SAGENT PHARMACEUTICALS, INC.

FORM 10-K
(Annual Report)

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

FORM 10-K

(Mark one)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2014

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

COMMISSION FILE NUMBER 1-35144

Sagent Pharmaceuticals, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**98-0536317**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
1901 N. Roselle Road, Suite 700, Schaumburg, Illinois	**60195**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: 847-908-1600

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

Title of each class	Name of each exchange on which registered
Common Stock, $0.01 par value per share	**NASDAQ Global Market**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

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

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

The aggregate market value of the shares of Common Stock held by non-affiliates of the registrant, computed by reference to the closing price o such stock on June 30, 2014, was $593 million. At February 28, 2015, there were 32,079,805 shares of the registrant's Common Stock outstanding.

Documents Incorporated by Reference

Portions of the registrant's definitive proxy statement to be filed with the Securities and Exchange Commission within 120 days after the end of its 2014 fiscal year in connection with its 2015 annual meeting of shareholders are incorporated by reference into Part III hereof.

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Disclosure Regarding Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements that are subject to risks and uncertainties. All statements other than statements of historical fact included in this report are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements give our current expectations and projections relating to our financial condition, results of operations, plans, objectives, future performance and business. You can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. These statements may include words such as "anticipate," "estimate," "expect," "project," "plan," "intend," "believe," "may," "will," "should," "could have," "likely" and other words and terms of similar meaning in connection with any discussion of the timing o nature of future operating or financial performance or other events. For example, all statements we make relating to our estimated and projected costs, expenditures, cash flows, growth rates and financial results, our plans and objectives for future operations, growth or initiatives, strategies our product pipeline and anticipated product approvals or the expected outcome or impact of pending or threatened litigation are forward-lookin statements. In addition, this report contains forward-looking statements regarding the adequacy of our current cash balances to fund our ongoing operations; our utilization of our net operating loss carryforwards; our ability to realize the expected benefits from our acquisition of Omega; ou ability to realize the expected benefits from our acquisition of and investment in our China subsidiary; and the additional investments required t be made in our China subsidiary to achieve its manufacturing potential.

The forward-looking statements contained in this Annual Report on Form 10-K are subject to a number of risks and uncertainties. The cautionary statements set forth below and those contained in Item 1A under the heading "Risk Factors," in Item 7 under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations," and elsewhere in this Annual Report on Form 10-K identify important factors that could cause actual results to differ materially from those indicated by our forward-looking statements. Such factors include, but are not limited to:

- we rely on our business partners for the manufacture of a significant portion of our products, and if our business partners fail to supply us with high-quality active pharmaceutical ingredient ("API") or finished products in the quantities we require on a timely basis, sales of our products could be delayed or prevented, and our revenues and margins could decline, which could have a material adverse effect on our business, financial condition and results of operations;
- if we or any of our business partners are unable to comply with the quality and regulatory standards applicable to pharmaceutical drug manufacturers, or if approvals of pending applications are not granted or are delayed, we may be unable to meet the demand fo our products, may lose potential revenues and our business, financial position and results of operations could be materially adversely effected;
- changes in the regulations, enforcement procedures or regulatory policies established by the FDA and other regulatory agencies could increase the costs or time of development of our products and could delay or prevent sales of our products and our revenues could decline and, as a result, our business, financial condition and results of operations could be materially adversely affected;
- two of our products, heparin and levofloxacin in premix bags, represent a significant portion of our net revenues. Each of these products is manufactured by and supplied to us by a single vendor, and, if the volume or pricing of either of these products declines, or we are unable to satisfy market demand for either of these products, such event could have a material adverse effect on our business, financial position and results of operations;
- we participate in highly competitive markets, dominated by a few large competitors, and if we are unable to compete successfully, our revenues could decline and our business, financial condition and results of operations could be materially adversely affected;
- if we are unable to continue to develop and commercialize new products in a timely and cost-effective manner, we may not achieve our expected revenue growth and profitability, or our business, results of operations and financial position could be adversely affected;

- if we are unable to maintain our group purchasing organizations ("GPO") and distributor relationships, our revenues could decline and our results of operations could be adversely affected;
- we rely on a limited number of pharmaceutical wholesalers to distribute our products;
- we may not be able to find adequate replacements for all of the Actavis products under our Manufacturing and Supply Agreement, including docetaxel, which expired in December 2014;
- we depend to a significant degree upon our key personnel, the loss of whom could adversely affect our operations;
- if we fail to attract and retain the talent required for our business, our business could be materially harmed;
- our inability to manage our planned growth or successfully integrate newly acquired businesses could harm our business;
- we may be exposed to product liability claims that could cause us to incur significant costs or cease selling some of our products;
- our products may infringe the intellectual property rights of third parties, and in such cases we may incur substantial liabilities and may be unable to commercialize products in a profitable manner or at all;
- healthcare reform legislation or other policy changes may adversely affect our business;
- our business could suffer if reimbursement by government-sponsored or private sector insurance programs for our current or future products is reduced or modified;
- we may need to raise additional capital in the event we change our business plan or encounter unexpected developments, which may cause dilution to our existing stockholders or restrict or limit our operations;
- we are subject to risks associated with managing our international network of business relationships, which include business partners and other suppliers of components, API and finished products located throughout the world;
- we may never realize the expected benefits from our manufacturing facility in China and it will require substantial capital resources to reach its manufacturing potential and achieve overall profitability;
- we may never realize the expected benefits from our acquisition of Omega and it will require substantial capital resources to maintai its manufacturing capabilities and overall profitability;
- we rely on a single vendor to manage our order to cash cycle and our distribution activities in the U.S. and the loss or disruption of service from this vendor could adversely affect our operations and financial condition;
- we are likely to incur substantial costs associated with both implementation and maintenance of our new enterprise resource plannin software and other related applications, and unforeseen problems may arise with the implementation. If the new systems do not perform as originally planned, our business, financial position and results of operations could be adversely affected;
- currency fluctuations may have an adverse effect on our business; and
- we may seek to engage in strategic transactions, including the acquisition of products or businesses, that could have a variety of negative consequences, and we may not realize the intended benefits of such transactions.

We derive many of our forward-looking statements from our work in preparing, reviewing and evaluating our operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our

assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and, it is impossible for us to anticipate or accurately calculate the impact of all factors that could affect our actual results. Important factors that could cause actual results to differ materially from our expectations, or cautionary statements, include, but are not limited to, those disclosed under the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this report. You should evaluate all forward-looking statements made in this report in the context of these risks and uncertainties.

We cannot assure you that we will realize the results or developments we expect or anticipate or, even if substantially realized, that they will result in the consequences or affect us or our operations in the way we expect. The forward-looking statements included in this report are made only as of the date hereof. We undertake no obligation and do not intend to publicly update or revise any forward-looking statement as a result o new information, future events or otherwise, except as otherwise required by law.

In this report, "Sagent," "we," "us" and "our" refers to Sagent Pharmaceuticals, Inc. and its consolidated subsidiaries, and "Common Stock" refers to Sagent Pharmaceuticals, Inc.'s common stock, $0.01 par value per share.

PART I

Item 1. Business.

General

We are a specialty pharmaceutical company focused on developing, manufacturing, sourcing and marketing injectable pharmaceutical products, which we sell primarily throughout North America. Initially founded in 2006 as Sagent Holding Co., a Cayman Islands company, we reincorporated as Sagent Pharmaceuticals, Inc., a Delaware corporation, in connection with our initial public offering, on April 26, 2011.

With a primary focus on generic injectable pharmaceuticals, which provide customers a lower-cost alternative to branded products when applicable patents have expired or been declared invalid, or when the products are determined not to infringe the patents of others, we offer our customers a broad range of products across anti-infective, oncolytic and critical care indications in a variety of presentations, including single- and multi-dose vials and ready-to-use pre-filled syringes and premix bags. We generally seek to develop injectable products where the form or packaging of the product can be enhanced to improve delivery, product safety or end-user convenience. Our management team includes industry veterans who have served critical functions at other injectable pharmaceutical companies or key customer groups and have long-standing relationships with customers, regulatory agencies, and suppliers. We have rapidly established a growing and diverse product portfolio and product pipeline as a result of our innovative business model. Our model combines an extensive network of international development, sourcing and manufacturing collaborations with our proven and experienced regulatory, quality assurance, business development, project management, and sales and marketing teams.

On June 4, 2013, we acquired the remaining 50% equity interest in Kanghong Sagent (Chengdu) Pharmaceutical Co. Ltd. ("KSCP") from our former joint venture partner (the "SCP Acquisition"). In August 2013, we formally changed the name of this entity to Sagent (China) Pharmaceuticals Co., Ltd. ("SCP"). The SCP facility, which received its Establishment Inspection Report from the FDA in April 2013, and first product approval in June 2013, provides us with the ability to develop and manufacture a portion of our product portfolio.

On October 1, 2014, we, through our wholly-owned subsidiary, Sagent Acquisition Corp., a Canadian company, acquired all of the issued and outstanding shares of the capital stock of 7685947 Canada Inc., and its subsidiary, Omega Laboratories Limited (collectively, "Omega"), a privately held Canadian pharmaceutical and specialty healthcare products company. Omega represents our first international market expansion, and the facility currently provides us with the ability to manufacture products for the Canadian and other international markets.

Operating Segments

We conduct our operations across North America and have a manufacturing facility in Chengdu, China, that predominantly supports the domestic US market. Following the acquisition of Omega, we are managed in two reportable segments:

Segment	Percentage of 2014 net sales
Sagent US	97%
Omega	3% (acquired October 1, 2014)

For financial information relating to our reportable segments, principal product lines, and other geographic information, see Note 19 to the consolidated financial statements included in "Item 8. Financial Statements and Supplementary Data" of this report. Unless the context otherwis requires, the disclosures in "Item 1. Business" and "Item 1A. Risk Factors" relate to both reportable segments.

Products

Since our inception, we have focused on developing a broad product portfolio of injectable pharmaceuticals. As of December 31, 2014, our product portfolio has grown to a total of 54 products in our Sagent U.S. segment and 62 products in our Omega segment, which can be classifie into the following three product categories: anti-infective, oncology and critical care. Our anti-infective products assist in the treatment of various infections and related symptoms, our oncology products are used in the treatment of cancer and cancer-related medical problems, and our critical care products are used in a variety of critical care applications and include anesthetics, cardiac medications, steroidal products and sedatives. Critical care products in our Omega segment also include certain allergy and phlebology medications. The table below presents the percentage of our consolidated net revenue attributed to each product category for the years ended December 31, 2014, 2013 and 2012.

	Percentage of Net Revenue For the year ended December 31,		
Product category	2014	2013	2012
Anti-infective products	35%	37%	45%
Oncology products	35%	36%	16%
Critical care products	30%	27%	39%
Total	100%	100%	100%

Within our anti-infective product category, levofloxacin accounted for approximately 13%, 13% and 14% of our consolidated net revenue for th years ended December 31, 2014, 2013 and 2012, respectively. Within our critical care product category, our heparin products accounted for approximately 15%, 18% and 23% of our consolidated net revenue for the years ended December 31, 2014, 2013 and 2012, respectively. Within our oncology category, our zoledronic acid products accounted for approximately 15% of our consolidated net revenue for the year ended December 31, 2013. No other products accounted for more than 10% of our consolidated net revenue in any of the periods presented in the preceding table. We expect that our heparin and levofloxacin products will continue to represent a significant portion of our consolidated net revenue for the foreseeable future, however, we expect these percentages to decline going forward with the launch of new products.

Anti-Infective Products

Our key anti-infective products include:

Cefepime. Cefepime is a fourth-generation cephalosporin, an antibiotic used to treat a variety of infections, including infections of the urinary tract, skin and skin structure, as well as moderate to severe pneumonia, complicated intra-abdominal infections, and as empiric therapy for febrile neutropenic patients. Cefepime is the generic equivalent of Elan Corporation, plc's MAXIPIME ® . We launched cefepime for injection i April 2008 upon the expiration of the innovator patents. We are currently one of six competitors in the US market.

Levofloxacin. Levofloxacin is a fluoroquinolone antibacterial indicated in adults 18 years of age or older with infections caused by designated, susceptible bacteria including: nosocomial and community acquired pneumonia, sinusitis, chronic bronchitis, skin and skin structure infections, prostatitis, urinary tract infection and pyelonephritis. Levofloxacin is the generic equivalent of Johnson & Johnson's Levaquin ® . In July 2011, we were the first company to launch the generic form of levofloxacin in three ready-to-use premix bag strengths following patent expiry in June 2011, and we launched the generic form of levofloxacin in two vial presentations in March 2012. We are currently one of four generic competitors offering a premix bag in the US market. Our levofloxacin products accounted for approximately 13%, 13% and 14% of our consolidated net revenue for the years ended December 31, 2014, 2013 and 2012, respectively.

Oncology Products

Our key oncology products include:

Leucovorin Calcium. Leucovorin Calcium is a folic acid derivative used to prevent harmful effects of methotrexate when methotrexate is used to treat certain types of cancer. Leucovorin Calcium is also used to treat people who have accidentally received an overdose of methotrexate or similar medications. We launched Leucovorin Calcium in October 2012 and are currently one of four competitors in the US market.

Zoledronic Acid. Zoledronic Acid is a bisphosphonate given intravenously to prevent skeletal fractures in patients with cancers such as multiple myeloma and prostate cancer, as well as for treating osteoporosis. Zoledronic Acid 4mg is the generic equivalent of Novartis' Zometa ®, and Zoledronic Acid 5mg is the generic equivalent of Novartis' Reclast ®. We launched zoledronic acid at market formation in a 4mg vial presentation in March 2013, a 4mg per 100mL premix bag presentation in August 2013, and a 5mg per 100mL premix bag presentation in October 2013. We are currently one of six generic competitors offering a 4mg presentation, and one of four generic competitors offering a 5mg presentation in the US market. Our zoledronic acid products accounted for approximately 15% of our consolidated net revenue for the year ended December 31, 2013.

Critical Care Products

Our key critical care products include:

Heparin. Heparin is an anticoagulant used to prevent and treat blood clotting, especially during and after surgery and dialysis. In July 2010, we launched nine different presentations of heparin sodium injection in latex-free vials, including 1,000 USP units per mL, 10,000 USP units per 10 mL, 30,000 USP units per 30 mL, 10,000 USP units per mL, 40,000 USP units per 4 mL, 5,000 USP units per mL, 50,000 USP units per 10 mL 2,000 USP units per 2 mL and 20,000 USP units per mL. We are currently one of six suppliers of heparin finished product in the U.S. market. Our heparin products accounted for approximately 15%, 18% and 23% of our consolidated net revenue for the years ended December 31, 2014, 2013 and 2012, respectively.

Propofol. Propofol is a sedative used to induce and maintain general anesthesia during surgical procedures. Propofol is the generic equivalent of Fresenius Kabi's Diprivan ®. We launched Propofol in November 2013 through a supply and distribution agreement with Teva Pharmaceutical Industries Ltd. ("Teva") and are currently one of three competitors in the US market.

Sales and Marketing

Our sales and marketing team was comprised of 50 members as of December 31, 2014. Collectively our sales force has an average of over 20 years of experience. We believe that our target markets are highly concentrated and can be penetrated effectively by our dedicated and experienced sales team with respect to both our existing and new products.

Our marketing efforts include a focus on enhanced delivery systems. We provide our products in a variety of convenient presentations, including ready-to-use pre-filled syringes and premix bags, eliminating unnecessary steps in the administration of our products to patients. All of our U.S. products are packaged and labeled using PreventIV Measures, our comprehensive, user-driven and patient-centered approach designed to improve patient safety by helping to prevent errors in the administration and delivery of medication to patients through the use of distinctive color coding and easy-to-read labels.

We market our products in both the U.S. and Canada to group purchasing organizations ("GPOs"), specialty distributors and a diverse group of end-user customers. We have extensive experience contracting with, marketing to and servicing members of the major GPOs in the U.S. and Canada. We currently derive, and expect to continue to derive, a large percentage of our revenue from end-user customers that are members of a small

number of U.S. GPOs. For example, the five largest U.S. GPOs, AmeriNet, Inc. ("AmeriNet"), HealthTrust Purchasing Group ("HPG"), MedAssets Inc. ("MedAssets"), Novation, LLC ("Novation"), and Premier, Inc. ("Premier") represented end-user customers that collectively accounted for approximately 44%, 39% and 33% of our Sagent US segment net contract revenue for the years ended December 31, 2014, 2013 and 2012, respectively. We have pricing agreements for specified products with the major GPOs in both the U.S. and Canada. The scope of products included in these agreements varies by GPO and segment. Our strategy is to have substantially all of our products covered under these agreements as we launch new products and these agreements come up for renewal. These agreements are typically multi-year in duration, but most of them may be terminated by either party with 60 or 90 day notice.

Customers

As is typical in the pharmaceutical industry, we distribute our products primarily through pharmaceutical wholesalers and, to a lesser extent, specialty distributors that focus on particular therapeutic product categories, for use by a wide variety of end-users, including hospitals, integrated delivery networks and alternative site facilities. For the year ended December 31, 2014, the products we sold through our three larges wholesalers, AmerisourceBergen Corp. ("Amerisource"), Cardinal Health Inc. ("Cardinal Health") and McKesson Corp. ("McKesson"), accounted for approximately 35%, 25% and 25%, respectively, of our consolidated net revenue.

As end-users have multiple channels to access our products, we believe that we are not dependent on any single GPO, wholesaler or distributor for the distribution or sale of our products, although sales made to customers that contract through Premier accounted for approximately 21%, 19% and 15% of our consolidated net revenue for the years ended December 31, 2014, 2013, and 2012 respectively, and MedAssets accounted for approximately 11% of our consolidated net revenue for the year ended December 31, 2014. No other single end-user customer or group of affiliated end-user customers accounted for more than 10% of our consolidated net revenue for the year ended December 31, 2014.

Product Distribution

Like many other pharmaceutical companies, we utilize an outside third-party logistics contractor to distribute our U.S. products. Since May 2007, our third-party logistics provider has handled all aspects of our product logistics efforts and related order to cash processes. Our products are distributed through a 450,000 square foot facility located in Memphis, Tennessee. Under our agreement with our third-party logistics provider, we maintain ownership of our finished products until sale to our customers. Our contract with our third-party logistics provider is scheduled to expire in December 2015, subject to automatic annual extensions unless either party elects not to extend the agreement by notifying the other party at least 90 days prior to expiration of the initial term or the applicable renewal term. Our Canadian products are distributed through three owned and two leased facilities in Montreal, Quebec, where it performs the manufacturing and distribution of products for our Omega segment. The three owned facilities occupy approximately 49,000 square feet, and the leased facilities occupy approximately 39,000 square feet.

Seasonality

There are no significant seasonal aspects to our consolidated net sales.

Competition

Our industry is highly competitive and our principal competitors include large pharmaceutical and biotechnology companies, specialty pharmaceutical companies and generic drug companies. Our principal competitors include Fresenius Kabi ("Fresenius"), a division of Fresenius SE, Hospira, Inc. ("Hospira"), Pfizer Inc. ("Pfizer"), Sandoz International GmbH ("Sandoz"), a division of Novartis AG, Teva Pharmaceutical Industries Ltd. ("Teva") and West-Ward Pharmaceutical Corp ("West-Ward"), a subsidiary of Hikma PLC. In most cases, these competitors have access to greater financial, marketing, technical and other resources than we do. As a result,

they may be able to devote more resources to the development, manufacture, marketing and sale of products, receive a greater share of the capacity from API suppliers and finished product manufacturers, obtain more support from independent distributors, initiate or withstand substantial price competition or more readily take advantage of acquisition or other growth opportunities. We believe that the key competitive factors that will affect the development and commercial success of our current products and any future products that we may develop are price, reliability of supply, quality and enhanced product features.

Revenue and gross profit derived from sales of generic pharmaceutical products tend to follow a pattern based in large part on regulatory and competitive factors. As patents for branded products and related exclusivity periods expire or are ruled invalid, the first generic pharmaceutical manufacturer to receive regulatory approval for a generic version of the reference product is generally able to achieve significant market penetration and higher margins on that product. As competing generic manufacturers receive regulatory approval and begin to market this product, market share, revenue and gross profit typically decline for the original generic entrant. As more competitors enter a specific generic market, the average selling price per unit dose of the particular product typically declines for all competitors. The level of market share, revenue and gross profit attributable to a particular generic pharmaceutical product is significantly influenced by the number of competitors in that product's market and the timing of that product's regulatory approval and launch in relation to competing approvals and launches. We intend to continue to develop and introduce new products in a timely and cost-effective manner, identify niche products with significant barriers to entry and develop products with enhanced features or other competitive advantages in order to maintain and grow our revenue and gross margins. In addition, we may challenge proprietary product patents to seek first-to-market rights.

Intellectual Property

As a specialty and generic pharmaceutical company, we have limited intellectual property surrounding our generic injectable products. Howeve in the normal course of business, we develop specialized devices, systems and branding strategies that we aggressively seek to protect through trade secrets, unpatented proprietary know-how, continuing technological innovation and traditional intellectual property protection through trademarks, copyrights and patents to preserve our competitive position. In addition, we seek copyright protection of our packaging and labels. Our current trademarks include "Sagent Pharmaceuticals," "Sagent," "Injectables Excellence," "Discover Injectables Excellence," "Omega" anc "PreventIV Measures."

Product Development

We maintain an active product development program. Our Sagent U.S. segment new product pipeline can generally be classified into two categories: (i) new products for which we have submitted or acquired Abbreviated New Drug Applications ("ANDAs") that are filed and under review by the FDA; and (ii) new products for which we have begun initial development activities such as sourcing of API and finished products and preparing the necessary ANDAs. As of December 31, 2014, our U.S. new product pipeline included: (i) 42 products represented by 64 ANDAs that we had filed, or licensed rights to, and were under review by the FDA, and four products represented by 15 ANDAs that the FDA recently approved and are pending commercial launch; and (ii) approximately 23 additional products under initial development.

Our 64 ANDAs under review by the FDA as of December 31, 2014 have been on file for an average of approximately 33 months, with 16 of them being on file for less than 12 months, 11 of them being on file for between 12 and 24 months and 37 of them being on file for longer than 24 months.

As of December 31, 2014, we had an additional 26 products either under review by the relevant regulatory authority or under development in ou Omega segment.

Our product development activities also include expanding our product portfolio by adding new products through in-licensing and similar arrangements with manufacturers, virtual pharmaceutical development companies, and others that seek to utilize our sales and marketing expertise. We believe we provide our business partners with

significant value under these arrangements by eliminating their need to develop and maintain a separate sales and marketing organization. As of December 31, 2014, we marketed 30 of our 54 products in our Sagent US segment under these types of in-licensing arrangements, and we intend to continue to expand our global product portfolio across both of our segments in a cost-effective manner through these types of arrangements.

We generally own or license the rights to ANDAs for the products that we market and sell, which is determined based on the scope of services provided to us by a particular business partner. For example, we typically license the rights to ANDAs under collaborations in which the supplier only provides us with manufacturing services and typically own the ANDAs under collaborations in which the supplier also provides us with development services. When possible, we manage the regulatory submission of ANDAs for products developed in collaboration with our partners. We also assist our partners in developing ANDAs and will often lead FDA interactions post submission.

The goal of our product development activities is to select opportunities, develop finished products, complete and submit regulatory submissions and obtain regulatory approvals allowing product commercialization. Our product development efforts are customer focused and use our strong understanding of market needs from our long-term customer relationships to drive product selection. In addition, we have the capability to develop and manufacture products for sale in the U.S. market through our SCP subsidiary, and have the capability to develop and manufacture products for sale in Canada and the European Union through our Omega segment. Once we identify a new product for development, we determine whether to perform the development and manufacturing internally or through one of our existing or new business relationships and secure API sourcing. We also select new products for development based on our ability to expand our existing collaborations to cover additional products that are currently manufactured or being developed by our business partners. We have made, and will continue to make, substantial investment in product development. Product development costs for the year ended December 31, 2014 totaled $26.8 million, including $0.9 million incurred by our Omega segment following its acquisition on October 1, 2014.

We utilize an in-house project management team of 35 employees, including 14 in our Omega segment, to manage and execute our internal product development activities and coordinate our product development activities with our business partners. Our experienced project management team has expertise in areas such as pharmaceutical formulation, analytical chemistry and drug delivery and experience working with our business partners. Actual development activities occur in the laboratories and other facilities of our business partners, at our manufacturing facilities in China and Canada, and at our China National Research Center, which opened during 2014.

Our U.S. Business Partner Network

Overview

We have developed an international network of arrangements that provides us with extensive and diverse capabilities in the areas of new product development, API sourcing, finished product manufacturing and other business development opportunities. As of December 31, 2014, we had 44 business partners worldwide, including 13 in the Americas, 12 in China and Taiwan, 11 in Europe, seven in India and one in the Middle East.

In general, our business partners provide us with product development services, API or finished product manufacturing or a combination of the three with respect to one or more of our products. We typically enter into long-term agreements with our business partners. The specific terms of these agreements vary in a number of respects, including the scope of services being provided to us by the partner and the nature of the pricing structure. In general, we believe our agreements contain a degree of flexibility to ensure that both we and our partners can achieve attractive financial returns depending on changes in market conditions and the competitive landscape for specific products. Our most common types of agreements are manufacture and supply,

development, licensing or marketing agreements. The general terms of these types of agreements are summarized below.

Manufacture and Supply Agreements . Our manufacture and supply agreements typically consist of the following elements:

- the supplier agrees to manufacture and supply us with our finished product requirements, typically under its ANDA, except that thes types of agreements may also be used when we are seeking an alternate manufacturing site under one of our own ANDAs;
- we generally obtain the exclusive right to sell, market and distribute these products in the U.S., with, in some cases, such exclusivity subject to our obtaining and maintaining a specified market share;
- in the case of an exclusive agreement, we are required to obtain all of our requirements from the supplier;
- the term of the agreement is typically seven years, varying from three to ten years from the date of product launch, and thereafter automatically renews for periods of one or two years unless either party provides prior notice of termination;
- we agree to use commercially reasonable efforts to market the products, consistent with our usual methods of commercializing, marketing and selling other pharmaceutical products;
- we pay a specified transfer price for each unit of each product;
- the supplier has the right to change the transfer price to reflect actual changes in the costs of its raw materials, packaging, storage or regulatory compliance, from time to time;
- we and the supplier agree to discuss reductions in the transfer price due to changes in market conditions as may be required to keep the product competitively priced in the U.S. market;
- the terms may include our payment of a percentage of the net profit from sales of products covered by the agreement; and
- termination may generally be initiated by: (i) either party upon the uncured breach of a material provision of the agreement by the other party; (ii) either party if the other party files a petition for bankruptcy, is or becomes insolvent or makes an assignment for the benefit of its creditors; and, in certain agreements, (iii) us if we decide, in our sole discretion, to no longer market the product or if a regulatory body denies or revokes approval for or otherwise attempts to restrict or prohibit the manufacture, packaging, labeling, storage, importation, sale or use of the product.

Development, Manufacture and Supply Agreements . In addition to the preceding provisions relating to the manufacture and supply of a product some agreements also include provisions under which the supplier will develop the product on our behalf. Such development terms typically include the following provisions:

- in collaboration with our technical, quality and regulatory teams, the supplier develops, produces exhibit batches and provides us with data necessary for the preparation and filing of an ANDA for a product;
- our regulatory group compiles and submits the ANDA to the FDA in our name;
- we pay the supplier specified portions of agreed development fees upon successful completion of certain development activities, typically including: (i) execution of the definitive development agreement; (ii) completion of stability batches; (iii) submission of the ANDA to the FDA; and (iv) approval of the ANDA by the FDA; and
- in certain circumstances, we may agree to pay for or provide the API and innovator product samples used in the development.

Licensing or Marketing Agreements . In certain cases, we have entered licensing or marketing agreements under which we agree to market through our sales and marketing team certain proprietary or generic products owned by

others to our end-user customers as well as facilitate contract negotiations with GPOs. These agreements also typically provide that we will utilize our established infrastructure to support the commercialization of the product, including providing some or all of the customer service, warehousing and distribution services and any required order-to-cash processes. The terms of these agreements generally provide for us to earn a royalty based on net sales or net profit and for reimbursement of our direct expenses plus an additional service fee.

Joint Venture

In addition to the foregoing types of agreements, we also utilize joint venture arrangements in sourcing our products. We currently have one joint venture which is summarized below.

Sagent Agila LLC

In January 2007, we and Strides Arcolab International Limited, a company based in the United Kingdom and a wholly-owned subsidiary of Strides Arcolab Limited ("Strides"), entered into a joint venture agreement pursuant to which the parties formed Sagent Agila LLC (formerly known as Sagent Strides LLC) ("Sagent Agila"). The joint venture was formed for the purpose of selling into the U.S. market a wide variety of generic injectable products manufactured by Strides in their Indian facilities. Thereafter, we and Sagent Agila entered into a number of agreements relating to distribution, manufacture, supply and quality, and, as of December 31, 2014, these agreements covered a total of 16 different products represented by 23 ANDA filings. As of December 31, 2014, one product was in initial development, four products were subject to ANDAs under review by the FDA, two products has been approved by the FDA and nine products have been launched by us. Product from the Sagent Agila joint venture accounted for 15% of our consolidated net revenue in the year ended December 31, 2012, and less than 10% of our consolidated net revenue in the years ended December 31, 2014 and 2013. In December 2013, Mylan Inc. acquired Agila Specialties Private Limited ("Agila"), the manufacturer of products for Sagent Agila, and Strides Inc., our joint venture partner, in Sagent Agila, from Strides. This transaction did not have a material impact on our operations or financial position.

In September 2013, a facility owned by Agila, the manufacturer of products for Sagent Agila, received a warning letter from the FDA related to the FDA inspection of Agila's Specialty Formulation Facility ("SFF") in Bangalore, India. The warning letter identified violations of current good manufacturing practice ("cGMP") related to the prevention of microbiological contamination of sterile drug products and systems to monitor environmental conditions in aseptic processing. The warning letter also described other deficiencies in the quality management function of SFF. The warning letter stated that new drug applications may not be approved until the facility has completed and the FDA has confirmed the remediation efforts and compliance with cGMP. As of December 31, 2014, the SFF facility remains subject to the warning letter. Delays in the approval of the six Sagent Agila ANDAs currently being reviewed by the FDA for new products to be manufactured by SFF, or limitations on the importation of products from the SFF facility, did not have a material effect on the results of our operations for the year ended December 31, 2014. However, if the SFF facility does not timely or adequately complete its remediation efforts, or otherwise fails to comply with our quality standards or cGMP requirements in the future, our business, financial position or results of operations could be materially adversely affected.

Key Suppliers and Marketing Partners

Two of our business partners, A.C.S. Dobfar S.p.a. ("Dobfar") and Gland Pharma Limited ("Gland"), provided us with products that collectively accounted for approximately 34% and 17%, respectively, of our consolidated net revenue for the year ended December 31, 2014, approximately 30% and 20%, respectively, of our consolidated net revenue for the year ended December 31, 2013, and approximately 35% and 26%, respectively, of our consolidated net revenue for the year ended December 31, 2012. Set forth below is a brief discussion of the terms of our arrangements with these two partners along with our agreement with Actavis, which terminated on December 31, 2014.

Dobfar

In 2007, we entered into manufacture and supply agreements with ACS Dobfar SpA-Italy ("Dobfar") and its distributor, WorldGen LLC ("WorldGen"), and with ACS Dobfar SA-Switzerland ("Info"). Pursuant to the agreements, Info develops, manufactures and supplies us with presentations of levofloxacin in premix bags. In addition, we also have supply agreements or other purchase commitments with Dobfar and/or WorldGen covering seven currently marketed products – ampicillin, ampicillin sulbactam, cefazolin, cefepime, cefoxitin, ceftazadime and ceftriaxone, and, with Info, covering three currently marketed products – ciprofloxacin, fluconazole, and zoledronic acid bags, in both 4mg and 5mg presentations. We have additional products currently under review by the US FDA or in initial development with both Dobfar and Info.

Under the agreement with Info, we have agreed to pay a transfer price for each unit of levofloxacin supplied, plus a percentage of the net profit from the sales of levofloxacin in premix bags. In addition, we have agreed to share equally with Info the cost of development activities. The initial term of the agreement expires on July 7, 2016, after which we have the option to renew the agreement for successive additional two year terms unless Info provides notice of its intent to terminate the agreement at least two years prior to its initial expiration date or the expiration dat of a renewal term.

For the year ended December 31, 2014, net gross profit from products marketed under our agreements with Dobfar and its affiliates ranged from -7% to 74%. Net gross profit represents: (i) net sales less the cost of finished goods and inbound freight, which ranges from -7% to 88% of net sales, and (ii) applicable profit sharing due to Dobfar which ranges from 0% to 49% of net sales.

Gland

In June 2008, we entered into a development and supply agreement with Gland. Pursuant to the agreement, we and Gland jointly developed our heparin products, and Gland agreed to supply us heparin for sale in the U.S. market. In addition, we have agreed to use Gland as our exclusive supplier for heparin and Gland has agreed not to, directly or indirectly, sell heparin to any other person or entity that markets or makes use of or sells heparin in the U.S., subject to certain exceptions. In addition, we also have other supply agreements with Gland covering four currently marketed products, adenosine, amiodarone, ondansetron and vancomycin, and additional products currently under review by the US FDA or in initial development.

We have agreed to pay a transfer price for each unit of heparin supplied under the agreement, plus a percentage of the net profit from the sales o heparin. In addition, each of us has agreed to share the cost of development activities equally up to a specified amount.

The initial term of the agreement expires in June 2016, after which, the term automatically renews for consecutive periods of one year unless (a) a third party has rights to market heparin in the U.S. as a result of our discontinuing active sales of heparin there or (b) either party provides notice of its intent to terminate the agreement at least 24 months prior to the desired date of termination.

For the year ended December 31, 2014, net gross profit from products marketed under our agreements with Gland ranged from 3% to 66%. Net gross profit represents: (i) net sales less the cost of finished goods and inbound freight, which ranges from -9% to 81% of net sales, and (ii) applicable profit sharing due to Gland which ranges from -5% to 32% of net sales.

Actavis

In April 2009, we entered into a development, manufacturing and supply agreement with Actavis, an international pharmaceutical company. Under the terms of this agreement, we became the exclusive U.S. marketing partner under certain conditions for a portfolio of six specialty injectable products developed and

manufactured by Actavis under its ANDAs. In February 2010, this agreement was amended to include two additional products. Pursuant to this agreement, Actavis supplied these products to us at a specified transfer price and we received a specified percentage of the net profit from sales of such products. Prior to termination on December 31, 2014, this agreement with Actavis covered ten products, including zoledronic acid 4mg vials and docetaxel.

In March 2013, we agreed with Actavis to terminate the development, manufacturing and supply agreement effective December 31, 2014. As consideration for the termination of the agreement, we received a one-time payment of $5.0 million in March 2013 and a greater percentage of the net profit from sales of products during the remaining term of the agreement.

For the year ended December 31, 2014, net gross profit from products marketed under our agreements with Actavis ranged from -8% to 73%. Net gross profit represents: (i) net sales less the cost of finished goods and inbound freight, which ranges from -8% to 89% of net sales, and (ii) applicable profit sharing due to Actavis which ranges from 0% to 21% of net sales.

Quality Assurance and Facility Compliance

An important component of our strategy is to actively partner with our international network of collaborators to focus on quality assurance ("QA"), U.S. cGMP compliance, regulatory affairs and product development. We have developed and implemented quality management systems, including our in-house QA and facility compliance teams, to audit, assess, train and qualify our vendors' facilities, work to ensure that the facilities and the products manufactured in those facilities for us are cGMP compliant, and provide support for product launches and regulatory agency facility inspections. Our QA team provides product shipment authorization for finished products before they are shipped unde our name, releases product for distribution upon receipt at our Memphis distribution center and monitors on-going product quality throughout th product lifecycle. Our in-house facility compliance team qualifies new vendors through an extensive audit process, implements our quality control systems and monitors on-going vendor compliance with cGMPs through on-going surveillance and periodic performance evaluations. We work with our business partners to evaluate facility design, systems and capabilities to ensure that their manufacturing facilities meet or exceed industry standards and are capable of maintaining on-going FDA compliance. As of December 31, 2014, our in-house facility compliance team had qualified over 135 suppliers. We are committed to upholding and enforcing our quality standards and only establish collaboration with those business partners who we believe share our commitment to quality and regulatory compliance. In addition, we have robust on-going qualification and compliance procedures in place, which include routine audits, performance evaluations and for-cause audits. We have undergone three FDA inspections at our corporate headquarters, in 2007, 2010 and 2012, and one FDA inspection, in 2012, at our Chinese manufacturing facility. We have no open items from FDA Form 483s, which identify compliance concerns or objectionable conditions arising out of such inspections. Our Omega facilities were most recently inspected by Health Canada in 2014. As a result of the inspection, the establishments were assigned a compliant (c) rating (in compliance with the Canadian Food and Drug Act).

Financial Information on Geographic Areas

During 2014, 3% of our sales were made outside the United States of America and its territories, predominately in Canada through our Omega segment. In 2013, 0.2% of our sales were made outside the United States of America and its territories, predominately in China. All of our sales were made in the United States of America and its territories in 2012.

For further financial information relating to our reportable segments, principal product lines, and other geographic information, see Note 19 to the consolidated financial statements included in "Item 8. Financial Statements and Supplementary Data" of this report.

Employees

As of December 31, 2014, we had a total of 466 full-time employees, of which 309 were employed in Sagent US, including 190 by our Chengdu China manufacturing facility and 157 employed at Omega. None of our employees are represented by a labor union or subject to a collective bargaining agreement. We have not experienced any work stoppage and consider our relations with our employees to be good.

Corporate Information

Sagent Pharmaceuticals, Inc. is a Delaware corporation that was incorporated in 2011. We are a publicly traded company with Common Stock listed on the NASDAQ Global Market under the symbol "SGNT." Our executive offices are located at 1901 N. Roselle Road, Suite 700, Schaumburg, Illinois. Our telephone number is (847) 908-1600. Our website is www.sagentpharma.com. The information contained on our website is not included as a part of, or incorporated by reference into, this Annual Report on Form 10-K.

Available Information

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, are available free of charge as soon as reasonably practicable after we electronically file them with, or furnish them to, the SEC. You can access our filings with the SEC by visiting www.sagentpharma.com .

Item 1A. Risk Factors.

You should read the following risk factors carefully in connection with evaluating our business and the forward-looking information contained in this Annual Report on Form 10-K. Any of the following risks could materially and adversely affect our business, operating results, financial condition and the actual outcome of matters as to which forward-looking statements are made in this Annual Report on Form 10-K. While we believe we have identified and discussed below the key risk factors affecting our business, there may be additional risks and uncertainties that are not presently known or that are not currently believed to be significant that may adversely affect our business, operating results or financial condition in the future.

We rely on our business partners for the manufacture of a significant portion of our products, and if our business partners fail to supply us with high-quality API or finished products in the quantities we require on a timely basis, sales of our products could be delayed or prevented and our revenues and margins could decline, which could have a material adverse effect on our business, financial condition and results of operations.

We rely upon our third-party business partners, principally located outside of the U.S., for the supply of all API and a significant portion of our finished products in our Sagent US segment. In most cases, we rely upon a limited number of business partners to supply us with the API or finished products for each of our products. If our business partners do not continue to provide these services or products to us we might not be able to obtain these services or products from others in a timely manner or on commercially acceptable terms. Likewise, if our business partners encounter delays or difficulties in producing API or our finished products, the distribution, marketing and subsequent sales of these products could be adversely affected. If, for any reason, our business partners are unable to obtain or deliver sufficient quantities of API or finished products on a timely basis or we develop any significant disagreements with our business partners, the manufacture or supply of our products could be disrupted, which may decrease our sales revenue, increase our operating expenses or otherwise negatively impact our operations. In addition, if we are unable to engage and retain business partners for the supply of API or finished product manufacturing on commercially acceptable terms, we may not be able to sell our products as planned.

Substantially all of our products are sterile injectable pharmaceuticals. The manufacture of our products is highly exacting and complex and we or our business partners may experience problems during the manufacture of API or finished products for a variety of reasons, including, but no limited to equipment malfunction, failure to follow specific protocols and procedures, manufacturing quality concerns, problems with raw materials, natural disaster related events or other environmental factors. In addition, the manufacture of certain API that we require for our products or the finished products require dedicated facilities and we may rely on a limited number or, in most cases, single vendors for these products and services. If problems arise during the production, storage or distribution of a batch of product, that batch of product may have to be discarded. If we are unable to find alternative qualified sources of API or finished products, this could, among other things, lead to increased costs, lost sales, damage to customer relations, time and expense spent investigating the cause and, depending upon the cause, similar losses with respect to other batches or products. If problems are not discovered before the product is released to market, voluntary recalls, corrective actions or product liability related costs may also be incurred. For example, in February 2015, we initiated a voluntary recall of certain lots of a critical care product manufactured since February 2014 due to FDA observations regarding aseptic and GMP practices at our partner's manufacturing site, and in March 2014 we initiated a voluntary recall of all lots of an oncology product that we sold from October 2013 through the date of recall due to the discovery of four leaking premix bags detected during an investigation conducted in response to a product complaint. Problems with respect to the manufacture, storage or distribution of our products could have a material adverse effect on our business, financial condition and results of operations.

While large finished product manufacturers have historically purchased API from foreign manufacturers and then manufactured and packaged the finished product in their own facility, recent growth in the number of foreign manufacturers capable of producing high-quality finished products at low cost have provided these finished product manufacturers opportunities to outsource the manufacturing of their products at lower costs than manufacturing such products in their own facilities. If the large finished product manufacturers continue to shift production from their own facilities to companies that we contract with to provide product development services, API or finished product manufacturing, we may experience added competition in obtaining these services which we rely upon to meet our customers' demands.

If we or any of our business partners are unable to comply with the quality and regulatory standards applicable to pharmaceutical drug manufacturers, or if approvals of pending applications are not granted or are delayed we may be unable to meet the demand for our products, may lose potential revenues and our business, financial position and results of operations may be materially adversely affected.

All of our business partners who supply us with API or finished products as well as our owned manufacturing facilities are subject to extensive regulation by governmental authorities in the U.S., Canada and in other countries. Regulatory approval to manufacture a drug is site-specific. Both our and our suppliers' facilities and procedures are subject to ongoing regulation, including periodic inspection by the FDA and other relevant regulatory agencies. Following an inspection, an agency may issue a notice listing conditions that are believed to violate current good manufacturing practice ("cGMP") or other regulations, or a warning letter for violations of "regulatory significance" that may result in enforcement action if not promptly and adequately cured. If any regulatory body were to require us or one of our business partners to cease or limit production, our business could be adversely affected.

In the event of any such regulatory action, identifying alternative vendors and obtaining regulatory approval to change or substitute API or a manufacturer of a finished product can be time consuming and expensive. Any resulting delays and costs could have a material adverse effect on our business, financial position and results of operations. We cannot assure you that we or our business partners will not be subject to such regulatory action in the future.

The FDA and other relevant regulatory agencies have the authority to revoke drug approvals previously granted and remove from the market previously approved products for various reasons, including issues related to cGMP.

We may be subject from time to time to product recalls initiated by us or by the FDA or other regulatory agencies. Delays in obtaining regulatory approvals, the revocation of prior approvals, or product recalls could impose significant costs on us and adversely affect our ability tc generate revenue.

Furthermore, violations by us or our business partners of U.S. or other governmental regulations and other regulatory requirements could subjec us to, among other things:

- warning letters;
- fines and civil penalties;
- total or partial suspension of production or sales;
- product seizure or recall;
- withdrawal of product approval; and
- criminal prosecution.

Any of these or any other regulatory action could have a material adverse effect on our business, financial position and results of operations.

In September 2013, a facility owned by Agila received a warning letter from the FDA related to the FDA inspection of Agila's Specialty Formulation Facility ("SFF") in Bangalore, India. The warning letter identified violations of cGMP related to the prevention of microbiological contamination of sterile drug products and systems to monitor environmental conditions in aseptic processing. The warning letter also described other deficiencies in the quality management function of SFF. The warning letter stated that new drug applications may not be approved until th facility has completed and the FDA has confirmed the remediation efforts and compliance with cGMP. Delays in the approval of the six Sagent Agila ANDAs currently being reviewed by the FDA, or limitations on the importation of products from the SFF facility, could have a material adverse effect on our business, financial position and results of operations.

We maintain our own in-house quality assurance and facility compliance teams that inspect, assess and qualify our and our business partners' facilities, work to ensure that the facilities and the products manufactured in those facilities are cGMP compliant, and provide support for product launches and regulatory agency facility inspections. Despite these comprehensive efforts and our and our suppliers' extensive quality systems, we cannot assure you that our business partners will adhere to our quality standards or that our compliance teams will be successful in ensuring that our business partners' or our own facilities and the products manufactured in those facilities will be cGMP compliant. If any of ou business partners fail to comply with our quality standards, or if our facilities do not comply with cGMP requirements, our ability to compete may be significantly impaired and our business, financial position and results of operations may be materially adversely affected.

Any change in the regulations, enforcement procedures or regulatory policies established by the FDA and other regulatory agencies could increase the costs or time of development of our products and delay or prevent sales of our products and our revenues could decline and, as result, our business, financial position and results of operations may be materially adversely affected.

Our products generally must receive appropriate regulatory clearance from the FDA or relevant regulatory agencies before they can be sold. An change in the regulations, enforcement procedures or regulatory policies set by the FDA and other regulatory agencies could increase the costs c time of development of our products and delay or prevent sales of our products. For instance, beginning in June 2014, the FDA required new ANDA submissions to include enhanced documentation. We cannot determine what effect further changes in

regulations, statutes, legal interpretation or policies, when and if promulgated, enacted or adopted, may have on our business in the future. Such changes could, among other things, require:

- changes to manufacturing methods;
- expanded or different labeling;
- recall, replacement or discontinuance of certain products;
- additional record keeping; and
- changes in methods to determine bio-equivalents

Such changes, or new legislation, could increase the costs of, delay or prevent sales of our products and, as a result, our business, financial position and results of operations may be materially adversely affected. In addition, increases in the time that is required for us to obtain approva of regulatory submissions could delay our commercialization of new products. Approval times in the U.S. could continue to increase as a result of the upcoming expiration of the U.S. patents covering a number of key injectable pharmaceutical products. No assurance can be given that our regulatory submissions will receive approval on a timely basis, if at all, nor can we estimate the timing of approvals with any reasonable degree of certainty.

A relatively small group of products supplied by a limited number of our vendors represents a significant portion of our net revenue. If the volume or pricing of any of these products declines, or we are unable to satisfy market demand for these products, it could have a material adverse effect on our business, financial position and results of operations.

Sales of a limited number of our products collectively represent a significant portion of our consolidated net revenue. If the volume or pricing of our largest selling products declines in the future or we are unable to satisfy market demand for these products, our business, financial position and results of operations could be materially adversely affected. Should market prices of any of our products decline more rapidly than anticipated, our financial position and results of operations could be materially adversely affected.

Two of our products, heparin and levofloxacin in premix bags, collectively accounted for approximately 28% and 37% of our consolidated net revenue for the years ended December 31, 2014 and 2012, respectively, while three of our products, heparin, levofloxacin in premix bags and zoledronic acid vials accounted for approximately 46% of our consolidated net revenue for the year ended December 31, 2013. Our ten largest products accounted for approximately 69%, 70% and 70% of our consolidated net revenue for the years ended December 31, 2014, 2013 and 2012, respectively. We expect that our heparin and levofloxacin in premix bag products will continue to represent a significant portion of our ne revenues for the foreseeable future.

These and our other key products could be rendered obsolete or uneconomical by numerous factors, many of which are beyond our control, including:

- pricing actions by competitors;
- development by others of new pharmaceutical products that are more effective than ours;
- entrance of new competitors into our markets;
- loss of key relationships with suppliers, GPOs or end-user customers;
- technological advances;
- manufacturing or supply interruptions;
- changes in the prescribing practices of physicians;
- changes in third-party reimbursement practices;

- product liability claims; and
- product recalls or safety alerts.

Any factor adversely affecting the sale of our key products may cause our revenues to decline, and our business, financial position and results of operations may be materially adversely affected.

In March 2013, we entered an agreement with Actavis to terminate our Manufacturing and Supply Agreement, effective December 31, 2014. In the aggregate, products sourced from Actavis accounted for approximately 19%, 18% and 11% of our consolidated net revenue for the years ended December 31, 2014, 2013 and 2012, respectively. We have been unable to successfully replace the supply of certain products supplied by Actavis, including docetaxel, on commercially reasonable terms prior to the expiration of our agreement. The products which have not been replaced represented approximately 8% of our consolidated net revenue for the year ended December 31, 2014.

In addition, we currently rely on single vendors to supply us with API and finished product manufacturing with respect to heparin and levofloxacin in a premix bag. If we are unable to maintain our relationships with these business partners on commercially acceptable terms, it could have a material adverse effect on our business, financial position and results of operations.

Our markets are highly competitive and, if we are unable to compete successfully, our revenues could decline and our business, financial position and results of operations may be materially adversely affected.

The injectable pharmaceutical market is highly competitive. Our competitors include large pharmaceutical and biotechnology companies, specialty pharmaceutical companies and generic drug companies. Our principal competitors include Fresenius, Hospira, Pfizer, Sandoz, Teva and West-Ward. In most cases, these competitors have access to greater financial, marketing, technical and other resources than we do. As a result, they may be able to devote more resources to the development, manufacture, marketing and sale of their products, receive a greater share of the capacity from API suppliers and finished product manufacturers, obtain more support from independent distributors, initiate or withstand substantial price competition or more readily take advantage of acquisition or other growth opportunities.

The generic segment of the injectable pharmaceutical market is characterized by a high level of price competition, as well as other competitive factors including reliability of supply, quality and enhanced product features. To the extent that any of our competitors are more successful with respect to any key competitive factor, our business, results of operations and financial position could be adversely affected. Pricing pressure could arise from, among other things, limited demand growth or a significant number of additional competitive products being introduced into a particular product market, price reductions by competitors, the ability of competitors to capitalize on their economies of scale and create excess product supply, the ability of competitors to produce or otherwise secure API and/or finished products at lower costs than what we are required to pay to our business partners under our manufacturing agreements and the access of competitors to new technology that we do not possess.

The generic injectable pharmaceutical market has experienced a number of significant merger and acquisition transactions that are driving consolidation in the markets in which we compete. Such consolidations may create larger companies with which we must compete, eliminate actual or potential sources for API and finished products, reduce the number of vendors willing to supply us with products, and provide further pressure on prices, development activities or customer retention. The impact of consolidation in the industry could have a material adverse impact on our business, results of operations and financial position.

In addition to competition from established market participants, new entrants to the generic injectable pharmaceutical market could substantially reduce our market share, prevent us from attaining market share or

render our products obsolete. Most of our products are generic injectable versions of branded products. As patents for branded products and related exclusivity periods expire or are ruled invalid, the first generic pharmaceutical manufacturer to receive regulatory approval for a generic version of the reference product is generally able to achieve significant market penetration and higher margins on that product. As competing generic manufacturers receive regulatory approval of, and begin to market, this product, market share, revenue and gross profit typically decline for the original generic entrant. In addition, as more competitors enter a specific generic market, the average selling price per unit dose of the particular product typically declines for all competitors. Our ability to sustain our level of market share, revenue and gross profit attributable to a particular generic pharmaceutical product is significantly influenced by the number of competitors in that product's market and the timing of tha product's regulatory approval and launch in relation to competing approvals and launches, as to which we have no control.

Branded pharmaceutical companies often take aggressive steps to thwart competition from generic companies. The launch of our generic products could be delayed because branded drug manufacturers may, among other things:

- make last minute modifications to existing product claims and labels, thereby requiring generic products to reflect this change prior to the drug being approved and introduced in the market;
- file new patents for existing products prior to the expiration of a previously issued patent, which could extend patent protection for additional years;
- file patent infringement suits that automatically delay for a specific period the approval of generic versions by the FDA or other regulatory bodies;
- develop and market their own generic versions of their products, either directly or through other generic pharmaceutical companies; and
- file citizens' petitions with the FDA contesting generic approvals on alleged health and safety grounds.

Furthermore, the FDA may grant a single generic manufacturer other than us a 180-day period of marketing exclusivity under the Drug Price Competition and Patent Term Restoration Act of 1984 as patents or other exclusivity periods for branded products expire.

If we are unable to continue to develop and commercialize new products in a timely and cost-effective manner, we may not achieve our expected revenue growth or profitability, or our business, results of operations and financial position could be adversely affected.

Our future success will depend to a significant degree on our ability to continue to develop and commercialize new products in a timely and cos effective manner. The development and commercialization of new products is complex, time-consuming and costly and involves a high degree of business risk. As of December 31, 2014, we actively marketed 54 products in our Sagent US segment and 62 products in our Omega segment Our US segment new product pipeline included 42 products represented by 64 ANDAs that we had filed, or licensed rights to, and were under review by the FDA, and four products represented by 15 ANDAs that have been recently approved by the FDA and are pending commercial launch. We had an additional 26 filings under review by regulatory agencies in our Omega segment, primarily in Canada, or under initial development. We may, however, encounter unexpected delays in the launch of these products, or these products, if and when fully commercialized by us, may not perform as we expect. For example, our pending regulatory filings may not receive approval on a timely basis, i at all.

The success of our new product offerings will depend upon several factors, including our ability to anticipate customer needs, obtain timely regulatory approvals and locate and establish collaborations with suppliers of API, product development and finished product manufacturing in timely and cost-effective manner. In addition, the development and commercialization of new products is characterized by significant up-front costs, including

costs associated with product development activities, sourcing API and manufacturing capability, obtaining regulatory approval, building inventory and sales and marketing. Furthermore, the development and commercialization of new products is subject to inherent risks, including the possibility that any new product may:

- fail to receive or encounter unexpected delays in obtaining necessary regulatory approvals;
- be difficult or impossible to manufacture on a large scale;
- be uneconomical to market;
- fail to be developed prior to the successful marketing of similar or superior products by third parties; and
- infringe on the proprietary rights of third parties.

We may not achieve our expected revenue growth or profitability or our business, results of operations and financial position could be adversely affected if we are not successful in continuing to develop and commercialize new products.

If we are unable to maintain our GPO relationships, our results of operations could be adversely affected.

Most of the end-users of injectable pharmaceutical products have relationships with GPOs whereby such GPOs provide such end-users access to a broad range of pharmaceutical products from multiple suppliers at competitive prices and, in certain cases, exercise considerable influence over the drug purchasing decisions of such end-users. Hospitals and other end-users contract with the GPO of their choice for their purchasing needs. We currently derive, and expect to continue to derive, a large percentage of our revenue from end-user customers that are members of a small number of GPOs. For example, the five largest U.S. GPOs represented end-user customers that collectively accounted for approximately 44%, 39% and 33% of our Sagent US segment net contract revenue for the years ended December 31, 2014, 2013 and 2012, respectively. Maintaining our strong relationships with these GPOs will require us to continue to be a reliable supplier, offer a broad product line, remain price competitive, comply with FDA regulations and provide high-quality products. Although our GPO pricing agreements in both our Sagent US and Omega segments typically are multi-year in duration, most of them may be terminated by either party with 60 or 90 days notice. The GPOs with whom we have relationships may have relationships with manufacturers that sell competing products, and such GPOs may earn higher margins from these products or combinations of competing products or may prefer products other than ours for other reasons. If we are unable to maintain our GPO relationships, sales of our products and revenue could decline and our results of operations could be materially adversely affected.

We rely on a limited number of pharmaceutical wholesalers to distribute our products.

As is typical in the pharmaceutical industry, we rely upon pharmaceutical wholesalers in connection with the distribution of our products. A significant amount of our products are sold to end-users under GPO pricing arrangements through a limited number of pharmaceutical wholesalers. We currently derive, and expect to continue to derive, a large percentage of our sales through the three largest wholesalers in the U.S. market, Amerisource Bergen, Cardinal Health and McKesson. For the year ended December 31, 2014, the products we sold through these wholesalers accounted for approximately 35%, 25% and 25%, respectively, of our consolidated net revenue. Collectively, our sales to these three wholesalers represented approximately 85%, 84% and 82% of our net revenue for the years ended December 31, 2014, 2013 and 2012, respectively. If we are unable to maintain our business relationships with these major pharmaceutical wholesalers on commercially acceptable terms, it could have a material adverse effect on our sales and results of operations.

We depend upon our key personnel, the loss of whom could adversely affect our operations. If we fail to attract and retain the talent required for our business, our business could be materially harmed.

We are a relatively small company and we depend to a significant degree on the principal members of our management and sales teams. The loss of services from our key employees may significantly delay or prevent the achievement of our product development or business objectives. We have entered into employment agreements with certain of our key employees that contain restrictive covenants relating to non-competition and non-solicitation of our customers and employees for a period of 12 months after termination of employment. Nevertheless, each of our officers and key employees may terminate his or her employment at any time without notice and without cause or good reason, and so as a practical matter these agreements do not guarantee the continued service of these employees. Our success depends upon our ability to attract and retain highly qualified personnel. Competition among pharmaceutical and biotechnology companies for qualified employees is intense, and the ability to attract and retain qualified individuals is critical to our success. We may not be able to attract and retain these individuals on acceptable terms or at all, and our inability to do so could significantly impair our ability to compete.

Our inability to manage our planned growth or successfully integrate newly acquired businesses could harm our business.

As we expand our business we expect that our operating expenses and capital requirements will increase. As our product portfolio and product pipeline grow, we may require additional personnel on our project management, in-house quality assurance and facility compliance teams to work with our partners on quality assurance, cGMP compliance, regulatory affairs and product development. As a result, our operating expenses and capital requirements may increase significantly. In addition, we may encounter unexpected difficulties managing our worldwide network of relationships with API suppliers and finished product developers and manufacturers as we seek to expand such network in order to expand our product portfolio. Our ability to manage our growth effectively requires us to forecast accurately our sales growth and global manufacturing capacity and to expend funds to improve our operational, manufacturing financial and management controls, reporting systems and procedures.

Additionally, if we are unable to successfully integrate our recent acquisitions and achieve our expected efficiencies and synergies, our business could be harmed and our financial position and results of operations could be materially adversely affected. The integration of international acquisitions can involve cultural, monetary and systems challenges among others. Our personnel, systems, procedures or controls may not be adequate to support both our ongoing business and the integration of newly acquired businesses.

If we are unable to manage our anticipated growth and the integration of newly acquired businesses effectively, our business could be harmed.

We may be exposed to product liability claims that could cause us to incur significant costs or cease selling some of our products.

Our business inherently exposes us to claims for injuries allegedly resulting from the use of our products. We may be held liable for, or incur costs related to, liability claims if any of our products cause injury or are found unsuitable during development, manufacture, sale or use. These risks exist even with respect to products that have received, or may in the future receive, regulatory approval for commercial use. If we cannot successfully defend ourselves against product liability claims, we may incur substantial liabilities. Even successful defense would require significant financial and management resources. Regardless of the merits or eventual outcome, liability claims may result in:

- decreased demand for our products;
- injury to our reputation;

- initiation of investigations by regulators;
- costs to defend the related litigation;
- a diversion of management's time and resources;
- compensatory damages and fines;
- product recalls, withdrawals or labeling, marketing or promotional restrictions;
- loss of revenue; and
- exhaustion of any available insurance and our capital resources.

Our product liability insurance may not be adequate and, at any time, insurance coverage may not be available on commercially reasonable term or at all. A product liability claim could result in liability to us greater than our insurance coverage or assets. Even if we have adequate insurance coverage, product liability claims or recalls could result in negative publicity or force us to devote significant time and attention to those matters or have a material adverse affect on our business.

If our products conflict with the intellectual property rights of third parties, we may incur substantial liabilities and we may be unable to commercialize products in a profitable manner or at all.

We seek to launch generic pharmaceutical products either where patent protection or other regulatory exclusivity of equivalent branded products has expired, where patents have been declared invalid or where products do not infringe on the patents of others. However, at times, we may seek approval to market generic products before the expiration of patents relating to the branded versions of those products, based upon our belief that such patents are invalid or otherwise unenforceable or would not be infringed by our products. Our success depends in part on our ability to operate without infringing the patents and proprietary rights of third parties. The manufacture, use and sale of generic versions of products has been subject to substantial litigation in the pharmaceutical industry. These lawsuits relate to the validity and infringement of patent or proprietary rights of third parties. If our products were found to be infringing on the intellectual property rights of a third-party, we could be required to cease selling the infringing products, causing us to lose future sales revenue from such products and face substantial liabilities for patent infringement, in the form of either payment for the innovator's lost profits or a royalty on our sales of the infringing product. These damages may be significant and could materially adversely affect our business. Any litigation, regardless of the merits or eventual outcome, would be costly and time consuming and we could incur significant costs and/or a significant reduction in revenue in defending the action and from the resulting delays in manufacturing, marketing or selling any of our products subject to such claims.

Healthcare reform legislation or other policy changes may adversely affect our business

The Affordable Care Act and the Health Care and Education Reconciliation Acts make various changes to the delivery of healthcare in the U.S., including reductions in Medicare and Medicaid payments to hospitals, clinical laboratories and pharmaceutical companies, and could reduce the overall volume of medical procedures that are performed in the U.S. These factors, could, in turn, result in reduced demand for our products and increased downward pricing pressure on our products. Other provisions in the law may significantly change the practice of healthcare in the U.S., and could adversely impact our business. While the law is intended to expand health insurance coverage to uninsured persons in the U.S., the impact of any overall increase in access to healthcare on sales of our products remains uncertain.

We expect both federal and state governments in the U.S. and foreign governments to continue to propose and pass new legislation, rules and regulations designed to contain or reduce the cost of healthcare while expanding individual healthcare benefits. Existing regulations that affect the price of pharmaceutical and other medical products may also change before any of our products are approved for marketing. Cost control initiatives could decrease the price that we receive for any product we develop in the future. In addition, third-party payors are

increasingly challenging the price and cost-effectiveness of medical products and services. Significant uncertainty exists as to the reimbursemen status of newly approved pharmaceutical products, including injectable products. Our products may not be considered cost effective, or adequat third-party reimbursement may not be available to enable us to maintain price levels sufficient to realize a return on our investments.

If reimbursement for our current or future products is reduced or modified, our business could suffer.

Sales of our products depend, in part, on the extent to which the costs of our products are paid by health maintenance, managed care, pharmacy benefit and similar healthcare management organizations, or are reimbursed by government health administration authorities, private health coverage insurers and other third-party payors. These healthcare management organizations and third-party payors are increasingly challenging the prices charged for medical products and services. Additionally, as discussed above, the containment of healthcare costs has become a priorit of federal and state governments in the U.S., and the prices of drugs and other healthcare products have been targeted in this effort. Accordingly our current and potential products may not be considered cost effective, and reimbursement to the consumer may not be available or sufficient t allow us to sell our products on a competitive basis. Legislation and regulations affecting reimbursement for our products may change at any time and in ways that are difficult to predict, and these changes may have a material adverse effect on our business. Any reduction in Medicare, Medicaid or other third-party payor reimbursements could have a material adverse effect on our business, financial position and results of operations.

In Canada and certain other international markets, the government provides healthcare at low cost to consumers and regulates pharmaceutical prices, patient eligibility or reimbursement levels to control costs for government-sponsored healthcare system. Many countries are currently reducing their public expenditures and we expect to continue to see strong efforts to reduce healthcare costs in international markets for the foreseeable future. In markets outside the U.S., our business could experience downward pressure on product pricing as a result of the concentrated buying power of governments as principal customers and the use of bid-and-tender sales methods whereby we are required to submit a bid for the sale of our products. The failure to offer acceptable prices to these customers could have a material adverse effect on our business, financial position and results of operations outside the U.S.

Any failure to comply with the complex reporting and payment obligations under Medicare, Medicaid and other government programs may result in litigation or sanctions.

We are subject to various federal, state and foreign laws pertaining to foreign corrupt practices and healthcare fraud and abuse, including anti-kickback, marketing and pricing laws. Violations of these laws are punishable by criminal and/or civil sanctions, including, in some instances, imprisonment and exclusion from participation in federal and state healthcare programs such as Medicare and Medicaid. If there is a change in laws, regulations or administrative or judicial interpretations, we may have to change our business practices, or our existing business practices could be challenged as unlawful, which could materially adversely affect our business, financial position and results of operations.

We may need to raise additional capital in the event we change our business plan or encounter unexpected developments, which may cause dilution to our existing stockholders or restrict or limit our operations.

We may require significant additional funds earlier than we currently expect in the event we change our business plan, execute further strategic acquisitions, or encounter unexpected developments, including unforeseen competitive conditions within our markets, changes in the general economic climate, changes in the regulatory environment, the loss of key relationships with suppliers, GPOs or end-user customers or other unexpected developments that may have a material effect on the cash flows or results of operations of our business. If required, additional funding may not be available to us on acceptable terms or at all. Our ability to raise additional funding, if necessary, is subject to a variety of factors that we cannot predict with certainty, including our future results of operations, our relative levels of debt and equity, the volatility and overall condition of the

capital markets and the market prices of our securities. We may seek additional capital through a combination of private and public equity offerings, debt financings and collaboration arrangements. Debt financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions such as incurring additional debt, making capital expenditures or declaring dividends. In addition, additional debt financing may only be available to us on less favorable terms than our revolving loan credit facility with JPMorgan Chase Bank, N.A., ("Chase"), including higher interest rates or greater exposure to interest rate risk. We may elect to raise additional funds ever before we need them if the conditions for raising capital are favorable.

We are subject to a number of risks associated with managing our international network of business relationships.

We have an international network of business relationships that includes 44 partners worldwide as of December 31, 2014, including 13 in the Americas, 12 in China and Taiwan, 11 in Europe, seven in India and one in the Middle East. As part of our business strategy, we intend to continue to identify further business relationships involving API sourcing, product development, finished product manufacturing and product licensing. We expect that a significant percentage of these new relationships will be with business partners located outside the U.S. Managing our existing and future international network of business relationships could impose substantial burdens on our resources, divert management's attention from other areas of our business and otherwise harm our business. In addition, our international network of relationships subjects us to certain risks, including:

- legal uncertainties regarding, and timing delays associated with, tariffs, export licenses and other trade barriers;
- increased difficulty in operating across differing legal regimes, including resolving legal disputes that may arise between us and our business partners;
- difficulty in staffing and effectively monitoring our business partners' facilities and operations across multiple geographic regions;
- workforce uncertainty in countries where labor unrest is more common than in the U.S.;
- unfavorable tax or trade restrictions or currency calculations;
- production shortages resulting from any events affecting raw material supply or manufacturing capabilities abroad; and
- changes in diplomatic and trade relationships.

Any of these or other factors could adversely affect our ability to effectively manage our international network of business relationships and our operating results.

We may never realize the expected benefits from our manufacturing facility in China and it may require substantial additional capital resources.

We completed the purchase of the remaining equity interests in SCP from our former joint venture partner on June 4, 2013 at which time SCP became our wholly-owned subsidiary. SCP was established to construct and operate an FDA and cGMP compliant sterile manufacturing facility in Chengdu, China to provide us with access to dedicated manufacturing capacity. SCP is expected to manufacture finished products for us on a exclusive basis for sale in the U.S. and other attractive markets and for third parties on a contract basis for sale in other non-U.S. markets. SCP may also directly access the Chinese domestic market. SCP commenced commercial operations in the third quarter of 2013, and has historically incurred significant operating losses. We expect SCP to continue to incur significant operating losses for the foreseeable future as it continues to ramp up its operations, and have committed to investing in an additional manufacturing line to expand the ability of SCP to manufacture products for the North American market.

We may never realize the expected benefits of our SCP manufacturing facility due to, among other things:

- the facility may never become commercially viable for a variety of reasons in and/or beyond our control;
- the facility may never receive appropriate FDA or other regulatory approvals to manufacture additional products or such approvals may be delayed;
- the new manufacturing line may never receive appropriate FDA or other regulatory approvals to manufacture products or such approvals may be delayed;
- we may be required to incur substantial expenses and make further substantial capital investments to enable the facility to operate efficiently and to contribute positively to our revenue or earnings;
- general political and economic uncertainty could impact operations at the facility, including multiple regulatory requirements that ar subject to change, any future implementation of trade protection measures and import or export licensing requirements between the U.S. and China, labor regulations or work stoppages at the facility, fluctuations in the foreign currency exchange rates and complyin with U.S. regulations that apply to international operations, including trade laws and the U.S. Foreign Corrupt Practices Act; and
- operations at the facility may be disrupted for any reason, including natural disaster, local or international political disputes, or other similar factors.

Any of these or any other action that results in the manufacturing facility being unable to operate as anticipated could materially adversely affec our business, financial position and results of operations.

We may never realize the expected benefits from our acquisition of Omega and it may require substantial additional capital resources.

Omega is a specialty pharmaceutical company based in Montreal, Canada, which we acquired on October 1, 2014. Omega has served the Canadian and select international markets for over 60 years, with a historic focus on niche generic injectable pharmaceutical products. Prior to our acquisition, Omega had initiated a capacity expansion program, including installing an additional manufacturing line in a recently acquired building adjacent to its existing facility.

If we are unable to integrate Omega successfully or achieve the efficiencies and synergies we projected, or if the new manufacturing line does not receive appropriate regulatory approvals to manufacture products, our business could be harmed and our financial position and results of operations could be materially adversely affected.

We may never, realize the expected benefits of our Omega acquisition due to, among other things:

- our personnel, systems, procedures or controls may not be adequate to support both our ongoing business and the integration of Omega;
- the Omega facility may cease to be commercially viable for a variety of reasons in and/or beyond our control;
- the additional manufacturing capacity may never receive appropriate Health Canada, FDA or other regulatory approvals to manufacture products or such approvals may be delayed;
- we may be required to incur substantial expenses and make further substantial capital investments to enable the Omega facility to operate efficiently and to continue to contribute positively to our revenue or earnings;
- general political and economic uncertainty could impact operations at the Omega facility, including multiple regulatory requirement that are subject to change, any future implementation of trade

protection measures and import or export licensing requirements between the U.S., Canada and China, labor regulations or work stoppages at the facility, fluctuations in the foreign currency exchange rates and complying with U.S. regulations that apply to international operations, including trade laws and the U.S. Foreign Corrupt Practices Act; and

- operations at the facility may be disrupted for any reason, including natural disaster, local or international political disputes, or other similar factors.

Any of these or any other action that results in Omega being unable to operate as anticipated could materially adversely affect our business, financial position and results of operations.

We rely on a single vendor to manage our order to cash cycle and our distribution activities in the U.S., and the loss or disruption of service from this vendor could adversely affect our operations and financial condition

Our U.S. customer service, order processing, invoicing, cash application, chargeback and rebate processing and distribution and logistics activities are managed by Dohman Life Science Services ("DLSS"). DLSS's Business Process Outsourcing solution to life science companies connects finance, information systems, commercialization, supply chain, drug safety and sales support processes. If we were to lose the availability of DLSS's services due to fire, natural disaster or other disruption, such loss could have a material adverse effect on our operations. Although multiple providers of such services exist, there can be no assurance that we could secure another source to handle these transactions on acceptable terms or otherwise to our specifications in the event of a disruption of services at either their Memphis, Tennessee logistics center or Milwaukee, Wisconsin order to cash cycle processing center.

Our revenue growth may not continue at historical rates, we may never achieve our business strategy of optimizing our gross and operating margins, and our business may suffer as a result of our limited operating history or lack of public company operating experience.

Since our inception in 2006, we have experienced rapid growth in our net revenue. Although we expect our revenue to continue to grow over the long term due to both continued commercial success with our existing products and the launch of new products, we cannot provide any assurances that our revenue growth will continue at historical rates, if at all. In addition, as part of our business strategy we intend to seek to optimize our gross and operating margins by improving the commercial terms of our supply arrangements and to gain access to additional, more favorable API, product development and manufacturing capabilities, including launching products from our wholly-owned manufacturing facilities. We may, however, encounter unforeseen difficulties in improving the commercial terms of our current supply arrangements, in gaining access to additional arrangements, or in successfully manufacturing products from our wholly-owned facilities, and, as a result, cannot provide any assurances that we will be successful in optimizing our margins. Finally, we have a limited operating history at our current scale of operations, and as a public company. Our limited operating history and public company operating experience may make it difficult to forecast and evaluate our future prospects. If we are unable to execute our business strategy and grow our business, either as a result of our inability to manage our current size, effectively manage the business in a public company environment, manage our future growth or for any other reason, our business, prospects, financial condition and results of operations may be harmed.

Currency exchange rate fluctuations may have an adverse effect on our business.

We generally record sales and pay our expenses in the local currency of the applicable Sagent entity. Substantially all of our business partners that supply us with API, product development services and finished product manufacturing are located in foreign jurisdictions, such as India, China, Romania and Brazil, and we believe they generally incur their respective operating expenses in local currencies, and we generally pay for such API, services and products in U.S. dollars. As a result, both we and our business partners may be exposed to currency rate fluctuations and experience an effective increase in operating expenses in the event local currencies

appreciate against the U.S. dollar. In this event, the cost of manufacturing product from our SCP or Omega facilities may increase or our business partners may elect to stop providing us with these services or attempt to pass these increased costs back to us through increased prices for product development services, API sourcing or finished products that they supply to us, any of which could have an adverse effect on our business.

We could be adversely affected by violations of the U.S. Foreign Corrupt Practices Act and similar worldwide anti-bribery laws.

The U.S. Foreign Corrupt Practices Act and similar worldwide anti-bribery laws generally prohibit companies and their intermediaries from making improper payments to non-U.S. officials for the purpose of obtaining or retaining business. Our internal control policies mandate compliance with these laws. Many of our business partners who supply us with product development services, API sourcing and finished produc manufacturing are located in parts of the world that have experienced governmental corruption to some degree, and, in certain circumstances, strict compliance with anti-bribery laws may conflict with local customs and practices. Despite our compliance policies, we cannot assure you that our internal control policies and procedures always will protect us from reckless or negligent acts committed by our employees or agents. Violations of these laws, or allegations of such violations, could have a negative impact on our business, results of operations and reputation.

We may seek to engage in strategic transactions that could have a variety of negative consequences, and we may not realize the benefits of such transactions.

From time to time, we may seek to engage in strategic transactions with third parties, such as strategic partnerships, joint ventures, restructurings, divestitures, acquisitions and other investments. Any such transaction may require us to incur non-recurring and other charges, increase our near and long-term expenditures, pose significant integration challenges, require additional expertise and disrupt our management and business, which could harm our business, financial position and results of operations. We may face significant competition in seeking appropriate strategic partners and transactions, and the negotiation process for any strategic transaction could be time-consuming and complex. There is no assurance that, following the consummation of a strategic transaction, we will achieve the anticipated revenues, profits or other benefits from the transaction, and we may incur greater costs than expected.

Our inability to protect our intellectual property in the U.S. and foreign countries could limit our ability to manufacture or sell our products.

As a specialty and generic pharmaceutical company, we have limited intellectual property surrounding our generic injectable products. Howeve in the normal course of our business, we develop specialized devices, systems and branding strategies that we will seek to protect through trade secrets, unpatented proprietary know-how, continuing technological innovation, and traditional intellectual property protection through trademarks, copyrights and patents to preserve our competitive position. In addition, we seek copyright protection of our packaging and labels. Despite these measures, we may not be able to prevent third parties from using our intellectual property, copying aspects of our products and packaging, or obtaining and using information that we regard as proprietary, which could materially adversely affect our business.

Unforeseen problems with the implementation and maintenance of our equipment and information systems could interfere with our operations.

In the normal course of business, we must record and process significant amounts of data quickly and accurately and we rely on various computer and telecommunications equipment and information technology systems. Any failure of such equipment or systems could adversely affect our operations.

As part of our initiative to update our business processes and information technology systems, we are in the process of implementing new enterprise resource planning software and other related applications. We will incur

substantial costs associated with both implementation and maintenance of these new applications, and unforeseen problems could arise. We hav engaged third-party consultants and service providers for the development and implementation of the new systems, and if these parties fail to perform their obligations, development and implementation of the project could be delayed. If the new systems do not perform as originally planned, our business, financial position and results of operations could be adversely affected.

Investment funds managed by Vivo Ventures, LLC own a substantial percentage of our common stock, which may prevent other investors from influencing significant corporate decisions.

Investment funds managed by Vivo Ventures, LLC ("Vivo Ventures") beneficially own approximately 7,799,737 shares, or approximately 24.4% of our outstanding Common Stock as of December 31, 2014. As a result, Vivo Ventures will, for the foreseeable future, have significant influence over all matters requiring stockholder approval, including election of directors, adoption or amendments to equity-based incentive plans, amendments to our certificate of incorporation and certain mergers, acquisitions and other change-of-control transactions. In addition, one investment professional of Vivo Ventures currently serves on our board of directors. Vivo Ventures' ownership of a large amount of our voting power may have an adverse effect on the price of our Common Stock. The interests of Vivo Ventures may not be consistent with your interests as a stockholder.

Item 1B. Unresolved Staff Comments.

Not applicable.

Item 2. Properties.

As of December 31, 2014, we conducted substantially all of our corporate operations through an aggregate of approximately 23,500 square feet of office space in our headquarters in Schaumburg, Illinois under a lease that expires on December 31, 2016. We believe that our current facility is adequate for our corporate needs for the immediate future and that, should it be needed, suitable additional space will be available to accommodate expansion of our operations on commercially reasonable terms.

Our SCP subsidiary has completed construction of a manufacturing facility in Chengdu, China. The facility was inspected by the FDA in 2012, and the first product was approved from the facility in 2013. This facility occupies approximately 300,000 square feet. We do not currently have plans to purchase or lease additional facilities for manufacturing, packaging or warehousing, as such services are generally provided to us by our business partners and other third-party vendors.

In December 2013, we entered an initial two year lease on approximately 10,000 square feet of space in the Chengdu Hi-Tech Development Zone, where we will perform product development activities in conjunction with our SCP subsidiary.

Our Omega subsidiary occupies three owned and two leased facilities in Montreal, Quebec, where it performs the manufacturing and distributio of products for our Omega segment. The three owned facilities occupy approximately 49,000 square feet, and the leased facilities occupy approximately 39,000 square feet.

Item 3. Legal Proceedings.

We are from time to time subject to claims and litigation arising in the ordinary course of business. These claims may include assertions that our products infringe existing patents and claims that the use of our products has caused personal injuries. We intend to defend vigorously any such litigation that may arise under all defenses that would be available to us. We are currently party to the following litigation:

Zoledronic Acid (Generic versions of Zometa ® and Reclast ®) . On February 20, 2013, Novartis Pharmaceuticals Corporation ("Novartis") sue the Company and several other defendants in the United States District Court for the District of New Jersey, alleging, among other things, that sales of the Company's (i) zoledronic acid premix bag (4mg/100ml), made by ACS Dobfar Info S.A. ("Info"), also a defendant, a generic versio of Novartis' Zometa ® ready to use bottle , would infringe U.S. Patent No. 7,932,241 (the "241 Patent") and U.S. Patent No. 8,324,189 (the "18 Patent") and (ii) zoledronic acid premix bag (5mg/100ml), also made by Info, a generic version of Novartis' Reclast ® ready to use bottle, woul infringe U.S. Patent No. 8,052,987 and the 241 Patent, and (iii) zoledronic acid vial (4mg/5ml), made by Actavis LLC, also a defendant, a generic version of Novartis' Zometa ® vial, would infringe the 189 Patent. (Novartis Pharmaceuticals Corporation v. Actavis, LLC, et. al., Case No. 13-cv-1028) On March 1, 2013, the District Court denied Novartis' request for a temporary restraining order against the Company and the other defendants, including Actavis and Info. On March 6, 2013, the Company, began selling Actavis' zoledronic acid vial, the generic version of Zometa ® . Also, as of August 27, 2013 and October 1, 2013, the Company began selling zoledronic acid premix bags in 4mg/100ml and 5mg/100ml presentations, respectively. The Company believes it has substantial meritorious defenses to the case, and the Company has sold an will continue to sell these products. While an estimate of the potential loss resulting from an adverse final determination that one of the patents i suit is valid and infringed cannot currently be made as specific monetary damages have not been asserted, an adverse final determination could have a material adverse effect on the Company's business, results of operations, financial condition and cash flows.

At this time, there are no proceedings of which management is aware that are considered likely to have a material adverse effect on the consolidated financial position or results of operations.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our Common Stock is listed on the NASDAQ Global Market and trades under the symbol "SGNT". At February 28, 2015, there were approximately 3,916 holders of record of our Common Stock.

The high and low market price for our Common Stock during each of the quarterly periods during 2014 and 2013 is included below:

	2014 Quarters			
	First	Second	Third	Fourth
Market price [1]				
High	$25.30	$25.86	$31.10	$32.81
Low	$18.00	$19.73	$23.98	$24.04

	2013 Quarters			
	First	Second	Third	Fourth
Market price [1]				
High	$17.80	$20.98	$24.12	$25.39
Low	$14.42	$15.94	$20.32	$20.25

Since our inception, we have not paid a dividend on our Common Stock, and we have no intention to do so in the near future.

Issuer Purchases of Equity Securities during the Quarter ended December 31, 2014

There are currently no share repurchase programs authorized by our Board of Directors. No purchases of our Common Stock were made in the fourth quarter of 2014.

Recent Sales of Unregistered Securities

None.

Item 6. Selected Financial Data.

The following table sets forth selected financial data as of and for the periods indicated. The selected financial data set forth below has been derived from our consolidated financial statements as of and for the years ended December 31, 2014, 2013, 2012, 2011 and 2010, which have been audited by our independent registered public accounting firm. The data presented below should be read in conjunction with our consolidated financial statements, the notes to our consolidated financial statements and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

	Year ended December 31,				
	2014	2013	2012	2011	2010
	(in thousands, except per share data)				
Statement of Operations Data:					
Net revenue	$288,983	$244,750	$183,615	$152,405	$ 74,056
Cost of sales	202,821	167,228	152,508	133,636	65,013
Gross profit	$ 86,162	$ 77,522	$ 31,107	$ 18,769	$ 9,043
Gross margin	29.8%	31.7%	16.9%	12.3%	12.2%
Operating expenses					
Product development	26,809	20,275	17,136	12,763	11,223
Selling, general and administrative	43,227	36,198	30,093	25,148	18,931
Management reorganization	—	—	708	—	—
Acquisition-related costs	1,069	—	—	—	—
Equity in net (income) loss of joint ventures	(3,987)	(2,395)	(1,337)	2,531	1,476
Total operating expenses	67,118	54,078	46,600	40,442	31,630
Net income (loss)	$ 39,881	$ 29,594	$ (16,817)	$ (26,422)	$ (24,495)
Income (loss) per share – basic	$ 1.25	$ 1.01	$ (0.60)	$ (1.31)	$ (12.53)
Income (loss) per share – diluted	$ 1.22	$ 0.99	$ (0.60)	$ (1.31)	$ (12.53)
Weighted-average shares – basic	31,882	29,213	27,980	20,105	1,955
Weighted-average shares – diluted	32,745	29,937	27,980	20,105	1,955
Balance Sheet Data:					
Cash and cash equivalents	$ 55,633	$ 42,332	$ 27,687	$ 52,203	$ 34,684
Short-term investments	18,473	113,810	36,605	73,761	—
Working capital	112,967	172,267	106,815	116,704	32,775
Total assets	381,488	310,208	172,315	230,508	118,589
Total debt	7,952	10,333	—	37,140	20,726
Preferred stock	—	—	—	—	157,774
Total stockholder's equity (deficit)	275,752	236,026	131,856	141,669	(96,809)

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following is a discussion and analysis of the consolidated operating results, financial condition, liquidity and cash flows of our company as of and for the periods presented below. The following discussion and analysis should be read in conjunction with the audited consolidated financial statements and the related notes thereto included in Item 8 under the heading "Financial Statements and Supplementary Data". This discussion contains forward-looking statements that are based on the beliefs of our management, as well as assumptions made by, and information currently available to, our management. Actual results could differ materially from those discussed in or implied by forward-lookin statements as a result of various factors, including those discussed below and elsewhere in this Annual Report on Form 10-K, particularly in the section entitled "Risk Factors."

Overview

We are a specialty pharmaceutical company focused on developing, manufacturing, sourcing and marketing injectable pharmaceutical products, which we sell primarily throughout North America. With a primary focus on generic injectable pharmaceuticals, which provide customers a lower-cost alternative to branded products when applicable patents have expired or been declared invalid, or when the products are determined not to infringe the patents of others, we offer our customers a broad range of products across anti-infective, oncolytic and critical care indication in a variety of presentations, including single- and multi-dose vials, pre-filled ready-to-use syringes and premix bags. We seek generally to develop injectable products where the form or packaging of the product can be enhanced to improve delivery, product safety or end-user convenience. Our management team includes industry veterans who have served critical functions at other injectable pharmaceutical companies or key customer groups and have long-standing relationships with customers, regulatory agencies, and suppliers.

We have rapidly established a growing and diverse product portfolio and product pipeline as a result of our innovative business model. The model combines an extensive network of business relationships with API suppliers and finished product developers and manufacturers in Asia, Europe, the Middle East, Australia and the Americas with our proven and experienced regulatory, quality assurance, business development, project management, and sales and marketing teams. As of December 31, 2014, our network provided us access to over 100 worldwide manufacturing and development facilities, including several dedicated facilities used to manufacture specific complex APIs and finished products. Our 50/50 joint venture known as Sagent Agila LLC (formerly known as Sagent Strides LLC) with Agila Specialities Pvt. Ltd., a subsidiary of Mylan Inc. ("Agila"), was established to facilitate the sale in the U.S. market of a wide variety of generic injectable products manufactured by Agila.

In June 2013, we acquired the remaining 50% interest in Kanghong Sagent (Chengdu) Pharmaceutical Co. Ltd., ("KSCP") from our former join venture partner. The entity, which has been renamed Sagent (China) Pharmaceuticals Co. Ltd. ("SCP") provides us with a dedicated, state-of-the-art manufacturing facility. The facility received its Establishment Inspection Report in April 2013, and its first product approval in June 2013. We launched our first product from this facility, carboplatin, in the fourth quarter of 2013.

On October 1, 2014, we, through our wholly-owned subsidiary, Sagent Acquisition Corp., a Canadian company, acquired all of the issued and outstanding shares of the capital stock of 7685947 Canada Inc., and its subsidiary, Omega Laboratories Limited (collectively, "Omega"), a privately held Canadian pharmaceutical and specialty healthcare products company. Omega represents our first international market, and the facility provides us with the ability to manufacture products for the Canadian and other international markets.

Following our acquisition of Omega, we are organized as two operating segments – Sagent US, consisting of our U.S. operations and the SCP manufacturing facility, and Omega, focused on the Canadian and international markets.

We are developing an extensive injectable product portfolio encompassing multiple presentations of a broad range of products across anti-infective, oncolytic and critical care indications. Our Sagent US product portfolio

has grown to a total of 54 marketed products that we offer in an aggregate of 158 presentations in the U.S., and our Omega segment offered 62 products offered in an aggregate of 153 presentations as of December 31, 2014.

We maintain an active product development program. Our Sagent US new product pipeline can be generally classified into two categories: (i) new products for which we have submitted or acquired filings that are under review by the relevant regulatory authority; and (ii) new product for which we have begun initial development activities such as sourcing of API and finished products and preparing the necessary filings. As of December 31, 2014, our Sagent U.S. new product pipeline included 42 products represented by 64 ANDAs that we had filed, or licensed rights to, that were under review by the FDA, and four products represented by 15 ANDAs that have been recently approved by the FDA and are pending commercial launch.

The new product pipeline as of December 31, 2014 for our Omega segment included 26 products in development or submitted for review to Health Canada.

Our 64 Sagent US ANDAs under review by the FDA as of December 31, 2014 have been on file for an average of approximately 33 months, with 16 of them being on file for less than 12 months, 11 of them being on file for between 12 and 24 months and 37 of them being on file for longer than 24 months. We also had approximately 23 additional products under initial development by Sagent US, and over 20 products under initial development by Omega as of December 31, 2014. Our product development activities also include expanding our product portfolio by adding new products through in-licensing and similar arrangements with foreign manufacturers and domestic virtual pharmaceutical development companies that seek to utilize our sales and marketing expertise.

The specific timing of our new product launches is subject to a variety of factors, some of which are beyond our control, including the timing of FDA approval for ANDAs currently under review or that we file with respect to new products. The timing of these and other new product launches will have a significant impact on our results of operations.

The following table provides a summary of certain aspects of our product development efforts for the periods presented:

	For the year ended December 31,		
	2014	2013	2012
Products launched during the period	7	12	16
ANDAs submitted or licensed during the period	15	13	16
ANDAs under FDA review at end of period	64	62	60
Filings under review by other regulatory agencies at end of period	1	—	—

The table below sets forth our new products represented by ANDAs that are under review by the FDA and under initial development as of December 31, 2014 by product category:

	Number of Products	
	Under FDA review	Initial development – Sagent US
Product category		
Anti-infective	7	7
Oncology	10	6
Critical care	25	10
	42	23

Product Competition and Development Costs

Within the generic pharmaceutical industry, the level of market share, revenue and gross profit attributable to a particular generic product is influenced significantly by the number of competitors in that product's market and the timing of the product's regulatory approval and launch in relation to competing approvals and launches. In order to establish market presence, we initially selected products for development based in large part on our ability to rapidly secure API sourcing, finished product manufacturing and regulatory approvals despite such products facing significant competition from existing generic products at their time of launch. As a result, our gross margins associated with such products have been, and remain, adversely impacted by competitive conditions. As we have continued to grow, we have focused on developing value-added differentiated products where we can compete on many factors in addition to price. Specifically, we have targeted injectable products where the form or packaging of the product can be enhanced to improve delivery, patient safety or end-user convenience and where generic competition is likely to be limited by product manufacturing complexity or lack of API supply. In addition, we may challenge proprietary product patents to seek first-to-market rights.

The development of generic injectable products is characterized by significant up-front costs, including costs associated with evaluating the patent landscape, developing products, sourcing API and manufacturing capability and obtaining regulatory approvals. As a result, we have made, and we expect to continue to make, substantial investments in product development. We expect that our overall level of product development activity in any specific period may vary significantly based upon our business strategy to continue to identify and source new product opportunities. We anticipate our spending on product development activities will, over time, continue to increase, as we invest in additional opportunities arising from market consolidation and development activities in our international subsidiaries, and we incur costs associated with patent-related litigation. Product development expenses for the years ended December 31, 2014, 2013 and 2012 totaled approximately $26.8 million, $20.3 million and $17.1 million respectively. In 2014, our product development expense included $0.9 million from our Omega segment, following the October 1, 2014 acquisition.

Critical Accounting Policies and Estimates

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. The most significant estimates in our consolidated financial statements are discussed below. Actual results could vary from those estimates.

Revenue Recognition

We recognize revenue when our obligations to a customer are fulfilled relative to a specific product and all of the following conditions are satisfied: (i) persuasive evidence of an arrangement exists; (ii) the price is fixed or determinable; (iii) collectability is reasonably assured; and (iv) delivery has occurred. Delivery is deemed to have occurred upon customer receipt of product, upon fulfillment of acceptance terms, if any, and when no significant contractual obligations remain. Net sales reflect reductions of gross sales for estimated wholesaler chargebacks, estimated contractual allowances, and estimated early payment discounts. We provide for estimated returns at the time of sale based on historic product return experience. Subsequent adjustments to our prior year provisions and reserve requirements for chargebacks, allowances, discounts and returns have been less than 1% of total consolidated net revenue on an annual basis in each of the three fiscal years ended December 31, 2014.

In the case of new products for which the product introduction is not an extension of an existing line of product, where we determine that there are not products in a similar therapeutic category, or where we determine the new product has dissimilar characteristics with existing products, such that we cannot reliably estimate expected returns of the new product, we defer recognition of revenue until the right of return no longer exists or until we have developed sufficient historical experience to estimate sales returns.

Shipping and handling fees billed to customers are recognized in net revenue. Other shipping and handling costs are included in cost of goods sold.

Revenue Recognition – Chargebacks

The majority of our products are distributed through independent pharmaceutical wholesalers. In accordance with industry practice, sales to wholesalers are transacted initially at wholesale list price. The wholesalers then generally sell to an end user, normally a hospital, alternative healthcare facility, or an independent pharmacy, at a lower price contractually established previously between the end user and Sagent.

When we record initially a sale to a wholesaler, the sale and resulting receivable are recorded at our list price. However, experience indicates tha most of these selling prices will eventually be reduced to a lower, end-user contract price. Therefore, at the time of the sale, a contra asset is recorded for, and revenue is reduced by, the difference between the list price and the estimated average end-user contract price. This contra asse is calculated by product code, taking the expected number of outstanding wholesale units sold that will ultimately be sold under end-user contracts multiplied by the anticipated, weighted–average contract price. When the wholesaler ultimately sells the product, the wholesaler charges us, or issues a chargeback, for the difference between the list price and the end-user contract price and such chargeback is offset against the initial estimated contra asset. Periodically, we review the wholesale list prices for our products, and from time to time may reduce list prices based on market conditions or competitive pricing pressures. Reductions in the wholesale list price of our products reduce both our gross sales and the revenue reduction recorded upon initial product sale, but do not change the end-user contract selling price.

The significant estimates inherent in the initial chargeback provision relate to wholesale units pending chargeback and to the end-user contract-selling price. We base the estimate for these factors on product-specific sales and internal chargeback processing experience, estimated wholesaler inventory stocking levels, current contract pricing and expectations for future contract pricing changes. Our chargeback provision is potentially impacted by a number of market conditions, including: competitive pricing, competitive products, and other changes impacting demand in both the distribution channel and with end users.

We rely on internal data, external data from our wholesaler customers and management estimates to estimate the amount of inventory in the channel subject to future chargeback. The amount of product in the channel is comprised of both product at the wholesaler and product that the wholesaler has sold, but not yet reported as end-user sales. Physical inventory in the channel is estimated by the evaluation of our monthly sales to the wholesalers and our knowledge of inventory levels and estimated inventory turnover at these wholesalers.

Our total chargeback accrual was $63.1 million and $43.7 million at December 31, 2014 and December 31, 2013, respectively, and is included a a reduction of accounts receivable. Our total chargeback expense was $403.5 million and $300.8 million for the years ended December 31, 2014 and 2013, respectively. Our chargeback accrual and related chargeback expense increased in 2014 due to the full year impact of new products with relatively high list prices, including zoledronic acid. A 1% decrease in estimated end-user contract-selling prices would reduce net revenue for the year ended December 31, 2014, by $0.4 million and a 1% increase in wholesale units pending chargeback for the year ended December 31, 2014, would reduce net revenue by $0.4 million.

Revenue Recognition – Cash Discounts

We offer cash discounts, approximating 2% of the gross sales price, as an incentive for prompt payment and occasionally offer greater discounts and extended payment terms in support of product launches or other promotional programs. Our wholesale customers typically pay within terms and we account for cash discounts by reducing net sales and accounts receivable by the full amount of the discount offered at the time of sale. We consider payment performance and adjust the accrual to reflect actual experience.

Revenue Recognition – Sales Returns

Consistent with industry practice, our return policy permits customers to return products within a window of time before and after the expiration of product dating. We provide for product returns and other customer credits at the time of sale by applying historical experience factors. We provide specifically for known outstanding returns and credits. The effect of any changes in estimated returns is taken in the current period's income.

For returns of established products, we determine our estimate of the sales return accrual primarily based on historical experience, but also consider other factors that could impact sales returns. These factors include levels of inventory in the distribution channel, estimated shelf life, timing of product returns relative to expiry, product recalls, product discontinuances, price changes of competitive products, and introductions o competitive new products.

Revenue Recognition – Contractual Allowances

Contractual allowances, generally rebates or administrative fees, are offered to certain wholesale customers, GPOs, and end-user customers, consistent with pharmaceutical industry practices. Settlement of rebates and fees may generally occur from one to five months from date of sale We provide a provision for contractual allowances at the time of sale based on the historical relationship between sales and such allowances. Contractual allowances are reflected in the consolidated financial statements as a reduction of revenues and as a current accrued liability.

Inventories

Inventories are stated at the lower of cost (first in, first out) or market value. Inventories consist of products currently approved for marketing and may include certain products pending regulatory approval. From time to time, we capitalize inventory costs associated with products prior t receiving regulatory approval based on our judgment of probable future commercial success and realizable value. Such judgment incorporates management's knowledge and best judgment of where the product is in the regulatory review process, market conditions, competing products and economic expectations for the product post-approval relative to the risk of manufacturing the product prior to approval. If final regulatory approval for such products is denied or delayed, we may need to provide for and expense such inventory.

We establish reserves for our inventory to reflect situations in which the cost of the inventory is not expected to be recovered. In evaluating whether inventory is stated at the lower of cost or market, management considers such factors as the amount of inventory on hand, estimated time required to sell such inventory, remaining shelf life and current expected market conditions, including level of competition. We record provisions for inventory to cost of goods sold.

Income Taxes

Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases as well as net operating loss and capital loss carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the financial statements in the period that includes the legislative enactment date.

In assessing the potential for realization of deferred tax assets and establishing valuation allowances, we consider whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. We also consider the scheduled reversal of deferred tax liabilities, projected future taxable income or losses, and tax planning strategies in making this assessment.

Furthermore, our ability to use our deferred tax assets, such as our net operating losses, to reduce future federal income tax liability may be limited as a result of previous or future changes in equity ownership of our company.

Stock-Based Compensation

We recognize compensation cost for all share-based payments (including employee stock options) at fair value. We use the straight-line attribution method to recognize share-based compensation expense over the vesting period of the award.

We measure and recognize stock based compensation expense for performance based options if the performance measures are considered probable of being achieved. We evaluate the probability of the achievement of the performance measures at each balance sheet date. If it is not probable that the performance measures will be achieved, any previously recognized compensation cost would be reversed.

We estimate the value of stock options on the date of grant using a Black-Scholes option pricing model that incorporates various assumptions. The risk-free rate of interest for the average contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. The dividend yield is zero as we have not paid nor do we anticipate paying any dividends. For service-based awards, we use the "simplified method" described in SEC Staff Accounting Bulletin Topic 14 where the expected term of awards granted is based on the midpoint between the vesting date and the end of the contractual term, as we do not have sufficient historical exercise data to provide a reasonable basis upon which to estimate expected term. For performance-based awards, we determine the expected term based on the anticipated achievement and exercise pattern of the underlying options. Our expected volatility is based on a weighted average of the historical volatility of similar companies' stock and the historical volatility of our stock since our IPO. The weighted-average estimated values of employee stock option grants and rights granted under our 2007 Global Share Plan and 2011 Incentive Compensation Plan (the "Plans") as well as the weighted-average assumptions that were used in calculating such values during the last three years were based on estimates at the date of grant as follows:

	Risk free interest rate	Expected life	Expected dividend yield	Expected volatility	Fair value at grant date
2014	1.92%	6 years	0%	61%	$ 11.81
2013	1.24%	6 years	0%	62%	$ 9.31
2012	1.05%	6 years	0%	61%	$ 10.67

We have also granted performance based stock options with terms that allow the recipient to vest in a specific number of shares based upon the achievement of certain performance measures, as specified in the grants. Share-based compensation expense associated with these stock options is recognized over the requisite service period of the awards or the implied service period, if shorter, to the extent the performance condition is expected to be achieved. No compensation expense is recognized for performance based stock options where the performance criteria are not expected to be achieved.

While the assumptions used to calculate and account for share-based compensation awards represent management's best estimates, these estimates involve inherent uncertainties and the application of management's judgment. As a result, if revisions are made to our underlying assumptions and estimates, our share-based compensation expense could vary significantly from period-to-period.

Valuation and Impairment of Marketable Securities

Our investments in available-for-sale securities are reported at fair value. Unrealized gains and losses related to changes in the fair value of investments are included in accumulated other comprehensive income, net of tax, as reported in our consolidated balance sheets. Changes in the fair value of investments impact our net income only when such investments are sold or an other-than-temporary impairment is recognized. Realized gains and losses

on the sale of securities are determined by specific identification of each security's cost basis. We regularly review our investment portfolio to determine if any investment is other-than-temporarily impaired due to changes in credit risk or other potential valuation concerns, which would require us to record an impairment charge in the period any such determination is made. In making this judgment, we evaluate, among other things, the duration and extent to which the fair value of an investment is less than its cost, the financial condition of the issuer and any changes thereto, and our intent to sell, or whether it is more likely than not it will be required to sell the investment before recovery of the investment's amortized cost basis. Our assessment on whether an investment is other-than-temporarily impaired or not could change in the future due to new developments or changes in assumptions related to any particular investment.

Product Development

Product development costs are expensed as incurred. These expenses include the costs of our internal product development efforts and acquired in-process research and development, as well as product development costs incurred in connection with our third-party contract research and development efforts. Non-refundable contractual payments made under contract research and development arrangements for future research and development activities prior to regulatory approval, including payments made upon execution of a definitive contract research and development agreement or in advance of stability batch testing, may be deferred and are expensed as the related services are delivered. If we determine that it is no longer probable that the product will be pursued, any related capitalized amount is expensed in the current period.

Once a product receives regulatory approval, we record any contractual payments for the license to sell the developed product as an intangible asset to be amortized on a straight-line basis as a component of cost of sales over the shorter of the related license period or the estimated life of the acquired product. At December 31, 2014, the amortization period for intangible assets arising from approved products ranges from five to eight years with a weighted-average period prior to the next renewal or extension of 5.5 years. We make the determination whether to capitalize or expense amounts related to the development of new products and technologies through agreements with third parties based on our ability to recover our cost in a reasonable period of time, generally the initial license term, from the estimated future cash flows anticipated to be generate pursuant to each agreement. Market, regulatory and legal factors, among other things, may affect the realizability of the projected cash flows tha an agreement was initially expected to generate. We regularly monitor these factors and subject capitalized costs to periodic impairment testing.

Intangible Assets

Certain amounts paid to third parties related to the development of new products and technologies, as described above, are capitalized and included in intangible assets in the accompanying consolidated balance sheets. In addition, we capitalize intangible assets acquired through acquisitions. Acquired intangible assets include product rights, trade names and in-process research and development ("IPR&D"). IPR&D is not amortized, but rather tested for impairment on an annual basis and more often if circumstances require. Impairment losses are recognized whenever the implied fair value of IPR&D is less than its carrying value. We test IPR&D for impairment at least annually on October 1. IPR&D intangible assets are transferred to a definite-lived intangible asset upon approval of the associated product.

Consolidations

The consolidated financial statements of Sagent include the assets, liabilities, and results of operations of Sagent Pharmaceuticals, Inc. and its wholly-owned subsidiaries. All material intercompany balances and transactions have been eliminated in consolidation.

On June 4, 2013, we acquired the remaining 50% equity interest in KSCP from our former joint venture partner. Prior to the SCP Acquisition, we accounted for our investment in KSCP using the equity method of accounting,

as our interest in the entity provided for joint financial and operational control. Operating results of KSCP prior to the SCP Acquisition were reported on a one-month lag.

On October 1, 2014, we acquired 100% of the outstanding shares of capital stock of Omega. Omega is included within our results of operations from the date of acquisition.

We account for investments in joint ventures, including Sagent Agila LLC and, prior to the SCP Acquisition, KSCP, under the equity method of accounting, as our interest in each entity provides for joint financial and operational control. Our equity in the net income (loss) of Sagent Agila LLC and, prior to the SCP Acquisition, KSCP, is included in the consolidated financial statements as equity in net income of joint ventures.

Goodwill

Goodwill is recognized as the excess cost of an acquired entity over the net amount assigned to assets acquired and liabilities assumed. Goodwil is not amortized, but rather tested for impairment on an annual basis and more often if circumstances require. Impairment losses are recognized whenever the implied fair value of goodwill is less than its carrying value. We test goodwill for impairment at least annually on October 1.

Recently Adopted Accounting Standards

In May 2014, the FASB issued amended revenue recognition guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires an entity to recognize revenue in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required about customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. We are required to adopt this new guidance on January 1, 2017, using one of two prescribed retroactive methods. Early adoption is not permitted. We are evaluating the impact of the amended revenue recognition guidance on our consolidated financial statements.

Non-GAAP Financial Measures

We report our financial results in accordance with accounting principles generally accepted in the United States ("GAAP").

Adjusted Gross Profit

We use the non-GAAP financial measure "Adjusted Gross Profit" and corresponding ratios. We define Adjusted Gross Profit as gross profit plu our share of the gross profit earned through our Sagent Agila joint venture which is included in the Equity in net (income) loss of joint ventures line on the consolidated statements of operations and the impact of product-related non-cash charges arising from business combinations. We believe that Adjusted Gross Profit is relevant and useful supplemental information for our investors. Our management believes that the presentation of this non-GAAP financial measure, when considered together with our GAAP financial measures and the reconciliation to the most directly comparable GAAP financial measure, provides a more complete understanding of the factors and trends affecting Sagent than could be obtained absent these disclosures. Management uses Adjusted Gross Profit and corresponding ratios to make operating and strategic decisions and evaluate our performance. We have disclosed this non-GAAP financial measure so that our investors have the same financial data that management uses with the intention of assisting you in making comparisons to our historical operating results and analyzing our underlying performance. Our management believes that Adjusted Gross Profit provides a useful supplemental tool to consistently evaluate the profitability of our products that have profit sharing arrangements. The limitation of this measure is that it includes an item that does not have an impact on gross profit reported in accordance with GAAP. The best way that this limitation

can be addressed is by using Adjusted Gross Profit in combination with our GAAP reported gross profit. Because Adjusted Gross Profit calculations may vary among other companies, the Adjusted Gross Profit figures presented below may not be comparable to similarly titled measures used by other companies. Our use of Adjusted Gross Profit is not meant to and should not be considered in isolation or as a substitute for, or superior to, any GAAP financial measure. You should carefully evaluate the following tables reconciling Adjusted Gross Profit to our GAAP reported gross profit for the periods presented (dollars in thousands).

	Year ended December 31,				% of net revenues, year ended December 31,		
	2014	2013	$ Change	% Change	2014	2013	Change
Adjusted Gross Profit	$91,429	$80,249	$11,180	14%	31.6%	32.8%	-1.2%
Sagent share of gross profit earned by Sagent Agila joint venture	3,160	2,727	433	16%	1.1%	1.1%	0.0%
Product-related non-cash charges arising from business combinations	2,107	—	2,107	n/m	0.7%	—	0.7%
Gross Profit	$86,162	$77,522	$ 8,640	11%	29.8%	31.7%	-1.9%

	Year ended December 31,				% of net revenues, year ended December 31,		
	2013	2012	$ Change	% Change	2013	2012	Change
Adjusted Gross Profit	$80,249	$36,746	$43,503	118%	32.8%	20.0%	12.8%
Sagent share of gross profit earned by Sagent Agila joint venture	2,727	5,639	(2,912)	-52%	1.1%	3.1%	-2.0%
Product-related non-cash charges arising from business combinations	—	—	—	—	—	—	—
Gross Profit	$77,522	$31,107	$46,415	149%	31.7%	16.9%	14.8%

EBITDA and Adjusted EBITDA –

We use the non-GAAP financial measures “EBITDA” and “Adjusted EBITDA” and corresponding growth ratios. We define EBITDA as net income (loss) less interest expense, net of interest income, provision for income taxes, depreciation and amortization. We define Adjusted EBITDA as net income (loss) less interest expense, net of interest income, provision for income taxes, depreciation and amortization, stock-based compensation expense, the gain recorded on product rights acquired from our Sagent Agila joint venture, the gain recorded on our previously held equity interest in KSCP in connection with the acquisition of the remaining 50% equity interest in KSCP, the equity in net loss of our KSCP joint venture prior to the acquisition, acquisition-related costs and the impact of product-related non-cash charges arising from business combinations. We believe that EBITDA and Adjusted EBITDA are relevant and useful supplemental information for our investors. Ou management believes that the presentation of these non-GAAP financial measures, when considered together with our GAAP financial measure and the reconciliation to the most directly comparable GAAP financial measures, provides a more complete understanding of the factors and trends affecting Sagent than could be obtained absent these disclosures. Management uses EBITDA, Adjusted EBITDA and corresponding ratio to make operating and strategic decisions and evaluate our performance. We have disclosed these non-GAAP financial measures so that our investors have the same financial data that management uses with the intention of assisting you in making comparisons to our historical operating results and analyzing our underlying performance. Our management believes that EBITDA and Adjusted EBITDA are useful supplemental tools to evaluate the underlying operating performance of the company on an ongoing basis. The limitation of these measures is that they exclude items that have an impact on net income (loss). The best way that these limitations can be addressed is by using EBITDA and Adjusted EBITDA in combination with our GAAP reported net income (loss). Because EBITDA and Adjusted EBITDA calculations may vary among other companies, the EBITDA and Adjusted EBITDA figures presented below may not be comparable to similarly titled measures used by other companies. Our use of EBITDA and Adjusted EBITDA is not meant to and should not be

considered in isolation or as a substitute for, or superior to, any GAAP financial measure. You should carefully evaluate the following tables reconciling EBITDA and Adjusted EBITDA to our GAAP reported net income (loss) for the periods presented (dollars in thousands).

	Year ended December 31, 2014	2013	$ Change	% Change
Adjusted EBITDA	$ 32,296	$ 40,764	$ (8,468)	-21%
Stock-based compensation expense	2,683	5,369	(2,686)	-50%
Gain on previously held equity interest	—	(2,936)	(2,936)	n/m
Acquisition-related costs	1,069	—	1,069	n/m
Gain on Sagent Agila joint venture product acquisitions [1]	(880)	(1,700)	820	-48%
Product-related non-cash charges arising from business combinations	2,107	—	2,107	n/m
Equity in net loss of KSCP joint venture [2]	—	1,825	(1,825)	n/m
EBITDA	$ 27,317	$ 38,206	$(10,889)	-29%
Depreciation and amortization expense [3]	9,308	6,984	2,324	33%
Interest expense, net	1,831	733	1,098	150%
Provision for income taxes	(23,703)	895	(24,598)	n/m
Net income	$ 39,881	$ 29,594	$ 10,287	35%

	Year ended December 31, 2013	2012	$ Change	% Change
Adjusted EBITDA	$ 40,764	$ (628)	$ 41,392	n/m
Stock-based compensation expense	5,369	5,552	(183)	-3%
Gain on previously held equity interest	(2,936)	—	(2,936)	n/m
Acquisition-related costs	—	—	—	—
Gain on Sagent Agila joint venture product acquisitions [1]	(1,700)	—	(1,700)	n/m
Product-related non-cash charges arising from business combinations	—	—	—	—
Equity in net loss of KSCP joint venture [2]	1,825	3,814	(1,989)	-52%
EBITDA	$ 32,806	$ (9,994)	$ 42,800	n/m
Depreciation and amortization expense [3]	6,984	5,499	1,485	27%
Interest expense, net	733	1,324	(591)	-45%
Provision for income taxes	895	—	895	100%
Net income (loss)	$ 29,594	$(16,817)	$ 46,411	n/m

[1] Upon obtaining the controlling interest in the rights to certain products from our Sagent Agila joint venture in both December 2014 and December 2013, we recorded non-cash accounting gains of $880 and $1,700 reported as part of equity in net income of joint ventures in the Consolidated Statements of Operations for the years ended December 31, 2014 and 2013, respectively.

[2] Upon obtaining the controlling interest in KSCP, we remeasured the previously held equity interest in KSCP to fair value, resulting in a gain of $2,936 reported as gain on previously held equity interest in the Consolidated Statements of Operations. The gain includes $2,782 reclassified from accumulated other comprehensive income, and previously recorded as currency translation adjustments.

[3] Depreciation and amortization expense excludes $216 and $90 in the years ended December 31, 2014 and 2013, respectively, related to deferred financing fees, which is included within interest expense and other in our Consolidated Statements of Operations for the years ended December 31, 2014 and 2013.

Results of Operations

The following compares our consolidated results of operations for the year ended December 31, 2014 with those of the year ended December 31 2013 (in thousands, except per share amounts):

	Year ended December 31, 2014	2013	$ change	% change
Net revenue				
Sagent US	$280,422	$244,750	$ 35,672	15%
Omega	8,561	—	8,561	n/m
Consolidated net revenue	$288,983	$244,750	$ 44,233	18%
Cost of sales	202,821	167,228	35,593	22%
Gross profit	86,162	77,522	8,640	11%
Gross profit as % of net revenue	*29.8 %*	*31.7 %*		
Operating expenses:				
Product development	26,809	20,275	6,534	32%
Selling, general and administrative	43,227	36,198	7,029	19%
Acquisition-related costs	1,069	—	1,069	n/m
Equity in net income of joint ventures	(3,987)	(2,395)	1,592	66%
Total operating expenses	67,118	54,078	13,040	24%
Termination Fee	—	5,000	5,000	n/m
Gain on previously held equity interest	—	2,936	2,936	n/m
Income (loss) from operations				
Sagent US	21,700	31,380	(9,680)	(31)%
Omega	(2,656)	—	(2,656)	n/m
Consolidated income from operations	19,044	31,380	(12,336)	(39)%
Interest income and other income(expense)	(678)	39	(717)	n/m
Interest expense	(2,188)	(930)	1,258	135%
Income before income taxes	16,178	30,489	(14,311)	(47)%
Provision (benefit) for income taxes	(23,703)	895	(24,598)	n/m
Net income	$ 39,881	$ 29,594	$ 10,287	35%
Net income per common share:				
Basic	$ 1.25	$ 1.01	$ 0.24	24%
Diluted	$ 1.22	$ 0.99	$ 0.23	23%

Net revenue: Net revenue for the year ended December 31, 2014 totaled $289.0 million, an increase of $44.2 million, or 18%, as compared to $244.8 million for the year ended December 31, 2013. The launch of 17 new codes or presentations of seven products during 2014, contributed $13.8 million of the net revenue increase in 2014. Net revenue for products launched before January 1, 2014 increased by $23.0 million, or 9%, to $267.4 million during 2014, due primarily to the impact of the annualization of revenue for products launched during fiscal 2013, primarily docetaxel and propofol, partially offset by the impact of price and volume declines in the balance of the portfolio and $0.8 million related to the February 2015 recall of Atracurium Besylate. Net revenue from our Omega segment from the date of acquisition of October 1, 2014 contributed $8.6 million of the net revenue increase.

Cost of sales: Cost of sales for the year ended December 31, 2014 totaled $202.8 million, inclusive of $8.8 million of cost of sales incurred in our Omega segment following its acquisition on October 1, 2014, an increase of $35.6 million, or 22%, as compared to $167.2 million for the year ended December 31, 2013. Gross profit as a percentage of net revenue was 29.8% for the year ended December 31, 2014, and 31.7% for th year ended December 31, 2013. Adjusted Gross Profit as a percentage of net revenue was 31.6% for the year ended

December 31, 2014, and 32.8% for the year ended December 31, 2013. The decrease in gross profit as a percentage of net revenue is due primarily to $2.1 million of costs associated with the purchase accounting revaluation of Omega inventory, $1.4 million of incremental costs associated with the amortization of product rights arising from our recent acquisitions and approximately $2.7 million of incremental unabsorbe manufacturing costs at our SCP facility.

Product development: Product development expense for the year ended December 31, 2014 totaled $26.8 million, an increase of $6.5 million, c 32%, as compared to $20.3 million for the year ended December 31, 2013. The increase in product development expense was primarily due to $1.6 million of incremental costs associated with development activities at SCP, increased milestone expense for projects in our pipeline, costs associated with the write-off of inventory manufactured at-risk, increased patent-related legal expenses, and $0.9 million of product developmer costs incurred in our Omega segment following its acquisition on October 1, 2014.

As of December 31, 2014, our US new product pipeline included 42 products represented by 64 ANDAs which we had filed, or licensed rights to, that were under review by the FDA and four products represented by 15 ANDAs that have been recently approved and were pending commercial launch. We also had an additional 23 products represented by 36 ANDAs under initial development at December 31, 2014. At December 31, 2014, our Omega segment had an additional 26 products in development or under review by the relevant regulatory authority, generally Health Canada.

Selling, general and administrative: Selling, general and administrative expenses for the year ended December 31, 2014, totaled $43.2 million, an increase of $7.0 million, or 19%, as compared to $36.2 million for the year ended December 31, 2013. The increase in selling, general and administrative expense was primarily due to increases in employee-related cash costs, $2.3 million of incremental costs associated with our SCI facility, $1.5 million of costs incurred by Omega following its acquisition on October 1, 2014, and higher public company costs, partially offset by a reduction in non-cash employee-related stock compensation expense. Selling, general and administrative expense as a percentage of net revenue was 15% and 15% for the year ended December 31, 2014 and 2013, respectively.

Acquisition-related costs: Acquisition-related costs for the year ended December 31, 2014 totaled $1.1 million, related primarily to costs associated with the acquisition of Omega on October 1, 2014. No acquisition-related costs were incurred in the year ended December 31, 2013.

Equity in net income of joint ventures: Equity in net income of joint ventures for the year ended December 31, 2014 totaled $4.0 million, an increase of $1.6 million, or 66%, as compared to $2.4 million for the year ended December 31, 2013. The increase was primarily due to the inclusion in 2013 of six months of equity losses of our KSCP joint venture, prior to the SCP Acquisition, partially offset by a smaller non-cash accounting gain on our acquisition of products from Sagent Agila LLC in 2014. Included in this amount are the following (amounts in thousand of dollars):

	Year Ended December 31,	
	2014	2013
Sagent Agila LLC – Earnings directly related to the sale of product	$ (3,160)	$ (2,777)
Sagent Agila LLC – Product development costs	20	243
Sagent Agila LLC – Gain on sale of products	(847)	(1,686)
Kanghong Sagent (Chengdu) Pharmaceutical Co – net loss	—	1,825
Equity in net income of joint ventures	$ (3,987)	$ (2,395)

Termination fee: Termination fee for 2013 represents the $5.0 million one-time termination fee received in connection with our agreement in March 2013 to terminate our Manufacturing and Supply Agreement with Actavis effective December 31, 2014.

Gain on previously held equity interest: As a result of the 2013 SCP Acquisition, our previously held equity interest was remeasured to fair value, resulting in a gain of $2.9 million reported as gain on previously held equity interest in the condensed consolidated statements of operations. The gain includes $2.8 million reclassified from accumulated other comprehensive income, and previously recorded as currency translation adjustments.

Interest expense: Interest expense for the year ended December 31, 2014 totaled $2.2 million, an increase of $1.3 million, or 135%, as compare to $0.9 million for the year ended December 31, 2013. The increase was due to $1.1 million of deferred financing costs incurred in connection with the early termination our former SVB revolving loan facility in October 2014 and $0.2 million of interest costs on debt assumed as part of our acquisition of Omega in October 2014.

Provision (benefit) for income taxes: We recorded a benefit from income taxes of $23.7 million for the year ended December 31, 2014, compared to a provision for income taxes of $0.9 million for the year ended December 31, 2013. In the first quarter of 2014, we moved from a cumulative loss position over the previous three years to a cumulative income position for the first time in our history. As of December 31, 2014 we have cumulative domestic income over the prior three years, have completed eight consecutive quarters of domestic pre-tax earnings, and forecast continued domestic profitability in future periods. Accordingly, we have concluded that the valuation allowance previously recorded against our domestic net deferred tax assets should be released as of December 31, 2014, resulting in a net $25.4 million benefit in our provision for income taxes. We have retained a full valuation allowance against our net deferred tax assets in SCP, given the history of losses in that entity We recorded a $0.7 million benefit for income taxes in our Omega segment, primarily due to the reversal of deferred tax liabilities established during the accounting for the Omega acquisition.

Our provision for income taxes for the year ended December 31, 2013, was $0.9 million, representing the alternative minimum tax ("AMT") payable in the United States for 2013. As we had recorded a full valuation allowance against our deferred tax assets as of December 31, 2013, our AMT payable was recorded as tax expense in 2013.

Net income and net income per common share: The net income for the year ended December 31, 2014 was $39.9 million, an increase of $10.3 million, or 35%, as compared to $29.6 million for the year ended December 31, 2013. Diluted net earnings per common share increased by $0.23. The increase in diluted net earnings per common share is due to the following factors:

Diluted EPS for the year ended December 31, 2013	$ 0.99
Increase in earnings	0.32
Increase in diluted common shares outstanding	(0.09)
Diluted EPS for the year ended December 31, 2014	$ 1.22

Adjusted EBITDA: Adjusted EBITDA for the year ended December 31, 2014 of $32.3 million decreased by $8.5 million, or 21%, from $40.8 million for the year ended December 31, 2013. The decrease in Adjusted EBITDA is driven predominately by the $5.0 million one-time termination fee received in connection with our agreement to terminate our Manufacturing and Supply Agreement with Actavis effective December 31, 2014.

The following compares our consolidated results of operations for the year ended December 31, 2013 with those of the year ended December 31 2012 (in thousands, except per share amounts):

	Year ended December 31, 2013	2012	$ change	% change
Net revenue	$244,750	$183,615	$61,135	33%
Cost of sales	167,228	152,508	14,720	10%
Gross profit	72,522	31,107	46,415	149%
Gross profit as % of net revenues	*31.7 %*	*16.9 %*		
Operating expenses:				
Product development	20,275	17,136	3,139	18%
Selling, general and administrative	36,198	30,093	6,105	20%
Management reorganization	—	708	(708)	n/m
Equity in net (income) loss of joint ventures	(2,395)	(1,337)	(1,058)	79%
Total operating expenses	54,078	46,600	7,478	16%
Termination Fee	5,000	—	5,000	n/m
Gain on previously held equity interest	2,936	—	2,936	n/m
Income (loss) from operations	31,380	(15,493)	46,873	n/m
Interest income and other	39	243	(204)	(84)%
Interest expense	(930)	(1,567)	637	(41)%
Income (loss) before income taxes	30,489	(16,817)	47,306	n/m
Provision for income taxes	895	—	895	n/m
Net income (loss)	$ 29,594	$ (16,817)	$46,411	n/m
Net income (loss) per common share:				
Basic	$ 1.01	$ (0.60)	$ 1.61	n/m
Diluted	$ 0.99	$ (0.60)	$ 1.59	n/m

Net revenue: Net revenue for the year ended December 31, 2013 totaled $244.8 million, an increase of $61.1 million, or 33%, as compared to $183.6 million for the year ended December 31, 2012. The launch of 31 new codes or presentations of 12 products during 2013, including zoledronic acid vials at market formation, contributed $50.3 million of the net revenue increase in 2013. Net revenue for products launched before January 1, 2013 increased by $10.4 million, or 6%, to $194.2 million during 2013, due to the impact of annualizing sales and increased unit volumes. The increase was partially offset by lower volumes on certain products due primarily to reductions in demand driven by the abatement of market shortages and increased competitive pricing pressures.

Cost of sales: Cost of sales for the year ended December 31, 2013 totaled $167.2 million, an increase of $14.7 million, or 10%, as compared to $152.5 million for the year ended December 31, 2012. Gross profit as a percentage of net revenue was 31.7% for the year ended December 31, 2013, and 16.9% for the year ended December 31, 2012. Adjusted Gross Profit as a percentage of net revenue was 32.8% for the year ended December 31, 2013, and 20.0% for the year ended December 31, 2012. The increase in both gross profit and Adjusted Gross Profit as a percentage of net revenue is primarily due to the introduction of higher margin products in 2013, particularly zoledronic acid vials at market formation in March 2013, partially offset by $3.3 million of unabsorbed manufacturing costs at our SCP facility.

Product development: Product development expense for the year ended December 31, 2013 totaled $20.3 million, an increase of $3.1 million, o 18%, as compared to $17.1 million for the year ended December 31, 2012. The increase in product development expense was primarily due to increased milestone expense for projects in our pipeline, increased patent-related legal expenses and $0.7 million of costs associated with development activities at SCP, which were included as part of the equity in net loss (income) of joint ventures in 2012.

As of December 31, 2013, our new product pipeline included 37 products represented by 62 ANDAs which we had filed, or licensed rights to, that were under review by the FDA and two products represented by seven ANDAs that have been recently approved and were pending commercial launch. We also had an additional 24 products represented by 41 ANDAs under initial development at December 31, 2013.

Selling, general and administrative: Selling, general and administrative expenses for the year ended December 31, 2013, totaled $36.2 million, an increase of $6.1 million, or 20%, as compared to $30.1 million for the year ended December 31, 2012. The increase in selling, general and administrative expense was primarily due to increases in employee-related costs and $1.8 million of costs associated with our SCP facility, which were included as part of the equity in net loss (income) of joint ventures in 2012. Selling, general and administrative expense as a percentage of net revenue was 15% and 16% for the year ended December 31, 2013 and 2012, respectively.

Management reorganization: Restructuring expenses, primarily severance related charges in connection with eliminated positions, for the year ended December 31, 2012 totaled $0.7 million. There were no such restructuring expenses in the year ended December 31, 2013.

Equity in net (income) loss of joint ventures: Equity in net income of joint ventures for the year ended December 31, 2013 totaled $2.4 million, an increase of $1.1 million, or 79%, as compared to $1.3 million for the year ended December 31, 2012. The increase was primarily due to a non-cash accounting gain on our acquisition of two products from Sagent Agila LLC and the inclusion of only six months of equity losses of ou KSCP joint venture, prior to the SCP Acquisition, partially offset by reduced income generated by the Sagent Agila joint venture, principally from rocuronium, which was in short supply during the second half of 2012. Included in this amount are the following (amounts in thousands of dollars):

	Year Ended December 31, 2013	2012
Sagent Agila LLC – Earnings directly related to the sale of product	$ (2,777)	$ (5,685)
Sagent Agila LLC – Product development costs	243	534
Sagent Agila LLC – Gain on sale of products	(1,686)	—
Kanghong Sagent (Chengdu) Pharmaceutical Co – net loss	1,825	3,814
Equity in net (income) loss of joint ventures	$ (2,395)	$ (1,337)

Termination fee: Termination fee for 2013 represents the $5.0 million one-time termination fee received in connection with our agreement in March 2013 to terminate our Manufacturing and Supply Agreement with Actavis effective December 31, 2014.

Gain on previously held equity interest: As a result of the SCP Acquisition, our previously held equity interest was remeasured to fair value, resulting in a gain of $2.9 million reported as gain on previously held equity interest in the condensed consolidated statements of operations. Th gain includes $2.8 million reclassified from accumulated other comprehensive income, and previously recorded as currency translation adjustments.

Interest expense: Interest expense for the year ended December 31, 2013 totaled $0.9 million, a decrease of $0.6 million, or 41%, as compared t $1.6 million for the year ended December 31, 2012. The decrease was principally due to $1.1 million of deferred financing costs incurred in connection with the early termination and partial extinguishment of our former senior secured revolving and term loan credit facilities in February 2012, partially offset by interest costs on debt assumed as part of our acquisition of SCP in June 2013. On January 2, 2014, we repaid our outstanding SCP loans in full.

Provision for income taxes: We have generated tax losses since inception and as a result, we have recorded a full valuation allowance against ou deferred tax assets resulting in no tax benefits being recorded on any losses. The exercise of the overallotment option as part of our initial public offering in April 2011 triggered an ownership change as defined by Section 382 of the US Internal Revenue Code. This change will limit the amount of our net operating loss carryforwards which we could utilize to offset future taxable income. As none of our current net operating loss carryforwards expire before 2027, we expect that despite the use limitations triggered by our IPO, we will have a reasonable opportunity to utilize all of these loss carryforwards before they expire, but such loss carryforwards will be usable only to the extent that we generate sufficient taxable income.

Our provision for income taxes for the year ended December 31, 2013, was $0.9 million, representing the alternative minimum tax ("AMT") payable in the United States for 2013. As we have recorded a full valuation allowance against our deferred tax assets, our AMT payable is recorded as tax expense in 2013. Of the total tax expense, $0.7 million related to the fourth quarter correction of AMT expense that was not recorded during the first three quarters of 2013.

Net income (loss) and net income (loss) per common share: The net income for the year ended December 31, 2013 was $29.6 million. The net loss for the year ended December 31, 2012 was $16.8 million. Diluted net earnings (loss) per common share increased by $1.59. The increase in diluted net earnings (loss) per common share is due to the following factors:

Diluted EPS for the year ended December 31, 2012	$(0.60)
Increase in earnings	1.55
Increase in diluted common shares outstanding	0.04
Diluted EPS for the year ended December 31, 2013	$ 0.99

Liquidity and Capital Resources

Funding Requirements

Our future capital requirements will depend on a number of factors, including the continued commercial success of our existing products, launching the products that have been recently approved and are pending commercial launch or are pending approval as of December 31, 2014, successfully identifying and sourcing other new product opportunities, manufacturing products at our wholly-owned Chinese manufacturing facility, capital expansion at our SCP and Omega facilities and further business development activity.

Based on our existing business plan, we expect that cash, cash equivalents and short-term investments, together with operating cash flows and borrowings available under our Chase revolving loan facility, will be sufficient to fund our planned operations, the continued development of ou product pipeline, the final payment required in respect of our joint venture partner's interest in SCP, investments in working capital, joint ventur distributions and capital expansion at our SCP and Omega facilities, for at least the next 12 months. However, we may require additional funds in the event that we change our business plan, pursue additional strategic transactions, including the acquisition of businesses or products, or encounter unexpected developments, including unforeseen competitive conditions within our product markets, changes in the general economic climate, changes in the regulatory environment, the loss of or negative developments affecting key relationships with suppliers, group purchasing organizations or end-user customers or other unexpected developments that may have a material effect on the cash flows or results o operations of our business.

To the extent our capital resources are insufficient to meet our future capital requirements, we will need to finance our future cash needs through public or private equity offerings or debt financings, which may not be available to us on terms we consider acceptable or at all. Our ability to raise additional funding, if necessary, is subject to a variety of factors that we cannot predict with certainty, including our future results of operations, our relative levels of debt and equity, the volatility and overall condition of the capital markets and the market prices

of our securities. Debt financing, if available, may only be available to us on less favorable terms than our existing Chase revolving loan facility including higher interest rates or greater exposure to interest rate risk. In addition, the terms of any financing may adversely affect the holdings or the rights of our stockholders.

If additional funding is not available, we may be required to terminate, significantly modify or delay the development or commercialization of new products and may not be able to achieve the manufacturing potential of our SCP facility. We may elect to raise additional funds even before we need them if we believe that the conditions for raising capital are favorable.

Cash Flows

Overview

On December 31, 2014, cash, cash equivalents and short term investments totaled $74.1 million, working capital totaled $113.0 million and our current ratio (current assets to current liabilities) was approximately 2.3 to 1.0.

Sources and Uses of Cash

Operating activities: Net cash provided by operating activities was $23.2 million for the year ended December 31, 2014 and $49.6 million for the year ended December 31, 2013, compared to net cash used in operating activities of $20.1 million for the year ended December 31, 2012. The reduction in cash provided by operations in 2014 is primarily due to the $8.5 million reduction in Adjusted EBITDA and increased investment in working capital. The increase in cash provided by operations in 2013 was primarily due to the $41.4 million increase in Adjusted EBITDA. The decrease in the use of cash for operating activities in 2012 primarily relates to improvements in our Adjusted EBITDA, which was largely offset by increased investment in working capital.

Investing activities: Net cash used in investing activities was $0.9 million in 2014 and $97.2 million in 2013, compared to $32.6 million provided by investing activities in 2012. The change in cash flows in 2014 is primarily related to $86.5 million used to acquire businesses, primarily Omega on October 1, 2014, offset by the redemption of available-for-sale securities, which were used to fund the Omega acquisition. The change in cash flows in 2013 is primarily related to the investment of $70.6 million of proceeds from our September 2013 secondary stock offering in short-term available-for-sale securities and $13.0 million paid related to the SCP Acquisition and product acquisitions from Sagent Agila during the year. The cash provided by investing activities in 2012 primarily relates to the net sale of short-term investments of $36.4 million in 2012 to repay in full all amounts due under our former term loan and senior secured revolving credit facilities in February 2012.

Financing activities: Net cash used in financing activities was $8.5 million in 2014, compared to net cash provided by financing activities of $62.3 million in 2013 and $37.0 million used in financing activities in 2012. The change in cash flows in 2014 is primarily related to the repayment in full of borrowings from the Agricultural Bank of China ("ABC") in January 2014. The change in cash flows in 2013 is primarily related to the $70.6 million of net proceeds received from our September 2013 secondary stock offering, partially offset by the repayment of $9. million of borrowings under the ABC Loans in November 2013, as compared to $37.1 million used to repay in full all amounts due under our former term loan and senior secured revolving credit facilities in February 2012.

Credit facilities

In February 2012, we repaid all of our outstanding borrowings and replaced our previous facilities with an asset based revolving loan facility with Silicon Valley Bank ("SVB"). In September 2013, we entered into a Second Loan Modification agreement with SVB, subsequently, on October 31, 2014, we terminated our asset based revolving loan facility with SVB and replaced it with a new asset based revolving loan credit facility with JPMorgan Chase Bank, N.A. ("Chase").

In June 2013, our SCP subsidiary had two loan facilities with the Agricultural Bank of China ("ABC") that existed prior to the SCP Acquisition We repaid in full the amounts outstanding under these facilities in January 2014. In October 2014, our Omega subsidiary had a series of loan facilities that existed prior to the Omega Acquisition. Refer below for a description of our facilities with Chase, Omega's facilities, and the SVB and ABC facilities which were terminated in 2014.

Asset based revolving credit loan facility

On October 31, 2014, we entered into a credit agreement with JPMorgan Chase Bank, N.A., (the "Chase Agreement"). The Chase Agreement provides for an $80.0 million asset based revolving credit loan facility, with availability subject to a borrowing base consisting of eligible cash, short-term investments, accounts receivable and inventory and the satisfaction of conditions precedent specified in the Chase Agreement. The Chase Agreement provides for an accordion feature, whereby we may increase the revolving commitment up to an additional $25.0 million subject to certain customary terms and conditions including pro forma compliance with a fixed charge coverage ratio (as defined in the Chase Agreement) of 1.00 to 1.00. The Chase Agreement matures on October 31, 2019, at which time all amounts outstanding will be due and payable. Borrowings under the Chase Agreement may be used for general corporate purposes, including funding working capital. Amounts drawn bear an interest rate equal to, at our option, either a Eurodollar rate plus 2.00% per annum or an alternative base rate plus 1.00% per annum. We also incur a commitment fee on undrawn amounts equal to 0.25% per annum.

The Chase Agreement is guaranteed by us at the time of closing and is secured by a lien on substantially all of our and our principal domestic subsidiary's assets and any future domestic subsidiary guarantors' assets. The same assets may also be used to secure, and we may guaranty, a loan by an affiliate of JPMorgan Chase Bank, N.A. to our Chinese subsidiary for the construction of a new manufacturing line. The Chase Agreement includes customary covenants and also imposes a financial covenant requiring compliance with a minimum fixed charge coverage ratio of 1.00 to 1.00 during certain covenant testing times triggered if availability under the Chase Agreement is below the greater of 10% of the revolving commitment and $8.0 million.

Loans under the Chase Agreement are secured by a lien on substantially all of our and our principal domestic operating subsidiary's assets.

As of December 31, 2014, there were no borrowings outstanding under our Chase revolving loan facility, and we were in compliance with all covenants under this loan agreement. Total availability under our Chase revolving loan facility was $80.0 million at December 31, 2014, which is subject to adjustment on a monthly basis under our borrowing base calculation.

SVB asset based revolving loan facility

On February 13, 2012, we entered into a Loan and Security Agreement with SVB (the "SVB Agreement"). The SVB Agreement provides for a $40.0 million asset based revolving loan facility, with availability determined by a borrowing base consisting of eligible accounts receivable and inventory and subject to certain conditions precedent specified in the SVB Agreement. The SVB Agreement matures on February 13, 2016, at which time all outstanding amounts will become due and payable. Borrowings under the SVB Agreement may be used for general corporate purposes, including funding working capital. Amounts drawn bear an interest rate equal to, at our option, either a Eurodollar rate plus 2.50% per annum or an alternative base rate plus 1.50% per annum. We also pay a commitment fee on undrawn amounts equal to 0.30% per annum. During the continuance of an event of default, at SVB's option, all obligations will bear interest at a rate per annum equal to 5.00% per annum above the otherwise applicable rate.

Loans under the SVB Agreement are secured by substantially all of our and our principal domestic operating subsidiary's assets, other than our equity interests in our joint ventures and certain other limited exceptions.

The SVB Agreement contains various customary affirmative and negative covenants. The negative covenants restrict our ability to, among other things, incur additional indebtedness, create or permit to exist liens, make certain investments, dividends and other payments in respect of capital stock, sell assets or otherwise dispose of our property, change our lines of business, or enter into a merger or acquisition, in each case, subject to thresholds and exceptions as set forth in the SVB Agreement. The financial covenants in the original SVB Agreement are limited to maintenance of a minimum adjusted quick ratio and a minimum free cash flow. The SVB Agreement also contains customary events of default, including non-payment of principal, interest and other fees after stated grace periods, violations of covenants, material inaccuracy of representations and warranties, certain bankruptcy and liquidation events, certain material judgments and attachment events, cross-default to other debt in excess of specified amount and material agreements, failure to maintain certain material governmental approvals, and actual or asserted invalidity of subordination terms, guarantees and collateral, in each case, subject to grace periods, thresholds and exceptions as set forth in the SVB Agreement.

In September 2013, we entered into the Second Loan Modification Agreement (the "Second Modification Agreement") to the SVB Agreement. The Second Modification Agreement makes certain amendments to the SVB Agreement, including: modifying the calculation methodology of the borrowing base that is used to determine our borrowing availability; eliminating the covenant to maintain a specified level of free cash flow in quarters where we maintain eligible cash balances of $30.0 million or greater and modifying the covenant for the adjusted quick ratio to be tested at the end of each month; and providing us additional flexibility to make certain investments. The Second Modification Agreement did not amend the term of the SVB Agreement, the maximum availability under the SVB Agreement, or the interest rate applicable to amounts drawn under the SVB Agreement.

Concurrent with entering the Chase Agreement, we terminated our existing revolving credit facility with SVB and repaid certain associated fees. Included with the fees was $1.1 million of deferred costs triggered by the early termination of the agreement. This amount is included within interest expense in the condensed consolidated statement of operations in the fourth quarter of 2014. Concurrent with the repayment and termination of the agreement, all liens and security interests against our property that secured the obligations under our existing revolving credit facility were released and discharged.

Chinese loan facilities

SCP had outstanding debt obligations with ABC at the time of the SCP Acquisition. SCP originally entered into two loan contracts with ABC for RMB 83.0 million ($13.6 million) and RMB 37.0 million ($6.1 million) in August 2010 and June 2011, respectively (the "ABC Loans"). In November 2013, we repaid RMB 55.0 million ($9.0 million) of the then outstanding balance. At December 31, 2013, RMB 63.0 million ($10.3 million) of the original loan remains outstanding, and is subject to a repayment schedule, with all amounts due and payable by August 2015. The ABC Loans were used for the construction of the SCP facility and funding of the ongoing operations of SCP up to the date of the SCP Acquisition. Amounts outstanding under the ABC Loans bear an interest rate equal to the benchmark lending interest rate published by the People's Bank of China. During the term of the loan, the rate is subject to adjustment every three months. The ABC Loans are secured by the property, plant and equipment of SCP. The ABC Loans contain various covenants, including covenants that restrict SCP's ability to incur additional indebtedness, provide guarantees, pledge or incur liens on assets, enter into merger, consolidation or acquisition transactions, or transfer assets. In addition, the ABC Loans contain financial covenants that require SCP to achieve specified minimum revenue levels and to maintain a specified liability to assets ratio. As of December 31, 2013, the interest rate for the ABC Loans was 6.00%.

On January 2, 2014, we repaid in full all outstanding amounts (RMB 63.0 million, $10.3 million) under the ABC Loans, and the loan contracts were terminated.

Omega credit facilities

In connection with the acquisition of Omega on October 1, 2014, we assumed a series of credit facilities and mortgages with the National Bank of Canada ("NBC") and the Business Development Bank of Canada ("BDC"), as described below.

Omega has an authorized credit facility (the "Omega operating credit facility") in the amount of C$8.2 million ($7.3 million) with the NBC. The Omega operating credit facility can be utilized in the form of floating-rate advances for an amount not exceeding C$7.0 million ($6.2 million as of the acquisition date) and advances in the form of letters of guarantee or letters of credit, within that limit for an amount not exceeding C$2.0 million ($1.8 million as of the acquisition date). The Omega operating credit facility can also be utilized in the form of advances to cover Omega's currency risk for an amount not to exceed C$1.2 million ($1.1 million as of the acquisition date). On October 1, 2014, the Omega operating credit facility had floating-rate advances in the amount of C$1.5 million ($1.4 million) bearing interest at the lender's prime rate plus 0.50%, (or an effective rate of 3.5%) which we assumed as part of the acquisition. As of December 31, 2014, C$3.3 million ($2.8 million) was outstanding under the Omega operating credit facility.

In July 2014, Omega obtained a C$3.0 million demand loan (the "Omega demand loan"), from the NBC bearing interest at the prime rate of the lender, plus a premium of 1.75% (effective rate 4.75%). The Omega demand loan is secured by all of the assets of Omega for C$3.0 million plus an additional security interest of 20% of this amount, bearing interest at 4.75% per annum and matured in November 2014. We assumed the Omega demand loan ($2.7 million as of the acquisition date) in connection with the acquisition and subsequently extended the maturity date to January 2015. The Omega operating credit facility and the Omega demand loan are secured by a first ranking security interest in the amount of C$8.3 million ($7.4 million as of the acquisition date) in Omega's inventories, trade receivables and on the intellectual property of Omega, present and future. As of December 31, 2014, C$3.0 million ($2.7 million) was outstanding under the Omega demand loan.

Omega also had C$0.3 million ($0.2 million) outstanding on a decreasing revolving credit facility with the NBC (the "Omega decreasing revolving credit facility") bearing interest at the prime rate of the lender, plus 1.0% (or an effective rate equal to 4.0%). The Omega decreasing revolving credit facility is secured by a first ranking security interest of C$1.0 million ($0.9 million as of the acquisition date) on the equipment, tooling and office furniture financed by the credit facility.

The Omega credit facilities are subject to certain restrictions, including the obligation to maintain certain financial ratios. As of October 1, 2014 Omega had not met certain financial ratios. As a result, the Omega decreasing revolving credit facility was classified as a current liability as of the acquisition date. In January 2015, we paid off all amounts outstanding under the Omega operating credit facility, the Omega demand loan and the Omega decreasing revolving credit facility with available cash on hand. As a result, all amounts outstanding under these instruments are classified as current liabilities at December 31, 2014.

In addition to the above, Omega had five mortgage loans with the BDC (collectively the "Omega mortgages") which we assumed in connection with the acquisition. The Omega mortgages, which require monthly installments and which are secured by specific Omega buildings and equipment, range in amount from C$0.1 million to C$1.3 million ($0.1 million to $1.1 million as of the acquisition date) and bear interest at the lender's prime rate (5% as of the acquisition date) plus a premium ranging from 0% - 1.5%. The Omega mortgages mature at various times from August 2019 through November 2036.

Aggregate Contractual Obligations:

The following table summarizes our long-term contractual obligations and commitments as of December 31, 2014.

	Payments due by period				
Contractual obligations [1]	**Total**	**Less than one year**	**1-3 years**	**3-5 years**	**More than five years**
Long-term debt obligations [2]	$ 7,952	$ 6,007	$ 552	$ 529	$ 864
Capital lease obligations	—	—	—	—	—
Operating lease obligations [3]	5,106	1,369	1,504	2,233	—
Purchase obligations	—	—	—	—	—
Contingent contractual payments [4]	26,575	14,503	8,008	3,499	565
SCP purchase consideration [5]	9,000	9,000	—		
	$48,633	$25,380	$10,064	$ 6,261	$ 1,429

(1) We had no material purchase commitments, individually or in the aggregate, under our manufacturing and supply agreements.

(2) No amounts were drawn under the Chase Agreement at December 31, 2014. Includes amounts due under Omega facilities assuming period-end foreign exchange rates. We repaid in full the NBC Omega facilities in January 2015 (C$6.8 million, $5.6 million).

(3) Includes annual minimum lease payments related to non-cancelable operating leases.

(4) Includes management's estimate for contingent potential contractual payments and fees pursuant to strategic business agreements for the development and marketing of finished dosage form pharmaceutical products assuming all contingent future contractual payments occur. Does not include contingent royalty payments, which are dependent on the introduction of new products.

(5) Includes remaining purchase consideration payable under the SCP share purchase agreement.

Off-Balance Sheet Arrangements

At December 31, 2014, we were not party to any off-balance sheet arrangements, nor have we created any special-purpose or off-balance sheet entities for the purpose of raising capital, incurring debt or operating our business. With the exception of operating leases, we do not have any off-balance sheet arrangements or relationships with entities that are not consolidated into or disclosed on our financial statements that have or are reasonably likely to have a material current or future effect on our financial condition, changes in financial condition, revenues, expenses, results of operations, liquidity, capital expenditures or capital resources. In addition, we do not engage in trading activities involving non-exchange traded contracts.

Effects of Inflation

We do not believe that our sales or operating results have been materially impacted by inflation during the periods presented in our financial statements. There can be no assurance, however, that our sales or operating results will not be impacted by inflation in the future.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

Our market risks relate primarily to changes in interest rates and currency fluctuations between the Chinese Renminbi and the US dollar, and following our acquisition of Omega, between the Canadian dollar and US dollar.

The revolving loan facility under our Chase Agreement and substantially all of Omega's debt facilities bear floating interest rates that are tied to LIBOR or an alternate base rate, and therefore, our statements of operations

and our cash flows are exposed to changes in interest rates. Based on the amounts outstanding at December 31, 2014, a one percentage point increase in LIBOR would increase our ongoing interest expense by $0.1 million per year, and a 10% strengthening of the Canadian dollar relative to the US dollar, would increase our ongoing interest expense by less than $0.1 million per year. We historically have not engaged in hedging activities related to our interest rate or foreign exchange risks. In January 2015, we repaid in full the then-outstanding balance of the revolving credit facilities with the National Bank of Canada, totaling C$6.8 million ($5.6 million).

At December 31, 2014, we had cash and cash equivalents and short-term investments of $55.6 million and $18.5 million, respectively. Our cash and cash equivalents are held primarily in cash and money market funds, and our short-term investments are held primarily in corporate debt securities and commercial paper. We do not enter into investments for trading or speculative purposes. Due to the short-term nature of these investments, we believe that we do not have any material exposure to changes in the fair value of our investment portfolio as a result of changes in interest rates.

We generally record sales and pay our expenses in the local currency of the legal entity that incurs the expense. Substantially all of our business partners that supply us with API, product development services and finished product manufacturing are located in a number of foreign jurisdictions, and we believe those business partners generally incur their respective operating expenses in local currencies. As a result, both we and our business partners may be exposed to currency rate fluctuations and experience an effective increase in operating expenses in the event local currencies appreciate against the U.S. dollar. In this event, the cost of manufacturing product from our SCP facility may increase or such business partners may elect to stop providing us with these services or attempt to pass these increased costs back to us through increased prices for product development services, API sourcing or finished products that they supply to us. Historically we have not used derivatives to protect against adverse movements in currency rates.

We do not have any foreign currency or any other material derivative financial instruments.

Item 8. Financial Statements and Supplementary Data.

Sagent Pharmaceuticals, Inc.
Consolidated Balance Sheets
(in thousands, except share amounts)

	December 31, 2014	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	$ 55,633	$ 42,332
Short-term investments	18,473	113,810
Accounts receivable, net of chargebacks and other deductions	42,780	23,033
Inventories, net	61,781	46,481
Due from related party	2,156	3,644
Current deferred tax assets	12,135	6
Prepaid expenses and other current assets	5,560	6,485
Total current assets	198,518	235,791
Property, plant, and equipment, net	71,153	57,684
Investment in joint ventures	4,539	2,063
Goodwill	28,155	6,038
Intangible assets, net	65,575	8,326
Non-current deferred tax assets	13,173	—
Other assets	375	306
Total assets	$381,488	$ 310,208
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 32,710	$ 24,937
Due to related party	8,079	3,129
Accrued profit sharing	10,684	8,740
Accrued liabilities	19,346	13,004
Current portion of deferred purchase consideration	8,725	3,381
Current portion of long-term debt	508	10,333
Notes payable	5,499	—
Total current liabilities	85,551	63,524
Long term liabilities:		
Long-term portion of deferred purchase consideration	—	8,329
Long-term debt	1,945	—
Deferred income taxes	15,706	6
Other long-term liabilities	2,534	2,323
Total liabilities	105,736	74,182
Stockholders' equity:		
Common stock – $0.01 par value, 100,000,000 authorized, and 31,976,661 and 31,789,348 outstanding at December 31, 2014 and December 31, 2013, respectively	320	318
Additional paid-in capital	352,982	349,278
Accumulated other comprehensive income (loss)	(3,374)	487
Accumulated deficit	(74,176)	(114,057
Total stockholders' equity	275,752	236,026
Total liabilities and stockholders' equity	$381,488	$ 310,208

See accompanying notes to consolidated financial statements.

Sagent Pharmaceuticals, Inc.
Consolidated Statements of Operations
(in thousands, except per share amounts)

	Year ended December 31,		
	2014	2013	2012
Net revenue	$288,983	$244,750	$183,615
Cost of sales	202,821	167,228	152,508
Gross profit	86,162	77,522	31,107
Operating expenses:			
Product development	26,809	20,275	17,136
Selling, general and administrative	43,227	36,198	30,093
Acquisition-related costs	1,069	—	—
Management reorganization	—	—	708
Equity in net income of joint ventures	(3,987)	(2,395)	(1,337
Total operating expenses	67,118	54,078	46,600
Termination fee	—	5,000	—
Gain on previously held equity interest	—	2,936	—
Income (loss) from operations	19,044	31,380	(15,493
Interest income and other income (expense)	(678)	39	243
Interest expense	(2,188)	(930)	(1,567
Income (loss) before income taxes	16,178	30,489	(16,817
Provision (benefit) for income taxes	(23,703)	895	—
Net income (loss)	$ 39,881	$ 29,594	$ (16,817
Net income (loss) per common share:			
Basic	$ 1.25	$ 1.01	$ (0.60
Diluted	$ 1.22	$ 0.99	$ (0.60
Weighted-average of shares used to compute net income (loss) per common share:			
Basic	31,882	29,213	27,980
Diluted	32,745	29,937	27,980

See accompanying notes to consolidated financial statements.

Sagent Pharmaceuticals, Inc.
Consolidated Statements of Comprehensive Income (Loss)
(in thousands)

	Year ended December 31,		
	2014	2013	2012
Net income (loss)	$39,881	$29,594	$(16,817
Other comprehensive income (loss), net of tax			
Foreign currency translation adjustments	(3,830)	790	237
Reclassification of cumulative currency translation gain	—	(2,782)	—
Unrealized gains (losses) gains on available for sale securities	(31)	(21)	101
Total other comprehensive income (loss), net of tax	(3,861)	(2,013)	338
Comprehensive income (loss)	$36,020	$27,581	$(16,479

See accompanying notes to consolidated financial statements.

Sagent Pharmaceuticals, Inc.
Consolidated Statements of Stockholders' Equity (Deficit)
(in thousands, except share amounts)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total
	Shares	Amount				
Balance as of January 1, 2012	27,901,174	$ 279	$266,062	$ 2,162	$ (126,834)	$141,669
Issuance of common stock	—	—	—	—	—	—
Exercise of stock options	215,315	2	993	—	—	995
Repurchase liability related to restricted stock	—	—	76	—	—	76
Stock compensation expense	—	—	5,594	—	—	5,594
Comprehensive income (loss)	—	—	—	338	(16,817)	(16,479
Balance as of December 31, 2012	28,116,489	$ 281	$272,725	$ 2,500	$ (143,651)	$131,855
Issuance of common stock	3,542,470	36	70,544	—	—	70,580
Exercise of stock options	130,389	1	716	—	—	717
Stock compensation expense	—	—	5,293	—	—	5,293
Comprehensive income (loss)	—	—	—	(2,013)	29,594	27,581
Balance as of December 31, 2013	31,789,348	$ 318	$349,278	$ 487	$ (114,057)	$236,026
Issuance of common stock	—	—	—	—	—	—
Exercise of stock options	178,313	2	1,021	—	—	1,023
Stock compensation expense	—	—	2,683	—	—	2,683
Comprehensive income (loss)	—	—	—	(3,861)	39,881	36,020
Balance as of December 31, 2014	31,976,661	$ 320	$352,982	$ (3,374)	$ (74,176)	$275,752

See accompanying notes to consolidated financial statements.

Sagent Pharmaceuticals, Inc.
Consolidated Statements of Cash Flows
(in thousands)

	Year ended December 31,		
	2014	2013	2012
Cash flows from operating activities			
Net income (loss)	$ 39,881	$ 29,594	$ (16,817
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	9,524	7,074	5,996
Stock-based compensation	2,683	5,293	5,552
Equity in net income of joint ventures	(3,987)	(2,395)	(1,337
Dividends from unconsolidated joint ventures	1,511	4,318	5,155
Gain on previously held equity interest	—	(2,936)	—
Deferred income taxes, net	(26,242)		
Other	(200)	(115)	—
Changes in operating assets and liabilities, net of effect of acquisition:			
Accounts receivable	(16,442)	8,578	(2,581
Inventories, net	(1,713)	3,053	(5,619
Prepaid expenses and other current assets	2,171	(3,466)	(856
Due from related party	(1,208)	(6,924)	939
Accounts payable and other accrued liabilities	17,201	7,477	(10,554
Net cash provided by (used in) operating activities	23,179	49,551	(20,122
Cash flows from investing activities			
Capital expenditures	(4,242)	(1,103)	(111
Acquisition of business, net of cash acquired	(86,467)	(12,996)	—
Purchases of investments	(87,171)	(275,198)	(252,092
Sale of investments	181,352	196,728	288,462
Purchase of product rights	(4,404)	(5,174)	(3,248
Other	—	586	(376
Net cash (used in) provided by investing activities	(932)	(97,157)	32,635
Cash flows from financing activities			
Increase (reduction) in short-term borrowings	1,152	—	(24,867
Repayment of long-term debt	(10,420)	(8,961)	(12,273
Proceeds from issuance of common stock, net of issuance costs	1,023	71,247	995
Payment of deferred financing costs	(285)	(28)	(884
Net cash (used in) provided by financing activities	(8,530)	62,258	(37,029
Effect of exchange rate movements in cash	(416)	(7)	—
Net increase (decrease) in cash and cash equivalents	13,301	14,645	(24,516
Cash and cash equivalents, at beginning of period	42,332	27,687	52,203
Cash and cash equivalents, at end of period	$ 55,633	$ 42,332	$ 27,687
Supplemental disclosure of cash flow information			
Acquisition of property, plant and equipment in accounts payable	$ 934	$ —	$ —
Cash paid for interest	$ 1,361	$ 652	$ 1,021
Cash paid for taxes	$ 2,555	$ —	$ —

See accompanying notes to consolidated financial statements

Sagent Pharmaceuticals, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(amounts in thousands)

Note 1. Summary of Significant Accounting Policies:

Nature of Operations

Sagent Pharmaceuticals, Inc. ("Sagent", "we", "us" or "our") is a specialty pharmaceutical company that develops, sources, manufactures and markets pharmaceutical products, principally injectable-based generic equivalents to branded products which we sell primarily throughout Nortl America. We completed our initial public offering ("IPO") on April 26, 2011. In connection with our IPO, we incorporated (the "Reincorporation") in Delaware as Sagent Pharmaceuticals, Inc. Prior to the Reincorporation, we were a Cayman Islands company, and our corporate name was Sagent Holding Co. ("Sagent Holding"). Our products are typically sold to pharmaceutical wholesale companies which ther distribute the products to end-user hospitals, long-term care facilities, alternate care sites, and clinics. The injectable pharmaceutical marketplace is comprised of end users who have relationships with group purchasing organizations (GPOs) or specialty distributors that focus on a particular therapeutic class. GPOs enter into product purchasing agreements with Sagent and other pharmaceutical suppliers for products in an effort to secure favorable drug pricing on behalf of their end-user members.

Basis of Presentation

The consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP).

The consolidated financial statements include the assets, liabilities, and results of operations of Sagent Pharmaceuticals, Inc. and its wholly-owned subsidiaries. Intercompany balances and transactions have been eliminated in consolidation.

Sagent Agila LLC ("Sagent Agila") is a joint venture incorporated in Wyoming with Strides Inc., a wholly-owned subsidiary of Strides Arcolab International Limited ("Strides"), established in January 2007 with the principal business of development, manufacturing, marketing, distributio and sale of generic pharmaceutical products to the U.S. market. In December 2013, Mylan Inc. ("Mylan") acquired Strides' Agila Specialities Pvt. Ltd., subsidiary ("Agila"), including Strides' ownership share of the Sagent Agila joint venture.

We account for our 50% interest in Sagent Agila under the equity method of accounting as our interest in the entity provides for joint financial and operational control. Sagent's equity in the net income (loss) of Sagent Agila is included in the accompanying consolidated statements of operations as equity in net income (loss) of joint ventures.

On June 4, 2013, we acquired the remaining 50% equity interest in Kanghong Sagent (Chengdu) Pharmaceutical Co. Ltd. ("KSCP") from our former joint venture partner (the "SCP Acquisition"), and accordingly, the consolidated financial statements since that date include KSCP as a wholly-owned subsidiary. Prior to the SCP Acquisition, we accounted for our investment in KSCP using the equity method of accounting, as ou interest in the entity provided for joint financial and operational control, and the operating results of KSCP were reported on a one-month lag. In August 2013, we formally changed the name of this entity to Sagent (China) Pharmaceuticals Co., Ltd. ("SCP").

On October 1, 2014, we, through our wholly-owned subsidiary, Sagent Acquisition Corp., a Canadian company, acquired all of the issued and outstanding shares of the capital stock of 7685947 Canada Inc., and its subsidiary, Omega Laboratories Limited (collectively, "Omega"), a privately held Canadian pharmaceutical and specialty healthcare products company for C$92.8 million ($82.7 million) subject to post-closing adjustments. As a result

of the completion of the transaction, Omega became a wholly-owned subsidiary of the Company effective October 1, 2014.

As a result of the Omega acquisition on October 1, 2014, we began operating in two reportable segments comprised of operations in the United States, including our Chinese manufacturing site, (Sagent US segment) and Canada (Omega segment), each of which develop, source, manufacture and market generic injectable products for sale within the their respective countries, each segment deriving a significant portion of its revenues from a single class of pharmaceutical wholesale customers within that country.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reporte amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Foreign Currencies

We translate the results of operations of our foreign subsidiaries using average exchange rates during each period, whereas balance sheet accounts are translated using exchange rates at the end of each period. We record currency translation adjustments as a component of equity. Transaction gains and losses are recorded in interest income and other in the statements of operations, and were $1,075 of transaction losses in the year ended December 31, 2014. Transaction gains and losses were not significant for the years ended December 31, 2013 or 2012.

Fair Value of Financial Instruments

The carrying amounts reported in the balance sheets for cash and cash equivalents and other current monetary assets and liabilities approximate fair value because of the immediate or short-term maturity of these financial instruments.

Cash and Cash Equivalents

We consider all highly liquid money market instruments with an original maturity of three months or less when purchased to be cash equivalents. These amounts are stated at cost, which approximates fair value. At December 31, 2014, cash equivalents were deposited in financial institutions and consisted of immediately available fund balances. The majority of our funds at December 31, 2014 were maintained at stable financial institutions, in amounts in excess of federally insured limits. This represents a concentration of credit risk. We have not experienced any losses on our deposits of cash and cash equivalents to date.

Cash collateral pledged under various lease agreements and cash restricted by financing agreements is classified as restricted cash within the other assets caption in the accompanying consolidated balance sheets as our ability to withdraw the funds is contractually limited.

Financial Instruments

We consider all highly liquid money market investments with a maturity of three months or less at the date of purchase to be cash equivalents. The carrying values of these investments approximate their fair values. Investments with original maturities of greater than three months and remaining maturities of less than one year are classified as short-term investments. Investments with maturities beyond one year are classified as short-term based on their highly liquid nature and because such marketable securities represent the investment of cash that is available for current operations. All cash equivalents and short-term investments are classified as available-for-

sale and realized gains and losses are recorded using the specific identification method. Changes in market value, excluding other-than-temporary impairments, are reflected in other comprehensive income ("OCI").

Investments are considered to be impaired when a decline in fair value is judged to be other-than-temporary. Fair value is calculated based on publicly available market information or other estimates determined by management. We employ a systematic methodology on a quarterly basis that considers available quantitative and qualitative evidence in evaluating potential impairment of our investments. If the cost of an investment exceeds its fair value, we evaluate, among other factors, general market conditions, credit quality of debt instrument issuers, the duration and extent to which the fair value is less than cost, and for equity securities, our intent and ability to hold, or plans to sell, the investment. For fixed income securities, we also evaluate whether we have plans to sell the security or it is more likely than not that we will be required to sell the security before recovery.

We also consider specific adverse conditions related to the financial health of and business outlook for the investee, including industry and sector performance, changes in technology, and operational and financing cash flow factors. Once a decline in fair value is determined to be other-than-temporary, an impairment charge is recorded to other expense and a new cost basis in the investment is established.

Inventories

Inventories are stated at the lower of cost (first in, first out) or market value. Inventories consist of products currently approved for marketing and may include certain products pending regulatory approval. From time to time, we capitalize inventory costs associated with products prior to receiving regulatory approval based on our judgment of probable future commercial success and realizable value. Such judgment incorporates management's knowledge and best judgment of where the product is in the regulatory review process, market conditions, competing products and economic expectations for the product post-approval relative to the risk of manufacturing the product prior to approval. If final regulatory approval for such products is denied or delayed, we may need to reserve for and expense such inventory. We record inventory provisions for products which have not received regulatory approval within product development expense.

We establish reserves for inventory to reflect situations in which the cost of the inventory is not expected to be recovered. In evaluating whether inventory is stated at the lower of cost or market, management considers such factors as the amount of inventory on hand, estimated time required to sell such inventory, remaining shelf life and current expected market conditions, including level of competition. We record provisions for inventory to cost of goods sold.

Property, Plant, and Equipment

Property, plant, and equipment is stated at cost, less accumulated depreciation. The cost of repairs and maintenance is expensed when incurred, while expenditures for refurbishments and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. Provisions for depreciation are computed for financial reporting purposes using the straight-line method over the estimated useful life of the related asset and for leasehold improvements over the lesser of the estimated useful life of the related asset or the term of the related lease as follows:

Land and land improvements	Indefinite, except with respect to the Chinese land use right (through remaining term, June 2057)
Building and improvements	5 to 40 years or remaining term of lease
Machinery, equipment, furniture, and fixtures	3 to 10 years
Software	3 to 5 years

Property, plant and equipment that is purchased or constructed which requires a period of time before the assets are ready for their intended use are accounted for as construction-in-progress. Construction-in-progress is recorded at acquisition cost, including installation costs and associated interest costs. Construction-in-progress is transferred to specific property, plant and equipment accounts and commences depreciation when these assets are ready for their intended use. The capitalization of interest costs commences when expenditures for the asset have been made, activities that are necessary to prepare the asset for its intended use are in progress and interest cost is being incurred. The capitalization period ends when the asset is substantially complete and ready for its intended use.

Deferred Financing Costs

Deferred financing costs related to the issuance of debt are amortized using the straight-line method over the term of the related debt instrument which approximates the effective interest method. We capitalized deferred financing costs of $285 in 2014 in connection with our new revolving loan credit facility with JPMorgan Chase Bank, N.A. (the "Chase Agreement") and $28 in 2013, related to our former SVB revolving loan facility. Deferred financing costs are recorded within Other Assets on our consolidated balance sheets, and totaled $275 and $206 at December 31, 2014 and 2013, respectively.

Impairment of Long-Lived Assets

We evaluate long-lived assets, including intangible assets with definite lives, for impairment whenever events or other changes in circumstances indicate that the carrying value of an asset may no longer be recoverable. An evaluation of recoverability is performed by comparing the carrying values of the assets to projected future undiscounted cash flows, in addition to other quantitative and qualitative analyses. Judgments made by management related to the expected useful lives of long-lived assets and the ability to realize undiscounted cash flows in excess of the carrying amounts of such assets are affected by factors such as changes in economic conditions and changes in operating performance. Upon indication that the carrying values of such assets may not be recoverable, we recognize an impairment loss as a charge against current operations. We recorded an impairment charge within cost of sales of $200 and $44 related to one product license right in the years ended December 31, 2014 and 2013, respectively. No impairment charges were recorded during the year ended December 31, 2012.

Product Development Agreements

Product development costs are expensed as incurred. These expenses include the costs of our internal product development efforts and acquired in-process research and development, as well as product development costs incurred in connection with our third-party contract research and development efforts. Non-refundable contractual payments made under contract research and development arrangements for future research and development activities prior to regulatory approval, including payments made upon execution of a definitive contract research and development agreement, are deferred and are expensed as the related services are performed. If we determine that it is no longer probable that the product will be pursued, any related capitalized amount is expensed in the current period. Contractual payments due to a counterparty for development effort that are contingent upon the successful completion of certain activities are expensed when the successful completion is considered probable.

Once a product receives regulatory approval, we record any contractual payments for the license to sell the developed product as an intangible asset to be amortized on a straight-line basis as a component of cost of sales over the shorter of the related license period or the estimated life of the acquired product. At December 31, 2014, the amortization period for intangible assets arising from approved products ranges from five to eight years with a weighted-average period prior to the next renewal or extension of 5.5 years. We make the determination whether to capitalize or expense amounts related to the development of new products and technologies through agreements with third parties based on our ability to recover our cost in a reasonable period of time, generally the initial license term, from the estimated future cash flows anticipated to be generated pursuant to each agreement. Market, regulatory and legal factors, among other things, may affect the realizability of the projected cash flows

that an agreement was initially expected to generate. We regularly monitor these factors and subject capitalized costs to periodic impairment testing.

Goodwill and Intangible Assets

Goodwill is recognized as the excess of fair value of consideration transferred to acquire an entity over the fair values assigned to assets acquire and liabilities assumed. Goodwill is not amortized, but rather tested for impairment on an annual basis and more often if circumstances require. We assess goodwill impairment risk by first performing a qualitative review of entity-specific, industry, market and general economic factors fo each of our reporting units. If significant potential goodwill impairment risk exists, we apply a two-step quantitative test. Impairment losses are recognized whenever the implied fair value of goodwill is less than its carrying value. We test goodwill for impairment at least annually on October 1.

Certain amounts paid to third parties that are capitalized related to the development of new products and technologies are included within intangible assets. We determine the estimated fair values of certain intangible assets with definitive lives utilizing valuations performed by management at the time of their acquisition, based on anticipated future cash flow activity.

We test indefinite-lived intangible assets for impairment by first performing a qualitative review by assessing events and circumstances that could affect the fair value or carrying value of the indefinite-lived intangible asset. If significant potential impairment risk exists for a specific indefinite-lived intangible asset, we quantitatively test for impairment by comparing the fair value of each intangible asset with its carrying value. Fair value of non-amortizable intangible assets is determined using planned growth rates, market-based discount rates and estimates of royalty rates. If the carrying value of the asset exceeds its fair value, the intangible asset is considered impaired and is reduced to its estimated fair value.

Definite-lived intangible assets are amortized over their estimated useful lives and evaluated for impairment as long-lived assets.

Acquired In-Process Research and Development

The fair value of in-process research and development ("IPR&D") projects acquired in a business combination are capitalized and accounted fo as indefinite-lived intangible assets until the underlying project receives regulatory approval, at which point the intangible asset will be accounted for as a definite-lived intangible asset, or discontinuation, at which point the intangible asset will be written off to product development expense. Development costs incurred after the acquisition are expensed as incurred.

Advertising and Promotion Expense

All advertising and promotion costs are expensed as selling, general, and administrative expenses when incurred. Total direct advertising and promotion expense incurred was $1,112, $766, and $683 for the years ended December 31, 2014, 2013 and 2012, respectively.

Income Taxes

Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases, as well as net operating loss and capital loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the financial statements in the period that includes the legislative enactment date. We recognize the financial statement effects of a tax position only when it is more likely than not that the position will be sustained

upon examination and recognize any interest and penalties accrued in relation to unrecognized tax benefits in income tax expense. We establish valuation allowances against deferred tax assets when it is more likely than not that the realization of those deferred tax assets will not occur.

In assessing the realizability of deferred tax assets, we consider whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. We also consider the scheduled reversal of deferred tax liabilities, projected future taxable income or losses, and tax planning strategies in making this assessment.

Revenue Recognition – General

We recognize revenue when our obligations to a customer are fulfilled relative to a specific product and all of the following conditions are satisfied: (i) persuasive evidence of an arrangement exists; (ii) the price is fixed or determinable; (iii) collectability is reasonably assured; and (iv) delivery has occurred. Delivery is deemed to have occurred upon customer receipt of product, upon fulfillment of acceptance terms, if any, and when no significant contractual obligations remain. Net sales reflect reductions of gross sales for estimated wholesaler chargebacks, estimated contractual allowances, estimated product returns and estimated early payment discounts. We provide for estimated product returns at the time of sale based on historic product return experience.

In the case of new products for which the product introduction is not an extension of an existing line of product, where we determine that there are not products in a similar therapeutic category, or where we determine the new product has dissimilar characteristics with existing products, such that we cannot reliably estimate expected returns of the new product, we defer recognition of revenue until the right of return no longer exists or until we have developed sufficient historical experience to estimate sales returns.

Shipping and handling fees billed to customers are recognized in net revenue. Other shipping and handling costs are included in cost of goods sold.

Revenue Recognition – Chargebacks

The majority of our products are distributed through independent pharmaceutical wholesalers. In accordance with industry practice, sales to wholesalers are initially transacted at wholesale list price. The wholesalers then generally sell to an end user, normally a hospital, alternative healthcare facility, or an independent pharmacy, at a lower price previously contractually established between the end user and Sagent.

When we initially record a sale to a wholesaler, the sale and resulting receivable are recorded at our list price. However, experience indicates tha most of these selling prices will eventually be reduced to a lower, end-user contract price. Therefore, at the time of the sale, a contra asset is recorded for, and revenue is reduced by, the difference between the list price and the estimated average end-user contract price. This contra asse is calculated by product code, taking the expected number of outstanding wholesale units sold that will ultimately be sold under end-user contracts multiplied by the anticipated, weighted-average contract price. When the wholesaler ultimately sells the product, the wholesaler charges us, or issues a chargeback, for the difference between the list price and the end-user contract price and such chargeback is offset against the initial estimated contra asset. Periodically, we review the wholesale list prices for our products, and from time to time may reduce list prices based on market conditions or competitive pricing pressures. Reductions in the wholesale list price of our products reduce both our gross sales and the revenue reduction recorded upon initial product sale, but do not change the end-user contract selling price.

The significant estimates inherent in the initial chargeback provision relate to wholesale units pending chargeback and to the ultimate end-user contract-selling price. We base the estimate for these factors on product-specific sales and internal chargeback processing experience, estimated wholesaler inventory stocking levels,

current contract pricing and our expectation for future contract pricing changes. Our chargeback provision is potentially impacted by a number c market conditions, including: competitive pricing, competitive products, and other changes impacting demand in both the distribution channel and end users.

We rely on internal data, external data from our wholesaler customers, and management estimates to estimate the amount of inventory in the channel subject to future chargeback. The amount of product in the channel is comprised of both product at the wholesaler and product that the wholesaler has sold, but not yet reported as end-user sales. Physical inventory in the channel is estimated by the evaluation of our monthly sales to the wholesalers and our knowledge of inventory levels and estimated inventory turnover at these wholesalers.

Our total chargeback accrual was $63,088 and $43,682 at December 31, 2014 and 2013, respectively, and is included as a reduction of accounts receivable. Our total chargeback expense was $403,493, $300,835, and $166,051 for the years ended December 31, 2014, 2013 and 2012, respectively.

Revenue Recognition – Cash Discounts

We offer cash discounts, approximating 2% of the gross sales price, as an incentive for prompt payment and occasionally offer greater discounts and extended payment terms in support of product launches or other promotional programs. Our wholesale customers typically pay within terms and we account for cash discounts by reducing net sales and accounts receivable by the full amount of the discount offered at the time of sale. We consider payment performance and adjust the accrual to reflect actual experience.

Our total accrual for cash discounts was $2,440 and $2,414 at December 31, 2014 and 2013, respectively, and is included as a reduction of accounts receivable.

Revenue Recognition – Sales Returns

Consistent with industry practice, our return policy permits customers to return products within a window of time before and after the expiration of product dating. We provide for product returns and other customer credits at the time of sale by applying historical experience factors. We provide specifically for known outstanding returns and credits. The effect of any changes in estimated returns is taken in the current period's income.

For returns of established products, we determine our estimate of the sales return accrual primarily based on historical experience, but also consider other factors that could impact sales returns. These factors include levels of inventory in the distribution channel, estimated shelf life, product recalls, timing of product returns relative to expiry, product discontinuances, price changes of competitive products, and introductions o competitive new products.

Our total accrual for returns and credits was $15,860 and $4,895 at December 31, 2014 and 2013, respectively, and is included as a reduction of accounts receivable.

Revenue Recognition – Contractual Allowances

Contractual allowances, generally rebates or administrative fees, are offered to certain wholesale customers, GPOs, and end-user customers, consistent with pharmaceutical industry practices. Settlement of rebates and fees may generally occur from one to five months from date of sale We provide a provision for contractual allowances at the time of sale based on the historical relationship between sales and such allowances. Contractual allowances are reflected in the consolidated financial statements as a reduction of revenues and as a current accrued liability.

Stock Based Compensation

We recognize compensation cost for all share-based payments (including employee stock options) at fair value. We use the straight-line attribution method to recognize stock based compensation expense over the vesting period of the award. Options currently granted generally expire ten years from the grant date and vest ratably over a four-year period.

Stock based compensation expense for performance based options is measured and recognized if the performance measures are considered probable of being achieved. We evaluate the probability of the achievement of the performance measures at each balance sheet date. If it is not probable that the performance measures will be achieved, any previously recognized compensation cost would be reversed.

Stock based compensation expense for cash-settled awards is measured and recognized at fair value on a periodic basis.

We use the Black-Scholes option pricing model to estimate the fair value of options granted under our equity incentive plans and rights to acquire stock granted under the stock participation plan. Stock-based compensation expense was $2,683, $5,293 and $5,552 for the years ended December 31, 2014, 2013 and 2012, respectively.

Recently Adopted Accounting Standards

In May 2014, the FASB issued amended revenue recognition guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires an entity to recognize revenue in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required about customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. We are required to adopt this new guidance on January 1, 2017, using one of two prescribed retroactive methods. Early adoption is not permitted. We are evaluating the impact of the amended revenue recognition guidance on our consolidated financial statements.

Note 2. Acquisitions:

Omega Acquisition

On October 1, 2014, we, through our wholly-owned Canadian subsidiary, Sagent Acquisition Corp., entered into a Share Purhcase Agreement t acquire all of the issued and outstanding shares of the capital stock of Omega for C$92,768 ($82,693), after accounting for net post-closing adjustments of C$191 ($170). Under the acquisition method of accounting, the total consideration transferred for the 100% equity interest has been preliminarily allocated to the net identifiable assets based on the estimated fair value at the date of acquisition. Except as it relates to inventory, property, plant and equipment, and intangible assets, the carrying value of assets and liabilities in Omega's historical financial statements have been determined to approximate fair value due to their short term nature. The excess of the consideration transferred over the n identifiable assets, after considering the tax effects of temporary differences due to the fair value adjustments, has been recorded as goodwill as of the acquisition date. The goodwill associated with this acquisition has all been assigned to the Omega operating segment; none of the goodwill is tax-deductible. The cost allocation is preliminary. The final allocation may differ from the preliminary assessment based on the finalization of working capital adjustments.

The acquisition date fair value transferred for the purchase of Omega is as follows:

	(in thousands)
Cash	$ 82,863
Net working capital adjustments receivable from the sellers	(170)
Total purchase consideration	$ 82,693

The fair value of identifiable assets acquired and liabilities assumed for the Omega acquisition is shown in the table below:

	(in thousands)
Cash	$ 3
Accounts receivable, net	3,419
Inventory	14,014
Prepaid and other current assets	1,295
Property, plant and equipment	14,307
Definite-lived intangible assets	49,918
In-process research and development	7,666
Goodwill	22,842
Accounts payable	(2,410)
Other accrued liabilities	(4,090)
Long-term debt and notes payable	(7,095)
Deferred income tax liabilities	(17,176)
Total allocation of fair value	$ 82,693

We recorded goodwill of $22,842 due to synergies achieved by having control over the products and manufacturing at Omega.

Omega's revenues of $8,561 and losses of $2,126 from the date of acquisition are included in the Company's consolidated results for the year ended December 31, 2014 from the date of acquisition.

The following unaudited pro forma financial information reflects the consolidated results of operations of Sagent as if the Omega acquisition ha taken place on January 1, 2013. The pro forma information includes acquisition and integration expenses. The pro forma financial information i not necessarily indicative of the results of operations as they would have been had the transaction been effected on the assumed date.

	Year Ended December 31,	
	2014	2013
Condensed statement of operations information		
Net revenues	$312,853	$279,051
Net income	38,392	24,893
Diluted income per common share	$ 1.17	$ 0.83

Remaining equity interest of SCP

On April 30, 2013, we entered into a Share Purchase Agreement with Chengdu Kanghong Pharmaceuticals (Group) Co. Ltd. ("CKT") to acquir CKT's 50% equity interest in KSCP for $25,000, payable in installments through September 2015. The SCP Acquisition closed on June 4, 2013 following approval by the Chengdu Hi-Tech Industrial Development Zone Bureau of Investment Services. Concurrent with the closing of the SCP Acquisition, we paid $10,000 of the aggregate purchase consideration, and recorded a liability of $13,836 representing the fair value of our future payments as of the acquisition date to CKT under the terms of the Share Purchase Agreement. Upon the execution of the Share Purchase Agreement, we entered into a Share Pledge Agreement with CKT pursuant to which we pledged a portion of the shares to be acquired as collateral securing our future installment payment obligations. In December 2013 and September 2014, we paid $2,500 and $3,500, respectively of the installment payment obligation. As of December 31, 2014, a final installment payment remains of $9,000, which is payable by September 1, 2015.

The SCP Acquisition was financed with cash and short term investments. The SCP Acquisition provided us with full control of the SCP manufacturing facility and served our long term strategic goals of additional investment in product development and vertically integrated capacity expansion.

As a result of the SCP Acquisition, we remeasured the previously held equity interest in KSCP to fair value, resulting in a gain of $2,936 reported as gain on previously held equity interest in the consolidated statements of operations. The gain includes $2,782 reclassified from accumulated other comprehensive income (loss), and previously recorded as currency translation adjustments. Both the gain on previously held equity interest and the fair value of the non-controlling interest in SCP that we acquired were based on an asset approach valuation method. Acquisition related costs of $479 were recognized as product development expenses.

The acquisition date fair value transferred for the purchase of SCP is as follows:

	(in thousands)
Cash	$ 10,000
Present value of remaining purchase consideration	13,836
Previously held equity interest	15,949
Gain on remeasurement of previously held equity interest in KSCP	154
Total purchase consideration	$ 39,939

The fair value of identifiable assets acquired and liabilities assumed for the SCP acquisition is shown in the table below:

	(in thousands)
Goodwill	$ 6,038
Acquired tangible assets, net of assumed liabilities	33,901
Total allocation of fair value	$ 39,939

The net tangible assets acquired consisted primarily of cash of $2,704, inventory of $2,396, prepaid assets of $196, and property, plant and equipment of $56,654, net of assumed liabilities, primarily long term bank loans of $19,095 and accrued compensation and other liabilities of $8,954. We recorded goodwill of $6,038 due to the synergies achieved by having control over the products and manufacturing at the SCP facility. The goodwill associated with this acquisition has all been assigned to the Sagent US operating segment; none of the goodwill is tax-deductible.

SCP's revenues of $344 and losses of $6,137 from the date of acquisition are included in the company's consolidated results for the year ended December 31, 2013 from the date of acquisition.

The following unaudited pro forma financial information reflects the consolidated results of operations of Sagent as if the SCP acquisition had taken place on January 1, 2012. The pro forma information includes acquisition and integration expenses. The pro forma financial information is not necessarily indicative of the results of operations as they would have been had the transaction been effected on the assumed date.

	Year Ended December 31, 2013
Condensed statement of operations information	
Net revenues	$ 244,750
Net income	25,881
Diluted income per common share	$ 0.86

Product rights acquisitions

On December 19, 2014, we entered into and closed an agreement with Mylan to acquire three products rights, Rocuronium, Clindamycin, and Cisatracurium, owned by Sagent Agila. The total fair value of consideration transferred was $1,760, consisting of $1,155 of cash and $605 of contingent consideration. Sagent Agila deconsolidated its ownership in the product rights, recognizing a gain on sale of $1,760, which the joint venture

partners shared through their equity interests in Sagent Agila. The products rights have been recognized in our Sagent US segment.

We estimated the fair value of the contingent consideration to be $605 using a probability weighting approach that considered the possible outcomes based on assumptions related to the timing and probability of the Cisatracurium product approval date. The transaction was accounted for as a purchase of a business, and consequently, results of operations reflect the new basis of accounting from the date of the acquisition. The acquisition of these three products provides us with full control of the product rights and enhanced profitability, as we will no longer be required to share the profitability with our joint venture partner. The acquisition was financed with cash. Acquisition related costs related to this transaction were nominal.

The estimated fair value of identifiable assets acquired and liabilities assumed for Rocuronium, Clindamycin, and Cisatracurium is shown in the table below:

	(in thousands)
Definite-lived intangible assets	$ 720
In-process research and development	1,040
Total allocation of fair value	$ 1,760

On August 30, 2013, we entered into an agreement with Mylan to acquire two products rights, Mesna and Acetylcysteine, owned by Sagent Agila. The acquisition closed on December 12, 2013, following the completion of Mylan's acquisition of Agila from Strides. Under the terms of the agreement, we acquired the product rights from Sagent Agila. The total fair value of consideration transferred was $3,400, consisting of $3,200 of cash and $200 of contingent consideration. Sagent Agila deconsolidated its ownership in the product rights, recognizing a gain of $3,400, which the joint venture partners shared through their equity interests in Sagent Agila. The product rights have been recognized in our Sagent US segment.

We estimated the fair value of the contingent consideration to be $200 using a probability weighting approach that considered the possible outcomes based on assumptions related to the timing and probability of the Acetylcysteine product approval date. The transaction was accounted for as a purchase of a business, and consequently, results of operations reflect the new basis of accounting from the date of the acquisition. The acquisition of these two products provides us with full control of the product rights and enhanced profitability, as we will no longer be required to share the profitability with our joint venture partner. The acquisition was financed with cash. Acquisition related costs related to this transaction were nominal.

The fair value of identifiable assets acquired and liabilities assumed for Mesna and Acetylcysteine is shown in the table below:

	(in thousands)
Definite-lived intangible asset	$ 2,180
In-process research and development	1,220
Total allocation of fair value	$ 3,400

Note 3. Investments

Our investments at December 31, 2014 were comprised of the following:

	Cost basis	Unrealized gains	Unrealized losses	Carrying value	Cash and cash equivalents	Short term investments
Assets						
Cash	$42,494	$ —	$ —	$42,494	$ 42,494	$ —
Money market funds	13,139	—	—	13,139	13,139	—
Corporate bonds and notes	18,513	1	(41)	18,473	—	18,473
	$74,146	$ 1	$ (41)	$74,106	$ 55,633	$ 18,473

Our investments at December 31, 2013 were comprised of the following:

	Cost basis	Unrealized gains	Unrealized losses	Carrying value	Cash and cash equivalents	Short term investments
Assets						
Cash	$ 30,740	$ —	$ —	$ 30,740	$ 30,740	$ —
Money market funds	11,592	—	—	11,592	11,592	—
Commercial paper	21,297	—	(3)	21,294	—	21,294
Corporate bonds and notes	92,523	46	(53)	92,516	—	92,516
	$156,152	$ 46	$ (56)	$156,142	$ 42,332	$113,810

Investments with continuous unrealized losses for less than twelve months and their related fair values were as follows:

	December 31, 2014		December 31, 2013	
	Fair value	Unrealized losses	Fair value	Unrealized losses
Commercial paper	$ —	$ —	$19,294	$ (3)
Corporate bonds and notes	16,468	(41)	50,922	(53)

Unrealized losses from fixed-income securities are primarily attributable to changes in interest rates. Because we do not intend to sell these investments, and it is not more likely than not that we will be required to sell our investments before recovery of their amortized cost basis, which may be maturity, we do not consider these investments to be other-than-temporarily impaired at December 31, 2014 or 2013.

The original cost and estimated current fair value of our fixed-income securities as of December 31, 2014 are set forth below.

	Cost basis	Estimated fair value
Due in one year or less	$ 8,937	$ 8,932
Between one and five years	9,576	9,541

Note 4. Accounts Receivable and Concentration of Credit Risk

We typically establish multi-year contractual agreements with GPOs and individual hospital groups to offer our products to end-user customers. As is common in the pharmaceutical industry, a significant amount of our pharmaceutical products are sold to end users under these GPO contracts through a relatively small number of drug wholesalers. Three wholesalers collectively represented approximately 85%, 84%, and 82% of our

consolidated net revenue in 2014, 2013 and 2012, respectively, and represented approximately 90% and 87% of our consolidated accounts receivable at December 31, 2014 and 2013, respectively. To help control our credit exposure, we routinely monitor the creditworthiness of customers, review outstanding customer balances, and record allowances for bad debts as necessary. Historical credit loss has not been significant. We had a reserve of $1,433 and $23 for bad debts as of December 31, 2014 and 2013, respectively. We do not require collateral.

Note 5. Inventories

Inventories at December 31, 2014 and 2013 were as follows:

	December 31, 2014			December 31, 2013		
	Approved	Pending regulatory approval	Inventory	Approved	Pending regulatory approval	Inventory
Raw materials	$10,203	$ 2,848	$13,051	$ 5,614	$ 19	$ 5,633
Work in process	2,012	—	2,012	—	—	—
Finished goods	49,960	—	49,960	44,510	1,437	45,947
Inventory reserve	(3,242)	—	(3,242)	(3,662)	(1,437)	(5,099
	$58,933	$ 2,848	$61,781	$46,462	$ 19	$46,481

Note 6. Property, plant and equipment

Property, plant and equipment at December 31, 2014 and 2013 were as follows:

	December 31,	
	2014	2013
Land and land improvements	$ 3,519	$ 2,235
Buildings and improvements	26,605	19,696
Machinery, equipment, furniture and fixtures	42,124	38,000
Construction in process	6,175	460
	78,423	60,391
Less: accumulated depreciation	(7,270)	(2,707)
	$71,153	$57,684

Depreciation expense was $4,355, $1,620, and $215 in the years ended December 31, 2014, 2013 and 2012, respectively. We acquired C$16,05(($14,307) of property plant and equipment in connection with the Omega acquisition.

Note 7. Investment in Sagent Agila

We account for our 50% interest in Sagent Agila under the equity method of accounting. Under the equity method of accounting, our share of income or loss was recorded as “equity in net income of joint ventures” in the consolidated statements of operations.

Changes in the carrying value of Sagent Agila consist of the following:

	December 31,	
	2014	2013
Investment in Sagent Agila at beginning of year	$ 2,063	$ 2,161
Equity in net income of Sagent Agila	3,987	4,220
Dividend paid	(1,511)	(4,318)
Investment in Sagent Agila at end of year	$ 4,539	$ 2,063

Condensed statement of operations and balance sheet information of Sagent Agila is presented below. All amounts are presented in accordance with accounting principles generally accepted in the United States.

	Year Ended December 31,		
	2014	2013	2012
Condensed statement of operations information			
Net revenues	$8,093	$16,927	$28,948
Gross profit	6,321	5,454	11,279
Net income	7,975	8,440	10,302

	December 31,	
	2014	2013
Condensed balance sheet information		
Current assets	$11,333	$7,910
Noncurrent assets	360	522
Total assets	$11,693	$8,432
Current liabilities	$ 2,636	$4,328
Long-term liabilities	—	—
Stockholders' equity	9,057	4,104
Total liabilities and stockholders' equity	$11,693	$8,432

Note 8. Investment in SCP

Prior to the SCP Acquisition in June 2013, we accounted for our 50% interest in SCP under the equity method of accounting. Under the equity method of accounting, our share of income or loss is recorded as "equity in net income of joint ventures" in the consolidated statements of operations on a one-month lag. Changes in the carrying value of SCP consist of the following:

	December 31,
	2013
Investment in SCP at beginning of year	$ 17,461
Equity in net loss of SCP	(1,825)
Currency translation adjustment	294
Investments in SCP	19
Acquisition of remaining equity interest in SCP	(15,949)
Investment in SCP at end of year	$ —

Condensed statement of operations through the date of the SCP Acquisition is presented below. All amounts are presented in accordance with accounting principles generally accepted in the United States. In addition, the assets and liabilities of SCP have been translated at exchange rates as of the balance sheet date and revenues and expenses of SCP have been translated at the weighted-average exchange rate for each respective reporting period.

	Period ended	Year Ended December 31,
	June 4, 2013	2012
Condensed statement of operations information		
Net revenues	$ —	$ —
Gross profit	—	—
Net loss	(2,805)	(7,044)

Note 9. Goodwill and Intangible assets, net

Goodwill by reportable segment at December 31, 2014 and 2013 was as follows:

	2014	2013
Sagent US	$ 6,038	$6,038
Omega	22,117	—
Goodwill	**$28,155**	**$6,038**

The change in goodwill during 2014 represents $22,842 of goodwill recorded related to the Omega acquisition (reported in the Omega segment) offset by $725 impact of foreign currency. There were no reductions of goodwill relating to impairments.

Intangible assets at December 31, 2014 and 2013 were as follows:

	December 31, 2014			December 31, 2013		
	Gross carrying amount	Accumulated amortization	Intangible assets, net	Gross carrying amount	Accumulated amortization	Intangible assets, net
Product licensing rights	$ 4,707	$ (2,878)	$ 1,829	$ 3,761	$ (2,071)	$ 1,690
Product development rights	4,191	—	4,191	3,252	—	3,252
Purchased product rights and other	51,245	(1,375)	49,870	2,180	(16)	2,164
Total definite-lived intangible assets	$ 60,143	$ (4,253)	$55,890	$ 9,193	$ (2,087)	$ 7,106
In-process research and development (IPR&D)	$ 9,685	$ —	$ 9,685	$ 1,220	$ —	$ 1,220
Total intangible assets	$ 69,828	$ (4,253)	$65,575	$ 10,413	$ (2,087)	$ 8,326

Movements in intangible assets were due to the following:

	2014			
	Product licensing rights	Product development rights	Purchased product rights and other	IPR&D
Balance at January 1	$1,690	$ 3,252	$ 2,164	$1,220
Acquisition of product rights	946	2,576	—	—
Sagent Agila product acquisitions	—	—	720	1,040
Omega acquisition	—	—	49,918	7,666
Amortization	(807)	(1,637)	(1,380)	—
Foreign currency movements	—		(1,552)	(241)
Balance at December 31	$1,829	$ 4,191	$49,870	$9,685

	2013			
	Product licensing rights	Product development rights	Purchased product rights and other	IPR&D
Balance at January 1	$1,615	$ 2,662	$ —	$ —
Acquisition of product rights	604	4,570	—	—
Sagent Agila product acquisitions	—	—	2,180	1,220
Omega acquisition	—	—	—	—
Amortization	(529)	(3,980)	(16)	—
Foreign currency movements			—	
Balance at December 31	$1,690	$ 3,252	$ 2,164	$1,220

Amortization expense related to our product licensing rights was $807, $529, and $471 for the years ended December 31, 2014, 2013 and 2012, respectively. Amortization expense related to our product development rights was $1,637, $3,980, and $3,926 for the years ended December 31, 2014, 2013 and 2012, respectively. The weighted-average period prior to the next extension or renewal for the 20 products comprising our product licensing rights intangible asset was 65 months and the weighted-average remaining life of our purchased product rights and other definite-lived intangibles was 121 months at December 31, 2014.

We currently estimate amortization expense over each of the next five years as follows:

	Amortization expense
For the year ending December 31,	
2015	$ 7,604
2016	6,414
2017	4,892
2018	4,866
2019	4,800

Note 10. Accrued liabilities

Accrued liabilities at December 31, 2014 and 2013 were as follows:

	December 31, 2014	2013
Payroll and employee benefits	$ 9,329	$ 6,143
Sales and marketing	6,964	5,305
Taxes payable	1,040	895
Other accrued liabilities	2,013	661
	$19,346	$13,004

Note 11. Debt

JPMorgan Chase Revolving Credit Loan Facility

On October 31, 2014, we entered into a credit agreement with JPMorgan Chase Bank, N.A., (the "Chase Agreement"). The Chase Agreement provides for an $80,000 asset based revolving credit loan facility, with availability subject to a borrowing base consisting of eligible cash, short-term investments, accounts receivable and inventory and the satisfaction of conditions precedent specified in the Chase Agreement. The Chase Agreement provides for an accordion feature, whereby we may increase the revolving commitment up to an additional $25,000, subject to certain customary terms and conditions, including pro-forma compliance with a fixed charge coverage ratio (as defined in the Chase Agreement of 1.00 to 1.00. The Chase Agreement matures on October 31, 2019, at which time all amounts outstanding will be due and payable. Borrowings under the Chase Agreement may be used for general corporate purposes, including funding working capital. Amounts drawn bear an interest rate equal to, at our option, either a Eurodollar rate plus 2.00% per annum or an alternative base rate plus 1.00% per annum. We also incur a commitment fee on undrawn amounts equal to 0.25% per annum.

The Chase Agreement is guaranteed by our parent company at the time of closing and is secured by a lien on substantially all of our parent company and our principal domestic subsidiary's assets and any future domestic subsidiary's guarantor's assets. The same assets may also be used to secure, and we may guaranty, a loan by an affiliate of JPMorgan Chase Bank, N.A. to our Chinese subsidiary for the construction of a new manufacturing line. The Chase Agreement includes customary covenants and also imposes a financial covenant requiring

compliance with a minimum fixed charge coverage ratio of 1.00 to 1.00 during certain covenant testing times triggered if availability under the Chase Agreement is below the greater of 10% of the revolving commitment and $8,000.

As of December 31, 2014, no borrowings were outstanding and we were in compliance with all of our covenants under the Chase Agreement.

Silicon Valley Bank Loan and Security Agreement

In February 2012, we entered into a Loan and Security Agreement (the "SVB Agreement") with Silicon Valley Bank ("SVB"). The SVB Agreement provides for a $40,000 asset based revolving loan facility, with availability subject to a borrowing base consisting of eligible accounts receivable and inventory and the satisfaction of conditions precedent specified in the SVB Agreement. The SVB Agreement matures o February 13, 2016, at which time all outstanding amounts will become due and payable. Borrowings under the SVB Agreement may be used fo general corporate purposes, including funding working capital. Amounts drawn bear an interest rate equal to, at our option, either a Eurodollar rate plus 2.50% per annum or an alternative base rate plus 1.50% per annum. We also pay a commitment fee on undrawn amounts equal to 0.30% per annum.

The SVB Agreement contains various customary affirmative and negative covenants. The negative covenants restrict our ability to, among othe things, incur additional indebtedness, create or permit to exist liens, make certain investments, dividends and other payments in respect of capita stock, sell assets or otherwise dispose of our property, change our lines of business, or enter into a merger or acquisition, in each case, subject to thresholds and exceptions as set forth in the SVB Agreement. The financial covenants in the SVB Agreement are limited to maintenance of a minimum adjusted quick ratio and a minimum free cash flow. The SVB Agreement also contains customary events of default, including non-payment of principal, interest and other fees after stated grace periods, violations of covenants, material inaccuracy of representations and warranties, certain bankruptcy and liquidation events, certain material judgments and attachment events, cross-default to other debt in excess of specified amount and material agreements, failure to maintain certain material governmental approvals, and actual or asserted invalidity of subordination terms, guarantees and collateral, in each case, subject to grace periods, thresholds and exceptions as set forth in the SVB Agreement.

During the continuance of an event of default, at SVB's option, all obligations will bear interest at a rate per annum equal to 5.00% per annum above the otherwise applicable rate. At March 31, 2012, we were not in compliance with the free cash flow covenant in the SVB Agreement. On May 10, 2012, SVB agreed to waive our non-compliance with the covenant at March 31, 2012 and modified the covenant for the remainder of 2012. In connection with the waiver and modification, we paid a fee of $100.

Concurrent with entering into the SVB Agreement, we repaid in full with cash on hand all outstanding amounts under our former term Loan and revolving credit facility, plus certain associated fees, and terminated the agent's and lender's commitments to extend further credit under those facilities. Concurrent with the repayment and termination of these agreements, all liens and security interests against our property that secured the obligations under these agreements were released and discharged. Loans under the SVB Agreement are secured by a lien on substantially all of our and our principal operating subsidiary's assets, other than our equity interests in our joint ventures and certain other limited exceptions.

As part of the termination of our prior revolving and term loan credit facilities, we were required to pay to the lenders under those facilities $1,500 of early termination fees and a $600 exit fee associated with the Term Loan; however, $1,050 of such fees owing to SVB under these facilities were deferred in connection with the execution of the SVB Agreement and will only be payable upon the occurrence of certain early termination events as set forth in the SVB Agreement. We have accounted for the termination of these prior facilities as the extinguishment of the Term Loan, and the partial extinguishment of the revolving credit facility. We recorded $1,124 in the year ended December 31, 2012 to account for early termination fees and the acceleration of

deferred financing costs related to the partial extinguishment of these facilities within interest expense in the consolidated statement of operations.

On September 23, 2013, we entered into a Second Loan Modification Agreement to the SVB Agreement with SVB (the "Modification"). The Modification altered the calculation methodology of the borrowing base that is used to determine our borrowing availability and the covenant fo the Adjusted Quick Ratio tested at the end of each month and eliminated the covenant to maintain a specified level of free cash flow in quarters where we maintain eligible cash balances of $30 million or greater. We did not amend the term, the maximum availability, or the interest rate applicable to the amounts drawn under the SVB Agreement.

Concurrent with entering the Chase Agreement, we terminated our prior revolving loan facility under the SVB Agreement, and repaid certain associated fees. Included with the fees was $1,050 of early termination fees that had previously been deferred by SVB as part of entering into th SVB Agreement in February 2012. This amount is included within interest expense in the consolidated statement of operations for the year ended December 31, 2014. Concurrent with the repayment and termination of the SVB Agreement, all liens and security interests against our property that secured the obligations under our prior revolving loan facility were released and discharged. Loans under the Chase Agreement are secured by a lien on substantially all of our and our principal domestic operating subsidiary's assets.

Credit facilities acquired under the SCP Acquisition

In connection with the acquisition of the remaining 50% equity interest in SCP, we assumed two loan contracts with the Agricultural Bank of China Ltd. in the amount of RMB 37,000 ($6,069) and RMB 83,000 ($13,613) originally entered into in June 2011 and August 2010, respectively, (the "ABC Loans") each with a five year term. Amounts outstanding under the ABC Loans bear an interest rate equal to the benchmark lending interest rate published by the People's Bank of China. During the term of the loan, the rate is subject to adjustment every three months. The ABC Loans are secured by the property, plant and equipment of SCP. As of December 31, 2013, RMB 63,000 ($10,333) was outstanding under the ABC Loans, at an interest rate of 6.00% per annum. As the interest rate resets on a quarterly basis, the fair value of our long-term debt approximates its carrying value. Repayment will be accelerated if the liabilities to assets ratio exceed 70% and 80% during the term of the RMB 37,000 and RMB 83,000 credit facilities, respectively, or if our SCP subsidiary is unable to achieve 50% of its projected revenues when it commences commercial activities.

On January 2, 2014, we repaid in full the then-outstanding balance of the ABC Loans, totaling RMB 63.0 million ($10.3 million). Upon prepayment of the ABC Loans, the loan contracts were terminated. No early termination fees were incurred as part of the prepayment of the ABC Loans.

Credit facilities acquired under the Omega acquisition

In connection with the acquisition of Omega on October 1, 2014, we assumed a series of credit facilities and mortgages with the National Bank of Canada ("NBC") and the Business Development Bank of Canada ("BDC"), as described below.

Omega has an authorized credit facility (the "Omega operating credit facility") in the amount of C$8,200 ($7,309) with the NBC. The Omega operating credit facility can be utilized in the form of floating-rate advances for an amount not exceeding C$7,000 ($6,239 as of the acquisition date) and advances in the form of letters of guarantee or letters of credit, within that limit for an amount not exceeding C$2,000 ($1,782 as of th acquisition date). The Omega operating credit facility can also be utilized in the form of advances to cover Omega's currency risk for an amoun not to exceed C$1,200 ($1,070 as of the acquisition date). On October 1, 2014, the Omega operating credit facility had floating-rate advances in the amount of C$1,530 ($1,364) bearing interest at the lender's prime rate plus 0.50%, (or an effective rate of 3.5%) which we assumed as part of the acquisition. As of December 31, 2014, C$3,272 ($2,824) was outstanding under the Omega operating credit facility.

In July 2014, Omega obtained a C$3,000 demand loan (the "Omega demand loan"), from the NBC bearing interest at the prime rate of the lender, plus a premium of 1.75% (effective rate 4.75%). The Omega demand loan is secured by all of the assets of Omega for C$3,000 plus an additional security interest of 20% of this amount, bearing interest at 4.75% per annum and matured in November 2014. We assumed the Omega demand loan ($2,674 as of the acquisition date) in connection with the acquisition and subsequently extended the maturity date to January 2015. The Omega operating credit facility and the Omega demand loan are secured by a first ranking security interest in the amount of C$8,250 ($7,354 as of the acquisition date) in Omega's inventories, trade receivables and on the intellectual property of Omega, present and future. As of December 31, 2014, C$3,000 ($2,674) was outstanding under the Omega demand loan.

Omega also had C$267 ($238) outstanding on a decreasing revolving credit facility with the NBC (the "Omega decreasing revolving credit facility") bearing interest at the prime rate of the lender, plus 1.0% (or an effective rate equal to 4.0%). The Omega decreasing revolving credit facility is secured by a first ranking security interest of C$1,000 ($891 as of the acquisition date) on the equipment, tooling and office furniture financed by the credit facility.

The Omega credit facilities are subject to certain restrictions, including the obligation to maintain certain financial ratios. As of October 1, 2014 Omega had not met certain financial ratios. As a result, the Omega decreasing revolving credit facility was classified as a current liability as of the acquisition date. In January 2015, we paid off all amounts outstanding under the Omega operating credit facility, the Omega demand loan and the Omega decreasing revolving credit facility with available cash on hand. As a result, all amounts outstanding under these instruments are classified as current liabilities at December 31, 2014.

In addition to the above, Omega had five mortgage loans with the BDC (collectively the "Omega mortgages") which we assumed in connection with the acquisition. The Omega mortgages, which require monthly installments and which are secured by specific Omega buildings and equipment, range in amount from C$70 to C$1,250 ($62 to $1,114 as of the acquisition date) and bear interest at the lender's prime rate (5% as of the acquisition date) plus a premium ranging from 0% - 1.5%. The Omega mortgages mature at various times from August 2019 through November 2036.

Debt maturities by year are as follows:

December 31,	Amount
2015	$ 508
2016	276
2017	276
2018	276
2019	253
2020 and thereafter	864
Total long-term debt	2,453
Less: Current maturities of long-term debt	508
Long-term portion of long-debt	$1,945

Note 12. Fair Value Measurements

Assets and liabilities measured at fair value on a recurring basis as of December 31, 2014 consisted of the following:

	Total fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets				
Money market funds	$ 13,139	$ 13,139	$ —	$ —
Corporate bonds and notes	18,513	—	18,513	—
Commercial paper	—	—	—	—
Short-term investments	$ 18,513	$ —	$ 18,513	$ —
Total assets	$ 31,652	$ 13,139	$ 18,513	$ —
Liabilities				
Contingent purchase consideration	$ 605	$ —	$ —	$ 605

The fair value of our Level 2 investments is based on a combination of quoted market prices of similar securities and matrix pricing provided by third-party pricing services utilizing securities of similar quality and maturity.

Assets and liabilities measured at fair value on a recurring basis as of December 31, 2013 consisted of the following:

	Total fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets				
Money market funds	$ 11,592	$ 11,592	$ —	$ —
Corporate bonds and notes	92,516	—	92,516	—
Commercial paper	21,294	—	21,294	—
Short-term investments	$ 113,810	$ —	$ 113,810	$ —
Total assets	$ 125,402	$ 11,592	$ 113,810	$ —
Liabilities				
Contingent purchase consideration	$ 200	$ —	$ —	$ 200

During the year ended December 31, 2014, changes in the fair value of our contingent purchase consideration measured using significant unobservable inputs (Level 3), were comprised of the following:

	Year ended December 31, 2013
Balance at beginning of period	$ 200
Issuance of contingent purchase consideration	605
Change in fair value of contingent purchase consideration	(200)
Payment of contingent purchase consideration	—
Balance at end of period	$ 605

The change in fair value of contingent purchase consideration of $200 relates to the lapse of the contingency related to the December 2013 acquisition of Acetylcystine from Sagent Agila LLC.

Note 13. Employee Benefit Plan

We sponsor a 401(k) defined-contribution plan (the "401(k) Plan") covering substantially all eligible US employees. Employee contributions to the 401(k) Plan are voluntary. We contribute an amount equal to 50% of a covered employee's eligible contribution up to 6% of a participant's compensation. Employer contributions vest over a period of three years. Participants' contributions are limited to their annual tax deferred contribution limit as allowed by the Internal Revenue Service. The Company's total matching contributions to the 401(k) Plan were $391, $338, and $340 for years ended December 31, 2014, 2013 and 2012, respectively. We may contribute additional amounts to the 401(k) Plan at our discretion. Discretionary employer contributions vest over the same three-year period. We made no discretionary contributions to the 401(k) Plan during the three-year period ended December 31, 2014.

Note 14. Stockholders' Equity

Common Stock

We are authorized to issue 100,000,000 shares of common stock as of both December 31, 2014 and 2013. We have reserved 5,892,670 shares at December 31, 2014 and 2013, for the issuance of common stock upon the exercise of outstanding stock options.

On September 16, 2013, we completed a registered equity offering, issuing 3,542,470 new shares of our common stock at $21.25 per share in exchange for total consideration of $75,277. We received proceeds from the offering, net of the underwriting discount and expenses, of $70,580

Note 15. Accumulated Comprehensive Income (Loss)

Accumulated comprehensive income (loss) at December 31, 2014, 2013 and 2012 is comprised of the following:

	December 31,		
	2014	2013	2012
Currency translation adjustment, net of tax	$(3,334)	$496	$2,488
Unrealized gain (loss) on available for sale securities, net of tax	(40)	(9)	12
	$(3,374)	$487	$2,500

The following table summarizes the changes in balances of each component of accumulated other comprehensive income, net of tax as of December 31, 2014.

	Currency translation adjustment	Unrealized gains (losses) on available for sale securities	Total
Balance as of December 31, 2013	$ 496	$ (9)	$ 487
Other comprehensive income (loss) before reclassifications	(3,830)	(31)	(3,861)
Amounts reclassified from accumulated other comprehensive income (loss)	—	—	—
Net current-period other comprehensive loss	(3,830)	(31)	(3,861)
Balance as of December 31, 2014	$ (3,334)	$ (40)	$(3,374)

	Currency translation adjustment	Unrealized gains (losses) on available for sale securities	Total
Balance as of December 31, 2012	$ 2,488	$ 12	$ 2,500
Other comprehensive income (loss) before reclassifications	790	(21)	769
Amounts reclassified from accumulated other comprehensive income (loss)	(2,782)	—	(2,782)
Net current-period other comprehensive loss	(1,992)	(21)	(2,013)
Balance as of December 31, 2013	$ 496	$ (9)	$ 487

No amounts were reclassified out of accumulated other comprehensive income for the year ended December 31, 2014. The table below presents the amounts reclassified out of each component of accumulated other comprehensive income for the year ended December 31, 2013.

Type of reclassification	Amount reclassified from accumulated other comprehensive income	Affected line item in the condensed consolidated statement of operations
Currency translation adjustment – reclassification of cumulative currency translation gain	$ 2,782	Gain on previously held equity intere
Total reclassification for the year ended December 31, 2013, net of tax	$ 2,782	

Note 16. Earnings Per Share

Basic earnings per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding for the period. Because of their anti-dilutive effect, 705,150, 1,194,717, and 2,280,106 of common share equivalents, comprised of unexercised stock options, have been excluded from the diluted earnings per share calculation for the years ended December 31, 2014, 2013 and 2012, respectively. The table below presents the computation of basic and diluted earnings per share for the years ended December 31, 2014, 2013 and 2012.

	Year Ended December 31,		
	2014	2013	2012
Basic and dilutive numerator			
Net income (loss), as reported	$39,881	$29,594	$(16,817
Denominator			
Weighted average common shares outstanding – basic (in thousands)	31,882	29,213	27,980
Net effect of dilutive securities			
Stock options and restricted stock	863	724	—
Weighted average common shares outstanding – diluted (in thousands)	32,745	29,937	27,980
Net income (loss) per common share (basic)	$ 1.25	$ 1.01	$ (0.60
Net income (loss) per common share (diluted)	$ 1.22	$ 0.99	$ (0.60

Note 17. Stock-Based Compensation

Prior to the initial public offering, we had a stock plan, the 2007 Global Share Plan (the "2007 Plan"), for key employees and nonemployees, which provided for the grant of nonqualified and incentive stock options and/or shares of restricted stock, deferred stock, and other equity awards in our common stock. Concurrent with the initial public offering, our Board adopted the 2011 Incentive Compensation Plan (the "2011 Plan", with the 2007 Plan, the "Plans"), for employees and nonemployees, which provides for the grant of nonqualified and incentive stock options and/or shares of restricted stock, deferred stock and other equity awards in our common stock. The Board administers the Plans. A total of 2,475,184 and 4,000,000 shares are authorized under the 2007 Plan and 2011 Plan, respectively, as of December 31, 2014. At December 31, 2014, we had 415,987 shares of common stock available for grant under the 2007 Plan and 2,289,253 shares of common stock available for grar under the 2011 Plan.

Stock options, exercisable for shares of our common stock, generally vest over a four-year period from the grant date and expire ten years from the grant date. The strike price of the stock options granted under the 2007 Plan is established at or above the fair value of our stock as of the grant date. The strike price of stock options granted under the 2011 Plan is established as the closing price of our stock on the business day prior to the grant date.

In 2010, the Board approved an amendment to the 2007 Plan which permits employees to exercise their stock options prior to vesting. Once purchased, we have the right to repurchase unvested stock from the employee upon termination of their services. The repurchase price is equal t the original exercise price of the option.

Restricted Stock

The Company measures the fair value of the restricted stock on the date of grant based on the estimated fair value of the common stock on that day. The fair value is amortized to stock-based compensation expense, net of estimated forfeitures, ratably over the vesting period. As of December 31, 2014, the total amount of unrecognized stock-based compensation related to grants of restricted stock was approximately $1,726. The Company expects to recognize this expense over an average period of approximately 30 months. The following table summarizes restricted stock activity during the year ended December 31, 2014:

	Restricted stock	Weighted-Average Grant Date Fair Value
Balance at January 1, 2014	89,208	$ 18.64
Granted	66,314	20.21
Vested	(25,045)	19.01
Forfeited	(2,268)	22.04
Balance at December 31, 2014	128,209	$ 19.32

Stock Options – Valuation Information

We estimate the value of stock options on the date of grant using a Black-Scholes option pricing model. The risk-free rate of interest for the average contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. The dividend yield is zero as we have not paid nor do we anticipate paying any dividends. For service-based awards, we used the "simplified method" described in Staff Accounting Bulletin ("SAB") Topic 14, *Share-Based Payment,* where the expected term of awards granted is based on the midpoint between the vesting date and the end of the contractual term, as we do not have sufficient historical exercise data to provide a reasonable basis upon which to estimate expected term. For performance-based awards, we determine the expected term based on the anticipated achievement and exercise pattern of the underlying options. Our expected volatility is based on a weighted average of the historical volatility of similar companies' stock and the historical volatility of our stock since our IPO. The weighted-average estimated values of employee stock

option grants and rights granted under the Plans as well as the weighted-average assumptions that were used in calculating such values during the last three years were based on estimates at the date of grant as follows:

	Risk free interest rate	Expected life	Expected dividend yield	Expected volatility	Fair value at grant date
2014	1.92%	6 years	0%	61%	$ 11.81
2013	1.24%	6 years	0%	62%	$ 9.31
2012	1.05%	6 years	0%	61%	$ 10.67

Stock options outstanding that have vested and are expected to vest as of December 31, 2014, were as follows:

	Number of shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value [1]
Vested	1,622,212	$ 12.04	5.9	$21,379
Expected to vest	613,720	$ 19.12	8.4	3,695
Total	2,235,932	$ 13.97	6.5	$25,074

(1) The Aggregate Intrinsic Value amounts represent the difference between the exercise price and $25.11, the fair value of our stock on December 31, 2014, for in-the-money options.

In December 2014, we reversed $1,901 of stock compensation expense related to a performance-based award, as achievement of the performance criteria was no longer probable.

Stock Option Activity

The following table sets forth stock option activity for the year ended December 31, 2014:

	Options Outstanding		Exercisable Options	
	Number of shares	Weighted-Average Exercise Price	Number of shares	Weighted-Average Exercise Price
Outstanding at January 1, 2014	2,461,160	$ 13.59	1,450,992	$ 10.75
Granted	264,268	$ 20.45		—
Exercised	(166,153)	$ 6.76		—
Forfeited	(15,913)	$ 18.86		—
Outstanding at December 31, 2014	2,543,362	$ 14.71	1,622,212	$ 12.04

As of December 31, 2012, the weighted-average remaining contractual lives of options outstanding and options exercisable were 7.8 years and 6.9 years, respectively. As of December 31, 2013, the weighted-average remaining contractual lives of options outstanding and options exercisable were 7.2 years and 6.5 years, respectively. As of December 31, 2014, the weighted-average remaining contractual lives of options outstanding and options exercisable were 6.6 years and 5.9 years, respectively.

The total intrinsic value of options exercised in 2014, 2013 and 2012 was $3,147, $1,860, and $2,210, respectively. The total fair value of options vested was approximately $3,327, $5,036, and $3,388 in 2014, 2013 and 2012, respectively. As of December 31, 2014, there was $5,562 of unrecognized stock-based compensation expense related to unvested stock options, which will be recognized over a weighted-average period of 1.3 years.

Note 18. Net Revenue by Product

We are a specialty pharmaceutical company focused on developing, manufacturing, sourcing and marketing injectable pharmaceutical products. Our anti-infective products assist in the treatment of various infections and related symptoms, our oncology products are used in the treatment o cancer and cancer-related medical problems, and our critical care products are used in a variety of critical care applications and include anesthetics, cardiac medications, steroidal products, sedatives and certain allergy products. Net revenue by product category is as follows:

	2014	2013	2012
Therapeutic Class			
Anti-Infective	$102,078	$ 90,604	$ 81,923
Critical Care	87,143	65,612	71,683
Oncology	99,762	88,534	30,009
Total	$288,983	$244,750	$183,615

In February 2015, we announced a voluntary recall of certain lots of Atracurium Besylate Injection, a critical care product. As a result of the recall, we have recorded a reduction in net revenue of $800 for the year ended December 31, 2014, reflecting the estimated impact of the recall.

Note 19. Segment and Geographic Data

Management uses segment information to evaluate segment performance and allocate resources. Historically we have operated in a single reportable segment, the United States. Effective October 1, 2014, in connection with the Omega acquisition, we began operating in two reportable segments comprised of operations organized geographically within the United States (Sagent US segment) and Canada (Omega segment), each of which develop, source, manufacture and market generic injectable products for sale within the their respective countries. Each segment derives a significant portion of its revenues from a single class of pharmaceutical wholesale customers within that country. Managemer utilizes segment operating income as its measure of segment profitability.

Segment and geographic data for the year ended December 31, 2014 includes the impact of Omega from the date of acquisition, October 1, 201 through December 31, 2014. Shared costs for certain corporate functions, including but not limited to, corporate finance and legal, are included within the Sagent US segment profitability that management reviews. We use the same accounting policies for the segments as disclosed in Not 1, Summary of Significant Accounting Policies.

Geographic and segment data is as follows:

	2014	2013	2012
Net revenue:			
United States	$280,339	$244,272	$183,615
Others	83	478	—
Sagent US segment	280,422	244,750	
Canada (Omega segment)	8,561	—	—
Total net revenue	$288,983	244,750	183,615

	2014	2013	2012
Long-lived assets:			
United States	$ 38,782	$17,401	$ 25,047
China	52,635	57,016	—
Sagent US segment	91,417	74,417	25,047
Canada (Omega segment)	91,553	—	—
Total long-lived assets	$182,970	$74,417	$ 25,047

	2014	2013	2012
Depreciation and amortization expense:			
Sagent US	8,188	7,074	5,996
Omega	1,336	—	—
Total depreciation and amortization expense	$ 9,524	$ 7,074	$ 5,996

	2014	2013	2012
Equity in net income of joint ventures:			
Sagent US	$ 3,987	$ 2,395	$ 1,337
Omega	—	—	—
Total equity in net income of joint ventures	$ 3,987	$ 2,395	$ 1,337

	2014	2013	2012
Operating income (loss):			
Sagent US	$ 21,700	$31,380	$(15,493)
Omega	(2,656)	—	—
Total operating income (loss)	$ 19,044	$31,380	$(15,493)

	2014	2013	2012
Interest expense:			
Sagent US	$ 1,979	$ (930)	$ (1,567)
Omega	209	—	—
Total interest expense	$ 2,188	$ (930)	$ (1,567)

	2014	2013	2012
Interest income:			
Sagent US	$ 375	$ 205	$ 257
Omega	—	—	—
Total interest income	$ 375	$ 205	$ 257

	2014	2013	2012
Income tax provision (benefit):			
Sagent US	$ (22,964)	$ 895	$ —
Omega	(739)	—	—
Total income tax provision (benefit)	$ (23,703)	$ 895	$ —

	2014	2013	2012
Capital expenditures:			
Sagent US	$ (3,510)	$ (1,103)	$ (111)
Omega	(732)	—	—
Total capital expenditures	$ (4,242)	$ (1,103)	$ (111)

	2014	2013	2012
Deferred tax assets:			
Sagent US	$ 25,308	$ 6	$ 6
Omega	—	—	—
Total deferred tax assets	$ 25,308	$ 6	$ 6

	2014	2013	2012
Investment in joint ventures:			
Sagent US	$ 4,539	$ 2,063	$ 19,622
Omega	—	—	—
Total investment in joint ventures	$ 4,539	$ 2,063	$ 19,622

	2014	2013	2012
Total assets:			
Sagent US	$273,813	$310,208	$172,315
Omega	107,675	—	—
Total assets	$381,488	$310,208	$172,315

Note 20. Management Reorganization:

In August 2012, we completed a reorganization of our executive management team in which we eliminated certain positions within the Company. Costs associated with the reorganization, primarily severance related charges, are reflected in the management reorganization caption in the consolidated statements of operations for the year ended December 31, 2012.

Note 21. Income Taxes:

Components of income (loss) before income taxes are as follows:

	Year Ended December 31,		
	2014	2013	2012
Domestic	$ 30,200	$36,671	$(16,817)
Foreign	(14,022)	(6,182)	—
Income (loss) before income taxes	$ 16,178	$30,489	$(16,817)
Provision (benefit) for income taxes:			
United States federal:			
Current	$ 656	$ 895	$ —
Deferred	(23,473)	—	—
	(22,817)	895	—
State and local:			
Current	1,720	—	—
Deferred	(1,867)	—	—
	(147)	—	—
Total United States	(22,964)	895	—
Outside United States:			
Current	205	—	—
Deferred	(944)	—	—
Total outside United States	(739)	—	—
Total provision (benefit) for income taxes	$(23,703)	$ 895	$ —

Deferred income tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and net operating loss and other tax credit carryforwards. These items are measured using the enacted tax rates applicable to the period when the differences are expected to reverse. We record a valuation allowance to reduce the deferred income tax assets to the amount that is more likely than not to be realized.

In the first quarter of 2014, we moved from a cumulative loss position over the previous three years to a cumulative income position for the first time in our history. As of December 31, 2014, we have cumulative domestic income over the prior three years, have completed eight consecutiv quarters of domestic pre-tax earnings, and forecast continued domestic profitability in future periods. Accordingly, we have concluded that the valuation allowance previously recorded against our domestic net deferred tax assets should be released as of December 31, 2014, resulting in a net $25,208 benefit in our provision for income taxes. We have retained a full valuation allowance against our net deferred tax assets in SCP, given the history of losses in that entity. A summary of our remaining net operating loss carryforwards, including the timing of expiry, is as follows:

Year of Expiry	Net Operating Loss Carryforwards
2031	359
2032	10,123
2033	926
2034	1,180
Total	$ 12,588

Additional carryforwards of $38,317, principally related to our China subsidiary, will expire between 2015 and 2019. Net operating losses and carryforwards are available for use against our consolidated federal taxable income.

As of December 31, 2014, the Company's U.S. income tax returns for 2011 and subsequent years remain subject to examination by the Internal Revenue Service ("IRS"). The Company's 2013 income tax return is currently under examination by the IRS. State and foreign income tax returns generally have statute of limitations for periods between three and five years from the filing date. The Company is not currently under examination by any state or foreign taxing authorities.

The following is a reconciliation of our income tax provision (benefit) computed at the U.S. federal statutory rate to the income tax provision (benefit) reported in the consolidated statements of operations:

	Year Ended December 31,		
	2014	2013	2012
Provision (benefit) at statutory rate	$ 5,662	$10,366	$(5,718)
State income taxes, net of federal income tax	1,667	230	(37)
Foreign rate differential	1,392	560	—
Valuation allowance	(31,147)	(9,998)	4,561
Permanent book / tax differences	172	(263)	1,194
Change in tax rate	(1,498)	—	—
Other	49	—	—
Provision (benefit) for income taxes	$(23,703)	$ 895	$ —

The tax effects of temporary differences giving rise to deferred income tax assets and liabilities were:

	December 31,	
	2014	2013
Deferred tax assets:		
Product development and start-up costs	$ —	$ 12,039
Inventory	2,313	2,652
Loss and credit carryforwards	11,240	21,521
Bad debt reserves	549	8
Accrued expenses / other	5,197	3,210
Deferred compensation	3,155	2,281
Alternative minimum tax carryforwards	1,546	895
Total deferred tax assets	$24,000	$ 42,606
Deferred tax liabilities:		
Depreciation	$ (2,799)	$ (497)
Product development and start-up costs	(1,649)	—
Total deferred tax liabilities	(4,448)	(497)
Net deferred tax asset	19,552	42,109
Valuation allowance	(9,950)	(42,109)
Net deferred tax assets (liabilities)	$ 9,602	$ —

The Company has gross unrealized tax benefits of $1,327 arising from tax deductions for share based compensation in excess of the compensation recognized for financial reporting purposes. Realization of this excess tax benefit will occur when current taxes payable are reduced with a corresponding credit to additional paid in capital.

Our unrecognized tax benefits of $246 at December 31, 2014 are included in other accrued liabilities. If we had recognized all of these benefits, the net impact on our income tax provision would have been $160. Of the net unrecognized tax benefits, approximately $100 are expected to be resolved in the next 12 months. We include accrued interest and penalties related to uncertain tax positions in our tax provision. We have accrued interest and penalties of $12 as of December 31, 2014 and $0 as of December 31, 2013. Our provision for income taxes included expense for interest and penalties of $12 in 2014 and $0 in 2013. The changes in our unrecognized tax benefits were:

	Year Ended December 31,		
	2014	2013	2012
Beginning of year	$—	$—	$—
Increases from current year tax positions	306	—	—
Decreases relating to settlements with taxing authorities	(60)	—	—
End of year	$246	$—	$—

We classify uncertain tax positions as noncurrent income tax liabilities unless expected to be paid within one year. Classification of net deferred tax assets (liabilities) on the consolidated balance sheets is as follows:

	December 31,	
	2014	2013
Current assets	$ 12,135	$ 6
Non-current assets	13,173	—
Non-current liabilities	(15,706)	(6)
Net deferred tax assets (liabilities)	$ 9,602	$—

Note 22. Commitments and Contingencies

Product Development Agreements

We have entered into various business agreements for the development and marketing of finished dosage form pharmaceutical products, including (i) development and supply agreements, some of which contain contingent contract payments, as well as (ii) straight-supply agreements, which may contain minimum purchase commitments.

These agreements may include future payment commitments for contingent contract payments. We will be responsible for contingent contract payments based upon the occurrence of future events. Each agreement defines the triggering event of its future payment schedule, such as meeting development progress timelines, successful product testing and validation, successful clinical studies, various FDA and other regulatory approvals, and other factors as negotiated in each case.

We have entered into significant development, marketing, and supply agreements with A.C.S. Dobfar S.p.a. (“Dobfar”), A.C.S. Dobfar SA-Switzerland (“Info”), Gland Pharma Limited (“Gland”), and Actavis, an international pharmaceutical company. Key terms of these agreements are set forth below.

Info

Under a manufacture and supply agreement with Info, Info develops, manufactures, and supplies us with presentations of levofloxacin in premix bags. We have agreed to pay a transfer price for each unit of levofloxacin supplied, plus a percentage of the net profit from the sales of levofloxacin in premix bags. In addition, we have agreed to share with Info the cost of development activities equally. The initial term of the agreement expires on July 7, 2016, after which we have the option to renew the agreement for successive additional two year terms

unless Info provides notice of its intent to terminate the agreement at least two years prior to its initial expiration date or the expiration date of a renewal term.

In addition, we also have supply agreements or other purchase commitments with Dobfar and/or WorldGen LLC, a distributor for Dobfar covering seven currently marketed products – ampicillin, ampicillin sulbactam, cefazolin, cefepime, cefoxitin, ceftazadime and ceftriaxone – and, with Info, covering three currently marketed products – ciprofloxacin, fluconazole, and zoledronic acid bags, in both 4mg and 5mg presentations, and additional products currently under development.

Gland

Pursuant to our development and supply agreement with Gland, we jointly developed our heparin products with Gland, and Gland agreed to supply us heparin for sale in the U.S. market. In addition, we have agreed to use Gland as our exclusive supplier for heparin and Gland has agreed not to, directly or indirectly, sell heparin to any other person or entity that markets or makes use of or sells heparin in the U.S., subject to certain exceptions.

We have agreed to pay a transfer price for each unit of heparin supplied under the agreement, plus a percentage of the net profit from the sales o heparin. In addition, each party has agreed to share the cost of development activities equally up to a specified amount.

The initial term of the agreement expires in June 2016, after which, unless a third party has rights to market heparin in the U.S. as a result of our discontinuing active sales of heparin there, the agreement automatically renews for consecutive periods of one year unless either party provides notice of its intent to terminate the agreement at least 24 months prior to the desired date of termination.

In addition, we also have other supply agreements with Gland covering four currently marketed products, adenosine, amiodarone, ondansetron and vancomycin, and additional products currently under initial development.

Actavis

In April 2009, we entered into a development, manufacturing and supply agreement with Actavis. Under the terms of this agreement, we becam the exclusive U.S. marketing partner under certain conditions for a portfolio of six specialty injectable products developed and manufactured by Actavis under its ANDAs. In February 2010, this agreement was amended to include two additional products. Pursuant to this agreement, Actavis would supply these products to us at a specified transfer price and will receive a specified percentage of the net profit from sales of such products. In March 2013, we agreed with Actavis to terminate the development, manufacturing and supply agreement, effective December 31, 2014. As consideration for the termination of the agreement, we received a greater percentage of the net profit from sales of products during the remaining term of the agreement and a one-time payment of $5,000. Prior to the December 31, 2014 termination, this agreement with Actavis covered ten marketed products.

The table below summarizes our estimate for contingent potential contractual payments and fees for the year ended December 31, 2015 and beyond assuming all contingent contractual payments occur. These payments do not include sales-based royalty payments, which are dependent on the introduction of new products. As new products are launched, sales-based royalty payments are recognized as an element of cost of goods sold in the consolidated statements of operations.

Contingent contractual payments are as follows at December 31, 2014:

2015	$14,503
2016	5,400
2017	2,608
2018	3,367
2019	132
2020 and Thereafter	565
Total	$26,575

Leases

We have entered into various operating lease agreements for building and office space, communications, information technology equipment and software, office equipment and automobile. Total rental expense amounted to $656, $431, and $467 for the years ended December 31, 2014, 2013 and 2012, respectively.

As of December 31, 2014, total future annual minimum lease payments related to non-cancelable operating leases are as follows:

2015	$1,369
2016	903
2017	601
2018	619
2019	1,614
Total	$5,106

Regulatory Matters

We are subject to regulatory oversight by the FDA and other regulatory authorities with respect to the development, manufacturing and sale of our products. Failure to comply with regulatory requirements could have a significant adverse effect on our business and operations.

Litigation

From time to time, we are subject to claims and litigation arising in the ordinary course of business. These claims may include assertions that ou products infringe existing patents and claims that the use of our products has caused personal injuries. We intend to vigorously defend any such litigation that may arise under all defenses that would be available to us. Currently, we are party to the following claim.

Zoledronic Acid (Generic versions of Zometa ® and Reclast ®). On February 20, 2013, Novartis Pharmaceuticals Corporation ("Novartis") sued the Company and several other defendants in the United States District Court for the District of New Jersey, alleging, among other things, that sales of the Company's (i) zoledronic acid premix bag (4mg/100ml), made by ACS Dobfar Info S.A. ("Info"), also a defendant, a generic versio of Novartis' Zometa ® ready to use bottle, would infringe U.S. Patent No. 7,932,241 (the "241 Patent") and U.S. Patent No. 8,324,189 (the "189 Patent") and (ii) zoledronic acid premix bag (5mg/100ml), also made by Info, a generic version of Novartis' Reclast ® ready to use bottle, would infringe U.S. Patent No. 8,052,987 and the 241 Patent, and (iii) zoledronic acid vial (4mg/5ml), made by Actavis LLC, also a defendant, a generic version of Novartis' Zometa ® vial, would infringe the 189 Patent. (Novartis Pharmaceuticals Corporation v. Actavis, LLC, et. al., Case No. 13-cv-1028) On March 1, 2013, the District Court denied Novartis' request for a temporary restraining order against the Company and the other defendants, including Actavis and Info. On March 6, 2013, the Company, began selling Actavis' zoledronic acid vial, the generic version of Zometa ® . Also, as of August 27,

2013 and October 1, 2013, the Company began selling zoledronic acid premix bags in 4mg/100ml and 5mg/100ml presentations, respectively. The Company believes it has substantial meritorious defenses to the case, and the Company has sold and will continue to sell these products. While an estimate of the potential loss resulting from an adverse final determination that one of the patents in suit is valid and infringed cannot currently be made as specific monetary damages have not been asserted, an adverse final determination could have a material adverse effect on the Company's business, results of operations, financial condition and cash flows.

At this time, there are no other proceedings of which we are aware that are considered likely to have a material adverse effect on the consolidated financial position or results of operations.

Note 23. Related Party Transactions:

As of December 31, 2014 and 2013, respectively, we had a receivable of $2,156 and $3,644 from Sagent Agila LLC, which is expected to offset future profit-sharing payments. These amounts are classified as due from related party on the consolidated balance sheet. As of December 31, 2014 and 2013, respectively, we had a payable of $8,079 and $3,129 to Sagent Agila LLC, principally for the acquisition of inventory and amounts due under profit-sharing arrangements that are classified as due to related party on the consolidated balance sheet. During the years ended December 31, 2014 and 2013, Sagent Agila LLC distributed $3,022 and $8,635 to its joint venture partners.

Note 24. Quarterly Financial Data (Unaudited)

	2014 Quarters			
	First	Second	Third	Fourth
Net revenue	$70,869	$69,194	$65,359	$83,561
Gross profit	$20,384	$22,592	$18,770	$24,416
Income from continuing operations	$ 6,632	$ 3,318	$ 4,044	$ 5,050
Net income	$ 5,119	$ 3,069	$ 1,926	$29,767
Weighted-average shares used to compute net income per share				
Basic	31,814	31,873	31,895	31,945
Diluted	32,614	32,665	32,960	33,031
Net income per share				
Basic	$ 0.16	$ 0.10	$ 0.06	$ 0.93
Diluted	$ 0.16	$ 0.09	$ 0.06	$ 0.90

	2013 Quarters			
	First	Second	Third	Fourth
Net revenue	$60,211	$59,591	$60,842	$64,106
Gross profit	$18,458	$23,218	$18,587	$17,259
Loss from continuing operations	$ 9,887	$13,434	$ 3,101	$ 4,958
Net loss	$ 9,838	$13,370	$ 2,826	$ 3,560
Weighted-average shares used to compute net loss per share				
Basic	28,135	28,163	28,745	31,776
Diluted	28,746	28,828	29,568	32,609
Net income per share				
Basic	$ 0.35	$ 0.47	$ 0.10	$ 0.11
Diluted	$ 0.34	$ 0.46	$ 0.10	$ 0.11

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e and 15d-15(e) under the Exchange Act of 1934, as amended, as of the end of the period covered by this Annual Report on Form 10-K. Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that our disclosure controls and procedures (a) were effective to ensure that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and (b) include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. Our internal control over financial reporting includes those written policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America;
- provide reasonable assurance that receipts and expenditures are being made only in accordance with management and director authorization; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the consolidated financial statements.

Internal control over financial reporting includes the controls themselves, monitoring and internal auditing practices and actions taken to correct deficiencies as identified.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2014. Management based this assessment on criteria for effective internal control over financial reporting described in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) ("COSO"). Management's assessment included an evaluation of the design of our internal control over financial reporting and testing of the operational effectiveness of our internal control

over financial reporting. We, through our wholly-owned subsidiary, Sagent Acquisition Corp., a Canadian company, acquired all of the issued and outstanding shares of the capital stock of 7685947 Canada Inc., and its subsidiary, Omega Laboratories Limited (collectively, "("Omega"), a privately held Canadian pharmaceutical and specialty healthcare products company") on October 1, 2014. As a result of the completion of the transaction, Omega became a wholly-owned subsidiary of the Company effective October 1, 2014. Omega represents approximately $107.7 million of our total assets, $77.9 million of our net assets, $ 8.6 million of our net revenue and $ 2.1 million of our net loss as of and for the year ended December 31, 2014. As Omega was acquired in a purchase business combination during the fourth quarter of 2014, the scope of our assessment of the effectiveness of internal control over financial reporting does not include Omega. This exclusion is in accordance with the SEC's general guidance that an assessment of a recently acquired business may be omitted from our scope in the year of acquisition.

Management reviewed the results of our assessment with the Audit Committee of our Board of Directors. Based on this assessment, management determined that, as of December 31, 2014, we maintained effective internal control over financial reporting.

Ernst & Young LLP, independent registered public accounting firm, who audited and reported on the consolidated financial statements included in this report, has issued an audit report on their assessment of our internal control over financial reporting as of December 31, 2014, which is included elsewhere in this Annual Report.

March 16, 2015

/s/ Jeffrey Yordon, Chief Executive Officer

/s/ Jonathon Singer, Executive Vice President and Chief Financial Officer

Changes in Internal Control Over Financial Reporting

Management, together with our CEO and CFO, evaluated the changes in our internal control over financial reporting during the quarter ended December 31, 2014. We determined that there were no changes in our internal control over financial reporting during the quarter ended December 31, 2014, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Sagent Pharmaceuticals, Inc.

We have audited the accompanying consolidated balance sheets of Sagent Pharmaceuticals, Inc. as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity (deficit) and cash flows for each of the three years in the period ended December 31, 2014. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An aud also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sagent Pharmaceuticals, Inc. at December 31, 2014 and 2013, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Sagent Pharmaceuticals, Inc.'s internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 16, 2015 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
Chicago, Illinois
March 16, 2015

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Sagent Pharmaceuticals, Inc.

We have audited Sagent Pharmaceuticals, Inc.'s internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Sagent Pharmaceuticals, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for ou opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or tha the degree of compliance with the policies or procedures may deteriorate.

As indicated in the accompanying Management's Report on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal controls over financial reporting did not include the internal controls of 7685947 Canada Inc., and its subsidiary, Omega Laboratories Limited, which is included in the 2014 consolidated financial statements of Sagent Pharmaceuticals, Inc. and constituted $107.7 million and $77.9 million of total and net assets, respectively as of December 31, 2014, and $8.6 million and $2.1 million of revenues and net loss, respectively, for the year then ended. Our audit of internal control over financial reporting of Sagent Pharmaceuticals, Inc also did not include an evaluation of the internal control over financial reporting of 7685947 Canada Inc., and its subsidiary, Omega Laboratorie Limited.

In our opinion, Sagent Pharmaceuticals, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Sagent Pharmaceuticals, Inc. as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity (deficit) and cash flows for each of the three years in the period ended December 31, 2014 of Sagent Pharmaceuticals, Inc. and our report and our report dated March 16, 2015 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
Chicago, Illinois
March 16, 2015

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Information required by this Item 10 is included in our definitive Proxy Statement for our 2015 Annual Meeting of Shareholders to be filed within 120 days after the Company's fiscal year end of December 31, 2014 ("2015" Proxy Statement"), and is incorporated by reference into thi Annual Report.

The information on our Web site is not, and shall not be deemed to be, a part of this Annual Report or incorporated into any other filings we make with the SEC.

Item 11. Executive Compensation.

Information required by this Item 11 is included in our 2015 Proxy Statement and is incorporated by reference into this Annual Report.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The number of shares to be issued upon exercise or vesting of awards issued under, and the number of shares remaining available for future issuance under, our equity compensation plans at December 31, 2014 were:

Equity Compensation Plan Information

Description	Col. A Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Col. B Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Col. C Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (excluding securities reflected in column (A)
Equity compensation plans approved by security holders	2,543,362	$ 14.71	2,705,240
Equity compensation plans not approved by security holders	—	$ —	—

Information related to the security ownership of certain beneficial owners and management is included in our 2015 Proxy Statement and is incorporated by reference into this Annual Report.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Information required by this Item 13 is included in our 2015 Proxy Statement and is incorporated by reference into this Annual Report.

Item 14. Principal Accountant Fees and Services.

Information required by this Item 14 is included in our 2015 Proxy Statement and is incorporated by reference into this Annual Report.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) Index to Consolidated Financial Statements and Schedules

Schedules other than those listed above have been omitted either because such schedules are not required or are not applicable.

(b) The following exhibits are filed as part of, or incorporated by reference into, this Annual Report

Exhibit No.	
3.1	Certificate of Incorporation of Sagent Pharmaceuticals, Inc. (Incorporated by reference to Exhibit 3.3 in the Company's Registration Statement on Form S-1, as amended (File Nos. 333-170979 and 333-173597).)
3.2	Bylaws of Sagent Pharmaceuticals, Inc. (Incorporated by reference to Exhibit 3.4 in the Company's Registration Statemer on Form S-1, as amended (File Nos. 333-170979 and 333-173597).)
3.3	Certificate of Amendment to the Certificate of Incorporation (Incorporated by reference to Exhibit 3.3 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 5, 2014).
10.1	Credit and Security Agreement, dated as of June 16, 2009, by and among Sagent Pharmaceuticals, Inc., certain subsidiarie of the borrower named therein, and Midcap Funding I, LLC. (Incorporated by reference to Exhibit 10.1 in the Company's Registration Statement on Form S-1, as amended (File Nos. 333-170979 and 333-173597).)
10.2	Limited Waiver and Amendment No. 1 Regarding Credit Agreement, dated as of December 9, 2009, by and among Sagen Pharmaceuticals, Inc. and Midcap Funding I, LLC. (Incorporated by reference to Exhibit 10.2 in the Company's Registration Statement on Form S-1, as amended (File Nos. 333-170979 and 333-173597).)
10.3	Limited Waiver and Amendment No. 2 Regarding Credit Agreement, effective as of March 1, 2010, by and among Sagen Pharmaceuticals, Inc. and Midcap Funding I, LLC. (Incorporated by reference to Exhibit 10.3 in the Company's Registration Statement on Form S-1, as amended (File Nos. 333-170979 and 333-173597).)

Exhibit No.	
10.4	Amendment No. 3 Regarding Credit Agreement, effective as of May 31, 2010, by and among Sagent Pharmaceuticals, Inc., Midcap Funding IV, LLC and Silicon Valley Bank. (Incorporated by reference to Exhibit 10.4 in the Company's Registration Statement on Form S-1, as amended (File Nos. 333-170979 and 333-173597).)
10.5	Amendment No. 4 Regarding Credit Agreement, effective as of December 31, 2010, by and among Sagent Pharmaceuticals, Inc., Midcap Funding IV, LLC and Silicon Valley Bank. (Incorporated by reference to Exhibit 10.5 in the Company's Registration Statement on Form S-1, as amended (File Nos. 333-170979 and 333-173597).)
10.6	Amendment No. 5 Regarding Credit Agreement, effective as of March 8, 2011, by and among Sagent Pharmaceuticals, Inc., Midcap Funding IV, LLC and Silicon Valley Bank. (Incorporated by reference to Exhibit 10.6 in the Company's Registration Statement on Form S-1, as amended (File Nos. 333-170979 and 333-173597).)
10.7	Credit and Security Agreement, dated as of March 8, 2011, by and among Sagent Pharmaceuticals, Inc. and Midcap Funding III, LLC. (Incorporated by reference to Exhibit 10.7 in the Company's Registration Statement on Form S-1, as amended (File Nos. 333-170979 and 333-173597).)
10.8	Joinder and Amendment No. 6 Regarding Credit Agreement, dated September 26, 2011, by and among Sagent Pharmaceuticals, Sagent Pharmaceuticals, Inc., Midcap Funding IV, LLC and Silicon Valley Bank. (Incorporated by reference to Exhibit 10.1 to the Form 8-K filed September 30, 2011).)
10.9	Joinder and Amendment No. 1 Regarding Credit Agreement, dated September 26, 2011, by and among Sagent Pharmaceuticals, Sagent Pharmaceuticals, Inc., Midcap Funding III, LLC and Silicon Valley Bank. (Incorporated by reference to Exhibit 10.2 to the Form 8-K filed September 30, 2011).)
10.10+	Sagent Holding Co. Amended and Restated 2007 Global Share Plan. (Incorporated by reference to Exhibit 10.21 in the Company's Registration Statement on Form S-1, as amended (File Nos. 333-170979 and 333-173597).)
10.11+	Form of Stock Option Agreement under the Sagent Holding Co. Amended and Restated 2007 Global Share Plan. (Incorporated by reference to Exhibit 10.22 in the Company's Registration Statement on Form S-1, as amended (File Nos. 333-170979 and 333-173597).)
10.12+	2011 Incentive Compensation Plan. (Incorporated by reference to Exhibit 10.8 in the Company's Registration Statement on Form S-1, as amended (File Nos. 333-170979 and 333-173597).)
10.13+	Form of Incentive Stock Option Agreement pursuant to the 2011 Incentive Compensation Plan. (Incorporated by reference to Exhibit 10.9 in the Company's Registration Statement on Form S-1, as amended (File Nos. 333-170979 and 333-173597).)
10.14+	Form of Restricted Stock Agreement pursuant to the 2011 Incentive Compensation Plan. (Incorporated by reference to Exhibit 10.10 in the Company's Registration Statement on Form S-1, as amended (File Nos. 333-170979 and 333-173597).)
10.15+	Form of Restricted Stock Unit Agreement pursuant to the 2011 Incentive Compensation Plan. (Incorporated by reference to Exhibit 10.11 in the Company's Registration Statement on Form S-1, as amended (File Nos. 333-170979 and 333-173597).)
10.16+	Form of Stock Appreciation Rights Agreement pursuant to the 2011 Incentive Compensation Plan. (Incorporated by reference to Exhibit 10.12 in the Company's Registration Statement on Form S-1, as amended (File Nos. 333-170979 and 333-173597).)
10.17+	Form of Non-Qualified Stock Option Agreement pursuant to the 2011 Incentive Compensation Plan. (Incorporated by reference to Exhibit 10.13 in the Company's Registration Statement on Form S-1, as amended (File Nos. 333-170979 and 333-173597).)

Exhibit No.	
10.18	Manufacture and Supply Agreement, dated as of December 17, 2007, by and among Sagent Pharmaceuticals, Inc., A.C.S. Dobfar S.p.a. and its affiliate, WorldGen LLC. (Incorporated by reference to Exhibit 10.23 in the Company's Registration Statement on Form S-1, as amended (File Nos. 333-170979 and 333-173597).)
10.19	Development and Supply Agreement, dated as of June 27, 2008, as amended, by and between Sagent Holding Co. and Gland Pharma Limited. (Incorporated by reference to Exhibit 10.24 in the Company's Registration Statement on Form S-1, as amended (File Nos. 333-170979 and 333-173597).)
10.20+	Employment Agreement, dated as of January 20, 2011, by and among Sagent Pharmaceuticals, Inc. and Jeffrey Yordon. (Incorporated by reference to Exhibit 10.25 in the Company's Registration Statement on Form S-1, as amended (File Nos. 333 170979 and 333-173597).)
10.21+	Employment Agreement, dated as of January 20, 2011, by and among Sagent Pharmaceuticals, Inc. and Ronald Pauli. (Incorporated by reference to Exhibit 10.26 in the Company's Registration Statement on Form S-1, as amended (File Nos. 333 170979 and 333-173597).)
10.22+	Employment Agreement, dated as of January 20, 2011, by and among Sagent Pharmaceuticals, Inc. and Michael Logerfo. (Incorporated by reference to Exhibit 10.27 in the Company's Registration Statement on Form S-1, as amended (File Nos. 333 170979 and 333-173597).)
10.23+	Employment Agreement, dated as of January 20, 2011, by and among Sagent Pharmaceuticals, Inc. and Lorin Drake. (Incorporated by reference to Exhibit 10.28 in the Company's Registration Statement on Form S-1, as amended (File Nos. 333 170979 and 333-173597).)
10.24+	Employment Agreement, dated as of January 20, 2011, by and among Sagent Pharmaceuticals, Inc. and Albert Patterson. (Incorporated by reference to Exhibit 10.29 in the Company's Registration Statement on Form S-1, as amended (File Nos. 333 170979 and 333-173597).)
10.25+	Employment Agreement, dated as of September 12, 2011, by and between Sagent Pharmaceuticals, Inc. and Jonathon M. Singer (Incorporated by reference to Exhibit 10.1 in the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011).)
10.26+	Offer letter, dated as of August 18, 2011, by and between Sagent Pharmaceuticals, Inc. and Jonathon M. Singer (Incorporated by reference to Exhibit 10.2 in the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011).)
10.27	Warrant to purchase 2,380,952 Preference Shares of Sagent Holding Co. sold pursuant to Sagent Holding Co. Series B-1 Preference Shares and Warrant Purchase Agreement, among the registrant and Key Gate Investments Limited, dated April 6, 2010. (Incorporated by reference to Exhibit 10.19 in the Company's Registration Statement on Form S-1, as amended (File Nos. 333-170979 and 333-173597).)
10.28	Warrant to purchase 2,040,816 Preference Shares of Sagent Holding Co. sold pursuant to Sagent Holding Co. Series B-1 Preference Shares and Warrant Purchase Agreement, among the registrant and Key Gate Investments Limited, dated April 6, 2010. (Incorporated by reference to Exhibit 10.20 in the Company's Registration Statement on Form S-1, as amended (File Nos. 333-170979 and 333-173597).)
10.29	Letter Agreement, dated as of April 5, 2011, by and between the registrant and Key Gate Investments Limited. (Incorporated by reference to Exhibit 10.30 in the Company's Registration Statement on Form S-1, as amended (File Nos. 333-170979 and 333-173597).)
10.30	Loan and Security Agreement, dated February 13, 2012, by and among Sagent Pharmaceuticals, Inc., Sagent Pharmaceuticals, and Silicon Valley Bank. (Incorporated by reference to Exhibit 10.1 to the Form 8-K filed February 16, 2012).)

Exhibit No.	
10.31	Second Loan Modification Agreement, dated September 23, 2013, by and among Sagent Pharmaceuticals, Inc., a Delaware corporation, Sagent Pharmaceuticals, Inc., a Wyoming corporation, and Silicon Valley Bank. (Incorporated by reference to Exhibit 10.1 in the Company's Current Report on Form 8-K filed September 24, 2013).
10.32	Joint Venture Agreement, dated as of January 18, 2007 for Formation of Sagent Strides Inc. between Sagent Inc. and Strides Arcolab International Limited (Incorporated by reference to Exhibit 10.32 in the Company's Annual Report on Form 10-K for the year ended December 31, 2013).
10.33+	Employment Agreement, dated as of March 25, 2013, by and between Sagent Pharmaceuticals, Inc. and James M. Hussey (Incorporated by reference to Exhibit 10.1 in the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2013).
10.34+	Offer Letter, dated March 12, 2013, by and between Sagent Pharmaceuticals, Inc. and James M. Hussey (Incorporated by reference to Exhibit 10.2 in the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2013).
10.35	Share Purchase Agreement, dated April 30, 2013, by and between Sagent Pharmaceuticals, Inc. and Chengdu Kanghong Pharmaceuticals (Group) Co. Ltd. (Incorporated by reference to Exhibit 10.1 in the Company's Current Report on Form 8-K filed May 6, 2013).
10.36	Share Pledge Agreement, dated April 30, 2013, by and between Sagent Pharmaceuticals, Inc. and Chengdu Kanghong Pharmaceuticals (Group) Co. Ltd. (Incorporated by reference to Exhibit 10.2 in the Company's Current Report on Form 8-K filed May 6, 2013).
10.37	Loan Contract dated August 24, 2010 by and between Kanghong Sagent (Chengdu) Pharmaceutical Co., Ltd., and the Agricultural Bank of China Ltd. (Incorporated by reference to Exhibit 10.5 in the Company's Quarterly Report on Form 10-Q filed August 6, 2013).
10.38	Loan Contract dated June 9, 2011 by and between Kanghong Sagent (Chengdu) Pharmaceutical Co., Ltd., and the Agricultural Bank of China Ltd. (Incorporated by reference to Exhibit 10.6 in the Company's Quarterly Report on Form 10-Q filed August 6, 2013).
10.39	Share Purchase Agreement, dated October 1, 2014, by and between Sagent Pharmaceuticals, Inc., Sagent Acquisition Corp. and the several shareholders of Omega Laboratories Limited and 7685947 Canada Inc. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on October 2, 2014).
10.40	Credit Agreement dated as of October 31, 2014 among Sagent Pharmaceuticals, the Lenders Party hereto and JPMorgan Chase Bank, N.A., as Administrative Agent (Incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed November 5, 2014).
21.1*	List of subsidiaries of Sagent Pharmaceuticals, Inc.
23.1*	Consent of Ernst & Young LLP, independent registered public accounting firm
23.2*	Consent of Ernst & Young Hua Ming, independent auditors
23.3*	Consent of Ernst & Young LLP, independent auditors
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended
32.1*	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Exhibit No.	
101.1	The following materials from Sagent's Annual Report on Form 10-K for the year ended December 31, 2014 are formatted i XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets as of December 31, 2014 and 2013, (ii) the Consolidated Statements of Operations for the twelve months ended December 31, 2014, 2013 and 2012, (iii) the Consolidated Statements of Comprehensive Income for the twelve months ended December 31, 2014, 2013 and 2012, (iv) the Consolidated Statements of Stockholder's Equity for the years ended December 31, 2014, 2013 and 2012, (v) the Consolidated Statements of Cash Flows for the years ended December 31, 2014, 2013 and 2012, (vi) Notes to the Consolidated Financial Statements, and (vii) document and entity information.

+ Indicates a management contract or compensatory plan or arrangement
* Indicates an exhibit filed herewith

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SAGENT PHARMACEUTICALS, INC.

By: /s/ Jonathon M. Singer
(Jonathon M. Singer,
Executive Vice President and
Chief Financial Officer)

Date: March 16, 2015

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated:

Signature	Title	Date
/s/ Jeffrey M. Yordon (Jeffrey M. Yordon)	Chief Executive Officer *(principal executive officer)*	March 16, 2015
/s/ Jonathon M. Singer (Jonathon M. Singer)	Executive Vice President and Chief Financial Officer *(principal financial officer)*	March 16, 2015
/s/ Jeffrey W. Greve (Jeffrey W. Greve)	Vice President, Controller *(principal accounting officer)*	March 16, 2015
/s/ Mary Taylor Behrens (Mary Taylor Behrens)	Director	March 16, 2015
/s/ Michael Fekete (Michael Fekete)	Director	March 16, 2015
/s/ Robert Flanagan (Robert Flanagan)	Director	March 16, 2015
/s/ Anthony Krizman (Anthony Krizman)	Director	March 16, 2015
/s/ Frank Kung, Ph.D (Frank Kung, Ph.D)	Director	March 16, 2015

Sagent Pharmaceuticals, Inc.
Valuation and Qualifying Accounts
For the years ended December 31, 2013, 2012 and 2011
(in thousands)

Col. A Description	Col. B Balance at Beginning of Period	Col. C Charged to Costs and Expenses	Col. C Charged to Other Accounts	Col. D Deductions	Col. E Balance at End of Period
Chargeback Allowance					
Year ended December 31, 2014	$43,682	$403,493	$ —	$384,087	$63,088
Year ended December 31, 2013	$24,265	$300,835	$ —	$281,418	$43,682
Year ended December 31, 2012	$28,932	$166,051	$ —	$170,718	$24,265
Allowance for Cash Discounts					
Year ended December 31, 2014	$ 2,414	$ 13,364	$ —	$ 13,338	$ 2,440
Year ended December 31, 2013	$ 1,373	$ 12,204	$ —	$ 11,163	$ 2,414
Year ended December 31, 2012	$ 1,804	$ 7,665	$ —	$ 8,096	$ 1,373
Allowance for Credits					
Year ended December 31, 2014	$ 4,895	$ 23,406	$ —	$ 12,441	$15,860
Year ended December 31, 2013	$ 3,262	$ 6,760	$ —	$ 5,127	$ 4,895
Year ended December 31, 2012	$ 1,940	$ 3,539	$ —	$ 2,217	$ 3,262
Deferred Tax Valuation Allowance					
Year ended December 31, 2014	$42,109	$ 11,164	$ —	$ 43,323	$ 9,950
Year ended December 31, 2013	$46,657	$ 1,158	$ 5,843	$ 11,549	$42,109
Year ended December 31, 2012	$40,816	$ 5,841	$ —	$ —	$46,657
Inventory Reserve Allowance					
Year ended December 31, 2014	$ 5,099	$ 2,238	$ 508	$ 4,603	$ 3,242
Year ended December 31, 2013	$ 2,021	$ 3,078	$ —	$ —	$ 5,099
Year ended December 31, 2012	$ 6,443	$ —	$ —	$ 4,422	$ 2,021
Allowance for Doubtful Accounts					
Year ended December 31, 2014	$ 23	$ 1,440	$ —	$ 30	$ 1,433
Year ended December 31, 2013	$ 124	$ —	$ —	$ 101	$ 23
Year ended December 31, 2012	$ —	$ 124	$ —	$ —	$ 124

Report of Independent Registered Public Accounting Firm

To the Board of Directors of Sagent Pharmaceuticals, Inc.

We have audited the accompanying financial statements of Kanghong Sagent (Chengdu) Pharmaceutical Co., Ltd. (a development stage company) (the "Company"), which comprise the balance sheets as of December 31, 2012 and 2011, and the related statements of loss, comprehensive loss, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2012 and for the period from December 29, 2006 (date of inception) to December 31, 2012, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kanghong Sagent (Chengdu) Pharmaceutical Co., Ltd. (a development stage company) at December 31, 2012 and 2011, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2012 and for the period from December 29, 2006 (date of inception) to December 31, 2012 in conformity with U.S. generally accepted accounting principles.

The Company's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has recurring operating losses and has a working capital deficiency. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

/s/ Ernst & Young Hua Ming

Shanghai, the People's Republic of China

March 11, 2013

Kanghong Sagent (Chengdu) Pharmaceutical Co., Ltd.
(a development stage company)

Balance Sheets

(Amounts in thousands of U.S. Dollars)

	June 4, 2013 Unaudited
Assets	
Current assets:	
Cash and cash equivalents	$ 2,704
Prepaid expenses and other current assets	196
Inventory	2,396
Total current assets	5,296
Non-current assets:	
Property, plant and equipment, net	53,112
Intangible assets, net	1,845
Total non-current assets	54,957
Total assets	$ 60,253
Liabilities and shareholders' equity	
Current liabilities:	
Accrued employee benefits	1,027
Other payables	1,442
Amount due to related parties	4,868
Current portion of long-term bank loans	4,855
Total current liabilities	12,192
Non-current liabilities:	
Long-term bank loans	14,240
Government grants	1,618
Total non-current liabilities	15,858
Total liabilities	28,050
Commitments and contingencies	
Shareholders' equity:	
Paid-in capital (no par value)	50,000
Additional paid-in capital	1,524
Deficit accumulated during the development stage	(24,886
Accumulated other comprehensive income	5,565
Total shareholders' equity	32,203
Total liabilities and shareholders' equity	$ 60,253

The accompanying notes are an integral part of these financial statements

Kanghong Sagent (Chengdu) Pharmaceutical Co., Ltd.
(a development stage company)

Statements of Loss

(Amounts in thousands of U.S. Dollars)

	Period from January 1, 2013 to June 4, 2013 Unaudited	Year Ended December 31, 2012	Period from December 29, 2006 (date of inception) to June 4, 2013 Unaudited
Operating expenses:			
Pre-production expenses	$ (597)	$ (3,759)	$ (9,741
General and administrative expenses	(2,211)	(3,417)	(15,412
Loss from operations	(2,808)	(7,176)	(25,153
Other income / (expense)	—	38	19
Interest income	2	90	248
Loss before income taxes	(2,806)	(7,048)	(24,886
Income tax expense	—	—	—
Net loss	$ (2,806)	$ (7,048)	$ (24,886

The accompanying notes are an integral part of these financial statements

Kanghong Sagent (Chengdu) Pharmaceutical Co., Ltd.
(a development stage company)

Statements of Comprehensive Loss

(Amounts in thousands of U.S. Dollars)

	Note	Period from January 1, 2013 to June 4, 2013 Unaudited	Year Ended December 31, 2012	Period from December 29, 2006 (date of inception) to June 4, 2013 Unaudited
Net loss		$ (2,806)	(7,048)	(24,886
Other comprehensive income, net of tax				
Foreign currency translation adjustments		568	96	5,565
Total other comprehensive income, net of tax		568	96	5,565
Comprehensive loss		$ (2,238)	$ (6,952)	$ (19,321

The accompanying notes are an integral part of these financial statements

Kanghong Sagent (Chengdu) Pharmaceutical Co., Ltd.
(a development stage company)

Statements of Cash Flows

(Amounts in thousands of U.S. Dollars)

	Period from January 1, 2013 to June 4, 2013 (Unaudited)	Year Ended December 31, 2012	Period from December 29, 2006 (date of inception) to June 4, 2013 (Unaudited)
Operating activities			
Net loss	$ (2,806)	$ (7,048)	$ (24,886
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation	342	764	1,730
Share based payments	33	84	308
Salary expense of certain employee paid by a shareholder	—	229	1,216
Amortization	20	60	261
Loss on disposal of property, plant and equipment	—	—	2
Pre-production expenses offset by government grants received	—	—	(31
Changes in operating assets and liabilities:			
Inventories	(1,398)	(965)	(2,363
Prepaid expenses and other current assets	189	(146)	(275
Amount due to a related party	4,671	153	4,824
Accrued employee benefits and other payables	(531)	530	1,383
Net cash provided by (used in) operating activities	**520**	**(6,339)**	**(17,831**
Investing activities			
Purchases of property, plant and equipment	(666)	(3,587)	(48,413
Proceeds from sale of property, plant and equipment	—	—	1
Purchases of intangible assets	—	—	(1,573
Government grants received	480	—	1,534
Restricted cash	—	—	—
Net cash used in investing activities	**(186)**	**(3,587)**	**(48,451**
Financing activities			
Repayment of short-term bank loans	—	(317)	(317
Proceeds from long-term bank loans	—	—	18,579
Capital contribution from shareholders	—	—	50,000
Net cash (used in)/provided by financing activities	**—**	**(317)**	**68,262**
Net increase (decrease) in cash and cash equivalents	334	(10,243)	1,980
Effect of foreign exchange rate changes on cash	(2)	14	724
Cash and cash equivalents, at beginning of year/period	2,372	12,601	—
Cash and cash equivalents, at end of year/period	**$ 2,704**	**$ 2,372**	**$ 2,704**
Supplemental disclosures of cash flow information:			
Acquisition of property, plant and equipment included in other payables	$ (148)	$ (629)	$ 902
Interest paid	$ 513	$ 1,295	$ 2,550
Noncash financing activity			
Capital contribution from a shareholder	$ 33	$ 313	$ 1,524

The accompanying notes are an integral part of these financial statements

Kanghong Sagent (Chengdu) Pharmaceutical Co., Ltd.
(a development stage company)

Statements of Shareholders' Equity

(Amounts in thousands of U.S. Dollars)

	Paid-in Capital	Additional Paid in Capital	Deficit accumulated during the development stage	Accumulated other comprehensive income	Total
Balance as of December 29, 2006 and January 1, 2007	$ —	$ —	$ —	$ —	$ —
Net loss	—	—	(196)	—	(196
Other comprehensive income, net				365	365
Capital contribution from shareholders	10,200	—	—	—	10,200
Balance as of December 31, 2007	10,200	—	(196)	365	10,369
Net loss	—	—	(760)	—	(760
Other comprehensive income, net				890	890
Capital contribution from shareholders	14,501	—	—	—	14,501
Balance as of December 31, 2008	24,701	—	(956)	1,255	25,000
Net loss	—	—	(1,685)	—	(1,685
Other comprehensive income, net				23	23
Capital contribution from shareholders	16,000	—	—	—	16,000
Balance as of December 31, 2009	40,701	—	(2,641)	1,278	39,338
Net loss	—	—	(3,810)	—	(3,810
Other comprehensive income, net				1,429	1,429
Capital contribution from shareholders	9,299	—	—	—	9,299
Balance as of December 31, 2010	50,000	—	(6,451)	2,707	46,256
Net loss	—	—	(8,581)	—	(8,581
Other comprehensive income, net				2,191	2,191
Capital contribution from a shareholder	—	1,178	—	—	1,178
Balance as of December 31, 2011	50,000	1,178	(15,032)	4,901	41,047
Net loss	—	—	(7,048)	—	(7,048
Other comprehensive income, net				96	96
Capital contribution from a shareholder	—	313	—	—	313
Balance as of December 31, 2012	50,000	1,491	(22,080)	4,997	34,408
Net loss (unaudited)	—	—	(2,806)	—	(2,806
Other comprehensive income, net (unaudited)	—	—	—	568	568
Capital contribution from a shareholder (unaudited)	—	33	—	—	33
Balance as of December 31, 2013 (unaudited)	$50,000	$ 1,524	$ (24,886)	$ 5,565	$32,203

The accompanying notes are an integral part of these financial statements

Kanghong Sagent (Chengdu) Pharmaceutical Co., Ltd.
(a development stage company)

Notes to Financial Statements

The period from January 1, 2013 to June 4, 2013 (unaudited),
Year Ended December 31, 2012 and for
the period from December 29, 2006 (date of inception) to June 4, 2013 (unaudited)
(Amounts in thousands of U.S. Dollars unless otherwise stated)

1. Organization and Description of Business

Kanghong Sagent (Chengdu) Pharmaceutical Co., Ltd. (the "Company") was incorporated on December 29, 2006 in the province of Sichuan of the People's Republic of China and is a joint venture formed between Chengdu Kanghong Technology (Group) Co., Ltd. ("Kanghong") and Sagent Pharmaceuticals, Inc. ("Sagent") (collectively, the "Shareholders") to establish a production facility in Chengdu, China with the primary business objective of developing and manufacturing pharmaceutical products, principally injectable-based generic equivalents to branded products. Operations of the Company substantially commenced in March 2007 and have consisted principally of raising capital, establishing facilities, and recruiting personnel for the purpose of conducting development activities in preparation for site validation by the U.S. Food & Drug Administration (FDA). As the planned commercial operations have not commenced, the Company is considered a development stage company.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern even though the Company has incurred operating losses since inception and has an accumulated deficit of approximately $22 million as at December 31, 2012. The Company expects to incur further operating losses in the next 12 months as it continues to incur pre-production related expenses as it works to complete the FDA approval process of its production facility, which was previously inspected by the FDA in July 2012. Currently, the Company will have to raise additional funds to sustain operations and execute on its operating plan. In order to assist the Company through to the date of a potential financing event, if any, Sagent Pharmaceuticals, Inc. ("Sagent"), with the approval of its Board of Directors, issued a unilateral, unconditional and legally-binding financial support letter to the Company, whereby Sagent will provide the Company with all the necessary funding it requires to continue its operations through September 30, 2013. There can be no assurance that the Company will be able to raise additional capital from the shareholders or others or that such financing will be available on satisfactory terms, if at all.

Additionally, the Company's existing long-term credit facilities (see Note 8) have a financial operating covenant that becomes operable once the Company commences the sales of their products. However, given its limited operating history there can be no assurances that it will comply wit this operating covenant and therefore the credit facilities would be due on demand.

On April 30, 2013, Sagent entered into a Share Purchase Agreement, with Kanghong pursuant to which Sagent agreed to acquire Kanghong's 50% interest in the Company in exchange for $25,000, payable in installments through September 2015. The acquisition was subject to customary closing conditions, including approval by the Chengu Hi-Tech Industrial Zone Bureau of Investment Services ("BIS"). On June 4, 2013, Sagent received final approval for the transaction from the BIS. Accordingly, the transaction has been completed. As a result of the completion of the transaction, we are now a wholly-owned subsidiary of Sagent.

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S GAAP"). The financial statements from the period from January 1, 2013 to June 4, 2013 and from the period from December 29, 2006 (date of inception) to June 4, 2013 are unaudited.

Kanghong Sagent (Chengdu) Pharmaceutical Co., Ltd.
(a development stage company)

Notes to Financial Statements

The period from January 1, 2013 to June 4, 2013 (unaudited),
Year Ended December 31, 2012 and for
the period from December 29, 2006 (date of inception) to June 4, 2013 (unaudited)
(Amounts in thousands of U.S. Dollars unless otherwise stated)

2. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of expenses during the period. Areas where management uses subjective judgment include, but are not limited to, assessment for inventory reserves, estimating the useful lives of long-lived assets and intangible assets, assessing for impairment of long-lived assets, and accounting for deferred income taxes. Changes in facts and circumstances may result in revised estimates. Actual results could differ from those estimates, and as such, differences may be material to the financial statements.

Fair Value of Financial Instruments

The carrying amounts of financial assets and liabilities, such as cash and cash equivalents and other current liabilities, approximate their fair values because of their short-term maturities.

Foreign Currency

The functional currency of the Company is Renminbi (RMB). Transactions denominated in foreign currencies are remeasured into the functiona currency at the exchange rates prevailing on the transaction dates. Foreign currency denominated financial assets and liabilities are remeasured a the balance sheet date exchange rate. Exchange gains and losses are recognized in the statements of operations.

The accompanying financial statements are presented in U.S. dollars (US$). Assets and liabilities of the Company are translated into US$ at fiscal year-end exchange rates. Income and expense items are translated at average exchange rates prevailing during the fiscal year. The resultin translation adjustments are recorded in accumulated other comprehensive income as a component of shareholders' equity.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and demand deposits placed with banks or other financial institutions which are unrestricted as to withdrawal and use and have original maturities less than three months.

Inventory

Inventory is stated at the lower of cost or market. Cost is determined by the weighted-average method or market value. Market is defined principally as net realizable value. Raw material cost is based on purchase price. Provisions are made for excess, slow moving and obsolete inventory as well as inventory which has a carrying value that is in excess of net realizable value.

Kanghong Sagent (Chengdu) Pharmaceutical Co., Ltd.
(a development stage company)

Notes to Financial Statements

The period from January 1, 2013 to June 4, 2013 (unaudited),
Year Ended December 31, 2012 and for
the period from December 29, 2006 (date of inception) to June 4, 2013 (unaudited)
(Amounts in thousands of U.S. Dollars unless otherwise stated)

2. Summary of Significant Accounting Policies (continued)

Property, Plant and Equipment

Property, plant and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the assets, a follows:

Buildings	20 years
Machinery	5 -10 years
Office equipment	3 -5 years
Vehicles	5 years

Repair and maintenance costs are charged to expense when incurred, whereas the cost of betterments that extends the useful life of property, plant and equipment are capitalized as additions to the related assets. Retirement, sale and disposals of assets are recorded by removing the cost and related accumulated depreciation with any resulting gain or loss reflected in the statements of operations.

Property, plant and equipment that are purchased or constructed which require a period of time before the assets are ready for their intended use are accounted for as construction-in-progress. Construction-in-progress is recorded at acquisition cost, including installation costs and associate interest costs. Construction-in-progress is transferred to specific property and equipment accounts and commences depreciation when these assets are ready for their intended use. The capitalization of interest costs commences when expenditures for the asset have been made, activitie that are necessary to get the asset ready for its intended use are in progress and interest cost is being incurred. The capitalization period ends when the asset is substantially complete and ready for its intended use.

Intangible Assets

Intangible assets include a land use right and purchased software. They are carried at cost less accumulated amortization and any impairment, if any. Intangible assets with a finite useful life are amortized using the straight-line method over the estimated economic life of the intangible assets. The estimated useful life for the acquired intangible assets is as follows:

Purchased software	2 years
Land use right	50 years

Impairment of Long-lived Assets

The Company evaluates its long-lived assets or asset group, including intangible assets with finite lives, for impairment whenever events or changes in circumstances (such as a significant adverse change to market conditions that will impact the future use of the assets) indicate that th carrying amount of an asset or a group of long-lived assets may not be recoverable. When these events occur, the Company evaluates for impairment by comparing the carrying amount of the assets to future undiscounted net cash flows expected to result from the use of the assets and their eventual disposition. If the sum of the expected undiscounted cash flow is less than the carrying amount of the assets, the Company would recognize an impairment loss based on the excess of the carrying amount of the asset group over its fair value. Fair value is generally determined by discounting the cash

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Notes to Financial Statements

The period from January 1, 2013 to June 4, 2013 (unaudited),
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the period from December 29, 2006 (date of inception) to June 4, 2013 (unaudited)
(Amounts in thousands of U.S. Dollars unless otherwise stated)

2. Summary of Significant Accounting Policies (continued)

flows expected to be generated by the assets, when the market prices are not readily available for the long-lived assets. The Company did not record impairment charges associated with its long-lived assets or intangible assets during the period from January 1, 2013 to June 4, 2013 the year ended December 31, 2012 and for the period from December 29, 2006 (date of inception) to June 4, 2013.

Income Taxes

The Company accounts for income taxes using the liability method. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial reporting and tax bases of assets and liabilities using enacted tax rates that will be in effect in the period in which the differences are expected to reverse. The Company records a valuation allowance against deferred tax assets if, based on the weight of available evidence, it is more-likely-than-not that some portion, or all, of the deferred tax assets will not be realized. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date.

Pre-production Expenses

Pre-production costs are expensed as incurred. These expenses include the costs of the Company's product development efforts, including formulation, design and production processes and the testing and evaluation of pre-production prototypes.

Government Grants

Government grants received from the period of inception through June 4, 2013 are to subsidize the funding of the Company's purchases of its manufacturing assets. The fair value of the government grants is recorded as deferred government grants and will be amortized over the weighted average useful life of the related manufacturing assets once all attaching conditions are complied with and the related assets are substantially complete and ready for their intended use.

Comprehensive Loss

Comprehensive loss is defined to include all changes in equity except those resulting from investments by owners and distributions to owners. Other comprehensive income is reported in the statement of comprehensive loss and the statement of shareholders' equity. Comprehensive loss of the Company includes net loss and foreign currency translation differences for the period from January 1, 2013 to June 4, 2013, the year ended December 31, 2012 and for the period from December 29, 2006 (date of inception) to June 4, 2013.

3. Concentration of Risk

Concentration of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk primarily consist of cash and cash equivalents. As of June 4, 2013, the Company's cash and cash equivalents were all deposited with two financial institutions located in the PRC. Management believes that the

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3. Concentration of Risk (continued)

financial institutions are of high credit quality and continually monitors the credit worthiness of the financial institutions. Historically, deposits in Chinese banks are secure due to the state policy on protecting depositors' interests. However, China promulgated a new Bankruptcy Law in August 2006 that came into effect on June 1, 2007, which contains a separate article expressly stating that the State Council may promulgate implementation measures for the bankruptcy of Chinese banks based on the Bankruptcy Law. Under the new Bankruptcy Law, a Chinese bank may go into bankruptcy. In addition, since China's concession to the World Trade Organization, foreign banks have been gradually permitted to operate in China and have been significant competitors against Chinese banks in many aspects, especially since the opening of the Renminbi business to foreign banks in late 2006. Therefore, the risk of bankruptcy of the Chinese banks in which the Company has deposits has increased In the event of bankruptcy of the banks which hold the Company's deposits, it is unlikely to claim its deposits back in full since it is unlikely to be classified as a secured creditor based on PRC laws.

Currency Convertibility Risk

A significant portion of the Company's businesses are transacted in RMB, which is not freely convertible into foreign currencies. All foreign exchange transactions take place either through the People's Bank of China or other banks authorized to buy and sell foreign currencies at the exchange rates quoted by the People's Bank of China. Approval of foreign currency payments by the People's Bank of China or other regulatory institutions requires submitting a payment application form together with suppliers' invoices, shipping documents and signed contracts.

Foreign Currency Exchange Rate Risk

The RMB is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. The appreciation of the RMB against the U.S. dollar was approximately 1.7% and 0.2% in the period from January 1, 2013 to June 4, 2013 and the year ended December 31, 2012, respectively.

4. Inventory

Inventory consists of the following:

	June 4, 2013 (Unaudited)
Raw materials	$ 2,439
Finished goods	329
Inventory reserve	(371)
	$ 2,396

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(Amounts in thousands of U.S. Dollars unless otherwise stated)

5. Property, Plant and Equipment

Property, plant and equipment consists of the following:

	June 4, 2013 (Unaudited)
At cost:	
Building	$ 1,117
Machinery	3,948
Office equipment	440
Vehicles	145
	5,648
Less accumulated depreciation	(1,748)
	3,900
Construction in progress	49,212
	$ 53,112

For the period from January 1, 2013 to June 4, 2013, the year ended December 31, 2012 and for the period from December 29, 2006 (date of inception) to June 4, 2013, depreciation expense was $342, $764 and $1,730, respectively. The amount of depreciation expense included in pre-production expenses was $12, $665 and $1,066 for the respective periods, and the amount included in general and administrative expenses was $330, $99 and $664 for the respective periods. As of June 4, 2013, the net book values of property, plant and equipment pledged as collateral fo bank loans was $51,828. Construction in progress included capitalized interest of $570, $1,295 and $2,605 from January 1, 2013 to June 4, 201 for the year ended December 31, 2012, and for the period from December 29, 2006 (date of inception) to June 4, 2013, respectively.

6. Intangible Assets

Intangible assets consist of the following:

June 4, 2013 (unaudited)	Estimated Useful Life (In years)	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Purchased software	2	$ 72	$ (69)	$ 3
Land use right	50	2,046	(204)	1,842
Total		$2,118	$ (273)	$1,845

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6. Intangible Assets (continued)

Amortization expenses of intangible assets for the period ended June 4, 2013, the year ended December 31, 2012 and for the period from December 29, 2006 (date of inception) to June 4, 2013 were $20, $60 and $261, respectively, and were recorded in general and administrative expenses.

The future amortization of intangible assets is as follows:

Year Ending June 4,	
2014	44
2015	41
2016	41
2017	41
2018	41
Thereafter	1,637
	$1,845

7. Other Payables

Other payables consist of the following:

	June 4, 2013 (unaudited)
Payables for purchase of property and equipment	$ 547
Others	895
	$ 1,442

8. Long-Term Bank Loans

The Company obtained two credit facilities in the amount of RMB37,000 ($5,987) and RMB83,000 ($13,431) in June 2011 and August 2010, respectively, each with a five year term. Both credit facilities are secured by certain fixed assets of the Company. The interest rate of the credit facilities is the prevailing interest rate of People's Bank of China on the date of the draw downs. Repayment will be accelerated if the liabilities to assets ratio of the Company exceeds 70% and 80% during the term of the RMB37,000 and RMB83,000 credit facilities, respectively, or if the Company is unable to achieve 50% of its projected revenues when the Company commences commercial activities. During the period from January 1, 2013 to June 4, 2013 and as of June 4, 2013, the Company was in compliance with these covenants. All interest costs were capitalize in all periods presented as the funds were used to finance the build-out of the Company's manufacturing facility (see Note 5).

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8. Long-Term Bank Loans (continued)

Principal payments due on the long-term bank loans as of June 4, 2013 are as follows:

Year ending June 4,	
2014	$ 4,855
2015	4,855
2016	9,385
	$19,095

In November 2013 and January 2014, the Company repaid RMB55, 000 ($8,221) and in full RMB63,000 ($10,333) of the then-outstanding balances of the loan. Upon prepayment of the loan, the loan contracts were terminated. No early termination fees were incurred as part of the prepayment of the loans.

9. Income Taxes

In accordance with the PRC Corporate Income Tax Law (the "New CIT Law") which was approved and became effective on January 1, 2008, the provision for Mainland China current income tax has been based on a statutory rate of 25% of the assessable profits of the Company for period from January 1, to June 4, 2013 and the year ended December 31, 2012.

Loss before income taxes for the period from January 1, 2013 to June 4, 2013 and the year ended December 31, 2012 was derived in the PRC.

The Company's total income tax expense for the period from January 1, 2013 to June 4, 2013, the year ended December 31, 2012 and for the period from December 29, 2006 (date of inception) to June 4, 2013 is zero, and differs from the theoretical amount that would arise using the PRC statutory income tax rate primarily due to the effects of valuation allowances on the deferred tax assets generated during the respective years.

Deferred tax assets reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company has deferred tax assets of $6,049 as of June 4, 2013, which are fully offset by a valuation allowance. The significant components of deferred tax assets are related to pre-operating expenses.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not, that some portion, or all, of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. Management considers the projected future taxable income and tax planning strategies in making this assessment. Based on the Company's historical taxable losses and their projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that all deferred tax assets will not be realized.

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9. Income Taxes (continued)

Based upon the Company's evaluation of its income tax positions as of June 4, 2013, the Company has no unrecognized tax positions. As of June 4, 2013, the tax years ended December 31, 2008 through 2012 and for the period January 1, 2013 to June 4, 2013 for the PRC entities remain open for statutory examination by the PRC tax authorities.

10. Shareholder Contribution

Sagent Pharmaceuticals, Inc., one of the Company's shareholders, granted stock options to two of the Company's employees and also provided cash compensation to one of these employees in 2013, 2012 and 2011. Twenty-five percent of these options are to be vested on each anniversary date from the vesting commencement date of the respective grants over a four year period. These stock options are accounted for as non-employee stock options given these stock options were granted to employees of an investee by a non-controlling shareholder. Therefore, these grants are recorded at fair value at each reporting date during the vesting period. The Company recorded $33, $313 and $1,524 as a shareholder contribution and recognized the associated stock-based and cash compensation expense in the general and administrative expense for the period ended January 1, 2013 to June 4, 2013, the year ended December 31, 2012 and for the period from December 29, 2006 (date of inception) to June 4, 2013.

11. Commitment and Contingencies

Purchase Commitments

As of June 4, 2013, the Company had outstanding purchase commitments related to property, plant and equipment in the amount of $508, which are all due within one year.

12. Fair Value Measurement

The Company applies ASC topic 820, *Fair Value Measurements and Disclosures* . ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. ASC 820 requires disclosures to be provided around fair value measurement.

ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 — Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 — Includes other inputs that are directly or indirectly observable in the marketplace.

Level 3 — Unobservable inputs which are supported by little or no market activity.

ASC 820 describes three main approaches to measuring the fair value of assets and liabilities: (1) market approach; (2) income approach; and (3) cost approach. The market approach uses prices and other relevant

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12. Fair Value Measurement (continued)

information generated from market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single present value amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is based on the amount that would currently be required to replace an asset.

In accordance with ASC 820, the Company measures cash equivalents at fair value. Cash equivalents are classified within Level 1 as the cash equivalents are valued using quoted market prices.

13. Related Party Transactions

Name and Related Party Relationship:

Name of related party	Relationship with the Company
Sagent Pharmaceuticals, Inc.	Joint venture shareholder
Chengdu Kanghong Pharmaceutical Group Co., Ltd.	Joint venture shareholder

As of June 4, 2013, we had a related party payable of $4,868 to Sagent. The amounts were for material purchased on our behalf, a $1,000 advanced payment of a finished goods inventory, and a related party loan of $2,000.

14. Subsequent Events

On January 2, 2014, we repaid in full the then-outstanding balance of the ABC Loans, totaling RMB 63,000 ($10,333) million ($10.3 million). Upon prepayment, the loan contracts were terminated. No early termination fees were incurred as part of the prepayment of the loans. No other subsequent events requiring disclosure were noted.

Report of Independent Auditors

The Board of Directors and Members of Sagent Agila LLC.

We have audited the accompanying financial statements of Sagent Agila LLC, which comprise the balance sheet as of December 31, 2014, and the related statement of operations and comprehensive income, statement of members' equity and statement of cash flow for the years ended December 31, 2014 and December 31, 2012, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sagent Agila LLC at December 31, 2014 and the results of its operations and its cash flows for the years ended December 31, 2014 and December 31, 2012 in conformity with U.S. generally accepted accounting principles .

Report on summarized comparative information

We have not audited, reviewed or compiled the summarized comparative information presented herein as of and for the year ended December 2013, and accordingly, we express no opinion on it.

/s/ Ernst & Young LLP

Chicago, Illinois
March 16, 2015

Sagent Agila LLC
Balance Sheets
(in thousands, except share amounts)

	December 31, 2014	December 31, 2013 (unaudited)
Assets		
Current assets:		
Cash	$ 901	$ 1,143
Due from Agila	2,353	3,638
Due from Sagent	8,079	3,129
Total current assets	11,333	7,910
Intangible assets, net	360	522
Total assets	$11,693	$ 8,432
Liabilities and members' equity		
Current liabilities:		
Due to Agila	$ 468	$ 674
Due to Sagent	2,168	3,654
Total liabilities	2,636	4,328
Members' equity:		
Common stock – $1.00 par value, 3,400,000 authorized and outstanding at both December 31, 2014 and 2013	3,400	3,400
Retained earnings	5,657	704
Total members' equity	9,057	4,104
Total liabilities and members' equity	$11,693	$ 8,432

See accompanying notes to financial statements.

Sagent Agila LLC
Statements of Operations and Comprehensive Income
(in thousands)

	Year ended December 31,		
	2014	2013 (Unaudited)	2012
Net revenue:			
Product revenue	$ 1,636	$ 11,242	$17,578
License fees	6,457	5,685	11,370
Total net revenue	8,093	16,927	28,948
Cost of sales	1,772	11,473	17,669
Gross profit	6,321	5,454	11,279
Operating expenses:			
Product development	40	387	970
Selling, general and administrative	—	—	7
Total operating expenses	40	387	977
Gain on sale of products	(1,694)	(3,372)	—
Income from operations	7,975	8,439	10,302
Income before income taxes	7,975	8,439	10,302
Provision for income taxes	—	—	—
Net Income	$ 7,975	$ 8,439	$10,302
Comprehensive Income	$ 7,975	$ 8,439	$10,302

See accompanying notes to financial statements.

Sagent Agila LLC
Statements of Members' Equity
(in thousands, except share amounts)

	Common Stock		Additional	Other	Retained Earnings	
	Shares	Amount	Paid-In Capital	Comprehensive Income (Loss)	(Accumulated Deficit)	Total
Balance as of January 1, 2012	3,400,000	$3,400	$ 960	$ —	$ (633)	$ 3,727
Contributions by members	—	—	580	—	—	580
Dividends and distributions	—	—	(1,125)	—	(9,184)	(10,309
Comprehensive income		—	—	—	10,302	10,302
Balance as of December 31, 2012	3,400,000	$3,400	$ 415	$ —	$ 485	$ 4,300
Dividends and distributions (unaudited)	—	—	(415)	—	(8,220)	(8,635
Comprehensive income (unaudited)	—	—	—	—	8,439	8,439
Balance as of December 31, 2013 (unaudited)	3,400,000	$3,400	$ —	$ —	$ 704	$ 4,104
Dividends and distributions	—	—	—	—	(3,022)	(3,022
Comprehensive income	—	—	—	—	7,975	7,975
Balance as of December 31, 2014	3,400,000	$3,400	$ —	$ —	$ 5,657	$ 9,057

See accompanying notes to financial statements.

Sagent Agila LLC
Statements of Cash Flows
(in thousands)

	Year ended December 31, 2014	2013 (Unaudited)	2012
Cash flows from operating activities			
Net income	$ 7,975	$ 8,439	$ 10,302
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization	135	248	238
Disposal of product rights	67	—	—
Changes in operating assets and liabilities:			
Due from members	(3,665)	2,655	2,681
Other current assets	—	—	3
Accounts payable	—	(132)	132
Due to members	(1,692)	(3,025)	(2,000
Net cash provided by operating activities	2,820	8,185	11,356
Cash flows from investing activities			
Purchase of product rights	(40)	—	(35
Net cash used in investing activities	(40)	—	(35
Cash flows from financing activities			
Distribution of products to members	(1,760)	(3,400)	—
Dividends paid to members	(1,262)	(5,235)	(10,309
Proceeds from member contributions	—	—	580
Net cash used in financing activities	(3,022)	(8,635)	(9,729
Net (decrease) increase in cash and cash equivalents	(242)	(450)	1,592
Cash and cash equivalents, at beginning of period	1,143	1,593	1
Cash and cash equivalents, at end of period	$ 901	$ 1,143	$ 1,593

See accompanying notes to financial statements

Sagent Agila LLC
Notes to Financial Statements
(amounts in thousands)

Note 1. Summary of Significant Accounting Policies:

Nature of Operations

Sagent Agila LLC ("Sagent Agila", "we", "us" or "our") is a limited liability company incorporated in Wyoming between Strides Inc., a wholly owned subsidiary of Strides Arcolab International Limited ("Strides US"), and Sagent Pharmaceuticals, Inc. ("Sagent"). Sagent Agila was established in January 2007 with the principal business of development, manufacturing, marketing, distribution and sale of generic pharmaceutical products to the U.S. market. In December 2013, Mylan Incorporated ("Mylan") acquired Strides' Agila Specialities ("Agila") subsidiary, including Strides' ownership share of the Sagent Agila joint venture.

All of our products are sold to Sagent, who sells the products into the U.S. market. The initial term of the venture expires upon the tenth anniversary of its formation. Sagent and Mylan may agree to extend the term of the venture.

Basis of Presentation

The financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP). The financial statement as of and for the year ended December 31, 2013 and the notes related there to are unaudited.

The financial statements include the assets, liabilities, and results of operations of Sagent Agila LLC.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reporte amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash

At December 31, 2014, our cash balances were deposited in financial institutions and consisted of immediately available fund balances. The majority of our funds at December 31, 2014, were maintained at one stable financial institution, in an amount in excess of federally insured limits. This represents a concentration of credit risk. We have not experienced any losses on our deposits of cash and cash equivalents to date.

Fair value of financial instruments

The carrying value of financial assets and liabilities such as cash and other current liabilities approximate their fair values due to their short maturities.

Impairment of Long-Lived Assets

We evaluate long-lived assets, consisting of intangible assets with definite lives, for impairment whenever events or other changes in circumstances indicate that the carrying value of an asset may no longer be recoverable. An evaluation of recoverability is performed by comparing the carrying values of the assets to projected future undiscounted cash flows, in addition to other quantitative and qualitative analyse Judgments made by management related to the expected useful lives of long-lived assets and the ability to realize undiscounted cash flows in excess of the carrying amounts of such assets are affected by factors such as changes in economic

conditions and changes in operating performance. Upon indication that the carrying values of such assets may not be recoverable, we recognize an impairment loss as a charge against current operations. We recorded impairment charges of $49 for the year ended December 31, 2014. There were no impairment charges recorded during the years ended December 31, 2013 or 2012.

Product Development Agreements

Product development costs are expensed as incurred. These expenses include the costs of our internal product development efforts and acquired in-process research and development, as well as product development costs incurred in connection with our third-party contract research and development efforts. Non-refundable contractual payments made under contract research and development arrangements for future research and development activities prior to regulatory approval, including payments made upon execution of a definitive contract research and development agreement, are deferred and are expensed as the related services are performed. If we determine that it is no longer probable that the product will be pursued, any related capitalized amount is expensed in the current period. Contractual payments due to a counterparty for development effort that are contingent upon the successful completion of certain activities are expensed when the successful completion is considered probable.

Once a product receives regulatory approval, we record any contractual payments for the license to sell the developed product as an intangible asset to be amortized on a straight-line basis as a component of cost of sales over the shorter of the related license period or the estimated life of the acquired product. At December 31, 2014, the amortization period for intangible assets arising from approved products was seven years with weighted-average period prior to the next renewal or extension of four and one half years. We make the determination whether to capitalize or expense amounts related to the development of new products and technologies through agreements with third parties based on our ability to recover our cost in a reasonable period of time, generally the initial license term, from the estimated future cash flows anticipated to be generated pursuant to each agreement. Market, regulatory and legal factors, among other things, may affect the realizability of the projected cash flows that an agreement was initially expected to generate. We regularly monitor these factors and subject capitalized costs to periodic impairment testing.

Intangible Assets

Certain amounts paid to third parties which are capitalized related to the development of new products and technologies are included within intangible assets. We determine the estimated fair values of certain intangible assets with definitive lives utilizing valuations performed by management at the time of their acquisition, based on anticipated future cash flow activity.

Non-refundable contractual payments made under contract research and development arrangements or product licensing arrangements prior to receiving regulatory approval for a product may be deferred, and are expensed as the related services are delivered and related milestones are achieved.

Income Taxes

We are treated as a partnership for US tax purposes. Earnings of the partnership are passed through to each individual member, and as such, no income taxes are recorded in our financial statements.

Revenue Recognition – Product revenue

Product revenue represents the sale of products to Sagent. We recognize revenue when our obligations are fulfilled relative to a specific product and all of the following conditions are satisfied: (i) persuasive evidence of an arrangement exists; (ii) the price is fixed or determinable; (iii) collectability is reasonably assured; and (iv) delivery has occurred. Delivery is deemed to have occurred upon receipt of product, upon fulfillment of acceptance terms, if any, and when no significant contractual obligations remain. We do not incur shipping and handling fees.

Revenue Recognition – License fees

We provide Sagent with the right to market products manufactured under our Abbreviated New Drug Application ("ANDA") in exchange for a licensing fee. We recognize our license fee revenue based on the net gross profit earned on the sale of product by Sagent, less a marketing fee charged by Sagent on each sale.

Recently Adopted Accounting Standards

In May 2014, the FASB issued amended revenue recognition guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires an entity to recognize revenue in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required about customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. We are required to adopt this new guidance on January 1, 2017, using one of two prescribed retroactive methods. Early adoption is not permitted. We are evaluating the impact of the amended revenue recognition guidance on our consolidated financial statements.

Note 2. Deconsolidation of product rights

On December 19, 2014, Sagent entered into and closed an agreement with Mylan to acquire the rights to our Rocuronium, Clinadmycin and Cisatracurium product rights. The fair value of purchase consideration for the transaction was $1,760, which was the aggregate purchase consideration transferred to the Company by Sagent in exchange for 100% ownership of the product rights. We accounted for the transaction as the deconsolidation of our ownership in these assets, and recognized a gain equal to the fair value of the assets less the write-off of unamortized costs or $1,694. Our distribution of the fair value of these rights to Sagent and Mylan has been reported as distribution of products to members i our statement of cash flows.

On August 30, 2013, Sagent entered into an agreement with Mylan to acquire the rights to our Mesna and Acetylcystine product rights. The fair value of purchase consideration for the transaction was $3,400, which was based on the aggregate purchase consideration transferred to the Company by Sagent in exchange for 100% ownership of the product rights. The transaction closed on December 12, 2013, subsequent to the completion of Mylan's acquisition of Agila from Strides. We accounted for the transaction as the deconsolidation of our ownership in these assets, and recognized a gain equal to the net fair value of the assets less the write-off of remaining unamortized costs or $3,372. Our distributio of the fair value of these rights to Sagent and Mylan has been reported as distribution of products to members in our statement of cash flows.

Note 3. Intangible assets, net

Intangible assets at December 31, 2014 and 2013 were as follows:

	December 31, 2014			December 31, 2013 (unaudited)		
	Gross carrying amount	Accumulated amortization	Intangible assets, net	Gross carrying amount	Accumulated amortization	Intangible assets, net
Product licensing rights	$ 558	$ (198)	$ 360	$ 798	$ (276)	$ 522

Movements in intangible asset product licensing rights were due to the following:

	2014	2013 (unaudited)
Balance at January 1	$ 522	$ 645
Acquisition of product rights	40	—
Disposal of product rights	(67)	
Amortization of product rights	(135)	(123)
Balance at December 31	$ 360	$ 522

Amortization expense related to our product licensing rights was $135, $123 and $88 for the years ended December 31, 2014, 2013 and 2012, respectively. Included in amortization expense for the year ended December 31, 2014 is $49 of asset impairment charges. The weighted-average period prior to the next extension or renewal for the 10 products comprising our product licensing rights intangible asset was 54 months at December 31, 2014.

We currently estimate amortization expense over each of the next five years as follows:

For the year ending December 31,	Amortization expense
2015	$ 80
2016	76
2017	70
2018	48
2019	32

Note 4. Members' Equity

Common Stock

We are authorized to issue 3,400,000 shares of common stock as of both December 31, 2014 and 2013.

Voting Rights

The holders of our common stock are entitled to one vote for each share held of record upon such matters and in such manner as may be provided by law.

Dividends

We accrue dividends when, and if, declared by our Members. During the years ended December 31, 2014 and 2013, we distributed $1,262 and $5,235, respectively, of profit sharing receipts to our joint venture partners. Additionally, during the years ended December 31, 2014 and 2013, we distributed ownership in the amounts of $1,760 and $3,400, respectively, of the product sold by us to our members.

Note 5. Commitments and Contingencies

Product Development Agreements

We have entered into a series of business agreements with Sagent and Agila for the development, manufacturing and marketing of finished dosage form pharmaceutical products, some of which contain contingent contractual payments.

These agreements may include future payment commitments for contingent contractual payments. We will be responsible for contingent contractual payments based upon the occurrence of future events. Each agreement

defines the triggering event of its future payment schedule, such as meeting development progress timelines, successful product testing and validation, successful clinical studies, various FDA and other regulatory approvals, and other factors as negotiated in each case.

The table below summarizes our estimate for contingent potential contractual payments and fees for the year ended December 31, 2014 and beyond assuming all contingent milestone payments occur.

Contingent contract payments are as follows at December 31, 2014:

2015	$ 90
2016	140
2017	—
2018	—
2019	—
Thereafter	—
Total	$230

Regulatory Matters

We are subject to regulatory oversight by the FDA and other regulatory authorities with respect to the development, manufacturing and sale of our products. Failure to comply with regulatory requirements could have a significant adverse effect on our business and operations.

Litigation

From time to time, we are subject to claims and litigation arising in the ordinary course of business. These claims may include assertions that ou products infringe existing patents and claims that the use of our products has caused personal injuries. We intend to vigorously defend any such litigation that may arise under all defenses that would be available to us. At this time, there are no proceedings of which we are aware that are likely to have a material adverse effect on the financial position or results of operations.

Note 6. Related party transactions:

As of December 31, 2014 and 2013, we had a receivable of $8,079 and $3,129, respectively, from Sagent, which is related to inventory shipments and license fees due. As of December 31, 2014 and 2013, we also had a deposit of $2,353 and $3,638, respectively, with Agila relate to future inventory purchases and prepayment of certain license fee revenues. These amounts are included within due from Sagent and due from Agila, respectively, on the balance sheets. As of December 31, 2014 and 2013, we had a payable of $2,168 and $3,654, respectively, to Sagent for inventory markups on certain products and shipment related charges and a payable of $468 and $674, respectively, to Agila, principally related to inventory shipments.

Note 7. Subsequent events:

We evaluated subsequent events through March 16, 2015, the date the financial statements were available to be issued. No subsequent events requiring disclosure were noted.

Company Name	State of Incorporation/ Organization	Country of Incorporation/ Organization
Sagent Pharmaceuticals, Inc.	Wyoming	United States of America
Sagent International LLC		Cayman Islands
Sagent (China) Pharmaceuticals Co. Ltd.		China
Omega Laboratories Limited		Canada
7685947 Canada, Inc.		Canada
Sagent Acquisition Corp.		Canada

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-3 No. 333-200027) of Sagent Pharmaceuticals, Inc.

(2) Registration Statement (Form S-8 No. 333-175352) pertaining to the 2007 Global Share Plan of Sagent Holding Co. and the 2011 Incentive Compensation Plan of Sagent Pharmaceuticals, Inc.

of our reports dated March 16, 2015, with respect to the consolidated financial statements and schedule of Sagent Pharmaceuticals, Inc. and the effectiveness of internal control over financial reporting of Sagent Pharmaceuticals, Inc. included in this Annual Report (Form 10-K) of Sagent Pharmaceuticals, Inc. for the year ended December 31, 2014.

/s/ Ernst and Young LLP

Chicago, Illinois
March 16, 2015

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-3 No. 333-200027) of Sagent Pharmaceuticals, Inc.,

(2) Registration Statement (Form S-8 No. 333-175352) pertaining to the 2007 Global Share Plan of Sagent Holding Co. and the 2011 Incentive Compensation Plan of Sagent Pharmaceuticals, Inc.;

of our report dated March 11, 2013, with respect to the financial statements of Kanghong Sagent (Chengdu) Pharmaceutical Co., Ltd. (a development stage company, currently named as Sagent (China) Pharmaceutical Co., Ltd. ("SCP")), included in this Annual Report (Form 10-K for the year ended December 31, 2014.

/s/ Ernst & Young Hua Ming LLP

Shanghai, the People's Republic of China
March 13, 2015

Consent of Independent Auditors

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-3 No. 333-200027) of Sagent Pharmaceuticals, Inc.

(2) Registration Statements (Form S-8 No. 333-175352) pertaining to the 2007 Global Share Plan of Sagent Holding Co. and the 2011 Incentive Compensation Plan of Sagent Pharmaceuticals, Inc.

of our report dated March 16, 2015, with respect to the financial statements of Sagent Agila LLC., included in the Annual Report (Form 10-K) o Sagent Pharmaceuticals, Inc. for the year ended December 31, 2014.

/s/ Ernst and Young LLP

Chicago, Illinois
March 16, 2015

Certifications

I, Jeffrey M. Yordon, certify that:

1. I have reviewed this annual report on Form 10-K of Sagent Pharmaceuticals, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the perioc covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to u by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 16, 2015

/s/ Jeffrey M. Yordon
Jeffrey M. Yordon
Chief Executive Officer

Certifications

I, Jonathon M. Singer, certify that:

1. I have reviewed this annual report on Form 10-K of Sagent Pharmaceuticals, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the perioc covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to u by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 16, 2015

/s/ Jonathon M. Singer
Jonathon M. Singer
Executive Vice President and Chief Financial Officer

CERTIFICATIONS OF
CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Jeffrey M. Yordon, Chief Executive Officer of Sagent Pharmaceuticals, Inc., ("Sagent") certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge, Sagent's Annual Report on Form 10-K for the year ended December 31, 2014, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such Annual Report on Form 10-K fairly presents in all material respects, Sagent's financial condition and results of operations.

/s/ Jeffrey M. Yordon
Jeffrey M. Yordon
Chief Executive Officer
March 16, 2015

I, Jonathon M. Singer, Chief Financial Officer of Sagent Pharmaceuticals, Inc., ("Sagent") certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge, Sagent's Annual Report on Form 10-K for the year ended December 31, 2014, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such Annual Report on Form 10-K fairly presents in all material respects, Sagent's financial condition and results of operations.

/s/ Jonathon M. Singer
Jonathon M. Singer
Executive Vice President and Chief Financial Officer
March 16, 2015

A signed original of these written statements required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Sagent Pharmaceuticals, Inc. and will be retained by Sagent Pharmaceuticals, Inc. and furnished to the Securities and Exchange Commission o its staff upon request.