	—	58,359
Other comprehensive income	—	—	—	—	15,072	15,072
Balances at December 31, 2020	375,196	$ 577	$1,690,151	$ (896,087)	$ (53,551)	$ 741,090

See accompanying notes to consolidated financial statements.

Note 1: Business Overview

GW Pharmaceuticals plc and its subsidiaries (referred to herein as “we,” “us,” “our,” and the “Company”) is a biopharmaceutical company focused on discovering, developing and commercializing novel therapeutics from our proprietary cannabinoid product platform in a broad range of disease areas. The Company is developing a portfolio of cannabinoid medicines, of which the lead product is *Epidiolex*®, an oral medicine for the treatment of certain refractory childhood epilepsies.

The Company is a public limited company, which has American Depository Shares (ADSs) registered with the U.S. Securities and Exchange Commission (SEC) and has been listed on Nasdaq since May 1, 2013. The Company’s ADSs each represent twelve ordinary shares of GW Pharmaceuticals plc. The Company is incorporated and domiciled in the United Kingdom. The address of the Company’s registered office and principal place of business is Sovereign House, Vision Park, Histon, Cambridgeshire.

Note 2: Summary of Significant Accounting Policies

Basis of Presentation

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

Change of Fiscal Year

We changed our fiscal year end to December 31 from September 30, effective December 31, 2018.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and accompanying notes. Actual results could differ from these estimates.

The full extent to which the COVID-19 pandemic will directly or indirectly impact our business, results of operations and financial condition, including sales, expenses, reserves and allowances, manufacturing, clinical trials, research and development costs and employee-related amounts, will depend on future developments that are highly uncertain, including as a result of new information that may emerge concerning COVID-19 and the actions taken to contain it or treat COVID-19, as well as the economic impact on local, regional, national and international customers and markets. We have made estimates of the impact of COVID-19 within our financial statements and there may be changes to those estimates in future periods. Actual results may differ from these estimates.

Foreign Currency Translation

The financial position and results of operations of the Company’s non-U.S. subsidiaries are generally determined using local currency as the functional currency. Assets and liabilities of these subsidiaries are translated at the exchange rate in effect at each year end. Income statement accounts are translated at the average rate of exchange prevailing during the year. Adjustments arising from the use of differing exchange rates from period to period are included in accumulated other comprehensive loss in stockholders’ equity. Foreign currency transaction gains and losses are included in “foreign exchange loss” in the Company’s consolidated statements of operations.

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.

Fair Value of Financial Instruments

The carrying values of the Company's financial instruments, consisting of cash and cash equivalents, trade receivables, interest and other receivables, and accounts payable and accrued liabilities, approximate fair value due to the relative short-term nature of these instruments.

Accounts Receivable

Accounts receivable are recorded net of customer allowances for prompt payment discounts, chargebacks, and doubtful accounts. Allowances for prompt payment discounts and chargebacks are based on contractual terms. The Company estimates the allowance for doubtful accounts based on existing contractual payment terms, actual payment patterns of its customers and individual customer circumstances. As of December 31, 2020, and 2019, the allowance for doubtful accounts was $0.3 million.

Inventory

Inventory is stated at the lower of cost or estimated net realizable value. The Company uses a combination of standard and actual costing methodologies to determine the cost basis for its inventories which approximates actual cost. Inventory is valued on a first-in, first-out basis. The Company reduces its inventory to net realizable value for potentially excess, dated or obsolete inventory based on an analysis of forecasted demand compared to quantities on hand, as well as product shelf life.

Our inventory production process includes the cultivation of botanical raw material. Because of the duration of the cultivation process, a portion of our inventory will not be sold within one year. Consistent with the practice in other industries that cultivate botanical raw materials, all inventory is classified as a current asset.

The Company capitalizes inventory costs associated with its products upon regulatory approval when, based on management's judgment, future commercialization is considered probable and the future economic benefit is expected to be realized; otherwise, such costs are expensed. Prior to FDA approval of Epidiolex, all costs related to the manufacturing of Epidiolex were charged to research and development expense in the period incurred.

Property, Plant, and Equipment

Property, plant, and equipment are recorded at cost and depreciated over their estimated useful lives using the straight-line method. Leasehold improvements are amortized over the shorter of their estimated useful lives or the term of the lease by use of the straight-line method. The estimated useful lives for buildings and leasehold improvements range from 4 to 20 years. The estimated useful lives of machinery and equipment range from 3 to 20 years. Construction-in-process reflects amounts incurred for property, equipment or improvements that have not been placed in service. Maintenance and repair costs are expensed as incurred. When assets are retired or sold, the assets and accumulated depreciation are removed from the respective accounts and any gain or loss is recognized.

Impairment of Long-Lived Assets

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount of an asset to estimated future operating 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 by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Goodwill

Goodwill represents the excess of purchase price over fair value of net assets acquired in a business combination and is not amortized. Goodwill is subject to impairment testing at least annually or when a triggering event occurs that could indicate a potential impairment. We performed the annual assessment for goodwill impairment in December of 2020, noting no impairment.

Revenue Recognition

The Company recognizes revenue when its customer obtains control of promised goods or services, in an amount that reflects the consideration which the entity is entitled to in exchange for those goods or services. To determine revenue recognition for arrangements that an entity determines are within the scope of Accounting Standards Codification (ASC) Topic 606, Revenue from Contracts with Customers (Topic 606), the entity performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. The Company only applies the five-step model to contracts when it is probable that the entity will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer. At contract inception, once the contract is determined to be within the scope of Topic 606, the Company assesses the goods or services promised within each contract and determines those that are performance obligations and assesses whether each promised good or service is distinct. The Company then recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied.

Revenue for the Company's product sales has not been adjusted for the effects of a financing component as the Company expects, at contract inception, that the period between when the Company transfers control of the product and when the Company receives payment will be one year or less. Product shipping and handling costs are included in cost of product sales.

Epidiolex Product Net Sales

In the United States, the Company sells Epidiolex to specialty pharmacies (SPs) and specialty distributors (SDs). The Company recognizes revenue from product sales upon receipt of product at the SPs and SDs, the date at which the control is transferred, net of the following allowances which are reflected either as a reduction to the related account receivable or as an accrued liability, depending on how the allowance is settled:

Distribution Fees: Distribution fees include distribution service fees paid to the SPs and SDs based on a contractually fixed percentage of the wholesale acquisition cost (WAC), and prompt payment discounts. Distribution fees are recorded as an offset to revenue based on contractual terms at the time revenue from the sale is recognized.

Rebates: Allowances for rebates include mandated discounts under the Medicaid Drug Rebate Program and the Medicare Part D prescription drug benefit, and contractual rebates with commercial payers. Rebates are amounts owed after the final dispensing of the product to a benefit plan participant and are based upon contractual agreements or statutory requirements. The allowance for rebates is based on contracted or statutory discount rates and expected utilization by benefit plan participants. The Company's estimates for expected utilization of rebates is based on utilization data received from the SPs. Rebates are generally invoiced and paid in arrears so that the accrual balance consists of an estimate of the amount expected to be incurred for the current quarter's activity, plus an accrual balance for prior quarters' unpaid rebates. If actual future rebates vary from estimates, the Company may need to adjust prior period accruals, which would affect revenue in the period of adjustment.

Chargebacks: Chargebacks are discounts and fees that relate to contracts with government and other entities purchasing from the SDs at a discounted price. The SDs charge back to the Company the difference between the price initially paid by the SDs and the discounted price paid to the SDs by these entities. The Company also incurs group purchasing organization fees for transactions through certain purchasing organizations. The Company estimates sales with these entities and accrues for anticipated chargebacks and organization fees, based on the applicable contractual terms. If actual future chargebacks vary from these estimates, the Company may need to adjust prior period accruals, which would affect revenue in the period of adjustment.

Co-Payment Assistance: The Company offers co-payment assistance to commercially insured patients meeting certain eligibility requirements. Co-payment assistance is accrued for based on actual program participation and estimates of program redemption using data provided by third-party administrators.

Product Returns: Consistent with industry practice, the Company offers the SPs and SDs limited product return rights for damages, shipment errors, and expiring product, provided that the return is within a specified period around the product expiration date as set forth in the applicable individual distribution agreement.

The Company does not allow product returns for product that has been dispensed to a patient. As the Company receives inventory reports from the SPs and SDs and has the ability to control the amount of product that is sold to the SPs and SDs, it is able to make a reasonable estimate of future potential product returns based on this on-hand channel inventory data and sell-through data obtained from the SPs and SDs. In arriving at its estimate, the Company also considers historical product returns, the underlying product demand, and industry data specific to the specialty pharmaceutical distribution industry.

In September 2019, the Company announced that the European Commission (EC) approved the marketing authorization for Epidyolex (the trade name in Europe for Epidiolex) for use as adjunctive therapy of seizures associated with Lennox-Gastaut syndrome (LGS) or Dravet syndrome, in conjunction with clobazam, for patients two years of age and older. The Company has launched Epidyolex in a number of European markets and recognizes revenue from product sales in Europe upon delivery of the product, which is the point at which control of the goods is transferred to the customer. The Company recognizes revenue net of standard discounts and allowances, which are reflected as accrued liabilities.

The Company also sells Epidiolex in certain markets outside of the United States under early access programs that enable patients to receive the product prior to regulatory approval. Revenue under early access programs is generally recognized when the product is delivered.

The total amount deducted from gross sales for the allowances described above for the year ended December 31, 2020 and 2019 was $137.5 million and $63.3 million, respectively.

Sativex Product Net Sales

Sativex is sold outside of the United States for the treatment of spasticity due to multiple sclerosis, or MS, pursuant to license agreements with commercial partners and, beginning in the first quarter of 2020, directly to customers in the U.K.

Under the license agreements, the Company sells fully labeled Sativex vials to its commercial partners for a contractually agreed price, which is generally based on percentages of the commercial partners' in-market net selling price charged to end customers. Product net sales revenue related to Sativex shipments to commercial license partners is recognized when shipped, at which point the customer obtains control of the product.

In the U.K., the Company recognizes revenue from product sales of Sativex upon delivery of the product, which is the point at which control of the goods is transferred to the customer. The Company recognizes revenue net of standard discounts and allowances, which are reflected as accrued liabilities.

The Company also commercializes Sativex in Australia and New Zealand through a consignment relationship with a local distributor. Product net sales revenues related to Sativex sales in Australia and New Zealand are recognized when the product is sold through to the end customer.

Other Revenue

The Company's other revenue primarily consists of research and development fee revenue and variable consideration milestone payments related to the Sativex license agreements. The research and development fee revenue is recognized at the time the underlying services are performed. The Sativex license agreements contain provisions for the Company to earn variable consideration in the form of regulatory milestone payments, sales-based milestone payments, and royalty payments. The Company has no further performance obligations related to the regulatory milestone payments and these amounts are recognized in accordance with Topic 606 when receipt of these payments becomes probable and there is no significant risk of revenue reversal. Revenue related to the sales-based milestone payments and product royalty payments are subject to the sales-based royalty exception under Topic 606 and is recognized when the underlying sales are made.

Research and Development Expenses

Research and development expenses are charged to operations as incurred. Research and development expenses include, among other things, internal and external costs associated with preclinical development, pre-commercialization manufacturing expenses, and clinical trials. The Company accrues for costs incurred as the services are being provided by monitoring the status of the trial or services provided and the invoices received from its external service providers. In the case of clinical trials, a portion of the estimated cost normally relates to the projected cost to treat a patient in the trials, and this cost is recognized based on the number of patients enrolled in the trial. As actual costs become known, the Company adjusts its accruals accordingly.

Research and development expense is presented net of reimbursements from reimbursable tax and expenditure credits from the U.K. government. The majority of the Company's pipeline research, clinical trials management and the Epidiolex and Sativex chemistry and manufacturing controls development activities, which are generally carried out by a subsidiary in the U.K., are eligible for inclusion under the U.K tax and expenditure rebate schemes. For the years ended December 31, 2020 and 2019, three months ended December 31, 2018 and year ended September 30, 2018, the Company recorded $8.1 million, $4.0 million, $0.8 million, and $4.3 million, respectively, of U.K. tax and expenditure rebates as a component of research and development expense.

Concentration Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, principally consist of cash, cash equivalents, investment securities, and accounts receivable. The Company's cash and cash equivalents balances are primarily in depository accounts at major financial institutions in accordance with the Company's investment policy. The Company's investment policy defines allowable investments and establishes guidelines relating to credit quality, diversification, and maturities of its investments to preserve principal and maintain liquidity. Further, the Company specifies credit quality standards for its customers that are designed to limit the Company's credit exposure to any single party.

For the year ended December 31, 2020 the Company's five largest customers represented approximately 79% of the Company's product net sales and 75% of the Company's accounts receivable balance as of December 31, 2020. For the year ended December 31, 2019, the Company's five largest customers represented approximately 85% of the Company's product net sales and 86% of the Company's accounts receivable balance as of December 31, 2019. For the three months ended December 31, 2018, the Company's five largest customers represented approximately 71% of the Company's product net sales and 75% of the Company's accounts receivable balance as of December 31, 2018. For the year ended September 30, 2018, product net sales consisted entirely of Sativex sales outside of the United States pursuant to license agreements with a small number of commercial partners.

Share-based Compensation

The Company recognizes share-based compensation expense for grants of stock options under the Company's Long-Term Incentive Plans to employees and non-employee members of the Company's board of directors based on the grant-date fair value of those awards. The grant-date fair value of an award is generally recognized as compensation expense over the award's requisite service period. Expense related to awards with graded vesting is generally recognized over the vesting period using the accelerated attribution method.

The Company uses the Black-Scholes model to compute the estimated fair value of market-priced stock option awards. Using this model, fair value is calculated based on assumptions with respect to (i) expected volatility of the Company's ADS price, (ii) the periods of time over which employees and members of the board of directors are expected to hold their options prior to exercise (expected lives), (iii) expected dividend yield on the ordinary shares, and (iv) risk-free interest rates. Share-based compensation expense also includes an estimate, which is made at the time of grant, of the number of awards that are expected to be forfeited. This estimate is revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

Income Taxes

The Company recognizes deferred tax assets and liabilities for temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities along with net operating loss and tax credit carryovers. The Company records a valuation allowance against its deferred tax assets to reduce the net carrying value to an amount that it believes is more likely than not to be realized. When the Company establishes or reduces the valuation allowance against its deferred tax assets, its provision for income taxes will increase or decrease, respectively, in the period such determination is made.

Valuation allowances against the Company's deferred tax assets were $133.7 million and $114.5 million at December 31, 2020 and 2019, respectively. Changes in the valuation allowances are generally recognized in the provision for income taxes as a component of the estimated annual effective tax rate.

Uncertain tax positions, for which management's assessment is that there is more than a 50% probability of sustaining the position upon challenge by a taxing authority based upon its technical merits, are subjected to certain recognition and measurement criteria. The Company re-evaluates uncertain tax positions and considers various factors, including, but not limited to, changes in tax law, the measurement of tax positions taken or expected to be taken in tax returns, and changes in facts or circumstances related to a tax position. The Company adjusts the level of the liability to reflect any subsequent changes in the relevant facts and circumstances surrounding the uncertain positions. The Company recognizes interest and penalties related to income tax matters as a component of income tax expense.

Net Loss Per Share

Basic net loss per share is calculated by dividing the net loss by the weighted average number of common shares outstanding for the period, without consideration for common stock equivalents. Diluted net loss per share is computed by dividing the net loss by the weighted average number of common shares and common stock equivalents outstanding for the period determined using the treasury stock method. For purposes of this calculation, market-priced stock options are considered to be common stock equivalents but are not included in the calculations of diluted net loss per share for the periods presented as their effect would be anti-dilutive. Nominal strike-price options are considered common stock equivalents and are included in the calculation of basic weighted average shares outstanding once they have become vested. The Company incurred net losses for all periods presented and there were no reconciling items for potentially dilutive securities. More specifically, at December 31, 2020, December 31, 2019, December 31, 2018, and September 30, 2018, options totaling approximately 16.3 million, 11.8 million, 13.0 million, and 13.0 million ordinary shares, respectively, were excluded from the calculation of diluted net loss per share as their effect would have been anti-dilutive.

Segment and Geographic Reporting

Management has determined that the Company operates in one business segment which is the discovery, development and commercialization of novel therapeutics from its proprietary cannabinoid product platform in a broad range of disease areas.

Revenues recorded in the years ended December 31, 2020 and 2019, three months ended December 31, 2018, and year ended September 30, 2018, were generated in the following geographical areas:

	Year Ended December 31, 2020	Year Ended December 31, 2019	Three Months Ended December 31, 2018	Year Ended September 30, 2018
	(in thousands)			
United Kingdom	10,804	2,550	220	1,761
United States	467,553	288,164	4,669	1,560
Europe	45,376	16,516	1,131	6,882
Other	3,472	4,102	634	2,534
Total revenues	$527,205	$311,332	$ 6,654	$ 12,737

Long-lived assets which include property, plant, and equipment were located as follows:

	December 31, 2020	December 31, 2019
	(in thousands)	
United Kingdom	$139,084	$123,207
United States	4,683	4,558
Total long-lived assets	$143,767	$127,765

Recently Issued Accounting Standards

Accounting Standards Update (ASU) 2020-06, Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity:

In August 2020, FASB issued ASU No. 2020-06, simplifying the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments, and amends existing earnings-per-share, or EPS, guidance by requiring that an entity use the if-converted method when calculating diluted EPS for convertible instruments. ASU 2020-06 is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years, with early adoption permitted for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. We plan to adopt ASU 2020-06 effective January 1, 2022 and are currently evaluating the effect ASU 2020-06 will have on our consolidated financial statements and related disclosures.

ASU 2019-12, Income Taxes: Simplifying the Accounting for Income Taxes:

In December 2019, the FASB issued ASU No. 2019-12, simplifying the accounting for Income Taxes. The objective of the standard is to improve areas of GAAP by removing certain exceptions permitted by ASC Topic 740 - Income Taxes and clarifying existing guidance to facilitate consistent application. The standard is effective for us beginning on January 1, 2021. We are currently evaluating the new standard to determine the potential impact on our financial condition, results of operations, cash flows, or financial statement disclosures. The ASU is currently not expected to have a material impact on our consolidated financial statements.

Recently Adopted Accounting Standards

Accounting Standards Update (ASU) 2016-13, Measurement of Credit Losses on Financial Instruments:

In June 2016, the FASB issued ASU 2016-13, which amends the impairment model by requiring entities to use a forward-looking approach based on expected losses to estimate credit losses on certain types of financial instruments, including trade receivables and available-for-sale debt securities. This guidance is effective for annual reporting periods beginning after December 15, 2019, including interim periods. We adopted this guidance as of January 1, 2020. Under the current expected credit loss model, we have adopted a provision matrix approach, utilizing historical loss rates based on the number of days past due, adjusted to reflect current economic conditions and forecasts of future economic conditions. The adoption of ASU 2016-13 had an immaterial impact on the Company's consolidated financial statements.

Note 3: Sativex License Agreements

The Company has entered into license agreements for Sativex with major pharmaceutical companies that provide the license partners with exclusive rights in a defined geographic territory to commercialize Sativex for all indications. The Company has retained the exclusive right to manufacture and supply Sativex to license partners on commercial supply terms for the duration of the commercial life of the product. In the first quarter of 2020, the Company reacquired the rights to commercialize Sativex in the U.K. from Bayer AG for approximately $6.4 million. The Company capitalized the cost to reacquire the license as an intangible asset and will amortize the asset over its five-year estimated useful life. As of December 31, 2020, $1.2 million of the intangible asset has been amortized.

In 2007, the Company entered into an exclusive license agreement with Otsuka Pharmaceutical Co., Ltd. (Otsuka) for the development and commercialization of Sativex in the United States. In December 2017, the Company entered into a mutual termination agreement with Otsuka to return the rights to develop and commercialize Sativex in the United States to the Company. As part of the termination agreement, the Company agreed to pay Otsuka a contingent future milestone payment of $10 million if Sativex achieves FDA approval in the U.S. and a total of $30 million of potential sales-based milestones if U.S. sales of Sativex reach certain thresholds. As of December 31, 2020, no amounts have been accrued related to the contingent payments because it is not probable that the milestones will be achieved.

Note 4: Fair Value Measurements

At December 31, 2020 and December 31, 2019, the Company's cash equivalents consisted of money market funds, which are classified as Level 1 within the fair value hierarchy defined by authoritative guidance.

Securities classified as Level 1 are valued using quoted market prices. The Company does not hold any securities classified as Level 2, which are securities valued using inputs that are either directly or indirectly observable, or Level 3, which are securities valued using unobservable inputs. The Company has not transferred any securities between the classification levels.

Note 5: Composition of Certain Balance Sheet Captions:

Inventory consisted of the following:

	December 31,	
	2020	2019
	(in thousands)	
Raw materials	$ 2,691	$ 1,976
Work in process	112,662	78,547
Finished goods	13,785	5,005
	$129,138	$85,528

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

	December 31,	
	2020	2019
	(in thousands)	
Buildings	$ 15,957	$ 4,725
Machinery and equipment	51,021	36,323
Leasehold improvements	49,516	42,744
Office and IT equipment	5,890	3,837
Construction-in-process	71,441	78,485
	193,825	166,114
Accumulated depreciation	(50,058)	(38,349)
	$143,767	$127,765

Depreciation of property and equipment was $9.9 million, $8.0 million, $2.2 million, and $8.5 million for the years ended December 31, 2020 and 2019, three months ended December 31, 2018 and for the year ended September 30, 2018, respectively. The Company retired $0.5 million of property, plant, and equipment for the year ended December 31, 2020. The Company did not retire any property, plant, or equipment in the year ended December 31, 2019 and three months ended December 31, 2018. During the year ended September 30, 2018, the Company retired $0.5 million, of fully depreciated property, plant and equipment.

Accrued liabilities consisted of the following:

	December 31, 2020	December 31, 2019
	(in thousands)	
Accrued compensation and benefits	$ 34,830	$25,469
Accrued vendor fees	31,445	29,731
Clinical trial accruals	14,845	10,382
Accrued growing fees	3,363	3,818
Accrued sales rebates and discounts	37,403	22,995
Other	5,963	6,979
	$127,849	$99,374

Other current liabilities consisted of the following:

	December 31, 2020	December 31, 2019
	(in thousands)	
Finance lease liabilities	$ 338	$ 305
Operating lease liabilities	6,209	5,902
Landlord financing	665	595
Other	1,998	958
	$9,210	$7,760

Other liabilities consisted of the following:

	December 31, 2020	December 31, 2019
	(in thousands)	
Landlord financing obligation	$ 8,844	$ 9,152
Other	2,190	2,279
	$11,034	$11,431

Note 6: Stockholders' Equity

In October 2018, the Company completed a public offering of 2,185,000 ADSs listed on the Nasdaq Global Market, representing 26,220,000 ordinary shares of the Company, at a price of $158.00 per ADS. The net proceeds from this transaction after underwriting discounts and commissions were approximately $324.6 million.

In December 2017, the Company completed a public offering of 2,760,000 ADSs listed on the Nasdaq Global Market, representing 33,120,000 ordinary shares of the Company, at a price of $115.00 per ADS. The net proceeds from this transaction after underwriting discounts and commissions were approximately $297.9 million.

Note 7: Share-Based Compensation

Stock Plans

The Company issues share-based awards under shareholder approved long-term incentive plans. In May 2020, the Company adopted the GW Pharmaceuticals plc 2020 Long-Term Incentive Plan (the 2020 LTIP Plan), which superseded the Company's prior long-term incentive plans. The 2020 LTIP plan authorizes the Company to issue up to an aggregate of 22.2 million ordinary shares, or 1.85 million ADSs, related to share-based awards to employees, non-employee directors and consultants. As of December 31, 2020, the Company has granted stock options for 4.3 million ordinary shares under the 2020 LTIP Plan.

The Company issues new ordinary shares and the commensurate number of ADS when share-based awards are exercised.

Provisions of Share-Based Awards

The Company issues nominal strike price stock options, which have an exercise price equal to the £0.001 par value per ordinary share of the Company's ordinary shares, to executive officers, employees and non-employee directors. The Company also issues market-priced options to executive officers and non-employee directors. Nominal strike price options granted to U.S. residents are awarded in the form of RSU-style options that automatically exercise on the vesting date.

Substantially all of the share-based awards issued by the Company have service-based vesting conditions. Many awards also have non-market-based performance conditions, which must be achieved within the service-based vesting period for the awards to vest. These performance conditions are generally linked to operational, regulatory or strategic milestones and are designed to incentivize individual employees and advance the Company's progress towards its strategic objectives. Share-based awards that do not automatically exercise at vest date expire ten years from the date of grant.

Share-Based Award Activity

The following tables summarize the Company's stock option activity. The number of options, the weighted average grant date fair value per stock option, and the weighted average exercise price are all on a per ordinary shares basis. The Company's ADSs that are listed on the Nasdaq Global Market each represent twelve ordinary shares.

The following table summarizes the Company's nominal strike price stock option activity:

	Year Ended December 31, 2020		Year Ended December 31, 2019		Three Months Ended December 31, 2018		Year Ended September 30, 2018	
	Nominal Strike Price Options	Weighted Average Grant Date Fair Value	Nominal Strike Price Options	Weighted Average Grant Date Fair Value	Nominal Strike Price Options	Weighted Average Grant Date Fair Value	Nominal Strike Price Options	Weighted Average Grant Date Fair Value
	(in thousands, except weighted average grant date fair value)							
Outstanding, beginning of period	10,459	$ 11.24	11,182	$ 8.44	11,240	$ 8.41	9,752	$ 7.90
Granted	8,982	9.54	3,493	13.93	184	9.58	4,247	9.34
Exercised	(4,156)	9.46	(3,798)	5.43	(150)	7.36	(2,617)	7.21
Cancelled	(566)	9.92	(418)	11.69	(92)	8.61	(142)	9.37
Outstanding, end of period	14,719	$ 10.76	10,459	$ 11.24	11,182	$ 8.44	11,240	$ 8.41
Exercisable, end of period	1,949	$ 8.91	1,434	$ 5.47	1,054	$ 3.65	1,136	$ 6.11

The following table summarizes the Company's market-priced stock option activity:

	Year Ended December 31, 2020		Year Ended December 31, 2019		Three Months Ended December 31, 2018		Year Ended September 30, 2018	
	Market Strike Price Options	Weighted Average Exercise Price	Market Strike Price Options	Weighted Average Exercise Price	Market Strike Price Options	Weighted Average Exercise Price	Market Strike Price Options	Weighted Average Exercise Price
	(in thousands, except weighted average grant date fair value)							
Outstanding, beginning of period	2,836	$ 9.60	2,889	$ 8.49	2,889	$ 8.49	2,174	$ 8.28
Granted	—	—	602	14.82	—	—	785	9.65
Exercised	(162)	4.68	(654)	2.32	—	—	(70)	9.03
Cancelled	—	—	(1)	3.89	—	—	—	—
Outstanding, end of period	2,674	$ 9.90	2,836	$ 9.60	2,889	$ 8.49	2,889	$ 8.49
Exercisable, end of period	1,489	$ 7.92	620	$ 4.99	461	$ 6.90	257	$ 8.74

No market priced options were granted in the year ended December 31, 2020 or in the three months ended December 31, 2018. The weighted average per share fair value of market priced options granted during the year ended December 31, 2019 and year ended September 30, 2018 was $14.82 and $5.98, respectively.

The aggregate intrinsic value of the stock options exercised in the years ended December 31, 2020 and 2019 was $36.3 million and $52.9 million, respectively. The aggregate intrinsic value of the stock options exercised in the three months ended December 31, 2018 was $1.6 million. The aggregate intrinsic value of stock options exercised for the year ended September 30, 2018 was $30.7 million. As of December 31, 2020, the weighted average remaining contractual life of options outstanding and options exercisable are 4.3 years and 5.1 years, respectively. Based on the Company's closing year-end stock price of $116.09 per ADS (or $9.67 per ordinary share) at December 31, 2020, the aggregate intrinsic value of options outstanding and options exercisable are $145.6 million and $21.6 million, respectively.

Valuation and Expense Recognition of Share-Based Awards

The fair value of market-priced stock option awards is estimated using the Black-Scholes option-pricing model. The estimated fair value of each stock option is then expensed over the requisite service period, which is generally the vesting period. The determination of fair value using the Black-Scholes model is affected by the Company's ADS price as well as assumptions regarding a number of complex and subjective variables, including expected ADS price volatility, risk-free interest rate, expected dividends and projected employee stock option exercise behaviors. No market-priced stock options were granted in 2020. Market-priced stock options granted during the year ended December 31, 2019 and the year ended September 30, 2018 were valued using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	Year Ended December 31, 2019	Year Ended September 30, 2018
Expected volatility	56%	63%
Risk-free interest rate	2.56%	2.30%
Expected dividend yield	0%	0%
Expected life of options in years	6.50	6.50

The Company estimates its stock price volatility based using a combination of historical stock price volatility and the average implied volatility of options traded in the open market. The risk-free interest rate assumption is based on observed interest rates for the appropriate term of the Company's stock options. The Company has never declared or paid dividends and has no plans to do so in the foreseeable future. The expected option life assumption is estimated using the simplified method prescribed by ASC 718 and is based on the mid-point between vest date and expiration date since the Company does not have sufficient exercise history to estimate expected option life of historical grants.

Compensation expense for share-based awards based on a service condition is recognized only for those awards that are ultimately expected to vest. An estimated forfeiture rate has been applied to unvested awards for the purpose of calculating compensation cost. Forfeitures were estimated based on historical experience. These estimates are revised, if necessary, in future periods if actual forfeitures differ from the estimates. Changes in forfeiture estimates impact compensation cost in the period in which the change in estimate occurs. Compensation expense for share-based awards with graded, service-based vesting conditions is recognized over the requisite service period using the accelerated attribution method.

The table below summarizes the total share-based compensation expense included in the Company's statements of operations for the periods presented:

	Year Ended December 31, 2020	Year Ended December 31, 2019	Three Months Ended December 31, 2018	Years Ended September 30, 2018
	(in thousands)			
Research and development	$11,253	$ 9,757	$ 6,887	$ 9,385
Sales, general and administrative	43,730	35,468	2,382	22,242
	54,983	45,225	$ 9,269	$ 31,627

For the year ended December 31, 2020 and 2019, $3.4 million and $2.8 million of share-based compensation related to manufacturing operations was capitalized into inventory, respectively. For the three months ended December 31, 2018, $0.4 million of share-based compensation related to manufacturing operations was capitalized into inventory. Share-based compensation related to manufacturing operations capitalized into inventory for the year ended September 30, 2018 was negligible.

As of December 31, 2020, total compensation cost related to non-vested stock options not yet recognized was approximately $68.4 million, which is expected to be recognized over the next 42 months (22 months on a weighted average basis).

Note 8: Retirement Plans

The Company operates defined contribution retirement plans in the U.S. and U.K. for the benefit of all qualifying employees. The Company makes discretionary contributions to these plans and contributed $6.7 million, $4.6 million, $0.9 million, and $3.3 million, in the years ended December 31, 2020 and 2019, three months ended December 31, 2018 and year ended September 30, 2018, respectively.

Note 9: Income Taxes

Income (loss) before income taxes is as follows:

	Year Ended December 31, 2020	Year Ended December 31, 2019	Three Months Ended December 31, 2018	Year Ended September 30, 2018
	(in thousands)			
United States	$ 32,183	$ 22,822	$ 1,487	$ 12,041
United Kingdom	(88,570)	(32,025)	(73,659)	(303,411)
Europe	1,341	—	—	—
	$(55,046)	$ (9,203)	$ (72,172)	$ (291,370)

The components of income tax (benefit) expense are as follows:

	Year Ended December 31, 2020	Year Ended December 31, 2019	Three Months Ended December 31, 2018	Year Ended September 30, 2018
	(in thousands)			
Current				
U.S. federal	$ 2,829	$ 7,397	$ 945	$ 3,885
U.S. state and local	2,584	2,117	54	229
United Kingdom	—	—	—	—
Europe	338	—	—	—
Total Current	$ 5,751	$ 9,514	$ 999	$ 4,114
Deferred				
U.S. federal	$(1,501)	$(6,372)	$ (1,166)	$ (263)
U.S. state and local	(1,116)	(3,326)	(99)	(54)
United Kingdom	—	—	—	—
Europe	(52)	—	—	—
Total Deferred	$(2,669)	$(9,698)	$ (1,265)	$ (317)
Total income tax (benefit) expense	$ 3,082	$ (184)	$ (266)	$ 3,797

As of December 31, 2020 and December 31, 2019, the tax effects of temporary differences and carryforwards that give rise to deferred tax assets and liabilities were as follows:

	Year Ended December 31, 2020	Year Ended December 31, 2019
	(in thousands)	
Deferred tax assets:		
Net operating losses	$ 124,596	$ 106,421
Research and development tax credits	763	668
Share-based compensation	17,433	14,515
Accrued expenses	3,861	3,268
Capitalized costs	—	1,688
Operating lease liabilities	1,678	1,837
Rebates and allowances	6,881	5,172
Depreciation	—	279
Other	1,694	428
Total gross deferred tax assets	156,906	134,276
Valuation allowance	(133,720)	(114,525)
Total deferred tax assets, net of valuation allowance	23,186	19,751
Deferred tax liabilities:		
Depreciation	$ (1,039)	—
Operating lease assets	(1,370)	(1,628)
Total gross deferred tax liabilities	(2,409)	(1,628)
Net deferred tax assets and liabilities	$ 20,777	$ 18,123

A valuation allowance of $133.7 million and $114.5 million at December 31, 2020 and 2019, respectively, has been recognized to offset net deferred tax assets where realization of such assets is uncertain. The valuation allowances are primarily related to deferred assets for operating loss carryforwards and temporary differences related to share-based compensation expense of the Company’s U.K. operations.

The following table reconciles the Company's effective tax rate to the United Kingdom statutory rate:

	Years Ended December 31,		Three Months Ended December 31,	Year Ended September 30,
	2020	2019	2018	2018
Tax, computed at the U.K. statutory rate	19.0%	19.0%	19.0%	19.0%
Non-deductible expenses	(1.0%)	(5.2%)	(0.2%)	(0.1%)
U.S. research tax credits, net	5.7%	39.3%	0.4%	0.9%
Surrender of R&D expenditures for U.K. research tax credits, net	(0.5%)	(1.9%)	—	(0.1%)
Foreign Derived Intangible Income	7.0%	6.8%	0.8%	—
Share-based compensation	(4.1%)	61.2%	0.2%	0.9%
Changes in valuation allowances	(55.1%)	(96.2%)	(19.6%)	(20.5%)
Remeasurement of deferred taxes from legislative updates	24.9%	—	—	(1.0%)
Current/Deferred tax rate differential	—	(21.4%)	—	—
Overseas profits taxed at different rates	(2.1%)	(13.9%)	(0.1%)	(0.3%)
State tax rate change	0.5%	13.5%	—	—
Other	0.1%	0.8%	(0.1%)	(0.1%)
Effective income tax rate	(5.6%)	2.0%	0.4%	(1.3%)

In response to the COVID-19 pandemic, the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") was signed into law in the U.S. in March 2020. The CARES Act adjusted a number of provisions of the tax code, including the eligibility of certain deductions and the treatment of net operating losses and tax credits. The enactment of the CARES Act did not result in any material adjustments to the Company's income tax provision for the year ended December 31, 2020 or to its deferred tax assets as of December 31, 2020.

California Assembly Bill 85 ("AB 85"), which intends to close a gap in the budget created by the COVID-19 pandemic, was signed into law by Governor Gavin Newsom on June 29, 2020. It was passed by both houses of the California state legislature on June 15, 2020. AB 85 disallows California net operating losses for any taxable year beginning on or after January 1, 2020, and before January 1, 2023 for any corporation with a net business or modified adjusted gross income of more than $1 million for the taxable year. This bill also limits any business credit to offset a maximum of $5 million of California tax, including the California Research Credit. The Company does not expect any material impacts related to this tax law change.

The Company is headquartered in the United Kingdom and has subsidiaries in the United Kingdom, United States, Europe, and Australia.

The Company incurs tax losses in the United Kingdom. The U.K. corporate tax rate for the years ended December 31, 2020 and 2019, three months ended December 31, 2018, and year ended September 30, 2018 was 19.0%. On March 11, 2020, the UK Chancellor of the Exchequer delivered the 2020 Budget to the UK parliament. It was announced that the previously anticipated reduction in the UK corporate tax rate to 17% due to take effect on April 1, 2020 would not be implemented and the rate would remain at 19%. Royal Assent was given on July 22, 2020. The deferred tax assets at December 31, 2020 have now been represented at the current tax rate of 19% with a corresponding offset to the valuation allowance.

As of December 31, 2020, the Company had U.K. net operating loss carryforwards of approximately $655.8 million. Unsurrendered U.K. tax losses and tax credit carryforwards can be carried forward indefinitely to be offset against future taxable profits, however this is restricted to an annual £5 million allowance in each standalone company or group and above this allowance, there will be a 50% restriction in the profits that can be covered by losses brought forward.

The Company's subsidiary in the United States has generated taxable profits due to the commercialization of Epidiolex in the United States and service agreements between the Company's subsidiaries in the United States and the United Kingdom. The U.S. federal corporate tax rate for the years ended December 31, 2020 and 2019, three months ended December 31, 2018, and year ended September 30, 2018 was 21.0%, 21.0%, 21.0%, and 24.5%, respectively. The U.S. federal statutory tax rate has decreased due to U.S. tax reform which was enacted in December 2017.

The impact of income taxes outside of the United States and United Kingdom are not significant.

The Company's tax returns are subject to examination in the U.K. and U.S. The Company is no longer subject to examinations by tax authorities for tax years ended September 30, 2017 and prior in the United Kingdom. The Company's U.K. income tax returns have been submitted to Her Majesty's Revenue and Customs through the period ended December 31, 2019 and may be subject to audit until December 31, 2021. The Company is subject to examinations by U.S. Federal tax authorities for tax years ended December 31, 2018 and September 30, 2018 and 2017, and by state authorities for the tax years ended December 31, 2018 and September 30, 2018, 2017, and 2016. The California Franchise Tax Board is conducting an income tax audit of the Company's U.S. subsidiary for tax years ended September 30, 2017, 2016, and 2015.

Unrecognized tax benefits arise when the estimated benefit recorded in the financial statements differs from the amounts taken or expected to be taken in a tax return because of the uncertainties described above. The Company's total amount of unrecognized tax benefits was $2.3 million and $2.4 million as of December 31, 2020 and December 31, 2019, respectively. The Company's policy is to recognize interest and penalties related to uncertain tax positions as a component of income tax expense and unrecognized tax benefits. The amounts accrued for interest and penalty charges as of December 31, 2020 and December 31, 2019 were not significant. If recognized, $2.3 million would affect the effective tax rate. The Company does not anticipate that the amount of unrecognized tax benefits as of December 31, 2020 will significantly change within the next twelve months.

The reconciliation of the beginning and ending amount of unrecognized tax benefits was as follows:

	Years Ended December 31,	
	2020	2019
		(in thousands)
Balance, beginning of period	$2,391	$ 1,943
Additions for tax positions related to current year	590	416
Additions for tax positions related to prior years	8	32
Reduction for tax positions related to prior years	—	—
Reduction for lapse of statute of limitations	(648)	—
Balance, end of period	$2,341	$ 2,391

Note 10: Commitments and Contingencies

Landlord Financing

In 2013, the Company entered into an agreement with its landlord for the construction of a new production facility. In conjunction with agreement, the Company's landlord provided $13.1 million of funding to the Company for the internal fit out of the production facility. The repayment of this landlord financing takes the form of quarterly rent payments over a 15-year period that commenced in May 2016. The landlord financing liability is accounted for at amortized cost using the effective interest method at a rate of 7.0%. As of December 31, 2020 and 2019, the total landlord financing liability balance was $9.5 million and $9.7 million, respectively and included in "other current liabilities" and "other liabilities" in the Company's consolidated balance sheets.

Legal Proceedings

As of December 31, 2020, the Company was not a party to any material legal proceedings.

In 2007, the Company entered into a research collaboration agreement with Otsuka Pharmaceutical Co., Ltd. (Otsuka), which expired in June 2013. Otsuka has contacted the Company to assert that it is owed royalty payments under the agreement of up to two percent of Epidiolex net sales. While the Company believes Otsuka's position is without merit, the Company cannot predict the outcome of this matter and cannot provide assurances that the Company will be successful, in whole or in part, in the Company's efforts.

On December 23, 2020, Canopy Growth Corporation filed suit against the Company in the Western District of Texas, alleging infringement of U.S. Patent No. 10,870,632. Canopy alleges that the process the Company used to make the crude cannabinoid extract that is used to make Epidiolex is within the scope of its patent. The Company dispute Canopy's claims and intend to defend the matter vigorously.

Note 11: Leases

The Company leases buildings, land, equipment, and automobiles. Additionally, the Company has growing and cultivation contracts that contain embedded facility leases. The Company determines if an arrangement is a lease or contains a lease at contract inception. For contracts that are or contain leases, the Company records right-of-use (ROU) lease assets and lease liabilities at lease commencement based on the present value of lease payments over the lease term. The lease term includes renewal option periods when those options are reasonably certain to be exercised. The present value of lease payments is calculated using the Company's incremental collateralized borrowing rate unless an implicit rate is readily determinable. ROU lease assets include any upfront payments and exclude lease incentives. The Company accounts for lease and non-lease components as a single lease component for all of its leases except embedded leases, for which the lease and non-lease components are accounted for separately.

Leases are classified at lease commencement as either operating leases or finance leases. Operating lease assets are included in non-current assets and operating lease liabilities are included in other current liabilities and operating lease liabilities in our consolidated balance sheets. Operating lease cost is recognized on a straight-line basis over the lease term. Finance lease assets are included in property, plant and equipment, net, and finance lease liabilities are included in other current liabilities and finance lease liabilities in our consolidated balance sheets. Finance lease cost is recognized as depreciation expense of fixed assets and interest expense on finance lease liabilities. Leases with an initial term of 12 months or less are not recorded in the consolidated balance sheets and expense for these leases is recognized on a straight-line basis over the lease term.

The Company's lease costs consist of the following:

	Year Ended December 31,	
	2020	2019
	(in thousands)	
Lease cost		
Operating lease cost (1)	$8,891	$7,446
Finance lease cost		
Amortization of leased assets	386	383
Interest on lease liabilities	414	403
Total lease cost	$9,691	$8,232

(1) Includes short-term lease expense and variable cost, which are immaterial.

For the year ended December 31, 2020 and 2019, approximately $3.0 million and $2.7 million of operating and finance lease cost related to manufacturing operations was capitalized into inventory, respectively. Prior to January 1, 2019, the Company accounted for leases under the previous U.S. GAAP lease guidance, Accounting Standards Codification Topic 840, Leases. Rent expense for operating leases was $1.8 million and $5.7 million for the three months ended December 31, 2018 and year ended September 30, 2018, respectively.

The following table summarizes cash flow information related to the Company's lease obligations:

	Year Ended December 31, 2020	Year Ended December 31, 2019
	(in thousands)	
Operating cash used for operating leases	$8,321	$7,081
Operating cash used for finance leases	$ 414	$ 403
Financing cash used for finance leases	$ 299	$ 389

In the year ended December 31, 2020 and 2019, $3.2 million and $7.6 million of operating lease assets were exchanged for lease liabilities related to newly commenced leases, respectively.

The following table summarizes the Company's lease assets and liabilities as of December 31, 2020 and 2019:

	As of December 31, 2020	As of December 31, 2019
	(in thousands)	
Lease assets		
Operating lease assets	$25,118	$24,916
Finance lease assets	4,934	5,571
Total lease assets	$30,052	$30,487
Lease liabilities		
Current		
Operating lease liabilities	6,209	5,902
Finance lease liabilities	338	305
Non-current		
Operating lease liabilities	22,127	21,650
Finance lease liabilities	5,454	5,573
Total lease liabilities	$34,128	$33,430

The following table summarizes other supplemental information related to the Company's lease obligations:

	As of December 31, 2020	As of December 31, 2019
Weighted average remaining lease term (years)		
Operating leases	6.8	7.2
Finance leases	13.4	14.2
Weighted average discount rate		
Operating leases	5.4%	5.5%
Finance leases	7.7%	7.6%

The Company's future minimum annual lease payments under operating and finance leases as of December 31, 2020 are as follows:

	Operating Leases	Finance Leases
	(in thousands)	
2021	6,209	787
2022	5,903	749
2023	4,415	749
2024	4,183	746
2025	4,102	746
Thereafter	10,560	5,665
Total lease payments	$ 35,372	$ 9,442
Future cash lease incentives	746	—
Less amounts representing interest	6,290	3,650
Total lease obligations	$ 28,336	$ 5,792

Note 12: Sale of Priority Review Voucher

In April 2019, the Company sold the rare pediatric disease PRV it received from the FDA in connection with the United States approval of Epidiolex to Biohaven Pharmaceutical Holding Ltd. for consideration of $105.0 million. The net proceeds of $104.1 million from the sale of the PRV was recognized as a gain on the sale of an intangible asset within other income on the consolidated statements of operations, as the PRV did not have a carrying value on the Company's consolidated balance sheet at the time of sale.

Note 13: Financial Statements and Supplementary Data (Unaudited)

The following interim financial information reflects all normal recurring adjustments necessary to fairly present the Company's quarterly financial results.

The summarized quarterly data for the years ended December 31, 2020 and 2019, are as follows:

	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020
	(in thousands, except share and per share amounts)			
Revenue	$120,633	$ 121,297	$ 137,053	$ 148,222
Operating loss	(7,193)	(9,039)	(12,721)	(22,812)
Net loss attributable to ordinary shareholders	$ (7,965)	$ (8,828)	$ (12,188)	$ (29,147)
Net loss per ordinary share, basic and diluted	$ (0.02)	$ (0.02)	$ (0.03)	$ (0.08)
Weighted average shares outstanding, diluted	373,831	375,525	376,281	376,680

	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019
	(in thousands, except share and per share amounts)			
Revenue	$ 39,247	$ 72,038	$ 90,971	$ 109,076
Operating loss	(51,337)	(29,322)	(17,658)	(20,108)
Net (loss) income attributable to ordinary shareholders	(50,064)	79,748	(13,757)	(24,946)
Net (loss) income per ordinary share, basic	(0.14)	0.21	(0.04)	(0.07)
Net (loss) income per ordinary share, diluted	(0.14)	0.21	(0.04)	(0.07)
Weighted average shares outstanding, basic	369,823	371,712	372,246	372,447
Weighted average shares outstanding, diluted	369,823	377,435	372,246	372,447

Note 14: Transition Period

The Company is presenting audited financial statements for the three months ended December 31, 2018. The following tables provide certain unaudited comparative financial information for the same period of the prior year.

	Three Months Ended December 31,	
	2018	2017
	(in thousands, except share and per share amounts)	
Revenues		
Product net sales	$ 6,617	$ 2,220
Other revenue	37	1,772
Total revenues	6,654	3,992
Operating expenses		
Cost of product sales	1,829	1,171
Research and development	29,086	36,195
Selling, general and administrative	49,083	25,174
Total operating expenses	79,998	62,540
Loss from operations	(73,344)	(58,548)
Interest income	2,449	604
Interest expense	(295)	(314)
Foreign exchange (loss) gain	(982)	160
Loss before income taxes	(72,172)	(58,098)
Income tax (benefit) expense	(266)	3,718
Net loss	$ (71,906)	$ (61,816)
Net loss per common share, basic and diluted	$ (0.20)	$ (0.20)
Weighted average common shares outstanding, basic and diluted	366,458	313,730

	Three Months Ended December 31,	
	2018	2017
	(in thousands)	
Cash flows from operating activities		
Net loss	$ (71,906)	$ (61,816)
Adjustments to reconcile net loss to net cash used in operating activities:		
Foreign exchange loss (gain)	742	(180)
Stock-based compensation	9,683	5,592
Depreciation and amortization	2,534	2,163
Deferred income taxes	(1,265)	(1,152)
Other	—	8
Changes in operating assets and liabilities:		
Accounts receivable, net	(2,125)	(223)
Inventory	(14,460)	378
Prepaid expenses and other current assets	(3,635)	(516)
Other assets	(47)	(166)
Accounts payable	(1,211)	(1,802)
Current tax liabilities	878	4,898
Accrued liabilities	5,942	3,004
Other current liabilities	93	(2,071)
Long-term liabilities	317	325
Net cash used in operating activities	(74,460)	(51,558)
Cash flows from investing activities		
Additions to property, plant and equipment	(18,687)	(7,748)
Additions to capitalized software	(63)	(993)
Proceeds from disposal of property, plant and equipment	—	—
Net cash used in investing activities	(18,750)	(8,741)
Cash flows from financing activities		
Proceeds from issuance of ordinary shares, net of issuance costs	324,638	297,932
Proceeds from exercise of stock options	—	1
Payments on build-to-suit financing obligation	—	(26)
Payments on capital leases	(40)	(39)
Payments on landlord financing obligation	(130)	(125)
Net cash provided by (used in) financing activities	324,468	297,743
Effect of exchange rate changes on cash	5,326	(371)
Net increase (decrease) in cash and cash equivalents	236,584	237,073
Cash and cash equivalents at beginning of period	354,913	322,154
Cash and cash equivalents at end of period	$ 591,497	$ 559,227

Note 15: Subsequent Events

On February 3, 2021, the Company entered into a definitive agreement with Jazz Pharmaceuticals plc (Jazz), under which Jazz will acquire all the outstanding share capital of the GW Pharmaceuticals plc for $200 in cash and $20 in Jazz Ordinary Shares for each GW Pharmaceuticals plc ADS (or $16.67 in cash and $1.67 in Jazz Ordinary Shares for each GW Pharmaceuticals plc Ordinary Share).

Exhibit 99.3

GW PHARMACEUTICALS PLC
Unaudited Consolidated Financial Statements
As of March 31, 2021 and December 31, 2020 and for the three months ended March 31, 2021 and 2020

GW PHARMACEUTICALS PLC
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PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

GW PHARMACEUTICALS PLC
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)
(unaudited)

	March 31, 2021	December 31, 2020
Assets		
Cash and cash equivalents	$ 458,101	$ 486,752
Accounts receivable, net	84,947	71,168
Inventory	137,627	129,138
Prepaid expenses and other current assets	38,058	42,472
Total current assets	718,733	729,530
Property, plant, and equipment, net	149,591	143,767
Operating lease assets	24,036	25,118
Intangible assets, net	5,271	5,565
Goodwill	6,959	6,959
Deferred tax assets	20,775	20,777
Other assets	8,978	7,795
Total assets	$ 934,343	$ 939,511
Liabilities and stockholders' equity		
Accounts payable	$ 16,672	$ 21,870
Accrued liabilities	136,101	127,849
Current tax liabilities	420	877
Other current liabilities	7,053	9,210
Total current liabilities	160,246	159,806
Long-term liabilities:		
Finance lease liabilities	5,413	5,454
Operating lease liabilities	21,373	22,127
Other liabilities	10,938	11,034
Total long-term liabilities	37,724	38,615
Total liabilities	197,970	198,421
Commitments and contingencies (Note 8)		
Stockholders' equity:		
Ordinary shares par value £0.001; 378,505,496 shares outstanding as of March 31, 2021; 375,196,172 shares outstanding as of December 31, 2020	583	577
Additional paid-in capital	1,702,578	1,690,151
Accumulated deficit	(915,764)	(896,087)
Accumulated other comprehensive loss	(51,024)	(53,551)
Total stockholders' equity	736,373	741,090
Total liabilities and stockholders' equity	$ 934,343	$ 939,511

See accompanying notes to these condensed consolidated financial statements.

GW PHARMACEUTICALS PLC
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)
(unaudited)

	Three Months Ended March 31,	
	2021	2020
Revenues		
Product net sales	$152,443	$120,532
Other revenue	23	101
Total revenues	152,466	120,633
Operating expenses		
Cost of product sales	11,807	10,769
Research and development	60,634	45,874
Selling, general and administrative	101,052	71,183
Total operating expenses	173,493	127,826
Loss from operations	(21,027)	(7,193)
Interest income	146	1,269
Interest expense	(286)	(284)
Foreign exchange loss	(573)	(20)
Loss before income taxes	(21,740)	(6,228)
Income tax (benefit) expense	(2,063)	1,737
Net loss	$ (19,677)	$ (7,965)
Net loss per share:		
Basic	$ (0.05)	$ (0.02)
Diluted	$ (0.05)	$ (0.02)
Weighted average shares outstanding:		
Basic	378,566	373,831
Diluted	378,566	373,831

See accompanying notes to these condensed consolidated financial statements.

GW PHARMACEUTICALS PLC
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(in thousands)
(unaudited)

	Three Months Ended March 31,	
	2021	**2020**
Net loss	$(19,677)	$ (7,965)
Foreign currency translation adjustments	2,527	(14,428)
Comprehensive loss	$(17,150)	$(22,393)

See accompanying notes to these condensed consolidated financial statements.

GW PHARMACEUTICALS PLC
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)
(unaudited)

	Common Stock		Additional Paid-in	Accumulated	Accumulated Other Comprehensive	Total Stockholders'
	Shares	Amount	Capital	Deficit	Loss	Equity
Balances at December 31, 2020	375,196	$ 577	$1,690,151	$ (896,087)	$ (53,551)	$ 741,090
Issuance of common stock from exercise of stock options	3,309	6	2,324	—	—	2,330
Net loss	—	—	—	(19,677)	—	(19,677)
Common stock withheld for employee tax obligations			(7,685)			(7,685)
Share-based compensation	—	—	17,788	—	—	17,788
Other comprehensive loss	—	—	—	—	2,527	2,527
Balances at March 31, 2021	378,505	$ 583	$1,702,578	$ (915,764)	$ (51,024)	$ 736,373

	Common Stock		Additional Paid-in	Accumulated	Accumulated Other Comprehensive	Total Stockholders'
	Shares	Amount	Capital	Deficit	Loss	Equity
Balances at December 31, 2019	371,069	$ 570	$1,632,046	$ (837,959)	$ (68,623)	$ 726,034
Issuance of common stock from exercise of stock options	1,493	3	—	—	—	3
Net loss	—	—	—	(7,965)	—	(7,965)
Share-based compensation	—	—	11,361	—	—	11,361
Other comprehensive loss	—	—	—	—	(14,428)	(14,428)
Balances at March 31, 2020	372,562	$ 573	$1,643,407	$ (845,924)	$ (83,051)	$ 715,005

See accompanying notes to these condensed consolidated financial statements

GW PHARMACEUTICALS PLC
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Cash flows from operating activities		
Net loss	$ (19,677)	$ (7,965)
Adjustments to reconcile net loss to net cash used in operating activities:		
Foreign exchange loss	543	60
Share-based compensation	17,788	11,361
Depreciation and amortization	3,849	2,656
Other	1	27
Changes in operating assets and liabilities:		
Accounts receivable, net	(13,803)	(13,630)
Inventory	(7,912)	(8,928)
Prepaid expenses and other current assets	6,367	5,377
Other assets	993	885
Accounts payable	(3,887)	8,585
Current tax liabilities	(2,221)	1,726
Accrued liabilities	9,147	(16,953)
Other liabilities	(2,910)	(1,799)
Net cash used in operating activities	(11,722)	(18,598)
Cash flows from investing activities		
Additions to property, plant and equipment	(7,936)	(6,361)
Additions to capitalized software	(2,889)	(535)
Additions to intangible assets - licenses	—	(6,404)
Net cash used in investing activities	(10,825)	(13,300)
Cash flows from financing activities		
Proceeds from exercise of stock options	2,330	3
Payments in connection with common stock withheld for employee tax obligation	(7,685)	—
Payments on finance leases	(85)	(73)
Payments on landlord financing obligation	(166)	(143)
Net cash used in financing activities	(5,606)	(213)
Effect of exchange rate changes on cash	(498)	(3,887)
Net decrease in cash and cash equivalents	(28,651)	(35,998)
Cash and cash equivalents at beginning of period	486,752	536,933
Cash and cash equivalents at end of period	$ 458,101	$ 500,935
Supplemental disclosure of cash flow information:		
Income taxes paid	119	10
Interest paid	286	285
Supplemental disclosure of noncash information:		
Property and equipment purchases in accounts payable and accrued liabilities	408	1,661
Right-of-use asset obtained in exchange for operating liabilities	123	275

See accompanying notes to these condensed consolidated financial statements.

Note 1: Business Overview

GW Pharmaceuticals plc and its subsidiaries (referred to herein as “we,” “us,” “our,” and the “Company”) is a biopharmaceutical company focused on discovering, developing and commercializing novel therapeutics from our proprietary cannabinoid product platform in a broad range of disease areas. The Company is developing a portfolio of cannabinoid medicines, of which the lead product is *Epidiolex*®, an oral medicine for the treatment of certain refractory childhood epilepsies.

The Company is a public limited company, which has American Depository Shares (ADSs) registered with the U.S. Securities and Exchange Commission (SEC) and has been listed on Nasdaq since May 1, 2013. The Company’s ADSs each represent twelve ordinary shares of GW Pharmaceuticals plc. The Company is incorporated and domiciled in the United Kingdom. The address of the Company’s registered office and principal place of business is Sovereign House, Vision Park, Histon, Cambridgeshire.

On February 3, 2021, the Company entered into a transaction agreement (the Transaction Agreement) with Jazz Pharmaceuticals Public Limited Company, a public limited company incorporated in Ireland (Jazz), and Jazz Pharmaceuticals UK Holdings Limited, a private limited company incorporated in England and Wales and a wholly owned subsidiary of Jazz (Bidco), under which Bidco has agreed to acquire the entire issued and to be issued share capital of the Company by means of a court-sanctioned scheme of arrangement under Part 26 of the U.K. Companies Act 2006, subject to the conditions described therein (the Scheme of Arrangement and such acquisition, the Transaction). On April 23, 2021, the Company held a meeting of shareholders convened with the permission of the High Court of Justice of England and Wales (the Court Meeting) and a general meeting of shareholders (the General Meeting and, together with the Court Meeting, the Shareholder Meetings), in each case in connection with the Transaction. At the Shareholder Meetings, the proposals required to be approved by the Company’s shareholders in order to complete the Transaction were each approved. Completion of the Transaction remains subject to the sanction by the High Court of Justice of England and Wales (the Court) and other customary closing conditions. The Court hearing to sanction the Transaction is currently scheduled for May 5, 2021, and the completion of the Transaction is expected to occur shortly thereafter.

Note 2: Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete annual financial statements. In the Company’s opinion, the accompanying unaudited condensed consolidated financial statements include all adjustments, consisting of only normal recurring adjustments, necessary for a fair statement of the Company’s financial statements for interim periods.

The condensed consolidated balance sheet as of December 31, 2020 was derived from audited annual financial statements but does not include all annual disclosures required by U.S. GAAP. These interim financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 2020 included in the Company’s Form 10-K. The results of operations for the three months ended March 31, 2021 are not necessarily indicative of the results to be expected for the full year or any other future periods.

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

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts in the condensed consolidated financial statements and accompanying notes. Actual results could differ from these estimates.

The full extent to which the COVID-19 pandemic will directly or indirectly impact our business, results of operations and financial condition, including sales, expenses, reserves and allowances, manufacturing, clinical trials, research and development costs and employee-related amounts, will depend on future developments that are highly uncertain, including as a result of new information that may emerge concerning COVID-19 and the actions taken to contain it or treat COVID-19, as well as the economic impact on local, regional, national and international customers and markets. We have made estimates of the impact of COVID-19 within our financial statements and there may be changes to those estimates in future periods. Actual results may differ from these estimates.

Fair Value of Financial Instruments

The carrying values of cash and cash equivalents, trade receivables, interest and other receivables, and accounts payable and accrued liabilities, approximate fair value due to the relative short-term nature of these instruments. The Company's foreign exchange derivatives are measured at fair value using observable market inputs such as forward exchange rates and are therefore classified within Level 2 of the fair value hierarchy.

Accounts Receivable

Accounts receivable are recorded net of customer allowances for prompt payment discounts, chargebacks, and doubtful accounts. Allowances for prompt payment discounts and chargebacks are based on contractual terms. The Company estimates the allowance for doubtful accounts based on existing contractual payment terms, actual payment patterns of its customers and individual customer circumstances. As of March 31, 2021, the allowance for doubtful accounts was $0.8 million. At December 31, 2020, the allowance for doubtful accounts was $0.3 million. No accounts were written off during the periods presented.

Inventory

Inventory is stated at the lower of cost or estimated net realizable value. The Company uses a combination of standard and actual costing methodologies to determine the cost basis for its inventories which approximates actual cost. Inventory is valued on a first-in, first-out basis. The Company reduces its inventory to net realizable value for potentially excess, dated or obsolete inventory based on an analysis of forecasted demand compared to quantities on hand, as well as product shelf life.

Our inventory production process includes the cultivation of botanical raw material. Because of the duration of the cultivation process, a portion of our inventory will not be sold within one year. Consistent with the practice in other industries that cultivate botanical raw materials, all inventory is classified as a current asset.

Revenue Recognition

The Company recognizes revenue when its customer obtains control of promised goods or services, in an amount that reflects the consideration which the entity is entitled to in exchange for those goods or services. To determine revenue recognition for arrangements that an entity determines are within the scope of Accounting Standards Codification (ASC) Topic 606, Revenue from Contracts with Customers (Topic 606), the entity performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. The Company only applies the five-step model to contracts when it is probable that the entity will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer. At contract inception, once the contract is determined to be within the scope of Topic 606, the Company assesses the goods or services promised within each contract and determines those that are performance obligations and assesses whether each promised good or service is distinct. The Company then recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied.

Revenue for the Company’s product sales has not been adjusted for the effects of a financing component as the Company expects, at contract inception, that the period between when the Company’s transfers control of the product and when the Company receives payment will be one year or less. Product shipping and handling costs are included in cost of product sales.

Epidiolex Product Net Sales

In the United States, the Company sells Epidiolex to specialty pharmacies (SPs) and specialty distributors (SDs). The Company recognizes revenue from product sales upon receipt of product at the SPs and SDs, the date at which the control is transferred, net of the following allowances which are reflected either as a reduction to the related account receivable or as an accrued liability, depending on how the allowance is settled:

Distribution Fees: Distribution fees include distribution service fees paid to the SPs and SDs based on a contractually fixed percentage of the wholesale acquisition cost (WAC), and prompt payment discounts. Distribution fees are recorded as an offset to revenue based on contractual terms at the time revenue from the sale is recognized.

Rebates: Allowances for rebates include mandated discounts under the Medicaid Drug Rebate Program and the Medicare Part D prescription drug benefit, and contractual rebates with commercial payers. Rebates are amounts owed after the final dispensing of the product to a benefit plan participant and are based upon contractual agreements or statutory requirements. The allowance for rebates is based on contracted or statutory discount rates and expected utilization by benefit plan participants. The Company’s estimates for expected utilization of rebates is based on utilization data received from the SPs since product launch. Rebates are generally invoiced and paid in arrears so that the accrual balance consists of an estimate of the amount expected to be incurred for the current quarter’s activity, plus an accrual balance for prior quarters’ unpaid rebates. If actual future rebates vary from estimates, the Company may need to adjust prior period accruals, which would affect revenue in the period of adjustment.

Chargebacks: Chargebacks are discounts and fees that relate to contracts with government and other entities purchasing from the SDs at a discounted price. The SDs charge back to the Company the difference between the price initially paid by the SDs and the discounted price paid to the SDs by these entities. The Company also incurs group purchasing organization fees for transactions through certain purchasing organizations. The Company estimates sales with these entities and accrues for anticipated chargebacks and organization fees, based on the applicable contractual terms. If actual future chargebacks vary from these estimates, the Company may need to adjust prior period accruals, which would affect revenue in the period of adjustment.

Co-Payment Assistance: The Company offers co-payment assistance to commercially insured patients meeting certain eligibility requirements. Co-payment assistance is accrued for based on actual program participation and estimates of program redemption using data provided by third-party administrators.

Product Returns: Consistent with industry practice, the Company offers the SPs and SDs limited product return rights for damages, shipment errors, and expiring product, provided that the return is within a specified period around the product expiration date as set forth in the applicable individual distribution agreement. The Company does not allow product returns for product that has been dispensed to a patient. As the Company receives inventory reports from the SPs and SDs and has the ability to control the amount of product that is sold to the SPs and SDs, it is able to make a reasonable estimate of future potential product returns based on this on-hand channel inventory data and sell-through data obtained from the SPs and SDs. In arriving at its estimate, the Company also considers historical product returns, the underlying product demand, and industry data specific to the specialty pharmaceutical distribution industry.

The Company has launched Epidyolex in Germany and the U.K. and recognizes revenue from product sales in Europe upon delivery of the product, which is the point at which control of the goods is transferred to the customer. The Company recognizes revenue net of standard discounts and allowances, which are reflected as accrued liabilities.

The Company also sells Epidiolex in certain markets outside of the United States under early access programs that enable patients to receive the product prior to regulatory approval. Revenue under early access programs is generally recognized when the product is delivered.

The total amount deducted from gross sales for the allowances described above for the three months ended March 31, 2021 and 2020 was $51.3 million and $31.1 million, respectively.

Sativex Product Net Sales

Sativex is sold outside of the United States for the treatment of spasticity due to multiple sclerosis, or MS, pursuant to license agreements with commercial partners and, beginning in the first quarter of 2020, directly to customers in the U.K.

Under the license agreements, the Company sells fully labeled Sativex vials to its commercial partners for a contractually agreed price, which is generally based on percentages of the commercial partners' in-market net selling price charged to end customers. Product net sales revenue related to Sativex shipments to commercial license partners is recognized when shipped, at which point the customer obtains control of the product.

In the U.K., the Company recognizes revenue from product sales of Sativex upon delivery of the product, which is the point at which control of the goods is transferred to the customer. The Company recognizes revenue net of standard discounts and allowances, which are reflected as accrued liabilities.

The Company also commercializes Sativex in Australia and New Zealand through a consignment relationship with a local distributor. Product net sales revenues related to Sativex sales in Australia and New Zealand are recognized when the product is sold through to the end customer.

Research and Development Expenses

Research and development expenses are charged to operations as incurred. Research and development expenses include, among other things, internal and external costs associated with preclinical development, pre-commercialization manufacturing expenses, and clinical trials. The Company accrues for costs incurred as the services are being provided by monitoring the status of the trial or services provided and the invoices received from its external service providers. In the case of clinical trials, a portion of the estimated cost normally relates to the projected cost to treat a patient in the trials, and this cost is recognized based on the number of patients enrolled in the trial. As actual costs become known, the Company adjusts its accruals accordingly.

Research and development expense is presented net of reimbursements from reimbursable tax and expenditure credits from the U.K.government. Reimbursable research and development tax and expenditure credits were $1.1 million and $0.8 million for the three months ended March 31, 2021 and 2020, respectively.

Concentration Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, principally consist of cash, cash equivalents, and accounts receivable. The Company's cash and cash equivalents balances are primarily in depository accounts and money market funds at major financial institutions in accordance with the Company's investment policy. The Company's investment policy defines allowable investments and establishes guidelines relating to credit quality, diversification, and maturities of its investments to preserve principal and maintain liquidity. Further, the Company specifies credit quality standards for its customers that are designed to limit the Company's credit exposure to any single party.

Share-based Compensation

The Company recognizes share-based compensation expense for grants of stock options under the Company's Long-Term Incentive Plans to employees and non-employee members of the Company's board of directors based on the grant-date fair value of those awards. The grant-date fair value of an award is generally recognized as compensation expense over the award's requisite service period. Expense related to awards with graded vesting is generally recognized over the vesting period using the accelerated attribution method.

Income Taxes

The Company recognizes deferred tax assets and liabilities for temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities along with net operating loss and tax credit carryovers. The Company records a valuation allowance against its deferred tax assets to reduce the net carrying value to an amount that it believes is more likely than not to be realized. When the Company establishes or reduces the valuation allowance against its deferred tax assets, its provision for income taxes will increase or decrease, respectively, in the period such determination is made.

Uncertain tax positions, for which management's assessment is that there is more than a 50% probability of sustaining the position upon challenge by a taxing authority based upon its technical merits, are subjected to certain recognition and measurement criteria. The Company re-evaluates uncertain tax positions and considers various factors, including, but not limited to, changes in tax law, the measurement of tax positions taken or expected to be taken in tax returns, and changes in facts or circumstances related to a tax position. The Company adjusts the level of the liability to reflect any subsequent changes in the relevant facts and circumstances surrounding the uncertain positions. The Company recognizes interest and penalties related to income tax matters in income tax expense.

On March 11, 2021, the President of the United States signed the American Rescue Plan into law. The new law contains corporate tax revenue raising provisions including expanding the list of "covered employees" under IRC Section 162(m) for the limitation on the deduction for excessive employee remuneration. The Company is evaluating the legislation and does not expect any material impact to the financial statements.

Recently Issued Accounting Standards

ASU 2019-12, Income Taxes: Simplifying the Accounting for Income Taxes: In December 2019, the FASB issued ASU No. 2019-12, Simplifying the Accounting for Income Taxes, as part of its initiative to reduce complexity in accounting standards. The amendments in the ASU are effective for fiscal years beginning after December 15, 2020, including interim periods therein. The adoption of the ASU had an immaterial impact on the Company's interim unaudited condensed consolidated financial statements.

Note 3: Sativex License Agreements

The Company has entered into license agreements for Sativex with major pharmaceutical companies that provide the license partners with exclusive rights in a defined geographic territory to commercialize Sativex for all indications. The Company has retained the exclusive right to manufacture and supply Sativex to license partners on commercial supply terms for the duration of the commercial life of the product. In the first quarter of 2020, the Company reacquired the rights to commercialize Sativex in the U.K. from Bayer AG for approximately $6.4 million. The Company capitalized the cost to reacquire the license as an intangible asset and will amortize the asset over its five-year estimated useful life.

In 2007, the Company entered into an exclusive license agreement with Otsuka Pharmaceutical Co., Ltd. (Otsuka) for the development and commercialization of Sativex in the United States. In December 2017, the Company entered into a mutual termination agreement with Otsuka to return the rights to develop and commercialize Sativex in the United States to the Company. As part of the termination agreement, the Company agreed to pay Otsuka a contingent future milestone payment of $10 million if Sativex achieves FDA approval in the U.S. and a total of $30 million of potential sales-based milestones if U.S. sales of Sativex reach certain thresholds. As of March 31, 2021, no amounts have been accrued related to the contingent payments because it is not probable that the milestones will be achieved.

Note 4: Fair Value Measurements

At March 31, 2021 and December 31, 2020, the Company's cash equivalents consisted of money market funds, which are classified as Level 1 within the fair value hierarchy defined by authoritative guidance.

The Company enters into foreign exchange forward contracts, with durations of up to 12 months, designed to limit the exposure to fluctuations in foreign exchange rates related to the translation of certain non-U.S. dollar cash flows. Hedge accounting is not applied to these derivative instruments. At March 31, 2021 the Company had foreign exchange derivative assets with an aggregate notional amount of $90.0 million and aggregate fair value of $0.5 million, which are classified as other current assets in our condensed consolidated balance sheets. For the three months ended March 31, 2021, $0.5 million fair value gain was recognized and is included within foreign exchange loss on the statement of operations. The foreign exchange derivative instruments are measured at fair value using observable market inputs such as forward exchange rates and are classified within Level 2 of the fair value hierarchy. The Company did not hold any foreign exchange derivatives as December 31, 2020.

The Company has not transferred any securities between the classification levels.

Note 5: Composition of Certain Balance Sheet Captions:

Inventory consisted of the following:

	March 31, 2021	December 31, 2020
	(in thousands)	
Raw materials	$ 3,168	$ 2,691
Work in process	124,702	112,662
Finished goods	9,757	13,785
	$137,627	$ 129,138

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

	March 31, 2021	December 31, 2020
	(in thousands)	
Buildings	$ 16,100	$ 15,957
Machinery and equipment	52,069	51,021
Leasehold improvements	50,688	49,516
Office and IT equipment	7,220	5,890
Construction-in-process	76,934	71,441
	203,011	193,825
Accumulated depreciation	(53,420)	(50,058)
	$149,591	$ 143,767

Depreciation of property, plant, and equipment was $2.9 million and $2.1 million for the three months ended March 31, 2021 and 2020, respectively. The Company did not have any significant property, plant, or equipment write-offs in the three months ended March 31, 2021 and 2020.

Accrued liabilities consisted of the following:

	March 31, 2021	December 31, 2020
	(in thousands)	
Accrued compensation and benefits	$ 25,763	$ 34,830
Accrued vendor fees	25,352	31,445
Clinical trial accruals	14,128	14,845
Accrued growing fees	3,139	3,363
Accrued sales rebates and discounts	51,458	37,403
Other	16,261	5,963
	$136,101	$ 127,849

Other current liabilities consisted of the following:

	March 31, 2021	December 31, 2020
	(in thousands)	
Finance lease liabilities	$ 346	$ 338
Operating lease liabilities	5,934	6,209
Landlord financing	683	665
Other	90	1,998
	$ 7,053	$ 9,210

Other liabilities consisted of the following:

	March 31, 2021	December 31, 2020
	(in thousands)	
Landlord financing obligation	$ 8,747	$ 8,844
Other	2,191	2,190
	$ 10,938	$ 11,034

Note 6: Earnings Per Share

The computation of basic earnings per share (EPS) is based on the weighted-average number of our ordinary shares outstanding. For the purpose of this calculation, vested nominal strike-price options are considered ordinary shares outstanding. The computation of diluted EPS is based on the weighted-average number of ordinary shares outstanding and potentially dilutive common stock equivalents outstanding for the period, primarily shares that may be issued under the Company's stock option plans, determined using the treasury stock method.

The Company incurred net losses for the three months ended March 31, 2021 and therefore did not include potentially dilutive common stock equivalents in the computation of diluted net loss per share. For the three months ended March 31, 2021, options totaling approximately 16.1 million ordinary shares were excluded from the calculation of diluted net loss per share as their effect would have been anti-dilutive. For the three months ended March 31, 2020, options totaling approximately 13.7 million ordinary shares were excluded from the calculation of diluted net loss per share as their effect would have been anti-dilutive.

Note 7: Share-Based Compensation

Compensation expense for share-based awards is recognized over the requisite service period using the accelerated attribution method. An estimated forfeiture rate has been applied to unvested awards for the purpose of calculating compensation cost. Changes in forfeiture estimates impact compensation cost in the period in which the change in estimate occurs.

The fair value of stock option awards is estimated using the Black-Scholes option-pricing model. The determination of fair value using the Black-Scholes model is affected by the Company's ADS price as well as assumptions regarding a number of complex and subjective variables, including expected ADS price volatility, risk-free interest rate, expected dividends and projected employee stock option exercise behaviors.

The Company estimates its stock price volatility using a combination of historical stock price volatility and the average implied volatility of options traded in the open market. The risk-free interest rate assumption is based on observed interest rates for the appropriate term of the Company's stock options. The Company has never declared or paid dividends and has no plans to do so in the foreseeable future. The expected option life assumption is estimated using the simplified method prescribed by ASC Topic 718, *Compensation – Stock Compensation*, and is based on the mid-point between vest date and expiration date since the Company does not have sufficient exercise history to estimate expected option life of historical grants.

The table below summarizes the total share-based compensation expense included in the Company's statements of operations for the periods presented:

	Three Months Ended March 31,	
	2021	2020
	(in thousands)	
Research and development	$ 4,187	$ 2,299
Sales, general and administrative	12,644	8,260
	$16,831	$10,559

For the three months ended March 31, 2021 and 2020, $1.0 million and $0.8 million of share-based compensation related to manufacturing operations was capitalized into inventory, respectively.

Note 8: Commitments and Contingencies

As of March 31, 2021, the Company was not a party to any material legal proceedings except as follows: In 2007, the Company entered into a research collaboration agreement with Otsuka Pharmaceutical Co., Ltd., or Otsuka, which expired in June 2013. Otsuka has contacted the Company to assert that it is owed royalty payments under the agreement up to 2% of Epidiolex net sales. While the Company believes Otsuka's position is without merit, the Company cannot predict the outcome of this matter and cannot provide assurances that the Company will be successful, in whole or in part, in its efforts.

On December 23, 2020, Canopy Growth Corporation filed suit against us in the Western District of Texas, alleging infringement of U.S. Patent No. 10,870,632. Canopy alleges that the process we used to make the crude cannabinoid extract that is used to make Epidiolex is within the scope of its patent. We dispute Canopy's claims and intend to defend the matter vigorously.

Since the initial filing of the Company's proxy statement related to the Jazz Transaction (the Proxy Statement), the following 11 complaints have been filed in federal courts in California, New York and Pennsylvania by purported shareholders of the Company against GW and the members of GW's board of directors, and in one instance against Jazz and Bidco, in connection with the Jazz transaction: Farrell v. GW Pharmaceuticals plc, et al., Case No. 1:21-cv-02344 (filed March 17, 2021) (S.D.N.Y.), Hinton v. GW Pharmaceuticals plc, et al., Case No. 1:21-cv-02379 (filed March 18, 2021) (S.D.N.Y.), Brady v. GW Pharmaceuticals plc, et al., Case No. 1:21-cv-02382 (filed March 18, 2021) (S.D.N.Y.), Warren v. GW Pharmaceuticals plc, et al., Case No. 1:21-cv-02536 (filed March 24, 2021) (S.D.N.Y.), Goodman v. GW Pharmaceuticals plc, et al., Case No. 1:21-cv-01574 (filed March 25, 2021) (E.D.N.Y.), Kent v. GW Pharmaceuticals, plc, et al., Case No. 3:21-cv-00530 (filed March 26, 2021) (S.D. Cal.), Coffman v. GW Pharmaceuticals plc, et al., Case No. 3:21-cv-00537 (filed March 26, 2021) (S.D. Cal.), Shubitowski v. GW Pharmaceuticals plc, et al., Case No. 1:21-cv-02668 (filed March 29, 2021) (S.D.N.Y.), Hurlbut v. GW Pharmaceuticals plc, et al., Case No. 2:21-cv-01500 (filed March 30, 2021) (E.D. Pa.), Olesky v. GW Pharmaceuticals, plc, et al., Case No. 1:21-cv-02741 (filed March 31, 2021) (S.D.N.Y.), and Ochoa v. GW Pharmaceuticals plc, et al., Case No. 3:21-cv-00580 (filed April 2, 2021) (S.D. Cal.) (collectively, the Federal Shareholder Litigation). Each of the complaints in the Federal Shareholder Litigation includes allegations that, among other things, the Proxy Statement omitted certain material information in connection with the Jazz transaction in violation of Sections 14(a) and 20(a) of the Exchange Act, and Rule 14a-9 promulgated under the Exchange Act, and one of those complaints also purports to allege claims that the members of GW's board of directors breached fiduciary duties in connection with the Jazz transaction, and that GW, Jazz and Bidco aided and abetted those alleged breaches. An additional lawsuit, filed in state court in New York, alleged misrepresentation and concealment claims under New York common law relating to the Proxy Statement: Levy v. Guy, et al., Case No. 603237/2021 (filed March 17, 2021) (N.Y. Sup. Nassau Cty.).

The plaintiffs seek various remedies, including injunctive relief to prevent the consummation of the Jazz transaction unless certain allegedly material information is disclosed, rescission and/or other damages and an award of attorneys' fees and expenses. On April 14, 2021, GW filed supplemental disclosures to the Proxy Statement on a Current Report on Form 8-K, in response to which five of the 11 federal complaints were voluntarily dismissed without prejudice, and the New York state action was voluntarily discontinued with prejudice.

The Company is not aware of any other proceedings or claims that it believes will have, individually or in the aggregate, a material adverse effect on its business, financial condition or results of operations.

Exhibit 99.4

Jazz Pharmaceuticals Plc

Unaudited pro forma condensed combined financial statements as of and for the three months ended March 31, 2021 and for the year ended December 31, 2020

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

On February 3, 2021, Jazz Pharmaceuticals Public Limited Company, or Jazz, entered into a Transaction Agreement, or the Transaction Agreement, with GW Pharmaceuticals plc, or GW, and Jazz Pharmaceuticals UK Holdings Limited, an indirect wholly owned subsidiary of Jazz, or Bidco, pursuant to which Bidco (and/or, at Bidco's election, Bidco's nominee(s)) acquired the entire issued share capital of GW, or the Acquisition, on May 5, 2021, or the Closing Date, pursuant to a scheme of arrangement, or the Scheme under Part 26 of the United Kingdom Companies Act 2006. The aggregate consideration for the Acquisition was $7.2 billion.

On April 29, 2021, Jazz Securities Designated Activity Company, a direct wholly owned subsidiary of Jazz, closed an offering of $1.5 billion in aggregate principal amount of 4.375% senior secured notes, due 2029, or the Notes. Jazz used the proceeds from the Notes to fund, in part, the cash consideration payable in connection with the Acquisition.

On the Closing Date, Jazz, Jazz Financing Lux S.à.r.l., or Jazz Lux, and certain other subsidiaries of Jazz, as borrowers, entered into a Credit Agreement, or the Credit Agreement, with the lenders and issuing banks from time to time party thereto, Bank of America, N.A., as Administrative Agent and U.S. Bank National Association, as Collateral Trustee.

The Credit Agreement provides for (i) a seven-year $3.1 billion term loan B facility, which was drawn by Jazz Lux on the Closing Date in U.S. dollars, or the Dollar Term Loan, (ii) a seven-year €625 million ($750 million equivalent) term loan B facility, which was drawn by Jazz Lux on the Closing Date in Euros, or the Euro Term Loan and, together with the Dollar Term Loan, collectively known as the Term Loan and (iii) a five-year $500 million revolving credit facility, or the Revolving Credit Facility, which is available to be drawn by any borrower in U.S. dollars. As of the Closing Date, the Revolving Credit Facility was undrawn.

Jazz used the proceeds from the Term Loan (i) to repay loans under that certain credit agreement, dated as of June 18, 2015 (as amended) among Jazz and certain other subsidiaries of Jazz as borrowers, the lenders party thereto and Bank of America, N.A., as administrative agent and collateral agent, or the Existing Credit Agreement, (ii) to fund, in part, the cash consideration payable in connection with the Acquisition and (iii) to pay related fees and expenses. The Borrowers expect to use future loans under the Revolving Credit Facility, if any, for general corporate purposes, including potential business development activities. Upon the repayment in full of loans under the Existing Credit Agreement, the Existing Credit Agreement was terminated and all guarantees and liens thereunder were released.

The following unaudited pro forma condensed combined financial information and related notes, or the Pro Forma Financial Information, are based on the historical consolidated financial statements of Jazz and GW. The Pro Forma Financial Information has been prepared to illustrate the effects of the Acquisition, including the financing arrangements effected to partially fund the Acquisition, as if it had occurred on January 1, 2020 in respect of the pro forma condensed combined statement of operations, or Pro Forma Statement of Operations, and as if it had occurred on March 31, 2021 in respect of the unaudited pro forma condensed combined balance sheet, or Pro Forma Balance Sheet. The Pro Forma Financial Information has been developed from and should be read in conjunction with Jazz's and GW's audited consolidated financial statements and related notes as of and for the year ended December 31, 2020, and Jazz's and GW's unaudited condensed consolidated financial statements and related notes as of and for the three months ended March 31, 2021.

Jazz's consolidated balance sheet and statement of income information as of and for the three months ended March 31, 2021 was derived from its unaudited condensed consolidated financial statements for the three-month period ended March 31, 2021 included in the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2021, filed with the Securities and Exchange Commission. Jazz's consolidated statement of income information for the year ended December 31, 2020 was derived from its audited consolidated financial statements for the year ended December 31, 2020 included in the Annual Report on Form 10-K for the year ended December 31, 2020, filed with the Securities and Exchange Commission.

GW's consolidated balance sheet and statement of operations information as of and for the three months ended March 31, 2021 was derived from its unaudited condensed consolidated financial statements for the three-month period ended March 31, 2021 included in Exhibit 99.3 to the current report on Form 8-K/A, or the Jazz Form 8-K/A, to which these unaudited pro forma condensed combined financial statements are attached as Exhibit 99.4. GW's consolidated statement of operations information for the year ended December 31, 2020 was derived from its audited consolidated financial statements for the year ended December 31, 2020 included in Exhibit 99.2 to the Jazz Form 8-K/A.

The pro forma adjustments related to the Acquisition and related financing arrangements include:

- a cash payment of $6.3 billion to GW shareholders in respect of American Depositary Shares issued by the depositary in respect of GW, or GW ADSs, and a cash payment of $267.5 million (inclusive of payroll taxes) to settle GW share options that became exercisable on closing of the Acquisition;
- the issuance of approximately 3.8 million Jazz ordinary shares, par value $0.0001 per share, or Jazz Ordinary Shares, valued at $608.5 million, to GW shareholders in respect of GW ADSs and the issuance of Jazz share options in exchange for GW share options attributable to pre-combination service valued at $3.6 million;
- the borrowings comprised of the Term Loan and the Notes, each further described in Note 5;
- the payment of $575.9 million to repay the term loan outstanding under the Existing Credit Agreement, or the Existing Term Loan; and
- the impact of fair value adjustments to the underlying assets and liabilities of GW.

The Acquisition will be accounted for as a business combination using the acquisition method of accounting in accordance with Financial Accounting Standards Board, or FASB, Accounting Standards Codification Topic 805, Business Combinations, or ASC 805. Jazz will be treated as the acquiring entity for accounting purposes, and accordingly, the GW assets acquired and liabilities assumed have been adjusted based on preliminary estimates of fair value, which are subject to change. Any excess of the purchase price over the fair value of identified assets acquired and liabilities assumed will be recognized as goodwill.

The unaudited pro forma adjustments are based upon a preliminary valuation and available information and certain assumptions that Jazz believes to be reasonable, which are subject to change. The Pro Forma Financial Information is presented for informational purposes only, it does not purport to represent what the actual consolidated results of operations or the consolidated financial position of the combined entity would have been had the Acquisition occurred on the dates indicated, nor is it necessarily indicative of the combined financial position or results of operations that would have been realized had the Acquisition occurred as of the dates indicated, nor is it meant to be indicative of any anticipated combined financial position or future results of operations that the combined company will experience after the completion of the Acquisition. The Pro Forma Financial Information is based on Jazz's accounting policies.

The Pro Forma Financial Information does not reflect any adjustment for liabilities or related costs of any integration and similar activities, or benefits, including potential synergies that may be derived in future periods, from the Acquisition.

Unaudited Pro Forma Condensed Combined Balance Sheet
As of March 31, 2021

(in thousands)	Historical Jazz	Historical GW	Transaction accounting adjustments PPA(4)	Notes	Financing(5)	Notes	Other(6)	Notes	Total Unaudited Pro Forma Combined
ASSETS									
Current assets:									
Cash and cash equivalents	$2,097,533	$ 458,101	$(6,243,690)	4(i)	$4,611,730	5(i), 5(ii), 5(iii)	$(184,065)	6(i), 6(ii)	$ 739,609
Investments	335,000	—	(335,000)	4(i)	—		—		—
Accounts receivable, net of allowances	413,976	84,947	—		—		—		498,923
Inventories	115,475	137,627	1,062,627	4(vi)	—		—		1,315,729
Prepaid expenses	57,185	38,058	7,257	4(vii)	—		—		102,500
Other current assets	147,727	—	—		—		—		147,727
Total current assets	3,166,896	718,733	(5,508,806)		4,611,730		(184,065)		2,804,488
Property, plant and equipment, net	123,863	149,591	—		—		—		273,454
Operating lease assets	125,738	24,036	—		—		—		149,774
Intangible assets, net	2,108,046	5,271	5,634,729	4(v)	—		—		7,748,046
Goodwill	938,398	6,959	842,087	4(iv)	—		79,957	6(ii)	1,867,401
Deferred tax assets, net	258,454	20,775	14,958	4(vii)	—		—		294,187
Deferred financing costs	4,724	—	—		9,389	5(i), 5(ii)	—		14,113
Other non-current assets	30,351	8,978	—		—		—		39,329
Total assets	$6,756,470	$ 934,343	$ 982,968		$4,621,119		$(104,108)		$13,190,792
LIABILITIES AND SHAREHOLDERS' EQUITY									
Current liabilities:									
Accounts payable	$ 77,738	$ 16,672	$ —		$ —		$ —		$ 94,410
Accrued liabilities	374,035	136,101	—		—		—		510,136
Current portion of long-term debt	248,613	—	—		(10,137)	5(iii)	—		238,476
Income taxes payable	49,334	420	—		—		(3,278)	6(ii)	46,476
Deferred revenue	2,373	—	—		—		—		2,373
Other current liabilities	—	7,053	—		—		—		7,053
Total current liabilities	752,093	160,246	—		(10,137)		(3,278)		898,924
Deferred revenue, non-current	1,852	—	—		—		—		1,852
Long-term debt, less current portion	1,853,033	—	—		4,634,969	5(iv)	—		6,488,002
Finance lease liabilities	—	5,413	—		—		—		5,413
Operating lease liabilities, less current portion	136,020	21,373	—		—		—		157,393
Deferred tax liabilities, net	109,915	—	1,104,692	4(vii)	—		—		1,214,607
Other non-current liabilities	105,868	10,938	2,638	4(vii)	—		—		119,444
Total liabilities	2,958,781	197,970	1,107,330		4,624,832		(3,278)		8,885,635
Shareholder's equity									
Ordinary shares	6	583	(583)		—		—		6
Non-voting euro deferred shares	55	—	—		—		—		55
Capital redemption reserve	472	—	—		—		—		472
Additional paid-in capital	2,694,858	1,702,578	(1,154,871)	4(ii), 4(iii)	—		64,304	6(iv)	3,306,869
Accumulated other comprehensive loss	(179,428)	(51,024)	51,024		—		—		(179,428)
Retained earnings	1,281,726	(915,764)	980,068		(3,713)	5(ii)	(165,134)	6(ii), 6(iv)	1,177,183
Total shareholders' equity	3,797,689	736,373	(124,362)		(3,713)		(100,830)		4,305,157
Total liabilities and shareholder's equity	$6,756,470	$ 934,343	$ 982,968		$4,621,119		$(104,108)		$13,190,792

The accompanying notes are an integral part of this unaudited pro forma condensed combined financial information.

Unaudited Pro Forma Condensed Combined Statement of Operations
For the year ended December 31, 2020
(in thousands, except per share amounts)

				Transaction accounting adjustments						
	Historical Jazz	Historical GW	Reclassifications(3)	PPA(4)	Notes	Financing(5)	Notes	Other(6)	Notes	Total Unaudited Pro Forma Combined
Revenues:										
Product sales, net	$2,346,660	$526,830	$ —	$ —		$ —		$ —		$ 2,873,490
Royalties and contract revenues	16,907	—	—	—		—		—		16,907
Other revenue	—	375	—	—		—		—		375
Total revenues	2,363,567	527,205	—	—		—		—		2,890,772
Operating expenses:										
Cost of product sales (excluding amortization of acquired developed technologies)	148,917	37,531	—	306,023	4(vi)	—		5,878	6(iii), 6(iv)	498,349
Selling, general and administrative	854,233	336,043	(1,177)	—		—		313,203	6(ii), 6(iii), 6(iv)	1,502,302
Research and development	335,375	205,396	—	—		—		34,405	6(iii), 6(iv)	575,176
Intangible asset amortization	259,580	—	1,177	464,606	4(v)	—		—		725,363
Impairment charges	136,139	—	—	—		—		—		136,139
Acquired in-process research and development	251,250	—	—	—		—		—		251,250
Total operating expenses	1,985,494	578,970	—	770,629		—		353,486		3,688,579
Total income from operations	378,073	(51,765)	—	(770,629)		—		(353,486)		(797,807)
Interest income	—	1,814	(1,814)	—		—		—		—
Interest expense, net	(99,707)	(1,121)	1,814	—		(228,855)	5(v)	—		(327,869)
Foreign exchange loss	(3,271)	(3,974)	—	—		—		—		(7,245)
Income (loss) before income tax provision	275,095	(55,046)	—	(770,629)		(228,855)		(353,486)		(1,132,921)
Income tax provision (benefit)	33,517	3,082	—	(149,671)	4(v), 4(vi)	(50,243)	5(vi)	(28,122)	6(ii), 6(iii), 6(iv)	(191,437)
Equity in loss of investees	2,962	—	—	—		—		—		2,962
Net income (loss)	$ 238,616	$ (58,128)	$ —	$(620,958)		$(178,612)		$(325,364)		$ (944,446)
Net income (loss) per ordinary share:										
Basic EPS	$ 4.28									$ (15.87)
Diluted EPS	$ 4.22									$ (15.87)
Weighted-average ordinary shares used in per share calculation - basic (Note 7)	55,712									59,510
Weighted-average ordinary shares used in per share calculation - diluted (Note 7)	56,517									59,510

The accompanying notes are an integral part of this unaudited pro forma condensed combined financial information.

Unaudited Pro Forma Condensed Combined Statement of Operations
For the three months ended March 31, 2021
(in thousands, except per share amounts)

				Transaction accounting adjustments						
	Historical Jazz	Historical GW	Reclassifications(3)	PPA(4)	Notes	Financing(5)	Notes	Other(6)	Notes	Total Unaudited Pro Forma Combined
Revenues:										
Product sales, net	$603,531	$152,443	$ —	$ —		$ —		$ —		$ 755,974
Royalties and contract revenues	4,050	—	—	—		—		—		4,050
Other revenue	—	23	—	—		—		—		23
Total revenues	607,581	152,466	—	—		—		—		760,047
Operating expenses:										
Cost of product sales (excluding amortization of acquired developed technologies)	40,189	11,807	—	79,418	4(vi)	—		392	6(iv)	131,806
Selling, general and administrative	260,508	101,052	(345)	—		—		3,436	6(iv)	364,651
Research and development	76,573	60,634	—	—		—		1,637	6(iv)	138,844
Intangible asset amortization	68,192	—	345	116,101	4(v)	—		—		184,638
Total operating expenses	445,462	173,493	—	195,519		—		5,465		819,939
Total income from operations	162,119	(21,027)	—	(195,519)		—		(5,465)		(59,892)
Interest income	—	146	(146)	—		—		—		—
Interest expense, net	(27,376)	(286)	146	—		(57,922)	5(v)	—		(85,438)
Foreign exchange gain (loss)	943	(573)	—	—		—		—		370
Income (loss) before income tax provision	135,686	(21,740)	—	(195,519)		(57,922)		(5,465)		(144,960)
Income tax provision (benefit)	18,019	(2,063)	—	(37,148)	4(v), 4(vi)	(9,197)	5(vi)	(1,200)	6(iv)	(31,589)
Equity in gain of investees	(4,165)	—	—	—		—		—		(4,165)
Net income (loss)	$121,832	$ (19,677)	$ —	$(158,371)		$(48,725)		$(4,265)		$(109,206)
Net income (loss) per ordinary share:										
Basic EPS	$ 2.16									$ (1.81)
Diluted EPS	$ 2.09									$ (1.81)
Weighted-average ordinary shares used in per share calculation - basic (Note 7)	56,468									60,266
Weighted-average ordinary shares used in per share calculation - diluted (Note 7)	58,393									60,266

The accompanying notes are an integral part of this unaudited pro forma condensed combined financial information.

NOTES TO UNAUDITED PRO FORMA
CONDENSED COMBINED FINANCIAL STATEMENTS

1. Description of the Acquisition

On February 3, 2021, Jazz entered into the Transaction Agreement with GW and Bidco that provided for the acquisition of the entire issued and to be issued share capital of GW by Bidco (and/or, at Bidco's election, Jazz and/or the DR Nominee (as defined in the Transaction Agreement)). On May 5, 2021, the transaction was consummated pursuant to the Transaction Agreement and, as a result, GW became an indirect wholly owned subsidiary of Jazz.

Under the Transaction Agreement, at the effective time of the Scheme, or the Effective Time, all Scheme Shares (as defined in the Scheme) were transferred to Bidco (and/or, at Bidco's election, Jazz and/or the DR Nominee), and the Share Scheme holders became entitled to receive for each Scheme Share (as defined in the Scheme) held by them at such time an amount equal to $16.662/3 in cash plus 0.010030 ordinary shares, or Share Deliverable, nominal value $0.0001 per share, of Jazz, or Jazz Ordinary Shares. In addition, because each GW ADS represented a beneficial interest in 12 Scheme Shares held by such depositary, holders of GW ADSs became entitled under such depositary arrangements to receive, for each GW ADS, 12 times the foregoing cash and share amounts, or (1) an amount equal to $200 in cash (less (a) a $0.05 per GW ADS cancellation fee, (b) a $0.05 per GW ADS distribution fee, (c) any other fees and expenses payable by such holders pursuant to the terms of the deposit agreement, dated as of May 7, 2013 (as amended), by and among the GW, Citibank, N.A., as depositary, and all holders and beneficial owners of GW ADSs issued thereunder and (d) any applicable withholding taxes), or per ADS Cash Consideration and (2) an amount of Jazz Ordinary Shares equal to 12 times the Share Deliverable. Scheme Shareholders and holders of GW ADSs became entitled to receive cash in lieu of any fractional Jazz Ordinary Shares to which they would have otherwise been entitled to in accordance with the Scheme, or per ADS Share deliverable. In connection with the Transaction, 3,798,105 Jazz Ordinary Shares were issued to such Scheme Shareholders.

In addition, from the Effective Time, all options to purchase GW ADSs or GW Ordinary Shares, as applicable, or GW Options, that were then held by GW employees (other than those GW Options granted in 2021, or 2021 Options) and GW non-employee members of the GW board of directors, vested, (with any performance goals deemed fully satisfied as of the Effective Time) exercised automatically and were cash-settled. Each 2021 Option vested, exercised automatically and was cash-settled as to one-third of the grant at the Effective Time. With respect to the GW Options and one-third of the 2021 Options, the holders received, in full satisfaction of their rights in respect of such share options, total cash consideration of $250.5 million.

The remaining two-thirds of the 2021 Options converted into an option to acquire Jazz Ordinary Shares, or Jazz Options (with any performance goals deemed fully satisfied as of the Effective Time and, therefore, converting into time vesting Jazz Options), half of which will vest on the first anniversary of the original grant date and half of which will vest on the second anniversary of the original grant date, subject to accelerated vesting in connection with qualifying terminations of employment. The number of Jazz Ordinary Shares subject to each converted Jazz Option was determined by multiplying the number of GW ADSs subject to the 2021 Option by an exchange ratio of 1.323934, calculated in accordance with the Transaction Agreement, and the option exercise price of any converted Jazz Option was determined by dividing the 2021 Option exercise price by the same exchange ratio.

Jazz used the proceeds from the Term Loan and the Notes to partially fund the cash payable under the Acquisition.

2. Basis of presentation

The Pro Forma Financial Information set forth herein is based upon Jazz's historical consolidated financial statements and GW's historical consolidated financial statements. The Pro Forma Financial Information has been prepared to illustrate the effects of the Acquisition, including the financing arrangements effected to partially fund the Acquisition, as if it had occurred on January 1, 2020 in respect of the Pro Forma Statement of Operations, and as if it had occurred on March 31, 2021 in respect of the Pro Forma Balance Sheet.

The Pro Forma Financial Information is presented for informational purposes only, it does not purport to represent what the actual consolidated results of operations or the consolidated financial position of the combined entity would have been had the Acquisition occurred on the dates indicated, nor is it necessarily indicative of the combined company's financial position or results of operations that would have been realized had the Acquisition occurred as of the dates indicated, nor is it meant to be indicative of any anticipated combined financial position or future results of operations that the combined company will experience after the completion of the Acquisition.

The transaction will be accounted for as a business combination using the acquisition method of accounting in accordance with ASC 805. Jazz will be treated as the accounting acquirer, and accordingly, the GW assets acquired and liabilities assumed have been adjusted based on preliminary estimates of fair value, which are subject to change. Any excess of the purchase price over the fair value of identified assets acquired and liabilities assumed will be recognized as goodwill.

Jazz's and GW's consolidated financial statements were prepared in accordance with U.S. generally accepted accounting principles, or U.S. GAAP.

The estimated income tax impacts of the pre-tax adjustments that are reflected in the Pro Forma Financial Information are calculated using an estimated blended statutory rate, which is based on preliminary assumptions related to the jurisdictions in which the income (expense) adjustments will be recorded. The estimated blended statutory rate and the effective tax rate of the combined company could be significantly different depending on the post-acquisition activities and geographical mix of profit before taxes.

3. Reclassifications

The classification of certain items presented by GW has been modified in order to align with the presentation used by Jazz. Modifications to GW's historical consolidated statement of operations presentation include:

- Separate presentation of intangible asset amortization totaling $1.2 million and $0.3 million previously included within selling, general and administrative expenses for the year ended December 31, 2020 and the three months ended March 31, 2021, respectively.
- Presentation of interest income totaling $1.8 million and $0.1 million within interest expense, net for the year ended December 31, 2020 and the three months ended March 31, 2021, respectively.

4. Purchase price allocation

The transaction will be accounted for as a business combination using the acquisition method of accounting in accordance with U.S. GAAP. Under this method, the GW assets acquired and liabilities assumed have been recorded based on preliminary estimates of fair value. In accordance with U.S. GAAP, Jazz measures fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The purchase price allocation, or PPA, in this Pro Forma Financial information is based upon the value of the consideration transferred as of May 5, 2021.

The purchase price is calculated as follows (all amounts in thousands except ADS and per GW ADS amounts):

GW ADS outstanding May 5, 2021	31,556,200	
Cash consideration per GW ADS	$ 200	
Equity consideration per GW ADS	$ 20	
Total cash consideration to GW ADS holders	$ 6,311,240	(i)
Cash consideration to GW share option holders	267,450	(i)
Total cash consideration	6,578,690	
Equity consideration to GW ADS holders	608,456	(ii)
Consideration related to replacement share option pre-combination service	3,555	(iii)
Total equity consideration	612,011	
Total purchase consideration	$ 7,190,701	

i. The total cash consideration was calculated based on the GW ADSs outstanding as of May 5, 2021, and the cash consideration due to holders of $200 per GW ADS plus the cash outflow to GW share option holders that was paid via payroll together with related payroll taxes. Jazz utilized proceeds from the maturity of short-term deposits, classified as investments on its balance sheet as of March 31, 2021, to partially fund the total cash consideration.

ii. 3.8 million Jazz Ordinary Shares were issued to satisfy the ADS Share Deliverable. The closing price of Jazz Ordinary Shares on May 4, 2021 ($160.20) was used to determine the fair value of this equity consideration because the closing of the Acquisition on May 5, 2021 occurred prior to the opening of regular trading.

iii. A portion of the fair value of the 2021 Options that were converted to Jazz Options and will vest over a period equal to two years from the original grant date was also included within the total equity consideration. The portion of the fair value of GW's equity awards attributable to pre-combination service that was assumed by Jazz upon completion of the Acquisition amounted to $3.6 million (see note 6 (iv)).

The acquisition consideration for pro forma purposes represents the total purchase consideration at the closing of the Acquisition of $7.2 billion. Under the acquisition method of accounting, identifiable assets and liabilities of GW, including identifiable intangible assets, were recorded based on their estimated fair values as of the Closing Date.

The fair value of the net assets acquired, assuming the acquisition of GW had closed on March 31, 2021 are as follows (in thousands):

	Estimated fair values of assets acquired and liabilities assumed	
Cash and cash equivalents	$ 378,144	
Accounts receivable	84,947	
Inventory	1,200,254	(vi)
Prepaid expenses	45,315	
Property, plant and equipment	149,591	
Intangible assets	5,640,0008	(v)
Goodwill	929,003	(iv)
Deferred tax assets/liabilities	(1,068,959)	(vii)
Other assets/liabilities	(167,594)	
Total purchase consideration	$ 7,190,701	

Generally, changes to the initial estimates of the fair value of the assets acquired and liabilities assumed within a one-year measurement period from the acquisition date will be recorded as adjustments to those assets and liabilities and residual amounts will be allocated to goodwill, which could be material. Except as discussed below, the carrying value of GW's assets and liabilities are considered to approximate their fair values.

iv. The goodwill balance arising from the Acquisition is estimated to be $929.0 million. The goodwill has been calculated as the excess of the purchase consideration of $7.2 billion over the fair value of the net assets acquired of $6.3 billion.

v. The fair value of GW's intangible assets is estimated to be $5,640.0 million. The intangible assets include acquired developed technologies, primarily related to Epidiolex®, and in-process research and development, or IPR&D, for which the preliminary fair value estimates have been determined using the income approach.

The fair value and weighted average estimated useful life of identifiable intangible assets are estimated as follows (in thousands):

	Fair Value	Weighted average estimated useful life (in years)	Annual Amortization
Acquired developed technologies	$5,480,000	12	$ 465,783
IPR&D	160,000	Not amortized	—
Total acquired identifiable intangible assets	5,640,000		465,783
Less: GW's historical net book value of intangible assets	(5,271)		
Adjustment to intangible assets, net	$5,634,729		

Based on the estimated respective fair values of identified intangible assets and the weighted average estimated useful lives, an adjustment to amortization expense of $464.6 million and $116.1 million has been included in the Pro Forma Statement of Operations for the year ended December 31, 2020 and the three months ended March 31, 2021, respectively, being the annual amortization charge (or portion of the annual amortization charge for the three months ended March 31, 2021) above less $1.2 million and $0.3 million amortization of intangible assets expensed by GW in the year ended December 31, 2020 and the three months ended March 31, 2021, respectively. The related estimated net decrease to income tax expense for the Pro Forma Statement of Operations is $88.3 million and $22.0 million for the year ended December 31, 2020 and the three months ended March 31, 2021, respectively. This adjustment will recur for the life of the underlying assets.

vi. The fair value of GW’s inventory, which includes raw materials, work in progress and finished goods, is estimated to be $1,200.3 million, which represents an uplift of $1,062.6 million on the book value of $137.6 million. The fair value adjustment relates only to work in progress and finished goods. The inventory was valued at estimated selling price less the estimated costs to be incurred to complete (in the case of work in progress) and sell the inventory, the associated margins on these activities and holding costs. The step up in the fair value of inventory is expected to increase cost of goods sold in the twelve-month period post-close and subsequent three-month period by $306.0 million and $79.4 million, respectively, as the inventory is sold. The related estimated net decrease to income tax expense for the Pro Forma Statement of Operations is $61.4 million and $15.1 million for the year ended December 31, 2020 and the three months ended March 31, 2021, respectively. The remaining step up in the fair value of inventory is expected to increase cost of goods sold in subsequent periods as the inventory is sold.

vii. The deferred and current income tax impact of acquisition accounting adjustments primarily relates to the estimated fair value of the net deferred tax liability of $1,069.0 million, which represents an adjustment of $1,089.7 million. This adjustment comprises of $1,070.6 million in relation to the fair value uplift on intangible assets and $205.2 million in relation to the fair value uplift on inventory, offset by acquired net operating losses and temporary differences. The tax impact of acquisition accounting also includes a prepaid tax asset of $7.3 million related to tax credits available to offset future tax liabilities and a reserve established for uncertain tax positions of $2.6 million.

5. Financing

Jazz used the net proceeds from the Term Loan and the Notes, together with cash on hand, to fund the cash consideration payable in connection with the Acquisition, the refinancing of certain of our indebtedness and fees and expenses in connection with the Acquisition. Details of borrowings under the Credit Agreement and the Notes are as follows:

- a seven-year $3.1 billion Dollar Term Loan and a seven-year €625.0 million Euro Term Loan ($750.0 million equivalent);
- the Notes with an initial aggregate principal amount of $1.5 billion which will mature in 2029; and
- a five-year $500.0 million Revolving Credit Facility. The Revolving Credit Facility was undrawn at the closing of the Acquisition.

Current and non-current interest bearing loans and borrowings have been adjusted as follows based on the sources of funding described above (in thousands):

	Financing Adjustments	
Proceeds from the Dollar Term Loan	$3,100,000	
Proceeds from the Euro Term Loan	750,000	
Proceeds from the Notes	1,500,000	
Total sources of funding	5,350,000	
Debt issuance costs	(151,544)	(i)
Total sources of funding, net of debt issuance costs	5,198,456	
Repayment of Existing Term Loan	(575,921)	
Elimination of historical Jazz unamortized debt issuance costs	2,297	(ii)
Net change in debt	$4,624,832	
Presented as:		
Current portion of debt adjustment	$ (10,137)	(iii)
Non-current portion of debt adjustment	$4,634,969	(iv)

i. In relation to the Term Loan, the Notes and the Revolving Credit Facility, total estimated debt issuance costs amount to $122.8 million, $28.7 million and $10.8 million, respectively. None of these costs were included in the Jazz balance sheet at March 31, 2021. The debt issuance costs associated with the Term Loan and the Notes were capitalized and presented net within debt on issuance. The debt issuance costs associated with the Revolving Credit Facility were capitalized and presented within deferred financing costs.

ii. Jazz's unamortized debt issuance costs related to the Existing Term Loan and the undrawn revolving credit facility under the Existing Credit Agreement, or the Existing Revolving Credit Facility, at March 31, 2021 were $2.3 million and $4.6 million, respectively. The unamortized costs of $2.3 million relating to the Existing Term Loan was treated as a loss on extinguishment of debt and $1.4 million of the unamortized costs relating to the undrawn Existing Revolving Credit Facility was treated as a loss on modification of debt, both were eliminated in the Pro Forma Financial Information. The remaining $3.2 million of unamortized costs relating to the Existing Revolving Credit Facility is included as a modification and is within deferred financing costs at March 31, 2021 and will be amortized in line with the new Revolving Credit Facility.

iii. The current portion of the debt adjustment is comprised of the proceeds from the Term Loan that will be due to be repaid within the first 12 months after issuance, offset by the current portion of the Existing Term Loan, which was $33.4 million at March 31, 2021.

iv. The non-current portion of the debt adjustment is comprised of the proceeds of the Term Loan that will be due to be repaid after the first 12 months after issuance and the Notes, net of debt issuance costs, offset by the non-current portion of the Existing Term Loan, which was $542.5 million at March 31, 2021.

v. The interest rate on the Term Loan and the Notes is disclosed below. A hypothetical change in the weighted-average interest rate of 12.5 basis points on floating rate debt would increase or decrease total interest expense related to the variable-rate financing for the Pro Forma Statement of Operations by approximately $4.8 million. In addition to incremental cash interest charges, Jazz has also recorded a pro forma adjustment for debt issuance cost amortization for each facility, which will be deferred and amortized over the duration of the borrowings.

Total interest expense adjustment is as follows (in thousands, except for the interest rate):

	Average principal	Interest rate*	Interest expense for year ended December 31, 2020	Interest expense for three months ended March 31, 2021
The Dollar Term Loan	$3,100,000	4.000%	$ 123,613	$ 30,716
The Euro Term Loan	750,000	4.390%	32,925	8,231
The Notes	1,500,000	4.375%	65,625	16,406
Elimination of interest on Existing Term Loan			(12,357)	(2,195)
Elimination of interest on Existing Revolving Credit Facility			(1,581)	—
Debt issuance cost amortization:				
The Dollar Term Loan			12,765	3,534
The Euro Term Loan			2,936	830
The Notes			3,054	924
Revolving Credit Facility (including commitment fee)			5,287	1,322
Elimination of deferred financing cost amortization and loss on extinguishment on Existing Term Loan			1,189	(276)
Elimination of deferred financing cost amortization, commitment fee and loss on modification on Existing Revolving Credit Facility			(4,601)	(1,570)
Total interest expense adjustment			$ 228,855	$ 57,922

* Interest rate in effect as of June 30, 2021

vi. The related estimated net decrease to income tax expense for the Pro Forma Statement of Operations is $50.2 million and $9.2 million for the year ended December 31, 2020 and the three months ended March 31, 2021, respectively.

6. Other transaction accounting adjustments

i. It has been estimated that total transaction and related costs of $209.3 million will be incurred collectively by Jazz and GW in connection with the transaction, these have been presented in the Pro Forma Statement of Operations within selling, general and administrative expenses. These costs include advisory, legal, valuation and other professional fees, and a six year prepaid “tail policy” for directors’ and officers’ insurance, of which $25.2 million was incurred during the three months ended March 31, 2021. These costs will not have a continuing impact on the results of the combined company.

ii. The total estimated transaction and related costs of $209.3 million are attributable as follows: Jazz $112.4 million and GW $96.9 million, of which $8.3 million and $16.9 million, respectively, were incurred as of March 31, 2021. Therefore, an adjustment of $100.8 million related to the Jazz costs (net of an estimated tax benefit of $3.3 million) has been presented in the Pro Forma Balance Sheet as a reduction to cash and cash equivalents and income taxes payable with a corresponding reduction to retained earnings to represent the estimated future charge. An adjustment of $80.0 million related to the GW costs has been presented in the Pro Forma Balance Sheet as a reduction to cash and cash equivalents with a corresponding increase to goodwill as these transaction costs will reduce GW’s retained earnings prior to the consummation of the Acquisition.

iii. In order to retain and incentivize certain of GW’s executives through the closing of the transaction and during an important integration period thereafter, GW agreed that the executive officers would be eligible to receive incentive bonuses totaling $17.9 million (including applicable employer taxes of approximately $0.3 million). The transition incentive bonuses will be payable in a lump sum within 30 days following December 31, 2021 subject to the executive’s continued employment with Jazz, or, if earlier, within 30 days following the executive’s death, permanent disability or a qualifying termination under the applicable GW severance plan and the executive’s applicable participation agreement, subject to the execution of a release of claims against GW. Jazz expects that the employment of certain executives will be terminated at or near the end of the integration period subject to the continued employment with Jazz through the date of termination. The aggregate value of the cash severance payments GW’s executive officers will receive is $8.9 million (including applicable employer taxes of approximately $0.1 million), based on compensation and benefit levels in effect as of the closing of the Acquisition. In addition Jazz expects to pay retention bonuses to certain key employees in order to further assist in the integration efforts following the Closing Date. The majority of these retention payments will be payable one year from the Closing Date and the total estimated payment is approximately $24.8 million (including applicable employer taxes of approximately $1.6 million). An adjustment of $1.1 million, $42.3 million and $8.2 million is reflected in cost of product sales, selling, general and administrative and research and development costs, respectively, in the Pro Forma Statement of Operations for the twelve months ended December 31, 2020 with a corresponding income tax impact of $2.3 million. These costs will not have a continuing impact on the results of the combined company.

iv. Upon closing of the Acquisition, each outstanding GW Option and one-third of the 2021 Options, to the extent unvested, was deemed to be fully vested and was exercised automatically and cash-settled.

The remaining two-thirds of the 2021 Options ceased to represent a right to acquire the GW ADSs and was converted automatically into an option to acquire a Jazz Option, half of which will vest on the first anniversary of the original grant date and half of which will vest on the second anniversary of the original grant date, subject to accelerated vesting in connection with qualifying terminations of employment. For further information on the number of 2021 Options converted to Jazz Options please refer to Note 1.

As the GW Options and one-third of the 2021 Options that were exercised automatically on close of the Acquisition were subject to a preexisting change in control provision, the amount of the cash settlement totaling $250.5 million, which equals the fair value of the option, has been included as part of the consideration transferred to GW. The consideration transferred also includes the related payroll tax liability totaling $17.0 million that became due and payable upon consummation of the Acquisition as a result of the preexisting change in control provision. The adjustment is reflected as a decrease to cash and cash equivalents and a corresponding increase to goodwill.

For the 2021 Options that converted to Jazz Options, the portion of the awards that has been included as part of the consideration transferred totaling $3.6 million has been determined by multiplying the fair value of the award by the requisite service period that elapsed prior to the Acquisition divided by the total service period. The adjustment is reflected as an increase in goodwill and a corresponding increase in additional paid-in-capital. The estimated portion of the Jazz Options attributable to post-combination services will result in additional compensation expense of $54.1 million as the future services are provided. An adjustment of $1.6 million, $26.9 million and $8.0 million is reflected in cost of product sales, selling, general and administrative and research and development costs, respectively, for the portion of this additional compensation expense that will be recorded over the first 12 months subsequent to the Acquisition. An adjustment of $0.4 million, $3.4 million and $1.6 million is reflected in cost of product sales, selling, general and administrative and research and development costs, respectively, for the portion of this additional compensation expense that will be recorded over the following three months following the first 12 months subsequent to the Acquisition. The related estimated net decrease to income tax expense for the Pro Forma Statement of Operations is $5.6 million and $1.2 million for the year ended December 31, 2020 and three months ended March 31, 2021, respectively. This adjustment will not have a continuing impact on the combined company once the post-combination service period has elapsed.

Additionally, due to the preexisting change in control provision discussed above, GW recorded an additional $81.3 million of previously unrecognized compensation cost related to original awards outstanding prior to the consummation of the Acquisition due to the reduction in the requisite service period upon the change in control. An adjustment of $3.2 million, $59.9 million and $18.2 million is reflected in cost of product sales, selling, general and administrative and research and development costs, respectively, in the Pro Forma Statement of Operations for the year ended December 31, 2020 with a corresponding income tax impact of $17.0 million. These costs will not have a continuing impact on the results of the combined company. The net cost has been shown as an increase to additional paid-in-capital and a corresponding decrease to retained earnings in the Pro Forma Balance Sheet.

7. Loss per share

The weighted average number of Jazz Ordinary Shares used in computing basic loss per share has been calculated using the weighted average number of Jazz Ordinary Shares issued and outstanding during the applicable periods and the 3.8 million Jazz Ordinary Shares issued to GW ADS holders on the Closing Date. For the year ended December 31, 2020, the Jazz pro forma basic loss per share was calculated using 59.5 million weighted average shares, which reflects the 55.7 million weighted average of Jazz Ordinary Shares issued and outstanding for the period and the 3.8 million Jazz Ordinary Shares issued to GW ADS holders on the Closing Date. For the three months ended March 31, 2021, the Jazz pro forma basic loss per share was calculated using 60.3 million weighted average shares, which reflects the 56.5 million weighted average of Jazz Ordinary Shares issued and outstanding for the period and the 3.8 million Jazz Ordinary Shares issued to GW ADS holders on the Closing Date. As Jazz is in a net loss position on a pro forma basis and all potentially dilutive securities of Jazz are anti-dilutive, the diluted loss per share is equal to the basic loss per share.