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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2015

OR

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

For the transition period from to

Commission file number: 001-35668

INTERCEPT PHARMACEUTICALS, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	**22-3868459**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification Number)**
450 West 15th Street, Suite 505 New York, NY (Address of Principal Executive Offices)	**10011 (Zip Code)**

(646) 747-1000
(Registrant's Telephone Number, Including Area Code)

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

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

Large accelerated filer	☒	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 Exchange Act). Yes ☐ No ☒

As of April 30, 2015, there were 24,072,311 shares of common stock, $0.001 par value per share, outstanding.

Intercept Pharmaceuticals, Inc.

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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements that involve substantial risks and uncertainties. All statements other than statements of historical facts contained in this Quarterly Report on Form 10-Q, including statements regarding our strategy, future operations, future financial position, future revenue, projected costs, prospects, plans, objectives of management and expected market growth, are forward-looking statements. These statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

The words "anticipate," "believe," "estimate," "expect," "intend," "may," "plan," "predict," "project," "potential," "will," "would," "could," "should," "continue," and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. These forward-looking statements include, among other things, statements about:

- the initiation, cost, timing, progress and results of our development activities, preclinical studies and clinical trials;
- the timing of and our ability to obtain and maintain regulatory approval of obeticholic acid, or OCA, and any other product candidates we may develop, particularly the possibility that regulatory authorities may require clinical outcomes data (and not just results based on achievement of a surrogate endpoint) as a condition to any marketing approval for OCA, and any related restrictions, limitations and/or warnings in the label of any approved product candidates;
- our plans to research, develop and commercialize our product candidates;
- our collaborators' election to pursue research, development and commercialization activities;
- our ability to attract collaborators with development, regulatory and commercialization expertise;
- our ability to obtain and maintain intellectual property protection for our product candidates;
- our ability to successfully commercialize our product candidates;
- the size and growth of the markets for our product candidates and our ability to serve those markets;
- the rate and degree of market acceptance of any future products;
- the success of competing drugs that are or become available;
- regulatory developments in the United States and other countries;
- the performance of our third-party suppliers and manufacturers;
- our need for and ability to obtain additional financing;
- our estimates regarding expenses, future revenues and capital requirements and the accuracy thereof;
- our use of the proceeds from our initial public offering in October 2012 and our follow-on public offerings in June 2013, April 2014, February 2015 and April 2015; and
- our ability to attract and retain key scientific or management personnel.

These forward-looking statements are only predictions and we may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, so you should not place undue reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements we make. We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our business, financial condition and operating results. We have included important factors in the cautionary statements included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 2, 2015, particularly in Item 1.A. Risk Factors. Those risk factors, together with any updates to those risk factors contained in our subsequent periodic and current reports filed with the Securities and Exchange Commission, could cause actual future results or events to differ materially from the forward-looking statements that we make. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments we may make.

You should read this Quarterly Report on Form 10-Q and the documents that we have filed as exhibits to the Quarterly Report on Form 10-Q with the understanding that our actual future results may be materially different from what we expect. We do not assume any obligation to update any forward-looking statements whether as a result of new information, future events or otherwise, except as required by applicable law.

NON-GAAP FINANCIAL MEASURES

This Quarterly on Form 10-Q presents projected adjusted operating expense, which is a financial measure not calculated in accordance with U.S. generally accepted accounting principles, or GAAP, and should be considered in addition to, but not as a substitute for, operating expense that we prepare and announce in accordance with GAAP. We exclude certain items from adjusted operating expense, such as stock-based compensation and other non-cash items, that management does not believe affect our basic operations and that do not meet the GAAP definition of unusual or non-recurring items. We anticipate that stock-based compensation expense will represent the most significant non-cash item that is excluded in adjusted operating expenses as compared to operating expenses under GAAP. A reconciliation of projected non-GAAP adjusted operating expense to operating expense calculated in accordance with GAAP is not available on a forward-looking basis without unreasonable effort due to an inability to make accurate projections and estimates related to certain information needed to calculate, for example, future stock-based compensation expense. Management also uses adjusted operating expense to establish budgets and operational goals and to manage our company's business. Other companies may define this measure in different ways. We believe this presentation provides investors and management with supplemental information relating to operating performance and trends that facilitate comparisons between periods and with respect to projected information.

PART I

Item 1. FINANCIAL STATEMENTS

INTERCEPT PHARMACEUTICALS, INC.

Condensed Consolidated Balance Sheets

	December 31, 2014 (Audited)	March 31, 2015 (Unaudited)
Assets		
Current assets:		
Cash and cash equivalents	$ 20,022,927	$ 104,366,238
Investment securities, available-for-sale	219,700,890	297,626,140
Prepaid expenses and other current assets	6,104,017	8,392,121
Total current assets	245,827,834	410,384,499
Fixed assets, net	5,851,756	7,531,251
Security deposits	2,469,343	3,726,964
Total assets	$ 254,148,933	$ 421,642,714
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable, accrued expenses and other liabilities	$ 13,459,489	$ 16,371,058
Short-term portion of deferred revenue	1,781,620	1,781,620
Total current liabilities	15,241,109	18,152,678
Long-term liabilities:		
Long-term portion of deferred revenue	8,017,301	7,571,896
Total liabilities	23,258,410	25,724,574
Stockholders' equity:		
Common stock. 35,000,000 shares authorized; 21,415,243 and 22,706,973 shares issued and outstanding as of December 31, 2014 and March 31, 2015, respectively; par value $0.001 per share	21,415	22,707
Additional paid-in capital	700,354,657	904,714,141
Accumulated other comprehensive income (loss), net	(283,835)	(230,873)
Accumulated deficit	(469,201,714)	(508,587,835)
Total stockholders' equity	230,890,523	395,918,140
Total liabilities and stockholders' equity	$ 254,148,933	$ 421,642,714

See accompanying notes to the condensed consolidated financial statements.

INTERCEPT PHARMACEUTICALS, INC.

Condensed Consolidated Statements of Operations
(Unaudited)

	Three Months Ended March 31,	
	2014	**2015**
Licensing revenue	$ 405,403	$ 1,445,405
Costs and expenses:		
Research and development	14,292,693	27,965,634
General and administrative	5,651,127	13,137,816
Total costs and expenses	19,943,820	41,103,450
Other income (expense):		
Revaluation of warrants	(226,626,668)	-
Other income, net	136,257	271,925
	(226,490,411)	271,925
Net loss	$ (246,028,828)	$ (39,386,120)
Net loss per share:		
Basic and diluted	$ (12.61)	$ (1.78)
Weighted average shares outstanding:		
Basic and diluted	19,504,748	22,171,988

See accompanying notes to the condensed consolidated financial statements.

INTERCEPT PHARMACEUTICALS, INC.

Condensed Consolidated Statements of Comprehensive Loss
(Unaudited)

	Three Months Ended March 31,	
	2014	**2015**
Net loss	$ (246,028,828)	$ (39,386,120)
Other comprehensive loss:		
Unrealized losses on securities:		
Unrealized holding gains (losses) arising during the period	(43,484)	212,618
Reclassification for recognized gains on marketable investment securities during the period	-	2,367
Net unrealized gains (losses) on marketable investment securities	$ (43,484)	$ 214,985
Foreign currency translation adjustments	(3,533)	(162,023)
	$ (47,017)	$ 52,962
Comprehensive loss	$ (246,075,845)	$ (39,333,158)

INTERCEPT PHARMACEUTICALS, INC.

Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Three Months Ended March 31,	
	2014	**2015**
Cash flows from operating activities:		
Net loss	$ (246,028,828)	$ (39,386,120)
Adjustments to reconcile net loss to net cash used in operating activities:		
Revaluation of warrants	226,626,668	-
Share-based compensation	7,435,652	9,738,093
Depreciation	61,661	250,359
Amortization of investment premium	551,913	883,651
Changes in:		
Prepaid expenses, other current assets and security deposits	(2,064,234)	(3,545,725)
Accounts payable, accrued expenses and other current liabilities	1,504,194	2,911,569
Deferred revenue	(405,402)	(445,405)
Net cash used in operating activities	(12,318,376)	(29,593,578)
Cash flows from investing activities:		
Purchases of investment securities	(15,723,676)	(122,213,831)
Sales of investment securities	23,729,896	43,619,915
Purchases of equipment, improvements, and furniture and fixtures	(299,808)	(1,929,854)
Net cash provided by (used in) investing activities	7,706,412	(80,523,770)
Cash flows from financing activities:		
Proceeds from issuance of stock offerings, net of issuance costs	-	191,633,977
Cost associated with issuance of stock	(338,816)	-
Proceeds from exercise of options	2,798,428	2,988,705
Net cash provided by financing activities	2,459,612	194,622,682
Effect of exchange rate changes	-	(162,023)
Net (decrease) increase in cash and cash equivalents	(2,152,352)	84,343,311
Cash and cash equivalents – beginning of period	13,363,185	20,022,927
Cash and cash equivalents – end of period	$ 11,210,833	$ 104,366,238

See accompanying notes to the condensed consolidated financial statements.

1. Nature of Business and Basis of Presentation

Intercept Pharmaceuticals, Inc. ("Intercept" or the "Company"), is a biopharmaceutical company focused on the development and commercialization of novel therapeutics to treat chronic liver diseases with high unmet medical need. The Company's product candidates have the potential to treat orphan and more prevalent liver diseases for which there currently are limited therapeutic solutions.

The Company has its administrative headquarters in New York, New York and an office in San Diego, California. In February 2015, the Company signed a lease for an office in London, United Kingdom. The Company has a wholly-owned subsidiary in Italy which acts as the Company's legal representative for its clinical trials in the European Union to satisfy European Union regulatory requirements and a wholly-owned subsidiary in the United Kingdom. Intercept was incorporated in Delaware in September 2002.

Basis of Presentation

All financial information presented includes the accounts of the Company's wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. The unaudited financial statements of Intercept Pharmaceuticals, Inc. included herein reflect all adjustments, consisting only of normal recurring adjustments, which in the opinion of management are necessary to fairly state the Company's financial position, results of operations and cash flows for the periods presented. Interim results may not be indicative of the results that may be expected for the full year. Certain information and footnote disclosures normally included in the audited financial statements prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") have been condensed or omitted pursuant to the rules and regulations of the U.S. Securities and Exchange Commission ("SEC"). These financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto which are included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014 for a broader discussion of the Company's business and opportunities and risks inherent in such business.

Use of Estimates

The preparation of these financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, expenses, revenues and related disclosures. On an ongoing basis, management evaluates estimates, clinical trial accruals and share-based compensation expense. The Company bases its estimates on historical experience and other market-specific or other relevant assumptions that it believes to be reasonable under circumstances. Actual results may differ from those estimates or assumptions.

Revision of Prior Period Financial Statements

During the second quarter of 2014, management identified a misstatement representing an overstatement of non-cash share-based compensation expense in the first quarter of 2014 of approximately $11.6 million related to the valuation of non-employee options. Management determined that the effect of the share-based compensation expense overstatement was not material to the financial statements for the prior interim period. In order to correct the error, in accordance with the SEC's Staff Accounting Bulletin No. 108 ("SAB 108"), the Company recorded the following immaterial corrections to the financial statements for the three months ended March 31, 2014, which are reflected in the results for the three months ended March 31, 2014: (a) a decrease in additional paid-in-capital of $11.6 million and a decrease in accumulated deficit of $11.6 million, which in total has no impact on shareholders' deficit; and (b) a decrease of $11.6 million in research and development expenses and a corresponding decrease in net loss.

2. Summary of Significant Accounting Policies

The Company's significant accounting policies are described in Note 3 to the Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014.

3. Significant Agreements

Sumitomo Dainippon Pharma Co, Ltd. (Sumitomo Dainippon)

In March 2011, the Company entered into an exclusive license agreement with Sumitomo Dainippon to research, develop and commercialize obeticholic acid (OCA) as a therapeutic for the treatment of primary biliary cirrhosis (PBC) and nonalcoholic steatohepatitis (NASH) in Japan and China (excluding Taiwan). Under the terms of the license agreement, the Company received an up-front payment from Sumitomo Dainippon of $15.0 million and may be eligible to receive additional milestone payments up to an aggregate of approximately $30.0 million in development milestones based on the initiation or completion of clinical trials, $70.0 million in regulatory approval milestones and $200.0 million in sales milestones. The regulatory approval milestones include $15.0 million for receiving marketing approval for OCA for NASH in Japan, $10.0 million for receiving marketing approval for OCA for NASH in China, and up to $5.0 million for receiving marketing approval for OCA for PBC in the United States. As of March 31, 2015, the Company had achieved $1.0 million of the development milestones under its collaboration agreement with Sumitomo Dainippon. The sales milestones are based on aggregate sales amounts of OCA and include $5.0 million for achieving net sales of $50.0 million, $10.0 million for achieving net sales of $100.0 million, $20.0 million for achieving net sales of $200.0 million, $40.0 million for achieving net sales of $400.0 million and $120.0 million for achieving net sales of $1.2 billion. The Company has determined that each potential future development, regulatory and sales milestone is substantive. In May 2014, Sumitomo Dainippon exercised its option under the license agreement to add Korea as part of its licensed territories and paid the Company a $1.0 million up-front fee. Sumitomo Dainippon has the option to add several other Asian countries to its territory to pursue OCA for additional indications. Sumitomo Dainippon will be responsible for the costs of developing and commercializing OCA in its territories Dainippon is also required to make royalty payments ranging from the tens to the twenties in percent based on net sales of OCA products in the Sumitomo Dainippon territory.

The Company evaluated the license agreement with Sumitomo Dainippon and determined that it is a revenue arrangement with multiple deliverables, or performance obligations. The Company's substantive performance obligations under this license include an exclusive license to its technology, technical and scientific support to the development plan and participation on a joint steering committee. The Company determined that these performance obligations represent a single unit of accounting, since, initially, the license does not have stand-alone value to Sumitomo Dainippon without the Company's technical expertise and steering committee participation during the development of OCA. This development period is currently estimated as continuing through June 2020 and, as such, the up-front payment and payments made in respect of the Korea option are being recognized ratably over this period. During the three months ended March 31, 2014 and 2015, the Company recorded revenue of approximately $405,000 and $1.4 million, respectively, in "Licensing Revenue" in its Condensed Consolidated Statement of Operations for the Company's efforts under the agreement. All of the revenue recognized in the three months ended March 31, 2014 related to the amortization of the up-front payments under the collaboration agreement. For the three months ended March 31, 2015, $445,000 resulted from the amortization of the up-front payments under the collaboration agreement and $1.0 million resulted from the milestone achieved in the period.

United Kingdom Lease

On February 19, 2015, the Company entered into an underlease with Merck Sharp & Dohme Limited for the Company's new office in the King's Cross area of London, United Kingdom. The lease will provide the Company with approximately 6,000 rentable square feet in London for office space. The lease term is anticipated to end in June 2019.

The annual rent is £470,608, payable quarterly. The Company is also required to pay value added tax (VAT) on the rent. The Company will be responsible for a portion of the insurance, certain service charges and taxes for the building based on the floor area rented by the Company. As security for the underlease, the Company has provided the landlord with a rent deposit in the amount of £705,912 (or approximately $1,047,150), plus applicable VAT. The amount of the deposit may be reduced to £470,608 within 30 days after April 30, 2016 if there are no outstanding payments due and there are no material breaches of the underlease that have not been unremedied in respect of which a drawdown notice has been served and has expired.

4. Investments

The following table summarizes the Company's cash, cash equivalents and investments as of December 31, 2014 and March 31, 2015:

	As of December 31, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)			
Cash and cash equivalents:				
Cash and money market funds	$ 20,023	$ -	$ -	$ 20,023
Investment securities:				
Commercial paper	7,995	-	(1)	7,994
Corporate debt securities	203,988	19	(282)	203,725
U.S. government and agency securities	7,998	-	(16)	7,982
Total investments	219,981	19	(299)	219,701
Total cash, cash equivalents and investments	$ 240,004	$ 19	$ (299)	$ 239,724

	As of March 31, 2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)			
Cash and cash equivalents:				
Cash and money market funds	$ 104,366	$ -	$ -	$ 104,366
Investment securities:				
Commercial paper	10,495	-	(3)	10,492
Corporate debt securities	255,861	34	(127)	255,768
U.S. government and agency securities	31,334	33	(2)	31,366
Total investments	297,691	67	(132)	297,626
Total cash, cash equivalents and investments	$ 402,057	$ 67	$ (132)	$ 401,992

The following table shows the gross unrealized losses and fair value of the Company's available-for-sale investments aggregated by investment category and length of time that individual securities have been in the position:

	As of December 31, 2014					
	Less than 12 months		12 Months or greater		Total	
	(In thousands)					
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Corporate debt securities	$ 86,221	$ (63)	$ 81,561	$ (219)	$ 167,782	$ (282)
Commercial paper	4,994	(1)	-	-	4,994	(1)
U.S. government and agency securities	-	-	4,481	(16)	4,481	(16)
Total	$ 91,215	$ (64)	$ 86,042	$ (235)	$ 177,257	$ (299)

	As of March 31, 2015					
	Less than 12 months		12 Months or greater		Total	
	(In thousands)					
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Corporate debt securities	$ 120,384	$ (74)	$ 57,790	$ (53)	$ 178,174	$ (127)
Commercial paper	7,493	(3)	-	-	7,493	(3)
U.S. government and agency securities	-	-	4,496	(2)	4,496	(2)
Total	$ 127,877	$ (77)	$ 62,286	$ (55)	$ 190,163	$ (132)

5. Income Taxes

The Company utilizes the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement carrying amounts and the tax bases of assets and liabilities using enacted tax rates in effect for years in which the temporary differences are expected to reverse. The Company establishes a valuation allowance when it believes it is more likely than not that deferred tax assets will not be realized.

At December 31, 2014 and March 31, 2015, the Company had available net operating loss carryforwards to reduce future taxable income of approximately $208.9 million and $240.4 million, respectively, for tax reporting purposes. These carryforwards expire between 2024 and 2035. The ability of the Company to utilize its net operating losses in future years is subject to limitation in accordance with provisions of Section 382 of the Internal Revenue Code due to previous ownership changes; however, these changes have not resulted in material limitations to the Company's ability to utilize the net operating losses. The Company's deferred tax asset of approximately $104.7 million and $121.7 million at December 31, 2014 and March 31, 2015, respectively, resulted primarily from the tax effects of net operating losses, share-based compensation and deferred revenue. The Company does not have any deferred tax liabilities. Since the Company has not yet achieved sustained profitable operations, management believes its deferred tax assets do not satisfy the more-likely-than-not realization criteria and has provided an allowance for the full amount of the tax asset. As a result, the Company has not recorded any income tax benefit since its inception.

6. Warrants to Purchase Common Stock

In conjunction with various financing transactions prior to its initial public offering, the Company issued warrants to purchase the Company's common stock. Certain of the warrants included a so-called "down round" provision that provides for a reduction in the warrant exercise price if there are subsequent issuances of additional shares of common stock for consideration per share less than the per share warrant exercise prices and the remaining warrants contain a provision that require the underlying shares to be registered upon an initial public offering (IPO). These warrants were deemed to be derivative instruments and as such, were recorded as a liability and were marked-to-market at each reporting period. The Company estimated the fair values of the warrants at each reporting period using a Black-Scholes option-pricing model. Management concluded, under the Company's facts and circumstances, that the estimated fair values of the warrants using the Black-Scholes option-pricing model approximates, in all material respects, estimated the values determined using a binomial valuation model. The estimates in the Black-Scholes option-pricing model and the binomial valuation model were based, in part, on subjective assumptions, including but not limited to stock price volatility, the expected life of the warrants, the risk free interest rate and the fair value of the common stock underlying the warrants. Changes in the fair value of the common stock warrant liability from the prior period were recorded as a component of other income and expense.

On April 10, 2014, all the Company's remaining warrants to purchase a total of 865,381 shares of its common stock were exercised on a cashless basis into 834,758 shares of the Company's common stock and as such no further revaluations are required.

7. Fair Value Measurements

The carrying amounts of the Company's receivables and payables approximate their fair value due to their short maturities.

Accounting principles provide guidance for using fair value to measure assets and liabilities. The guidance includes a three level hierarchy of valuation techniques used to measure fair value, defined as follows:

- Unadjusted Quoted Prices — The fair value of an asset or liability is based on unadjusted quoted prices in active markets for identical assets or liabilities (Level 1).

- Pricing Models with Significant Observable Inputs — The fair value of an asset or liability is based on information derived from either an active market quoted price, which may require further adjustment based on the attributes of the financial asset or liability being measured, or an inactive market transaction (Level 2).
- Pricing Models with Significant Unobservable Inputs — The fair value of an asset or liability is primarily based on internally derived assumptions surrounding the timing and amount of expected cash flows for the financial instrument. Therefore, these assumptions are unobservable in either an active or inactive market (Level 3).

The Company considers an active market as one in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Conversely, the Company views an inactive market as one in which there are few transactions for the asset or liability, the prices are not current, or price quotations vary substantially either over time or among market makers. When appropriate, non-performance risk, or that of a counterparty, is considered in determining the fair values of liabilities and assets, respectively.

The Company's cash deposits and money market funds are classified within Level 1 of the fair value hierarchy because they are valued using bank balances or quoted market prices. Investments are classified as Level 2 instruments based on market pricing or other observable inputs. None of the Company's investments are classified within Level 3 of the fair value hierarchy. The Company's previous outstanding warrant liability was valued pursuant to the discussion in note 6 above and thus is included in Level 3.

Financial assets and liabilities, carried at fair value are classified in the tables below in one of the three categories described above:

	Total	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(In thousands)		
December 31, 2014				
Assets:				
Money market funds	$ 21,284	$ 21,284	$ -	$ -
Available for sale securities:				-
Commercial paper	7,994	-	7,994	$ -
Corporate debt securities	203,725	-	203,725	-
U.S. government and agency securities	7,982	-	7,982	-
Total financial assets:	$ 240,985	$ 21,284	$ 219,701	$ -
March 31, 2015				
Assets:				
Money market funds	$ 81,343	$ 81,343	$ -	$ -
Available for sale securities:				
Commercial paper	10,492	-	10,492	-
Corporate debt securities	255,768	-	255,768	-
U.S. government and agency securities	31,366	-	31,366	-
Total financial assets	$ 378,969	$ 81,343	$ 297,626	$ -

The estimated fair value of marketable debt securities (commercial paper, corporate debt securities, U.S. government and agency securities and municipal securities), by contractual maturity, are as follows:

	Fair Value as of	
	December 31, 2014	March 31, 2015
	(In thousands)	
Due in one year or less	$ 130,159	$ 179,572
Due after 1 year through 2 years	89,542	118,054
Total investments in debt securities	$ 219,701	$ 297,626

Actual maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations without call or prepayment penalties.

Common Stock

As of December 31, 2014 and March 31, 2015, the Company had 35,000,000 authorized shares of common stock, $0.001 par value per share.

In October 2012, the Company completed the IPO of its common stock pursuant to a registration statement on Form S-1. In the IPO, the Company sold an aggregate of 5,750,000 shares of common stock under the registration statement at a public offering price of $15.00 per share. Net proceeds were approximately $78.7 million, after deducting underwriting discounts and commissions and offering expenses payable by the Company. Upon the closing of the IPO, all outstanding shares of the Company's preferred stock (described below) were converted into 7,403,817 shares of common stock.

In June 2013, the Company completed a public offering of 1,989,500 shares of its common stock pursuant to a registration statement on Form S-1. Net proceeds were approximately $61.2 million, after deducting underwriting discounts and commissions and offering expenses payable by the Company.

In April 2014, the Company completed a public offering of 1,000,000 shares of its common stock, of which 600,000 shares were sold by the Company and 400,000 shares were sold by certain selling stockholders pursuant to a registration statement on Form S-3. After underwriting discounts and commissions and offering expenses, the Company received net proceeds from the offering of approximately $183.5 million. The Company did not receive any proceeds from the sale of shares of common stock by the selling stockholders.

In February 2015, the Company completed a public offering of 1,150,000 shares of its common stock pursuant to a registration statement on Form S-3. After underwriting discounts and commissions and estimated offering expenses, the Company received net proceeds of approximately $191.6 million.

In April 2015, the Company completed a public offering of 1,330,865 shares of its common stock pursuant to a registration statement on Form S-3. After estimated offering expenses, the Company received net proceeds of approximately $366.8 million. As the April 2015 financing occurred after March 31, 2015, this transaction is not reflected on the Condensed Consolidated Balance Sheet.

8. Stock-Based Compensation

The 2012 Equity Incentive Plan (2012 Plan) became effective upon the pricing of the IPO in October 2012. At the same time, the 2003 Stock Incentive Plan (2003 Plan) was terminated and 555,843 shares available under the 2003 Plan were added to the 2012 Plan.

The estimated fair value of the options that have been granted under the 2003 and 2012 Plans is determined utilizing the Black-Scholes option-pricing model at the date of grant. The fair value of restricted stock units (RSUs) and restricted stock awards (RSAs) that have been granted under the 2012 Plan is determined utilizing the closing stock price on the date of grant.

The following table summarizes stock option activity during the three months ended March 31, 2015:

	Number of Shares		Weighted Average Exercise Price
Outstanding, December 31, 2014	1,436,055	$	75.81
Granted	17,037	$	182.50
Exercised	(115,274)	$	25.93
Forfeited	(48,277)	$	100.14
Outstanding, March 31, 2015	1,289,541	$	80.77
Exercisable, March 31, 2015	676,425	$	31.59

The following table summarizes the aggregate activities in relation to RSU and RSA activity during the three months ended March 31, 2015:

	Number of Shares	Weighted Average Fair Value	Aggregate Intrinsic Value
Outstanding, December 31, 2014	119,348	$ 133.60	$ 18,618,288
Granted	19,067	$ 229.02	$ 4,026,673
Exercised	(15,610)	$ 101.52	$ 2,495,838
Forfeited	(3,630)	$ 257.43	$ 1,044,364
Outstanding, March 31, 2015	119,175	$ 149.30	$ 33,609,734

As of March 31, 2015, there was $14.6 million of unrecognized compensation expense related to unvested RSUs and RSAs, which is expected to be recognized over a weighted average of 2.83 years. The weighted average remaining contract life of the non-vested shares as of March 31, 2015 is 8.76 years.

The following table summarizes additional information about unvested RSUs and RSAs outstanding:

	Number of Shares	Price	Intrinsic Value (in thousands)
Employees and directors	105,297	$21.50 - $288.21	$ 29,696
Consultants	13,878	$21.50 - $290.98	3,914
Outstanding at March 31, 2015	119,175		$ 33,610

9. Net Loss Per Share

The following table presents the historical computation of basic and diluted net loss per share:

	Three Months Ended March 31,	
	2014	2015
	(In thousands, except share and per share amounts)	
Historical net loss per share		
Numerator:		
Net loss attributable to common stockholders	$ (246,029)	$ (39,386)
Denominator:		
Weighted average shares used in calculating net loss per share - basic and diluted	19,504,748	22,171,988
Net loss per share: Basic and diluted	$ (12.61)	$ (1.78)

The following potentially dilutive securities have been excluded from the computations of diluted weighted average shares outstanding:

	As of March 31,	
	2014	2015
	(In thousands)	
Options	1,483	1,290
Warrants to purchase common stock	865	-
Restricted stock units	105	119
Total	2,453	1,409

10. Litigation

On February 21, 2014 and February 28, 2014, purported shareholder class actions, styled *Scot H. Atwood v. Intercept Pharmaceuticals, Inc. et al.* and *George Burton v. Intercept Pharmaceuticals, Inc. et al.*, respectively, were filed in the United States District Court for the Southern District of New York, naming the Company and certain of its officers as defendants. These lawsuits were filed by stockholders who claim to be suing on behalf of anyone who purchased or otherwise acquired the Company's securities between January 9, 2014 and January 10, 2014.

The lawsuits allege that the Company made material misrepresentations and/or omissions of material fact in its public disclosures during the period from January 9, 2014 to January 10, 2014, in violation of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 promulgated thereunder. The alleged improper disclosures relate to the Company's January 9, 2014 announcement that the FLINT trial had been stopped early based on a pre-defined interim efficacy analysis. Specifically, the lawsuits claim that the January 9, 2014 announcement was misleading because it did not contain information regarding certain lipid abnormalities seen in the FLINT trial in OCA-treated patients compared to placebo. On April 22, 2014, two individuals each moved to consolidate the cases and a lead plaintiff was subsequently appointed by the Court. On June 27, 2014, the lead plaintiff filed an amended complaint on behalf of the putative class as contemplated by the order of the Court. On August 14, 2014, the defendants filed a motion to dismiss the complaint. Oral arguments on the motion to dismiss were held on February 24, 2015. On March 4, 2015, the defendants' motion to dismiss was denied by the Court. The defendants answered the amended complaint on April 13, 2015. The parties are currently undergoing discovery in relation to this matter.

The lead plaintiff seeks unspecified monetary damages on behalf of the putative class and an award of costs and expenses, including attorneys' fees.

The Company believes that it has valid defenses to the claims in the lawsuit and intends to deny liability and defend itself vigorously. There can be no assurance, however, that the Company will be successful. At this time, no assessment can be made as to the likely outcome of this action or whether the outcome will be material to the Company. Therefore, the Company has not accrued for any loss contingencies related to this lawsuit.

The Company may become subject to claims and assessments from time to time in the ordinary course of business. Such matters are subject to uncertainties and outcomes are not predictable with assurance. The Company accrues liabilities for such matters when it is probable that future expenditures will be made and such expenditures can be reasonably estimated. As of March 31, 2015, the Company does not believe that any such matters, individually or in the aggregate, will have a material adverse effect on the Company's business, financial condition, results of operations or cash flows.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read together with our unaudited financial statements and the notes to those financial statements appearing elsewhere in this Quarterly Report on Form 10-Q and the audited consolidated financial statements and notes thereto and management's discussion and analysis of financial condition and results of operations for the year ended December 31, 2014 included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 2, 2015. This discussion contains forward-looking statements that involve significant risks and uncertainties. As a result of many factors, such as those set forth in Item 1.A. "Risk Factors" of our Annual Report on Form 10-K and any updates to those risk factors contained in our subsequent periodic and current reports filed with the Securities and Exchange Commission, our actual results may differ materially from those anticipated in these forward-looking statements.

Overview

We are a biopharmaceutical company focused on the development and commercialization of novel therapeutics to treat chronic liver diseases. Our product candidates have the potential to treat orphan and more prevalent liver diseases for which there currently are limited therapeutic solutions.

Our lead product candidate, obeticholic acid, or OCA, selectively binds to and activates the farnesoid X receptor, or FXR, which we believe has broad liver-protective properties. OCA has been tested in five placebo-controlled clinical trials, including a Phase 3 clinical trial in patients with primary biliary cirrhosis, or PBC, and two Phase 2 clinical trials in patients with nonalcoholic fatty liver disease, or NAFLD, and nonalcoholic steatohepatitis, or NASH. OCA met the primary efficacy endpoint in each of these trials with statistical significance.

In January 2015, OCA received breakthrough therapy designation from the U.S. Food and Drug Administration, or FDA, for the treatment of NASH patients with liver fibrosis. OCA has also been granted fast track designation by the FDA for the treatment of patients with PBC who have an inadequate response to or are intolerant of ursodiol. OCA has received orphan drug designation in the United States and the European Union for the treatment of PBC and primary sclerosing cholangitis, or PSC.

Our most advanced development program for OCA is for PBC as a second line treatment for patients who have an inadequate response to the current standard of care or as monotherapy for those who are unable to tolerate standard of care therapy and therefore need additional treatment. PBC is a chronic autoimmune liver disease that, if inadequately treated, may eventually lead to cirrhosis, liver failure and death. In March 2014, we completed a Phase 3 clinical trial, known as the POISE trial, in which OCA achieved the primary endpoint for the treatment of PBC. We intend to use these results, along with two previously completed randomized Phase 2 clinical trials of OCA in PBC, as the basis for seeking the first regulatory approvals to market OCA in the United States, Europe, Canada and Australia. We initiated a rolling New Drug Application, or NDA, submission with the FDA for OCA in PBC in December 2014 under the FDA's accelerated approval pathway. We plan to complete our filings for marketing approval of OCA in PBC in the United States and Europe during the first half of 2015. We also plan to apply for marketing approval of OCA in PBC in other markets such as Canada and Australia. If we receive marketing approval from regulatory authorities, we plan to initiate the commercial launch of OCA in PBC in the United States, certain European countries and Canada in 2016.

OCA achieved the primary endpoint in a Phase 2b clinical trial for the treatment of NASH, known as the FLINT trial, which was sponsored by the U.S. National Institute of Diabetes and Digestive and Kidney Diseases, or NIDDK, a part of the National Institutes of Health. The FLINT trial was completed in July 2014. We are planning to finalize the design of our Phase 3 clinical program in NASH in the second quarter of 2015, subject to the completion of our regulatory discussions with the FDA and European Medicines Agency, or EMA, and then initiate the clinical program. We also intend to initiate a clinical trial in 2015 characterizing the lipid metabolic effects of OCA and cholesterol management effects of concomitant statin administration in NASH patients. Our collaborator, Sumitomo Dainippon Pharma Co. Ltd., or Sumitomo Dainippon, has completed enrollment in a 200-patient Phase 2 NASH clinical trial of OCA in Japan with a primary efficacy endpoint similar to that used in our Phase 2b FLINT trial, which is anticipated to be completed by the end of 2015.

Our net loss for the three months ended March 31, 2014 and 2015 was approximately $246.0 million and $39.4 million, respectively. As of March 31, 2015, we had an accumulated deficit of approximately $508.6 million. Substantially all our net losses resulted from costs incurred in connection with our research and development programs and from general and administrative costs associated with our operations and, for the three months ended March 31, 2014, from the mark-to-market of our previously outstanding liability-classified warrants.

In April 2015, we completed a follow-on public offering of 1,330,865 shares of our common stock. After offering expenses, we estimate that the net proceeds from our April 2015 follow-on equity offering were approximately $366.8 million.

We expect to continue to incur significant expenses and increasing operating losses for at least the next several years. We anticipate that our expenses will increase substantially as we:

- complete the development of our lead product candidate, OCA, for the treatment of PBC, and continue the development of OCA in NASH, PSC and other patient populations;
- seek to obtain regulatory approvals for OCA for PBC, NASH and other potential patient populations;
- prepare for the potential commercialization of OCA in PBC, including establishing our sales, marketing and distribution capabilities and increasing our drug manufacturing activities;

- continue development of our other product candidates, such as INT-767, and engage in other research and development activities;
- maintain, expand and protect our intellectual property portfolio;
- increase our product development, scientific, commercial and administrative personnel and expand our facilities and operations in the United States and abroad; and
- operate as a public company.

We do not expect to generate revenue from product sales unless and until we successfully complete development and obtain marketing approval for one or more of our product candidates, which is subject to significant uncertainty. Accordingly, we anticipate that we will need to raise additional capital to commercialize OCA on a worldwide basis and continue our research and development activities in relation to OCA and our other pipeline candidates. Until such time, if ever, as we can generate substantial revenue from product sales, we expect to finance our operating activities through a combination of equity offerings, debt financings, government or other third-party funding, marketing and distribution arrangements and other collaborations, strategic alliances and licensing arrangements. However, we may be unable to raise additional funds or enter into such other arrangements when needed on favorable terms or at all. Our failure to raise capital or enter into such other arrangements as and when needed would have a negative impact on our financial condition and our ability to develop our product candidates.

We have an administrative headquarters in New York, New York and an office in San Diego, California. In February 2015, we signed a lease for an office in London, United Kingdom. We have a wholly-owned subsidiary in Italy which acts as our legal representative for our clinical trials in the European Union to satisfy European Union regulatory requirements and a wholly-owned subsidiary in the United Kingdom.

Financial Overview

Revenue

To date, we have not generated any revenue from the sale of products. All of our revenue has been derived from our collaborative agreements for the development and commercialization of certain of our product candidates. We have entered into an exclusive licensing agreement with Sumitomo Dainippon for the development of OCA in Japan, China and Korea. Under the terms of the agreement, we have received up-front payments of $16.0 million, including $1.0 million upon the exercise by Sumitomo Dainippon of its option to add Korea to its licensed territories, and may be eligible to receive up to approximately $300 million in additional payments for development, regulatory and commercial sales milestones for OCA in the licensed territories. As of March 31, 2015, we have achieved $1.0 million of the development milestones.

For accounting purposes, the up-front payments are recorded as deferred revenue and amortized over time and milestone payments are recognized once earned. We recognized $405,000 and $1.4 million in license revenue for the three months ended March 31, 2014 and 2015, respectively. All of the revenue recognized in the three months ended March 31, 2014 related to the amortization of the up-front payments under the collaboration agreement. For the three months ended March 31, 2015, $445,000 resulted from the amortization of the up-front payments under the collaboration agreement and $1.0 million resulted from the milestone achieved in the period. We anticipate that we will recognize revenue of approximately $1.8 million per year through 2020, for the amortization of the relevant up-front collaboration payments from Sumitomo Dainippon. In the future, we may generate revenue from a combination of license fees and other up-front payments, research and development payments, milestone payments, product sales and royalties in connection with our collaborations. We expect that any revenue we generate will fluctuate from quarter-to-quarter as a result of the timing of our achievement of preclinical, clinical, regulatory and commercialization milestones, if at all, the timing and amount of payments relating to such milestones and the extent to which any of our products are approved and successfully commercialized by us or our collaboration partners. If our collaboration partners fail to develop product candidates in a timely manner or obtain regulatory approval for them, our ability to generate future revenues, and our results of operations and financial position would be adversely affected.

Research and Development Expenses

Since our inception, we have focused our resources on our research and development activities, including conducting preclinical studies and clinical trials, manufacturing development efforts and activities related to regulatory filings for our product candidates. We recognize research and development expenses as they are incurred. Our research and development expenses consist primarily of direct costs, personnel costs and indirect costs such as the following:

Direct costs:

- fees paid to consultants and clinical research organizations, or CROs, including in connection with our preclinical and clinical trials, and other related clinical trial fees, such as for investigator grants, patient screening, laboratory work, clinical trial database management, clinical trial material management and statistical compilation and analysis;
- costs related to activities associated with acquiring and manufacturing OCA;
- costs associated with discovery and early stage research initiatives; and
- costs related to compliance with regulatory requirements.

Personnel costs:

- salaries and related benefit expenses for personnel in research and development functions; and
- costs related to stock compensation granted to personnel in research and development functions.

Indirect costs:

- rent and other facilities-related costs; and
- product-related legal costs.

We plan to increase our research and development expenses for the foreseeable future as we continue the development of OCA for the treatment of PBC, NASH and PSC and other indications and to further advance the development of our other product candidates, subject to the availability of additional funding.

The table below summarizes our direct research and development expenses by program for the periods indicated. We do not allocate personnel costs and indirect costs related to our research and development function to specific product candidates. Those expenses are included in personnel costs and indirect research and development expense in the table below.

	Three Months Ended March 31,	
	2014	2015
	(In thousands)	
Direct research and development expense by program:		
OCA	$ 4,909	$ 8,958
Research and discovery initiatives	–	3,626
INT-767	684	1,789
Total direct research and development expense	5,593	14,373
Personnel costs (1)	8,008	12,386
Indirect research and development expense	691	1,207
Total research and development expense	$ 14,293	$ 27,966

(1) Personnel costs include stock options and restricted stock awards granted to employees and non-employees with an associated stock-based compensation expense of $5.9 million and $6.0 million for the three months ended March 31, 2014 and 2015, respectively. During the quarter ended March 31, 2015, we added 32 research and development personal in support of our expansion activities.

The successful development of our clinical and preclinical product candidates is highly uncertain. At this time, we cannot reasonably estimate the nature, timing or costs of the efforts that will be necessary to complete the remainder of the development of any of our clinical or preclinical product candidates or the period, if any, in which material net cash inflows from these product candidates may commence. This is due to the numerous risks and uncertainties associated with developing drugs, including the uncertainty of:

- the scope, rate of progress and expense of our ongoing, as well as any additional, clinical trials and other research and development activities;
- future clinical trial results; and
- the timing and receipt of any regulatory approvals.

A change in the outcome of any of these variables with respect to the development of a product candidate could mean a significant change in the costs and timing associated with the development of that product candidate. For example, if the FDA or another regulatory authority were to require us to conduct clinical trials beyond those that we currently anticipate will be required for the completion of clinical development of a product candidate or if we experience significant delays in any of our clinical trials, we could be required to expend significant additional financial resources and time on the completion of clinical development.

OCA

The majority of our research and development resources are focused on completing our NDA and Marketing Authorization Application, or MAA, filings for OCA for the treatment of PBC, which we currently plan to complete during the second quarter of 2015. We have incurred and expect to continue to incur significant expenses in connection with these efforts, including:

- We completed our POISE trial of OCA in patients with PBC in March 2014 and expect to continue the long-term safety extension phase of the trial through 2019.
- We initiated our clinical outcomes confirmatory trial for OCA in PBC in December 2014 and expect the trial to be completed on a post-marketing basis.
- We conducted numerous Phase 1 clinical trials during 2014 in support of the anticipated NDA and MAA filings for OCA in PBC.
- We have contracted with third-party manufacturers to produce the quantities of OCA needed for regulatory approval as well as the necessary supplies for our other contemplated trials and are working to secure second manufacturers as part of our strategy to secure more than one approved supplier of OCA in the future. We are building commercial supplies, including supplies of the starting material for manufacturing OCA.
- We have contracted with and plan to engage a number of consultants and other third party vendors in relation to our seeking of regulatory approval and have implemented and will implement various electronic software and systems in relation to our regulatory activities.

In addition, we are evaluating OCA in other chronic liver diseases, particularly NASH and PSC. We expect to complete regulatory discussions regarding the Phase 3 trial design for our NASH program in the second quarter of 2015 and subsequently initiate the trial. We are also planning a clinical trial characterizing lipid metabolic effects of OCA and cholesterol management effects of concomitant statin administration in NASH patients. For PSC, we initiated a Phase 2 clinical trial in December 2014. As a result, we expect that our expenditures in connection with our NASH and PSC programs will increase significantly in future periods.

INT-767 and INT-777

We intend to continue to develop INT-767 (a dual FXR/TGR5 agonist) and INT-777 (a selective TGR5 agonist). Currently, we plan to continue with preclinical development of INT-767 through to the filing of an Investigational New Drug, or IND, application and, subject to the IND application becoming effective, plan to initiate a Phase 1 trial of INT-767 in healthy volunteers around year end 2015. We also intend to conduct additional preclinical work on INT-777 to further characterize its therapeutic potential.

Other than OCA, our product development programs are at an early stage, and successful development of OCA and our future product candidates from these programs is highly uncertain and may not result in approved products. Completion dates and completion costs can vary significantly for each future product candidate and are difficult to predict. We anticipate we will make determinations as to which programs to pursue and how much funding to direct to each program on an ongoing basis in response to our ability to maintain or enter into new strategic alliances with respect to each program or potential product candidate, the scientific and clinical success of each future product candidate, as well as ongoing assessments as to each future product candidate's commercial potential. We will need to raise additional capital and may seek additional strategic alliances in the future in order to advance our various programs.

General and Administrative Expenses

General and administrative expenses consist primarily of salaries and related costs for employees in executive and operational functions, including sales and marketing, finance, information technology, legal and human resources. Other significant general and administrative expenses include non-cash stock-based compensation expenses, expenses related to our OCA pre-commercialization activities, facilities costs, accounting and legal services, information technology and other expense of operating as a public company.

Our general and administrative expenses have increased and will continue to increase as we operate as a public company and due to the potential commercialization of our product candidates. We further plan on expanding our operations both in the United States, Europe and other countries such as Canada and Australia, which will increase our general and administration expenses. We believe that these activities will result in increased costs related to the hiring of significant additional personnel, increased fees for outside consultants, lawyers and accountants and the addition of facilities. We have also incurred and will continue to incur increased costs to comply with corporate governance, internal controls, compliance and similar requirements applicable to public companies with expanding operations and biopharmaceutical companies seeking to commercialize its product candidates. During the quarter ended March 31, 2015, we added 29 corporate and commercial personnel in support of our expansion in activities.

Other Income, Net

Other income, net consists of interest income earned on our cash, cash equivalents and investment securities, offset by management fees, capital base, franchise and real estate taxes.

Revaluation of Warrants

In conjunction with various financing transactions prior to our initial public offering, we issued warrants to purchase shares of our common stock. As of March 31, 2015, all of the warrants have either been exercised or expired in accordance with their terms. Certain of the warrants that were outstanding during 2014 included a provision that provided for a reduction in the warrant exercise price upon subsequent issuances of additional shares of common stock for consideration per share less than the applicable per share warrant exercise price. The warrants containing this provision were deemed to be derivative instruments and as such, were recorded as a liability and marked-to-market at each reporting period. The fair value estimates of these warrants were determined using a Black-Scholes option-pricing model and were based, in part, on subjective assumptions. Non-cash changes in the fair value of the common stock warrant liability from the prior period were recorded as a component of other income and expense.

Results of Operations

Comparison of the Three Months Ended March 31, 2014 and the Three Months Ended March 31, 2015

The following table summarizes our results of operations for each of the three months ended March 31, 2014 and 2015, together with the changes in those items in dollars:

	Three Months Ended March 31,		Dollar Change
	2014	2015	
	(In thousands)		
Licensing revenue	$ 405	$ 1,445	$ 1,040
Operating expenses:			
Research and development	14,292	27,966	13,673
General and administrative	5,651	13,138	7,487
Loss from operations	(19,538)	(39,658)	(20,120)
Warrant revaluation (expense)	(226,627)	–	226,627
Other income, net	136	272	136
Net loss	$ (246,029)	$ (39,386)	$ 206,643

Licensing Revenue

Licensing revenue was $405,000 and $1.4 million for the three months ended March 31, 2014 and 2015, respectively. All of the revenue recognized in the three months ended March 31, 2014 related to the amortization of the up-front payments under the collaboration agreement with Sumitomo Dainippon. For the three months ended March 31, 2015, $445,000 resulted from the amortization of the up-front payments under the collaboration agreement with Sumitomo Dainippon and $1.0 million resulted from the milestone achieved in the period.

Research and Development Expenses

Research and development expenses were $14.3 million and $28.0 million for the three months ended March 31, 2014 and 2015, respectively, representing an increase of $13.7 million. This increase in research and development expense primarily reflects:

- increased expenses of $7.8 million related to personnel and activities to support our anticipated NDA and MAA filings for OCA in PBC;
- increased research and discovery initiatives of approximately $3.8 million;
- increased costs of $1.1 million associated with our INT-767 program;
- increased product development and manufacturing costs of approximately $500,000; and
- increased indirect costs of approximately $500,000.

General and Administrative Expenses

General and administrative expenses were $5.7 million and $13.1 million in the three months ended March 31, 2014 and 2015, respectively. The $7.4 million increase primarily reflects:

- increased compensation and benefit costs, primarily due to increase in personnel, of approximately $2.6 million;
- increased non-cash stock-based compensation expense of approximately $2.3 million;
- increased expenses of approximately $1.9 million related to legal, finance, and facilities costs to support our growing operations; and
- increased expenses from pre-commercial activities of approximately $600,000.

Other Income, Net

Other income, net was primarily attributable to interest income earned on cash, cash equivalents and investment securities, which increased compared to the prior year period as a result of the increase in the investment balances from our April 2014 and February 2015 equity financing. We expect interest income to increase in future periods as we invest the proceeds from our February and April 2015 equity financings.

Liquidity and Capital Resources

Sources of Liquidity

As of March 31, 2015, we had an accumulated deficit of $508.6 million. We anticipate that we will continue to incur losses for at least the next several years. We expect that our research and development and general and administrative expenses will continue to increase and, as a result, we will need additional capital to fund our operations, which we may seek to obtain through a combination of equity offerings, debt financings, government or other third-party funding, marketing and distribution arrangements and other collaborations, strategic alliances and licensing arrangements.

We have funded our operations primarily through the sale of common stock, preferred stock, convertible notes and warrants and payments received under our collaboration agreements totaling $622.7 million (net of issuance costs of $33.7 million), including $29.7 million in net proceeds from our Series C financing in August 2012, $78.7 million in net proceeds from our initial public offering in October 2012, $61.2 million in net proceeds from our follow-on public offering in June 2013, $183.5 million in net proceeds from a follow-on public offering in April 2014, $191.6 million in net proceeds from a follow-on public offering in February 2015 and the receipt of $17.4 million in up-front payments under our licensing and collaboration agreements with Sumitomo Dainippon and Servier. As of March 31, 2015, we had cash, cash equivalents and investment securities of $402.0 million. In April 2015, we completed a follow-on public offering of 1,330,865 shares. After offering expenses, we estimate that the net proceeds from our April 2015 follow-on equity offering were approximately $366.8 million. Cash in excess of immediate requirements is invested in accordance with our investment policy, primarily with a view to liquidity and capital preservation. Currently, our funds are held in cash and money market bank accounts and investments, all of which have maturities of less than two years.

Cash Flows

The following table sets forth the significant sources and uses of cash for the periods set forth below:

	Three Months Ended March 31,	
	2014	2015
	(In thousands)	
Net cash provided by (used in):		
Operating activities	$ (12,318)	$ (29,594)
Investing activities	7,706	(80,524)
Financing activities	2,460	194,623
Effect of exchange rate changes	-	(162)
Net (decrease) increase in cash and cash equivalents	$ (2,152)	$ 84,343

Operating Activities. The increase in our net cash used in operating activities of approximately $17.3 million during the three months ended March 31, 2015 as compared to the same period last year was primarily a result of our increased activities in our business requiring more capital. Net cash used in operating activities of $12.3 million during the three months ended March 31, 2014 was primarily a result of our $246.0 million net loss, offset by the add-back of non-cash expenses of $7.4 million for stock-based compensation, $226.6 million for warrant liability revaluation, the amortization of investment premium of $552,000 and net changes in operating assets and liabilities of $1.0 million. Net cash used in operating activities of $29.6 million during the three months ended March 31, 2015 was primarily a result of our $39.4 million net loss, offset by the add-back of non-cash expenses of $9.7 million for stock-based compensation, the amortization of investment premium of $884,000 and net changes in operating assets and liabilities of $1.0 million.

Investing Activities. Net cash provided by investing activities for the three months ended March 31, 2014 was $7.7 million as compared to net cash used in investing activities of $80.5 million during the same period in 2015. This net increase in cash used in investing activities of approximately $88.2 million is attributed to the increase in the purchases of investments of $106.5 million as a result of investing the proceeds from the February 2015 offering offset by the increase in the sale of investments of $19.9 million. The increase in purchases of equipment, improvements, and furniture and fixtures of approximately $1.6 million is primarily related to our expansion efforts at our New York office and the initiation of leasehold improvements in our UK office.

Financing Activities. Net cash provided by financing activities for the three months ended March 2014 were $2.5 million compared to $194.6 million for the comparable period in 2015. This increase was primarily the result of funds received through the completion of the February 2015 offering.

Future Funding Requirements

To date, we have not generated any revenue from product sales. We do not know when, or if, we will generate any revenue from product sales. We do not expect to generate significant revenue from product sales unless and until we obtain regulatory approval of and commercialize OCA or any of our other product candidates. At the same time, we expect our expenses to increase in connection with our ongoing development activities, particularly as we continue the research, development and clinical trials of, and seek regulatory approval for, our product candidates. We have incurred and expect to incur additional costs associated with operating as a public company and further plan on expanding our operations both in the United States, Europe and in other countries such as Canada and Australia. In addition, subject to obtaining regulatory approval of any of our product candidates, we expect to incur significant commercialization expenses for product sales, marketing, manufacturing and distribution. We anticipate that we will need substantial additional funding in connection with our continuing operations.

As of March 31, 2015, we had $402.0 million in cash, cash equivalents and investment securities. We estimate that the net proceeds from our April 2015 follow-on equity offering were approximately $366.8 million after estimated offering expenses. We currently project adjusted operating expenses in the range of $180 million to $200 million in the fiscal year ending December 31, 2015, which excludes stock-based compensation and other non-cash items. These expenses are planned to support the clinical development program for OCA in PBC, NASH and PSC, the expansion of our clinical, regulatory, medical affairs and commercial infrastructure in the United States, Europe and other countries such as Canada and Australia, increased OCA manufacturing activities, as well as the continued development of INT-767 and other preclinical pipeline programs. We anticipate that stock-based compensation expense will represent the most significant non-cash item that is excluded in adjusted operating expenses as compared to operating expenses under U.S. generally accepted accounting principles, or GAAP. Adjusted operating expense is a financial measure not calculated in accordance with GAAP. See “Non-GAAP Financial Measures” for more information. Accordingly, we will continue to require substantial additional capital to continue our clinical development and commercialization activities. Because successful development of our product candidates is uncertain, we are unable to estimate the actual funds required to complete research and development and commercialization of our products under development.

Due to the many variables inherent to the development and commercialization of novel therapies and our rapid growth and expansion, we currently cannot accurately and precisely predict the duration beyond 2015 over which we expect our cash and cash equivalents (including the estimated net proceeds from our April 2015 follow-on equity offering) to be sufficient to fund our operating expenses and capital expenditure requirements. However, we currently believe that our cash and cash equivalents, including the estimated net proceeds from our April 2015 follow-on equity offering, will be sufficient for us to:

- expand our clinical, regulatory, medical affairs and commercial infrastructure in the United States and Europe;
- continue our clinical development of OCA in PBC, NASH and PSC;
- expand our OCA manufacturing activities;
- complete the filings for our NDA and MAA for OCA in PBC;
- advance INT-767, including the completion of IND-enabling preclinical studies for INT-767 and the initiation of a Phase 1 clinical trial, and other preclinical pipeline programs; and
- prepare for and initiate the planned commercial launch of OCA in PBC in the United States, certain European countries and Canada in 2016.

We will continue to require substantial additional capital to continue our clinical development, commercialization and other activities. Because successful development and commercialization of our product candidates is uncertain, we are unable to estimate the actual funds we will require to complete research and development and commercialization of our products under development.

The amount and timing of our future requirements will depend on many factors including:

- the willingness of the FDA and the EMA to accept the POISE trial, which is our completed Phase 3 clinical trial for PBC, as well as our other completed and planned clinical and preclinical studies and other work, as the basis for the review and marketing approval of OCA for PBC;
- the progress, costs, results of and timing of our recently initiated confirmatory clinical outcomes trial of OCA for the treatment of PBC, the completion of which we expect will not be a condition to the receipt of marketing approval in the United States or the European Union;
- the design of our planned Phase 3 clinical program for OCA in NASH and the progress, costs, results of and timing of the Phase 3 program and other supporting trials and studies necessary to support anticipated filings for marketing approval in NASH, including the sufficiency of one pivotal clinical trial for marketing approval and/or the acceptability of a surrogate endpoint for accelerated approval of OCA for the treatment of NASH;
- the progress, costs, results of and timing of clinical development of OCA for other indications, including our Phase 2 trial of OCA in PSC and biliary atresia;
- the significant expansion of our operations, personnel and the size of our company and our need to continue to expand;
- the outcome, costs and timing of seeking and obtaining FDA, EMA and any other regulatory approvals;
- the number and characteristics of product candidates that we pursue, including our product candidates in preclinical development, such as INT-767 and INT-777;
- the ability of our product candidates to progress through pre-clinical and clinical development successfully and in a timely manner;
- the expansion of our research and development activities;
- the costs and timing of commercialization activities, including product sales, marketing and distribution, for any of our product candidates that receive marketing approval;
- the costs associated with securing and establishing manufacturing capabilities and procuring the materials necessary for our product candidates;
- market acceptance of our product candidates;
- the costs of acquiring, licensing or investing in businesses, products, product candidates and technologies;
- our ability to maintain, expand and defend the scope of our intellectual property portfolio, including the amount and timing of any payments we may be required to make, or that we may receive, in connection with the licensing, filing, prosecution, defense and enforcement of any patents or other intellectual property rights;
- our need and ability to hire additional management, scientific and medical, commercial and other qualified personnel and the substantial cost of retaining such additional personnel;
- the effect of competing technological and market developments;
- our plan to expand our operations into Europe and other countries such as Canada and Australia and the manner in which we implement our expansion plan;
- our need to implement and maintain internal systems, software and infrastructure, including those to assist in our financial and reporting, clinical development and commercialization efforts and to support our existing and expanding personnel; and
- the economic and other terms, timing of and success of our existing licensing arrangements and any collaboration, licensing or other arrangements into which we may enter in the future.

Until such time, if ever, as we can generate substantial revenue from product sales, we expect to finance our cash needs through a combination of equity offerings, debt financings, government or other third-party funding, marketing and distribution arrangements and other collaborations, strategic alliances and licensing arrangements. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interests of our common stockholders will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect the rights of our common stockholders. 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. If we raise additional funds through government or other third-party funding, marketing and distribution arrangements or other collaborations, strategic alliances or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs or product candidates or to grant licenses on terms that may not be favorable to us.

Contractual Obligations and Commitments

Other than as described below, there have been no material changes to our contractual obligations and commitments outside the ordinary course of business from those disclosed under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations-Contractual Obligations and Commitments” in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 2, 2015.

In February 2015, we entered into an underlease with Merck Sharp & Dohme Limited for our new office in the King's Cross area of London, United Kingdom. The lease provides us with approximately 6,000 rentable square feet in London for office space. The lease term is anticipated to end in June 2019. The annual rent is £470,608, payable quarterly. We are also required to pay value added tax, or VAT, on the rent. We are responsible for a portion of the insurance, certain service charges and taxes for the building based on the floor area rented by us. As security for the underlease, we have provided the landlord with a rent deposit in the amount of £705,912, plus applicable VAT. The amount of the deposit may be reduced to £470,608 within 30 days after April 30, 2016 if there are no outstanding payments due and there are no material breaches of the underlease that have not been unremedied in respect of which a drawdown notice has been served and has expired.

Off-Balance Sheet Arrangements

As of March 31, 2015, we did not have any off-balance sheet arrangements as defined under the rules of the Securities and Exchange Commission.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

Our primary exposure to market risk is interest income sensitivity, which is affected by changes in the general level of U.S. interest rates and there have been no material changes since our Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 2, 2015.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our disclosure controls are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, or the Exchange Act, are recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. In designing and evaluating our disclosure controls and procedures, our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act as of March 31, 2015, our principal executive officer and principal financial officer concluded that, as of such date, our disclosure controls and procedures were adequate and effective.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act), identified in connection with the evaluation of such internal control, that occurred during the three months ended March 31, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

In 2013, the Committee of Sponsoring Organizations, or COSO, updated its 1992 *Internal Control – Integrated Framework* which is relied on to achieve compliance with the Sarbanes-Oxley Act. The new framework requires 17 principles of internal control to be present and functioning before an entity can assess that it has adequate control over financial reporting. We delayed the implementation of the 2013 framework until 2015, primarily because of the implementation of a new enterprise resource planning system in the second half of 2014. We feel the additional time to implement the 2013 framework will provide us the time to evaluate and address the risks to our organization in view of our changing size and global presence.

PART II
OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time we are party to legal proceedings in the course of our business in addition to those described below. We do not, however, expect such other legal proceedings to have a material adverse effect on our business, financial condition or results of operations.

On February 21, 2014 and February 28, 2014, purported shareholder class actions, styled *Scot H. Atwood v. Intercept Pharmaceuticals, Inc. et al.* and *George Burton v. Intercept Pharmaceuticals, Inc. et al.*, respectively, were filed in the United States District Court for the Southern District of New York, naming us and certain of our officers as defendants. These lawsuits were filed by stockholders who claim to be suing on behalf of anyone who purchased or otherwise acquired our securities between January 9, 2014 and January 10, 2014.

The lawsuits allege that we made material misrepresentations and/or omissions of material fact in our public disclosures during the period from January 9, 2014 to January 10, 2014, in violation of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 promulgated thereunder. The alleged improper disclosures relate to our January 9, 2014 announcement that the FLINT trial had been stopped early based on a pre-defined interim efficacy analysis. Specifically, the lawsuits claim that the January 9, 2014 announcement was misleading because it did not contain information regarding certain lipid abnormalities seen in the FLINT trial in OCA-treated patients compared to placebo. On April 22, 2014, two individuals each moved to consolidate the cases and a lead plaintiff was subsequently appointed by the Court. On June 27, 2014, the lead plaintiff filed an amended complaint on behalf of the putative class as contemplated by the order of the Court. On August 14, 2014, the defendants filed a motion to dismiss the complaint. Oral arguments on the motion to dismiss were held on February 24, 2015. On March 4, 2015, the defendants' motion to dismiss was denied by the Court. The defendants answered the amended complaint on April 13, 2015. The parties are currently undergoing discovery in relation to this matter.

The lead plaintiff seeks unspecified monetary damages on behalf of the putative class and an award of costs and expenses, including attorneys' fees.

We believe that we have valid defenses to the claims in the lawsuit and intend to deny liability and defend ourselves vigorously. At this time, no assessment can be made as to the likely outcome of these lawsuits or whether the outcome will be material to us. Therefore, we have not accrued for any loss contingencies related to these lawsuits.

Item 1A. Risk Factors.

There have been no material changes to our risk factors contained in our Annual Report on Form 10-K for the period ended December 31, 2014 and any updates to those risk factors contained in our subsequent periodic and current reports filed with the Securities and Exchange Commission. For a further discussion of our Risk Factors, refer to the "Risk Factors" discussion contained in such filings.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Recent Sales of Unregistered Securities

Set forth below is information regarding securities sold by us during the three months ended March 31, 2015 that were not registered under the Securities Act of 1933, as amended, or Securities Act. Also included is the consideration, if any, received by us for the securities and information relating to the section of the Securities Act, or rule of the Securities and Exchange Commission, under which exemption from registration was claimed.

Between January 1 and March 31, 2015, we did not issue or sell any shares on an unregistered basis.

Purchase of Equity Securities

We did not purchase any of our registered equity securities during the period covered by this Quarterly Report on Form 10-Q.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

None.

Item 5. Other Information.

None.

Item 6. Exhibits.

The exhibits filed as part of this Quarterly Report on Form 10-Q are set forth on the Exhibit Index, which Exhibit Index is incorporated herein by reference.

SIGNATURES

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

INTERCEPT PHARMACEUTICALS, INC.

Date: May 11, 2015 By: /s/ Mark Pruzanski, M.D.
Mark Pruzanski
President and Chief Executive Officer
(Principal Executive Officer)

Date: May 11, 2015 By: /s/ Barbara Duncan
Barbara Duncan
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit Index

Exhibit Number	Description of Exhibit
10.1	Services Agreement between Registrant and Lisa Bright, effective as of October 13, 2014.#
10.2	Underlease between the Registrant and Merck Sharp & Dohme Limited, dated February 19, 2015 (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on February 25, 2015).
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following materials from the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheet at December 31, 2014 and March 31, 2015 (unaudited), (ii) Condensed Consolidated Statements of Operations and Comprehensive Loss for the three month periods ended March 31, 2014 and 2015 (unaudited), (iii) Condensed Consolidated Statements of Cash Flows for the three month periods ended March 31, 2014 and 2015 (unaudited) and (iv) Notes to Condensed Consolidated Financial Statements (unaudited).

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Management or director compensation plan or policy.

Exhibit 10.1

DATED: October 13, 2014

(1) INTERCEPT PHARMACEUTICALS, INC.

and

(2) LISA BRIGHT MORRISON

SERVICE AGREEMENT

UK EMPLOYEE

THIS AGREEMENT is made the 13th day of October, 2014

BETWEEN

1 **INTERCEPT PHARMACEUTICALS, INC**., a company incorporated in the State of Delaware (USA) whose registered office is at 450 W. 15th Street, Suite 505, New York NY10011, USA (the "**Company**"); and

2 **LISA BRIGHT MORRISON** (the "**Employee**")

The Board have approved the terms of this Agreement under which the Employee is to be employed.

1 INTERPRETATION

1.1 In this Agreement the following words and expressions have the following meanings unless inconsistent with the context:

the "**Board**"	means the board of directors from time to time of the Company and includes any committee of the board of directors duly appointed by it;
"**Change in Control**"	shall have the meaning set out in clause 9.3 below;
the "**Companies Acts**"	means the Companies Act 1985, the Companies Act 1989 and the Companies Act 2006;
the "**Compensation Committee**"	means the compensation committee of the Board from time to time;
the "**Employment**"	means the Employee's employment under this Agreement;
"**Employment Inventions**"	means any Invention which is made wholly or partially by the Employee at any time during the course of her employment with the Company (whether or not during working hours or using Company premises or resources and whether or not recorded in material form);
"**Employment IPRs**"	means Intellectual Property Rights created by the Employee in the course of her employment with the Company (whether or not during working hours or using Company premises or resources);
the "**ERA**"	means the Employment Rights Act 1996;
"**Equity Cause**"	termination of the Employment upon: (a) a good faith finding by the Company that (i) the Employee has been engaged in material dishonesty, wilful misconduct or gross negligence; (ii) the Employee has breached or has threatened to breach any agreement between the Employee and the Company or any Group Company related to intellectual property, non-disclosure or non-solicitation of employees or customers; or (iii) the Employee being in material breach of this Agreement and the Employee has failed to cure such conduct or breach within 30 days after the Employee's receipt of written notice from the Company of such breach; or

(b) the Employee's conviction or guilty plea of any crime involving fraud, bribery, embezzlement or any other criminal offence.

"**Equity Good Reason**" termination of the Employment by reason of:

(a) any action or omission by the Company which results in a material diminution in the Employee's position, status, offices, titles, authority, responsibilities or reporting requirements; or

(b) a change by the Company in the location at which the Employee performs her principal duties for the Company to a different location that is more than 50 miles from the location at which the Employee performed her principal duties for the Company immediately prior to the date on which such change occurs; or

(c) any material breach by the Company of this Agreement.

In addition, notwithstanding any of the events set out in clauses (a) to (c) above, such occurrence shall not be deemed to constitute Equity Good Reason if, within 30 days after the Company's receipt of written notice from the Employee of the occurrence or existence of an event or circumstances enumerated in clauses (a) to (c) above, such event or circumstance has been remedied by the Company. The Employee shall not be deemed to have terminated her employment for Equity Good Reason unless the Employee first delivers a written notice of termination to the Company identifying in reasonable detail the acts or omissions constituting Equity Good Reason within 90 days after their occurrence and the provision of this Agreement relied upon, such acts or omissions are not remedied by the Company within 30 days of the receipt of such notice, and the Employee actually ends her Employment on or prior to the last day of the period set forth in clause 3.1.

For the avoidance of doubt, the Company utilising its' right to terminate the Employment pursuant to clause 3.2 (payment in lieu of notice), shall have no effect on the determination of whether the Employment has terminated for Equity Good Reason.

"**Group Company**"	means any firm, company, corporation or other organisation which is a holding company from time to time of the Company or any subsidiary from time to time of the Company or any such holding company (for which purpose the expressions 'holding company' and 'subsidiary' shall have the meanings given to them by Section 1159 Companies Act 2006);
"**Intellectual Property Rights**"	means patents, rights to inventions, copyright and related rights, trade marks, trade names and domain names, rights in get-up, rights in goodwill or to sue for passing off, unfair competition rights, rights in designs, rights in computer software, database rights, topography rights, rights in confidential information (including know-how and trade secrets) and any other intellectual property rights, in each case whether registered or unregistered and including all applications (or rights to apply) for, and renewals or extensions of, such rights and all similar or equivalent rights or forms of protection which subsist or will subsist now or in the future in any part of the world;
"**Invention**"	means any invention, idea, discovery, development, improvement or innovation, whether or not patentable or capable of registration, and whether or not recorded in any medium;
"**Pre-Contractual Statement**"	means any undertaking, promise, assurance, statement, representation or warranty (whether in writing or not) of any person relating to the Employment which is not expressly set out in this Agreement or any documents referred to in it; and
"Parent"	means Intercept Pharmaceuticals, Inc. or any other Group Company which is the ultimate direct or indirect parent of the Company.

1.2 References to clauses, sub clauses and schedules are, unless otherwise stated, references to clauses and sub clauses of and schedules to this Agreement.

1.3 The headings to the clauses are for convenience only and shall not affect the construction or interpretation of this Agreement.

1.4 References to persons shall include bodies corporate, unincorporated associations and partnerships.

1.5 Words and expressions defined in or for the purpose of the Companies Acts shall have the same meaning unless the context otherwise requires.

2 APPOINTMENT

2.1 The Company shall employ the Employee and the Employee agrees to serve the Company as Senior Vice President, Head of Europe, of the Company on and subject to the terms and conditions in this Agreement.

2.2 It has been explained to the Employee and the Employee hereby understands and agrees that it is expected that her contract of employment will be transferred on no less favourable terms to the Company's UK entity once this has been incorporated in due course. By signing this Agreement the Employee agrees to her employer's identity changing to the Company's UK entity and the Employee agrees to co-operate with, and use her best endeavours to assist the Company and the Company's UK entity and/or any successor in such circumstances including but not limited to providing such information, executing such documents and giving such assurances and undertakings on similar terms as this Agreement as they may reasonably request including but not limited to the novation of this Agreement. The Employee agrees that they will have no claim for damages or compensation as a result.

2.3 If the Employee objects, resigns or the Employment otherwise ends (howsoever caused) before any such transfer takes place, the Employee acknowledges and agrees that the Company may assign the benefit of this Agreement, including but not limited to the restrictive covenants, confidentiality and intellectual property provisions, to the relevant entity. Consequently, the Employee agrees that she will continue to observe the obligations and restrictions set out in this Agreement for the benefit of the Company's UK entity and/or any successor and will not regard herself as released from her obligations under this Agreement in the event of such change in employer.

3 DURATION

3.1 The Employment shall commence on November 24, 2014 (the "**Commencement Date**") and, subject to clause 18, shall continue until:

3.1.1 terminated by the Employee giving to the Company in writing, 6 months' notice;

3.1.2 terminated by the Company giving to the Employee in writing, 6 months' notice.

3.2 The Company reserves the right to terminate the Employment at any time after the Commencement Date (including where the Employee has given notice to the Company) by giving notice in writing that it is doing so and confirming that it has or will pay the Employee in lieu of her period of notice or any remaining period of notice (whether given by the Company or by the Employee). The Employee shall have no entitlement to insist that the Company make such payment, which shall be made entirely at the Company's discretion. For the avoidance of doubt, any payment in lieu shall be in respect of Salary only and shall not include the value of any benefit, bonus, incentive, commission, or holiday entitlement which would have accrued to the Employee had she been employed until the expiry of her notice period subject to the provisions set out in clauses 6.10 to 6.11 below regarding the Starting Bonus only.

3.3 If the Company elects to terminate the Employment by making a payment in lieu of notice, and it subsequently discovers misconduct by the Employee which would have entitled it to terminate the contract summarily, without making such a payment, the Company shall be entitled to:

3.3.1 withhold any such payment in lieu if it has not yet been received by the Employee and the Employee shall have no rights to recover such sum as a debt owing; or

3.3.2 if such sum has been received by the Employee, at its absolute discretion, require the payment in lieu to be repaid (in part or in full). The Company may recover any payment due under this clause 3.3.2 from the Employee as a debt.

The Employee agrees that these repayment provisions are intended to be a genuine pre-estimate of loss which may be suffered by the Company and in no way constitutes a penalty.

3.4 The parties acknowledge that the Employee is a highly skilled/highly paid employee who is key to the business of the Company and that replacing the Employee at short notice will result in significant cost to the Company. If, therefore, the Employee resigns voluntarily in breach of clause 3.1.1 or if required to work her notice period by the Company leaves the Company without working the full notice period, the Company reserves the right to recover a sum equal in value to the net salary payable for the shortfall in the period of notice. The Company reserves the right to recover such sum from the Employee as a debt, including by deducting the sum from any final payment due to the Employee. The Employee agrees that this provision is intended to be a genuine pre-estimate of loss which may be suffered by the Company due to the Employee leaving at short notice and in no way constitutes a penalty.

3.5 The Company does not have a formal retirement age for employees.

3.6 For the purpose of the ERA the Employee's period of continuous employment shall begin on the Commencement Date. The Employment is not continuous with any previous employment with any other employer.

3.7 The Employee represents and warrants that, in entering into and performing her duties under this Agreement:

3.7.1 she is not subject to any restriction that might hinder or prevent her from performing any of her duties in full;

3.7.2 she will not be in breach of any other contract of employment or any other obligation to any third party; and

3.7.3 this Employment is and shall remain she sole and exclusive employment.

3.8 The Employee further warrants that she has no criminal convictions and has never been disqualified from being a company director.

4 SCOPE OF THE EMPLOYMENT

4.1 The Employee shall:

4.1.1 devote the whole of her working time, attention, ability and skills to her duties;

4.1.2 faithfully and diligently perform such duties and exercise such powers consistent with her position as may from time to time be reasonably assigned to or vested in her by the Board;

4.1.3 obey all reasonable and lawful directions of the Board;

4.1.4 comply with all the Company's articles of association, rules, regulations, policies and procedures from time to time in force;

4.1.5 comply with the general duties of directors set out in sections 171-177 of the Companies Act 2006, as well as any other applicable common law or statutory duties owed by directors to their company;

4.1.6 exercise her duties in compliance with the requirements of the Bribery Act 2010 and use all reasonable endeavours to assist the Company in preventing bribery from being conducted on its behalf in contravention of that Act;

4.1.7 at all times act in the best interests of the Company and use her best endeavours to promote and protect the interests of the Company, any of its Group Companies and their employees; and

4.1.8 keep the Board at all times promptly and fully informed (in writing if so requested) of her conduct of the business of the Company and any Group Company and provide such explanations in connection with such conduct as the Board may from time to time require.

4.2 Subject to clause 4.4 the Company reserves the right on reasonable notice to reasonably assign the Employee duties of a different nature for any period the Company considers necessary to meet the needs of the business either in addition to or instead of those referred to in clauses 2.1and 4.1 above, it being understood that the Company will consult with the Employee before imposing any such change and that the Employee will not be assigned duties which she cannot reasonably perform or which are inconsistent with her position, seniority and status.

4.3 During any period of notice of termination (whether given by the Company or the Employee), the Company shall be at liberty to assign the Employee such other duties as the Company shall determine in its absolute discretion (it being understood that she will not be assigned duties which she cannot reasonably perform) and may appoint another person to carry out the Employee's former duties as required by the needs of the business.

4.4 The Employee shall not, without the prior consent of the Board or in compliance with policies previously approved by the Board:-

4.4.1 on behalf of the Company, incur any capital expenditure in excess of such sum as may be authorised from time to time;

4.4.2 on behalf of the Company, enter into any commitment, contract or arrangement otherwise than in the normal course of business or outside the scope of her normal duties, or of an unusual, onerous or long term nature or engage or dismiss any person.

4.5 The Employee shall if and so long as the Company requires without further remuneration:

4.5.1 carry out her duties as instructed by the Company on behalf of any Group Company; and

4.5.2 act (subject to Employee's prior agreement) as a director or officer of any Group Company.

4.6 The Employee confirms that she has disclosed to the Company all circumstances in respect of which there is, or there might be, a conflict or possible conflict of interest between the Company or any Group Company and the Employee and she agrees to disclose fully to the Company any such circumstances that might arise during the Employment. For the avoidance of doubt, this includes but is not limited to, disclosing to the Company any activity by a third party or the Employee herself which might reasonably be expected to harm the Company or its business or to destabilise its workforce.

4.7 If the Employee becomes aware of any wrongdoing or other conduct which might reasonably be regarded as not in the best interests of the Company by any Group Company employees (including her own wrongdoing or conduct) she shall promptly report this to the Head of Legal Affairs or if this is not appropriate in the circumstances to the Chief Executive Officer.

5 HOURS AND PLACE OF WORK

5.1 The Employee shall be required to work such hours as are necessary for the proper performance of her duties.

5.2 The Employee agrees that in her capacity as Senior Vice President, Head of Europe she may choose or determine the duration of her working time and that the working time limits set out in Part II of the Working Time Regulations 1998 do not apply to the Employment.

5.3 The Employee's principal place of work will be in the Company's offices at a location to be determined in or near the Kings Cross area, or any such place in England as the Company shall from time to time direct. The Employee will be given reasonable notice of any change in her place of work.

5.4 The Employee may be required to travel throughout the United Kingdom and overseas in the performance of her duties and this may, on occasions, necessitate the Employee working outside the UK for an aggregate period of more than one month in any calendar year. At the date of this Agreement it is not envisaged that the Employee shall be required to work outside of the UK for more than one month at any one time. During any such period the Employee will be paid her normal salary and benefits in sterling in the normal way unless otherwise agreed. The Company shall bear all liability for any further tax or similar statutory deductions, penalties, costs and interest the Employee is required to pay, in any jurisdiction, as a result of any overseas travel undertaken in the course of her duties. Save that this shall not extend to any statutory deductions, penalties, costs and interest incurred solely as a result of the Employee's negligent failure.

6 REMUNERATION

6.1 The Company shall pay to the Employee a basic salary at the rate of £240,000 per annum ("**Salary**"), payable by equal monthly instalments in arrears, normally on the last working day of each calendar month (the "**Salary Instalments**") by credit transfer to a bank account nominated by the Employee.

6.2 Upon giving not less than one month's notice, the Company reserves the right to change the intervals of the Salary Instalments as required by the needs of the Company to fortnightly instalments in arrears, normally on the 15th and last working day of each calendar month. The Company reserves the right to revert the Salary Instalments back to monthly instalments by providing the Employee with not less than one months notice.

6.3 By signing this Agreement the Employee acknowledges and agrees to her Salary Instalments being changed in accordance with clause 6.2 as and when required by the needs of the Company.

6.4 The Company will review the Employee's salary annually. The Company shall not be obliged to make any increase.

6.5 The salary specified in clause 6.1 shall be inclusive of any fees to which the Employee may be entitled as a director of the Company or any Group Company.

6.6 The Company shall pay the Employee a car allowance of £14,160 per year, payable in equal monthly instalments in arrears, less deductions for tax and National Insurance.

6.7 The Employee shall be eligible to participate in the Company's discretionary bonus scheme with a potential initial discretionary bonus for 2014 of up to 40% of the Employee's annual base salary strictly subject to the rules of such scheme as the Board or the Compensation Committee of the Company and/or any Parent from time to time may determine from time to time in force. Details of the bonus scheme will be communicated at the appropriate time. The Company reserves the right to discontinue the scheme or alter the terms of any bonus scheme provided at any time in line with business requirements. The bonus scheme is discretionary and there is no contractual entitlement to continue the scheme. Award of a bonus in one year shall not entitle the Employee to a bonus in subsequent years.

6.8 Should a discretionary bonus be awarded by the Board or the Compensation Committee of the Company and/or any Parent for 2014 the Company agrees that it shall not be prorated and will be paid to the Employee, if awarded.

6.9 The Company shall pay to Employee a one off starting bonus of £44,250 (less such sums as the Company is obliged by law to deduct by way of tax and National Insurance) (the "**Starting Bonus**") which shall be payable together with the first regular scheduled Salary Instalment to be received by Employee. If the Employee voluntarily resigns or is terminated pursuant to clause 18.1 below within the first 12 months of her Employment, the Employee shall repay to the Company the Starting Bonus in full on the last day of her Employment. The Company reserves the right to recover such sum in accordance with clause 12 and/or from the Employee as a debt. The Employee agrees that this provision is intended to be a genuine pre-estimate of loss which may be suffered by the Company due to the Employee leaving within the first 12 months of Employment and in no way constitutes a penalty.

6.10 Subject to clauses 6.10 and 6.11 below, if the Company elects to make a payment in lieu of notice in accordance with clause 3.2 above, the Starting Bonus shall be included in any such payment in lieu of notice only if the Company has elected to make a payment in lieu of notice after the Commencement Date but before it has authorised the payment of the first regular scheduled Salary Instalment to be received by Employee which shall be payable together with such Starting Bonus in accordance with clause 6.9 above.

6.11 Clause 6.10 shall not apply if the Employee voluntarily resigns or is terminated pursuant to clause 18.1 below before the Company has authorised the payment of the first regular scheduled Salary Instalment to be received by Employee.

6.12 For the avoidance of doubt, the Starting Bonus shall be in addition to any bonus that may be granted to the Employee pursuant to the discretionary 2014 bonus scheme under clause 6.7.

EQUITY TO BE GRANTED ON COMMENCEMENT DATE

6.13 On the Commencement Date, the Company shall award Employee (i) a stock option under its Share Scheme (as defined below) to purchase shares of the Company's common stock at a per share exercise price equal to the closing price of the common stock on the Commencement Date (the "**Time-Based Option**"), such price being the fair market value of one share of the Company's common stock on the date thereof, with the aggregate fair value of the Time-Based Option equal to US$1,300,000 as of the date of grant based on the Black-Scholes methodology as approved by the Compensation Committee and/or the Board and (ii) shares of restricted stock (the "**Restricted Stock**") with an aggregate fair value equal to US$1,300,000 as of the date of grant.

6.14 On the Commencement Date, the Company shall award Employee a stock option under its Share Scheme to purchase shares of the Company's common stock at a per share exercise price equal to the closing price of the common stock on the Commencement Date (the "**Performance Option**"), such price being the fair market value of one share of the Company's common stock on the date thereof, with the aggregate fair value of the Performance Option equal to US$1,400,000 as of the date of grant based on the Black-Scholes methodology as approved by the Company's Compensation Committee and/or the Board.

6.15 Each of the Time-Based Option, the Restricted Stock and the Performance Option will be evidenced in writing by an agreement provided by the Company. The Time-Based Option shall vest as follows: (i) one-quarter of the Time-Based Option will vest on the first anniversary of the Commencement Date; and (ii) the remaining balance will vest in equal monthly instalments in arrears over the three (3) year period commencing on the first anniversary of the Commencement Date and ending on the fourth anniversary of the Commencement Date, all subject to Employee's continued employment by the Company and the Share Scheme, except as otherwise set forth herein. The Time-Based Option agreement will specify that vested options shall be exercisable for up to ten (10) years from the date of grant, subject to the terms of this Agreement and the Share Scheme. The shares underlying the Restricted Stock shall vest as follows: (x) one-quarter of the shares underlying the Restricted Stock will vest on the first anniversary of the Commencement Date; and (y) the remaining balance will vest in equal quarterly instalments in arrears over the three (3) year period commencing on the first anniversary of the Commencement Date and ending on the fourth anniversary of the Commencement Date, all subject to Employee's continued employment by the Company and the Share Scheme, except as otherwise set forth herein. The Performance Option shall vest based on the satisfaction of certain regulatory milestones as may be determined by the Compensation Committee or the Board at the time of grant (and as to be set forth in the Performance Option agreement), all subject to Employee's continued employment by the Company and the Share Scheme, except as otherwise set forth herein. The Performance Option agreement will specify that vested options shall be exercisable for up to ten (10) years from the date of grant, subject to the terms of this Agreement and the Share Scheme (as defined in clause 9 below).

7 PENSION AND OTHER BENEFITS

7.1 The Company will comply with its employer pension duties under Part 1 of the Pensions Act 2008 from the date that it is legally required to do so. As a result, the Employee will be automatically enrolled into either a qualifying pension scheme or the National Employment Savings Trust ("**NEST**"), whichever the Company decides. If the Employee does not decide to opt-out of auto-enrolment, the Employee will be required to make pension contributions at the level set out in the relevant legislation and the Employee agrees to the Company deducting such contributions from their salary each month. Further information about pension choices will be provided at the appropriate time.

7.2 At the date of this Agreement it is not envisaged that the qualifying pension scheme will be a contracted out scheme for the purpose of the Pensions Schemes Act 1993 or that there will be a contracting out certificate in place in respect of the Employment.

7.3 The Employee shall be eligible to participate in the benefits schemes, which the Company (or its Parent from time to time) may maintain for the benefit of its senior employees from time to time in the UK (the "**Schemes**") subject to the rules of the Schemes and the terms of any related policy of insurance from time to time in force. The Employee understands and agrees that she may not be eligible to participate in all non-UK entity benefit schemes due to the rules of such schemes and the terms of any related policy of insurance from time to time in force and that for those non-UK entity benefit schemes that she is eligible to participate in, she may only be able to participate in them to the extent that they can be properly, legally and reasonably be applied, administered and exercised in the UK. Further details of the Schemes and the benefits currently available to the Employee can be obtained from the Global Human Resources department of the Group Companies. This is for information only and should not be regarded as any guarantee of benefits, which may be paid under the Schemes in place from time to time.

7.4 The Company reserves the right, at its absolute discretion, to change the Schemes providers, to amend the terms of the Schemes (including but not limited to the level of benefits), to terminate the Schemes without replacement, to substitute other schemes for the Schemes and to remove the Employee from membership of the Schemes.

7.5 The Company shall be under no obligation to make any payment under the Schemes to the Employee unless and until it has received the relevant payment from the relevant Scheme provider(s). If any of the Schemes providers refuse for any reason (whether based on their own interpretation of the terms of the insurance policy or otherwise) to provide any benefits to the Employee, the Company shall not be liable to provide replacement benefits itself or any compensation in lieu and shall be under no obligation to pursue a claim for unpaid benefits on behalf of the Employee against the Schemes providers.

7.6 The Company reserves the right to terminate the Employee's employment, where it has good cause to do so (including but not limited to where the Employee is incapacitated, redundant or has committed misconduct), notwithstanding that the Employee is receiving benefits under the Schemes and that such termination may result in those benefits being discontinued. The Employee agrees that she shall have no claim against the Company for damages in respect of the loss of benefits under the Schemes in such circumstances.

7.7 In the event that the Employee is absent by reason of ill-health she will continue to co-operate with and act in good faith towards the Company including but not limited to staying in regular contact with the Company and providing it with such information about their health, prognosis and progress as the Company may require.

7.8 In accordance with the Schemes rules from time to time participation in the Schemes may be subject to the condition that the Employee has notified the Company on or before the commencement of the Employment of any pre-existing medical conditions that she may have.

7.9 The Company and Employee agree to reasonably cooperate to devise a reasonable benefits package for the Employee commensurate with her position, seniority and status as soon as reasonably practicable. This may include access to permanent health insurance scheme. This should not be regarded as any guarantee of any particular benefits which may be provided.

8 EXPENSES AND TRAVEL

8.1 The Company shall reimburse the Employee in respect of all expenses reasonably incurred by her in the proper performance of her duties, subject to the Employee providing such receipts or other evidence that the Company may require. Subject to the Employee providing such receipts or other evidence that the Company may require, the Company shall also reimburse the Employee's reasonable expenses of meals and lodging while staying in London from time to time and reasonable expenses for travelling to Heathrow or other major UK airports in the proper performance of her duties.

8.2 The Employee shall submit each expenses claim within 60 days of the later of:

8.2.1 incurring the expense; or

8.2.2 receipt of the invoice for such expense.

8.3 The Company shall use its reasonable endeavours to reimburse expenses claims within 30 days of receiving an accurate and properly completed expenses claim accompanied by such receipts or other evidence that the Company may require.

8.4 The Employee shall at all times comply with the Company's Travel Policy and Expenses Policy from time to time in force. Copies are available from the Group Companies' intranet site or upon request from the Global Human Resources department of the Group Companies.

8.5 The Company shall pay the Employee's reasonable travel costs incurred in the proper performance of her duties in relation to her daily commute from her current home address as set out in this Agreement to the Company's offices located as anticipated in accordance with clause 5.3 to a maximum of £1,080 per month excluding any associated taxes and statutory deductions arising thereon (the "**Commuting Cap**"). The Employee will submit her expenses claim for such expenses with such receipts or other evidence that the Company may require in accordance with clause and in compliance Company's Travel Policy and Expenses Policy from time to time in force. Strictly subject to the Commuting Cap, on an annual basis, the Company shall also provide a gross up in respect of the income tax payable on (i) reimbursement payments made to Employee for commuting expenses set forth in this clause and (ii) any gross up amounts resulting therefrom.

9 SHARE OPTIONS

9.1 Subject always to the rules of the Intercept Pharmaceuticals, Inc. 2012 Equity Incentive Plan, as amended, or any other equity incentive plan that may then be in effect (collectively, the "**Share Scheme**") and any legal or regulatory restrictions from time to time in force, the Employee shall be granted the awards set out in this Agreement and, may, at the sole discretion of the Board or the Company's Compensation Committee, from time to time be granted additional options or other equity-based awards over shares of the common stock of the Parent.

9.2 If the Employee is at any time granted options or other equity-based awards pursuant to the Share Scheme or any other stock option or share incentive scheme of the Parent, those options or rights shall be subject to the rules of that scheme as in force from time to time which rules shall not form part of the Employee's service contract.

Effect of Termination of Share or Stock Options and other equity compensation

9.3 In the event of Employee's termination by the Company for Equity Cause or by the Employee without Equity Good Reason all unvested stock options and other equity-based awards granted to the Employee before and after the date of this Agreement shall be immediately forfeited upon the effective date of such termination of employment or as otherwise provided in the award agreement; provided, that, the Employee shall have until the earlier of expiration date of the option or 90 days from the date of termination of the Employee to exercise all vested options unless the stock plan pursuant to which the option is granted requires earlier termination in connection with a liquidation or sale of the Company.

9.4 In the event of the Employee's termination by the Employee for Equity Good Reason or by the Company without Equity Cause and provided that the Employee (or her legal representative, if applicable) executes a settlement agreement and the settlement agreement becomes effective and irrevocable within a period of 60 days from the termination of Employment, all unvested stock options and other equity-based awards granted to the Employee before and after the date of this Agreement shall be immediately forfeited upon the effective date of such termination of employment or as otherwise provided in the award agreement; provided, that, the Employee (or her estate or legal representative, if applicable) shall have until the earlier of the expiration date of the option or one (1) year from the date of termination of the Employee's employment to exercise all vested options unless the stock plan pursuant to which the option is granted requires earlier termination in connection with a liquidation or sale of the Company.

9.5 In the event the Employee's employment with the Company is terminated by the Employee for Equity Good Reason or by the Company without Equity Cause in any such case, in anticipation of and/or within twelve (12) months following a Change in Control, provided that the Employee (or her legal representative, if applicable) executes a settlement agreement and the settlement agreement becomes effective and irrevocable within a period of 60 days from the termination of Employment, all of the Employee's unvested stock options and other equity-based awards then in effect shall vest as of the date the Release is effective and irrevocable and the Employee (or her estate or legal representative, if applicable) shall have until the earlier of the expiration date of the option or one (1) year from the date of termination of the Employee's employment to exercise all vested options unless the stock plan pursuant to which the option is granted requires earlier termination in connection with a liquidation or sale of the Company.

9.6 In the event the Employee's employment with the Company is terminated by reason of disability all unvested stock and stock options granted to the Employee before and after the date of this Agreement shall be immediately forfeited upon the effective date of such termination of employment or as otherwise provided in the option agreement; provided, that, the Employee shall have until the earlier of the expiration date of the option or one (1) year from the date of termination of Employee's employment to exercise all vested options unless the stock plan pursuant to which the option is granted requires earlier termination in connection with a liquidation or sale of the Company.

9.7 As used herein, "**Change in Control**" shall occur or be deemed to occur if any of the following events occur:

9.7.1 any sale, lease, exchange or other transfer (in one transaction or a series of transactions) of all or substantially all of the assets of the Parent and the Group Companies to a third person (with "person" as defined in clause 9.7.3); or

9.7.2 any consolidation or merger of the Parent or the Company where the shareholders of the Parent or the Company, as the case may be, immediately prior to the consolidation or merger, would not, immediately after the consolidation or merger, beneficially own, directly or indirectly, shares representing in the aggregate more than fifty percent (50%) of the combined voting power of all the outstanding securities of the corporation issuing cash or securities in the consolidation or merger (or of its ultimate parent corporation, if any); or

9.7.3 a third person, including a "person" as defined in Section 13(d)(3) of the Securities Exchange Act of 1934 (a US Statute), as amended (the "**Exchange Act**") (but other than (a) the Parent or another Group Company, (b) any employee benefit plan of the Parent or a Group Company, or (c) investors purchasing equity securities of the Parent pursuant to a financing or a series of financings approved by the board of directors of the Parent) becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act) directly or indirectly, of Controlling Securities (as defined below). "**Controlling Securities**" shall mean securities representing 25% or more of the total number of votes that may be cast for the election of the directors of the Parent or the Company, as the case may be.

9.7.4 Notwithstanding anything to the contrary herein, a Change in Control in respect of the Company shall not be deemed to have occurred under clause 9.7.2 or 9.7.3 if, immediately after the consummation of such transaction or series of transactions, (a) Employee is employed by another Group Company on similar terms as this Agreement and (b) such transaction or series of transactions do not constitute a Change in Control in respect of Parent.

9.8 The Company shall use its reasonable endeavours to receive approval from the Board or the Compensation Committee at the next scheduled meeting to amend clause 9.4 above to state the following: "In the event of the Employee's termination by the Employee for Equity Good Reason or by the Company without Equity Cause and provided that the Employee (or her legal representative, if applicable) executes a settlement agreement and the settlement agreement becomes effective and irrevocable within a period of 60 days from the termination of Employment, that number of Employees unvested stock options and other equity-based awards that would otherwise have vested from the effective date of Employee's termination to the first anniversary of such date shall vest on the date that the settlement agreement becomes effective and irrevocable and the Employee (or her estate or legal representative, if applicable) shall have until the earlier of the expiration date of the option or one (1) year from the date of termination of the Employee's employment to exercise all vested options unless the stock plan pursuant to which the option is granted requires earlier termination in connection with a liquidation or sale of the Company." Upon the approval of the Board or the Compensation Committee, as the case may be, the parties agree that clause 9.4 shall be replaced in its entirety with the language set forth in the immediately preceding sentence of this clause 9.8.

10 HOLIDAY

10.1 The Employee shall be entitled to receive her normal remuneration for all bank and public holidays normally observed in England and a further 30 working days holiday in each holiday year, being the period from 1 January to 31 December. The Employee may only take her holiday at such times as are agreed with the Chief Commercial Officer and in accordance with the Company's Vacation Policy from time to time in force.

10.2 In the holiday years in which the Employment commences or terminates, the Employee's entitlement to holiday shall accrue on a pro-rata basis for each complete month of service during the relevant year.

10.3 If, on the termination of the Employment, the Employee has exceeded her accrued holiday entitlement, the excess may be deducted from any sums due to her. If the Employee has any unused holiday entitlement, the Board may either require the Employee to take such unused holiday during any notice period or accept payment in lieu. Any payment in lieu shall only be made in respect of holiday accrued in accordance with clause 10.2 above during the Employee's final holiday year.

10.4 Holiday entitlement for one holiday year may not be taken in subsequent holiday years unless otherwise agreed by the Board. Failure to take holiday entitlement in the appropriate holiday year will lead to forfeiture of any accrued holiday not taken, without any right to payment in lieu.

11 INCAPACITY

11.1 Subject to the Employee's compliance with the Company's rules from time to time in force regarding sickness notification and doctor's certificates, details of which can be obtained from the Group Companies' intranet site or upon request from the Global Human Resources department of the Group Companies and subject to the Company's right to terminate the Employment for any reason including without limitation incapacity, if the Employee is at any time absent on medical grounds the Company shall pay to the Employee her normal basic salary for a maximum of 13 weeks for any one period of absence or absence in aggregate in any rolling period of 12 months ("**Company Sick Pay**").

11.2 The Company reserves the right to reasonably require the Employee to undergo a medical examination by a doctor or consultant nominated by it, at anytime including at any stage of absence at the Company's expense, and the Employee agrees that she will undergo any requisite tests and examinations and will fully co-operate with the relevant medical practitioner and shall authorise him or her to disclose to and discuss with the Company the results of any examination and any matters which arise from it.

11.3 Payment of Company Sick Pay to the Employee pursuant to clause 11.1 shall be inclusive of any Statutory Sick Pay and any Social Security Sickness Benefit or other benefits to which the Employee may be entitled, whether or not claimed.

11.4 If the Employee's absence shall be caused by the actionable negligence of a third party in respect of which damages are recoverable, then all sums paid by the Company shall constitute loans to the Employee, who shall:

11.4.1 immediately notify the Company of all the relevant circumstances and of any claim, compromise, settlement or judgement made or awarded;

11.4.2 if the Board so requires, refund to the Company such sum as the Board may determine, not exceeding the lesser of:

a) the amount of damages recovered by her under such compromise, settlement or judgement; and

b) the sums advanced to her in respect of the period of incapacity.

11.5 Any actual or prospective entitlement to Company Sick Pay or private medical insurance or long term disability benefits shall not limit or prevent the Company from exercising its right to terminate the Employment in accordance with clauses 3.2 or 18 or otherwise and the Company shall not be liable for any loss arising from such termination.

11.6 If the Employee is prevented by incapacity from properly performing her duties under this Agreement for a consecutive period of 20 working days the Board may appoint another person or persons to perform those duties until such time as the Employee is able to resume fully the performance of her duties.

12 DEDUCTIONS

For the purposes of the ERA, the Employee hereby authorises the Company to deduct from her remuneration any sums due from her to the Company including, without limitation, any overpayments of salary, employee's pension contributions, overpayments of holiday pay whether in respect of holiday taken in excess of that accrued during the holiday year or otherwise, loans or advances made to her by the Company, any fines incurred by the Employee and paid by the Company, the cost of repairing any damage or loss to the Company's property caused by her and all losses suffered by the Company as a result of any negligence or breach of duty by the Employee.

13 RESTRICTIONS ON OTHER ACTIVITIES BY THE EMPLOYEE

13.1 During the Employment the Employee shall not directly or indirectly be employed, engaged, concerned or interested in any other company, business or undertaking without the prior written consent of the Board or be involved in any activity which the Board reasonably considers may be, or become, harmful to the interests of the Company or any Group Company or which might reasonably be considered to interfere with the performance of the Employee's duties under this Agreement provided that this clause 13.1 shall not prohibit the Employee:

13.1.1 subject to the prior written consent of the Board, serving as an officer or member of the board of directors or advisory boards of non competing organisations from time to time;

13.1.2 serving as an officer or member of a charitable, educational or civic organisations;

13.1.3 engaging in charitable activities and community affairs; or

13.1.4 managing her personal investments or affairs including holding (directly or through nominees) of investments listed on any recognised stock exchange as long as not more than 5 per cent of the issued shares or other securities of any class of any one company shall be so held;

subject always to such activities not being or becoming, harmful to the interests of the Company or any Group Company or reasonably being considered to interfere with the performance of the Employee's duties and responsibilities under this Agreement.

13.2 Subject to any regulations issued by the Company, the Employee shall not be entitled to receive or obtain directly or indirectly any discount, rebate or commission in respect of any sale or purchase of goods effected or other business transacted (whether or not by her by or on behalf of the Company) and if she (or any firm or company in which she is interested) shall obtain any such discount, rebate or commission, she shall account to the Company for the amount received by her (or a due proportion of the amount received by such company or firm having regard to the extent of her interest in it). For the avoidance of doubt, nothing in this clause shall prevent the Employee from obtaining any discount, rebate or commission solely as a result of transactions legitimately entered into in her personal capacity.

14 CONFIDENTIALITY

14.1 The Employee shall neither during the Employment (except in the proper performance of her duties) nor at any time (without limit) after the termination of the Employment:

14.1.1 divulge or communicate to any person, company, business entity or other organisation;

14.1.2 use for her own purposes for any purposes other than those of the Company or any Group Company; or

14.1.3 through any failure to exercise due care and diligence, permit or cause any unauthorised disclosure of

any Confidential Information provided that these restrictions shall cease to apply to any information, which shall become available to the public generally otherwise than through an unauthorised disclosure by the Employee or any other person.

14.2 For the purposes of this Agreement "**Confidential Information**" shall mean, in relation to the Company or any Group Company:

14.2.1 trade secrets;

14.2.2 information relating to research activities, inventions, discoveries, secret processes, designs, know how, technical specifications and processes, formulae, intellectual property rights, computer software, product lines and any other technical information relating to the creation, production or supply of any past, present or future product or service;

14.2.3 any inventions or improvements which the Employee may make or discover during the Employment;

14.2.4 any information relating to the business or prospective business;

14.2.5 details of suppliers, their services and their terms of business;

14.2.6 details of customers and their requirements, the prices charged to them and their terms of business;

14.2.7 pitching material, marketing plans and sales forecasts of any past, present or future products or services;

14.2.8 information relating to the business, corporate plans, management systems, accounts, finances and other financial information, results and forecasts (save to the extent that these are included in published audited accounts);

14.2.9 proposals relating to the acquisition or disposal of a company or business or any part thereof;

14.2.10 proposals for expansion or contraction of activities, or any other proposals relating to the future;

14.2.11 details of employees and officers and of the remuneration and other benefits paid to them;

14.2.12 information given in confidence by clients, customers suppliers or any other person;

14.2.13 any other information which the Employee is notified is confidential; and

14.2.14 any other information which the Company (or relevant Group Company) could reasonably be expected to regard as confidential, whether or not such information is reduced to a tangible form or marked in writing as "confidential", including but not limited to, information which is commercially sensitive,

which comes into the Employee's possession by virtue of the Employment and which is not in the public domain and all information, which has been or may be derived or obtained from any such information.

14.3 The Employee acknowledges that all notes, memoranda, records, lists of customers and suppliers and employees, correspondence, documents, computer and other discs and tapes, data listings, databases, codes, designs and drawings and any other documents and material whatsoever (whether made or created by the Employee or otherwise) relating to the business of the Company and any Group Company (and any copies of the same) or which is created or stored on the Company's equipment and systems:

14.3.1 shall be and remain the property of the Company or the relevant Group Company; and

14.3.2 shall be handed over by the Employee to the Company or the relevant Group Company on demand and in any event on the termination of the Employment and the Employee shall certify that all such property has been so handed over and that no copies or extracts have been retained.

14.4 For the avoidance of doubt, social media accounts, any on-line content and contacts operated or created by the Employee during the Employment for work related (including networking) purposes shall be regarded as the property of the Company and the Employee agrees not to use such social media after the termination of the Employment.

14.5 This clause 14 shall only bind the Employee to the extent allowed by law and nothing in this clause shall prevent the Employee from making a statutory disclosure.

15 DATA PROTECTION

The Employee consents to the Company and/or the Group Companies holding and processing, both electronically and manually, the data it collects in relation to the Employee in the course of the Employment (including, without limitation the Employee's employment application, references, bank details, appraisals, holiday and sickness records, salary reviews, remuneration details, employment benefits and other records which may include sensitive personal data relating to her health) for the purposes of the Company's and/or the Group Companies' administration and management of their employees and their businesses, the evaluation of assets and liabilities before any acquisition, merger or re-organisation of the Company and/or the Group Companies' business, to fulfil any obligation of the Company and/or the Group Companies to transfer records to any successor employer and for compliance with applicable procedures, laws and regulations. Such processing may involve the transfer, storage and processing by the Company and/or the Group Companies of such data outside the European Economic Area, to which the Employee consents.

16 INVENTIONS AND INTELLECTUAL PROPERTY RIGHTS

16.1 The Employee acknowledges that all Employment IPRs, Employment Inventions and all materials embodying them shall automatically belong to the Company to the fullest extent permitted by law. To the extent that they do not vest in the Company automatically, the Employee holds them on trust for the Company.

16.2 The Employee acknowledges that, because of the nature of her duties, which includes research and development, including creating and developing Employment Inventions and Employment IPRs, and the particular responsibilities arising from the nature of her duties, she has, and shall have at all times while she is employed by the Company, a special obligation to further the interests of the Company.

16.3 To the extent that legal title in any Employment IPRs or Employment Inventions does not vest in the Company by virtue of clause 16.1, the Employee agrees, immediately upon creation of such rights and inventions, to offer to the Company in writing a right of first refusal to acquire them on arm's length terms to be agreed between the parties. If the parties cannot agree on such terms within 30 days of the Company receiving the offer, the Company shall refer the dispute to an arbitrator who shall be nominated by CEDR. The arbitrator's decisions shall be final and binding on the parties, and the costs of arbitration shall be borne equally by the parties. The Employee agrees that the provisions of this clause 16.3 shall apply to all Employment IPRs and Employment Inventions offered to the Company under this clause 16.3 until such time as the Company has agreed in writing that the Employee may offer them for sale to a third party.

16.4 The Employee agrees:

16.4.1 to give the Company full written details of all Inventions which relate to or are capable of being used in the business of the Company and/or any Group Company promptly on their creation;

16.4.2 at the Company's request and in any event on the termination of her employment to give to the Company all originals and copies of correspondence, documents, papers and records on all media which record or relate to any of the Employment IPRs;

16.4.3 not to attempt to register any Employment IPR nor patent any Employment Invention unless requested to do so by the Company; and

16.4.4 to keep confidential each Employment Invention unless the Company has consented in writing to its disclosure by the Employee.

16.5 The Employee waives all her present and future moral rights which arise under the Copyright Designs and Patents Act 1988, and all similar rights in other jurisdictions relating to any copyright which forms part of the Employment IPRs, and agrees not to support, maintain nor permit any claim for infringement of moral rights in such copyright works.

16.6 The Employee acknowledges that, except as provided by law, no further remuneration or compensation other than that provided for in this Agreement is or may become due to the Employee in respect of her compliance with this clause 16.6. This is without prejudice to the Employee's rights under the Patents Act 1977.

16.7 The Employee undertakes to use her best endeavours to execute all documents and do all acts both during and after her employment by the Company as may, in the opinion of the Board, be necessary or desirable to vest the Employment IPRs in the Company, to register them in the name of the Company and to protect and maintain the Employment IPRs and the Employment Inventions. Such documents may, at the Company's request, include waivers of all and any statutory moral rights relating to any copyright works which form part of the Employment IPRs. The Company agrees to reimburse the Employee's reasonable expenses of complying with this clause 16.7.

16.8 The Employee agrees to give all necessary assistance to the Company to enable it to enforce its Intellectual Property Rights against third parties, to defend claims for infringement of third party Intellectual Property Rights and to apply for registration of Intellectual Property Rights, where appropriate throughout the world, and for the full term of those rights.

16.9 The Employee hereby irrevocably appoints the Company to be her attorney to execute and do any such instrument or thing and generally to use her name for the purpose of giving the Company or its nominee the benefit of this clause 16. The Employee acknowledges in favour of a third party that a certificate in writing signed by any Director or the Secretary of the Company that any instrument or act falls within the authority conferred by this clause 16.9 shall be conclusive evidence that such is the case.

17 STATEMENTS

17.1 The Employee shall not make, publish (in any format) or otherwise communicate any derogatory statements, whether in writing or otherwise, at any time either during her Employment or at any time after its termination in relation to the Company, any Group Company or any of their officers or other personnel.

17.2 The Company will use its reasonable endeavours to ensure that it does not allow or encourage its employees, officers and directors to make publish (in any format) or otherwise communicate any derogatory statements, whether in writing or otherwise, at any time during the Employment or at any time after its termination in relation to the Employee.

17.3 For the avoidance of doubt all statements to the press or other media communications in connection with the Company and/or any Group Company are dealt with by the Investor Relations Committee. The Employee shall not make any statements to the press or other media in connection with the Company and/or any Group Company at any time either during or after the Employment without the prior consent of the Chief Executive Officer of the Company and/or the Investor Relations Committee.

18 TERMINATION OF EMPLOYMENT

18.1 The Company may terminate the Employment immediately by notice in writing if the Employee shall have:

18.1.1 committed any serious breach of her obligations under this Agreement; or

18.1.2 committed any repeated or continued breach of her obligations under this Agreement after having received a written warning from the Company relating to the same; or

18.1.3 been guilty of conduct tending to bring her or the Company or any Group Company into disrepute; or

18.1.4 become bankrupt or had an interim order made against her under the Insolvency Act 1986 or compounded with her creditors generally; or

18.1.5 been disqualified from being a director by reason of any order made under the Companies Directors Disqualification Act 1986 or any other enactment; or

18.1.6 been convicted of an offence under any statutory enactment or regulation (other than a motoring offence for which no custodial sentence is given); or

18.1.7 failed to comply with the United Kingdom's Bribery Act 2010 or any other similar legislation, regulations or rules in any relevant jurisdiction related to, giving payments, gifts or entertainment to obtain a business advantage unlawfully, or adopted to implement the OECD Convention on Combating Bribery of Foreign Officials in International Transactions; or

18.1.8 during the Employment, committed any gross breach of clauses 13, 14, 16 and/or 17.

Any delay by the Company in exercising such right of termination shall not constitute a waiver thereof.

18.2 In the event the Employee is incapacitated or prevented by illness or injury or accident or any other circumstances beyond her control ("**Incapacity**") from discharging her duties for a total of 16 weeks in aggregate in any 12 consecutive calendar months the Company may by notice in writing at any time during the period of Incapacity terminate the Employee's Employment by giving such notice as is required by section 86 of the Employment Rights Act 1996.

19 GARDEN LEAVE

During any period of notice of termination (whether given by the Company or the Employee), the Company shall be under no obligation to assign any duties to the Employee and shall be entitled to exclude her from its premises, and require the Employee not to contact any customers, suppliers or employees provided that this shall not affect the Employee's entitlement to receive her normal salary and contractual benefits. During any such period of exclusion the Employee will continue to be bound by all the provisions of this Agreement and shall at all times conduct herself with good faith towards the Company.

20 DIRECTORSHIP

20.1 On the termination of the Employment (however arising) or on either the Company or the Employee having served notice of such termination, the Employee shall should she hold any such offices:

20.1.1 at the request of the Company or any Group Company resign from all directorships and offices held by her in any Group Company and shall transfer without payment to the Company or as the Company may direct any nominee shares provided by it, provided however that such resignation shall be without prejudice to any claims which the Employee may have against the Company or any Group Company arising out of the termination of the Employment; and

20.1.2 immediately deliver to the Company or any Group Company as directed all materials within the scope of clause 14.3 and all credit cards, motor cars, car keys and other property of or relating to the business of the Company or of any Group Company which may be in her possession or under her power or control,

and if the Employee should fail to do so the Company is hereby irrevocably authorised to appoint another person to sign any documents and/or do any other things necessary on her behalf in order to give effect to the Employee's undertaking in this clause 20.1.

20.2 The appointment of the Employee as a director of any Group Company is not a term of this Agreement and the Company or any Group Company reserves the right to remove the Employee from any such directorship at any time and for any reason. Where the Company or any Group Company exercises this right, this shall not amount to a breach of this Agreement and shall not give rise to a claim for damages or compensation.

21 POST TERMINATION OBLIGATIONS OF THE EMPLOYEE

21.1 For the purposes of this clause 21 the following definitions apply:

21.1.1 "**Restricted Business**" means the businesses of the Company and Group Companies at the Termination Date with which the Employee was involved to a material extent during the twelve months immediately preceding the Termination Date;

21.1.2 "**Restricted Customer**" means any person, firm, company or other organisation who, at any time during the twelve months immediately preceding the Termination Date was a customer of or in the habit of dealing with the Company or any Group Company and with whom, during that period, the Employee had material dealings in the course of her employment or for whom the Employee was responsible on behalf of the Company or any Group Company;

21.1.3 "**Prospective Customer**" means any person, firm, company or other organisation with whom the Company or any Group Company had negotiations or discussions regarding a possible business relationship and/or had submitted a tender, taken part in a pitch or made a presentation to, or with which it was otherwise negotiating for the supply of goods and services during the six months immediately preceding the Termination Date and with whom, during that period, the Employee had material dealings in the course of her Employment or for whom the Employee was responsible for developing the relationship on behalf of the Company or any Group Company;

21.1.4 "**Restricted Employee**" means any person who, at the Termination Date, was an employee, officer or consultant of the Company or Group Company who could materially damage the interests of the Company or any Group Company if she become employed in any competing business and with whom the Employee worked closely or was responsible for in the twelve months immediately preceding the Termination Date;

21.1.5 "**Restricted Supplier**" means any person, firm, company or other organisation who, in the twelve months immediately preceding the Termination Date supplied goods and/or services to the Company or any Group Company including but not limited to any individual who provided services to the Company or any Group Company by way of a consultancy agreement (but excluding utilities or goods and services supplied for administrative purposes) and with whom, during that period, the Employee dealt to a material extent;

21.1.6 "**Restricted Territory**" means the United Kingdom and any other country in the world where the Company or any Group Company had business interests or dealings on the Termination Date;

21.1.7 "**Restriction Date**" means the earlier of the Termination Date and the start of any period of Garden Leave in accordance with clause 19;

21.1.8 "**Termination Date**" means the date of termination of the Employment (howsoever caused).

21.2 The Employee acknowledges that by reason of the Employment she will have access to trade secrets, confidential information, business connections and the workforce of the Company and the Group Companies and that in order to protect their legitimate business interests it is reasonable for her to enter into these post termination restrictive covenants and, having had the opportunity to seek independent legal advice the Employee agrees that the restrictions contained in this clause 21 (each of which constitutes an entirely separate, severable and independent restriction) are reasonable.

21.3 Reference in this clause 21.3 to the "Company" shall apply as though there were included reference to any relevant Group Company for whom or on whose behalf the Employee works during the course of the Employment. The Employee covenants with the Company for itself and as trustee and agent for each Group Company that she will not without the prior written consent of the Company:

21.3.1 for six months after the Restriction Date solicit or endeavour to entice away from the Company the business or custom of a Restricted Customer with a view to providing goods or services in competition with any Restricted Business;

21.3.2 for six months after the Restriction Date solicit or endeavour to entice away from the Company the business or custom of a Prospective Customer with a view to providing goods or services in competition with any Restricted Business;

21.3.3 for six months after the Restriction Date provide goods or services to, or otherwise have any business dealings with, any Restricted Customer in the course of any business concern which is in competition with any Restricted Business;

21.3.4 for six months after the Restriction Date provide goods or services to, or otherwise have any business dealings with, any Prospective Customer in the course of any business concern which is in competition with any Restricted Business;

21.3.5 for six months after the Restriction Date induce, solicit or otherwise endeavour to entice away from the Company any Restricted Employee;

21.3.6 for six months after the Restriction Date employ or engage or facilitate the employment or engagement of any Restricted Employee;

21.3.7 for six months after the Restriction Date interfere or endeavour to interfere with the supply of goods and/or services by any Restricted Supplier to the Company or any Group Company; and

21.3.8 for six months after the Restriction Date be engaged or concerned in any capacity in any business concern which is competition in the Restricted Territory with the Restricted Business.

21.4 For the avoidance of doubt, nothing in this clause 21 shall prevent the Employee from:

21.4.1 holding as an investment by way of shares or other securities not more that 5% of the total issued share capital of any company listed on a recognised stock exchange; or

21.4.2 being engaged or concerned in any business concern where the Employee's work or duties relate solely to geographical areas where the business concern is not in competition with the Restricted Business; or

21.4.3 being engaged or concerned in any business concern where the Employee's work or duties relate solely to services or activities of a kind with which the Employee was not concerned to a material extent in twelve months before the Termination Date.

21.5 The obligations undertaken by the Employee pursuant to this clause 21 extend to her acting not only on her own account but also on behalf of any other firm, company or other person and shall apply whether she acts directly or indirectly.

21.6 The Employee hereby undertakes with the Company that she will not at any time after the termination of the Employment in the course of carrying on any trade or business, claim, represent or otherwise indicate any present association with the Company or any Group Company or for the purpose of carrying on or retaining any business or custom, claim, represent or otherwise indicate any past association with the Company or any Group Company to its detriment.

21.7 While the restrictions in this clause 21 (on which the Employee has had the opportunity to take independent advice, as the Employee hereby acknowledges) are considered by the parties to be reasonable in all the circumstances, it is agreed that if any such restrictions, by themselves, or taken together, shall be found to go beyond what is reasonable in all the circumstances for the protection of the legitimate interests of the Company or any Group Company but would be considered reasonable if part or parts of the wording of such restrictions were deleted, the relevant restriction or restrictions shall apply with such deletion(s) as may be necessary to make it or them valid and effective.

21.8 If the Employee accepts alternative employment or engagement with any third party during the period of any of the restrictions in this clause 21 she will provide the third party with full details of these restrictions.

21.9 If the Employee's employment is transferred by reason of the Transfer of Undertakings (Protection of Employment) Regulations 2006 she will, if requested, enter into an agreement with the new employer that contains provisions no more onerous nor wider in scope than those provided by the Company under this clause 21.

21.10 If the Employee's contract of employment is expected to transfer to a new entity by virtue of the Transfer of Undertakings (Protection of Employment) Regulations 2006 but the Employee objects or otherwise resigns before any such transfer takes place, the Employee acknowledges that the Company may assign the benefit of these restrictive covenants to the relevant successor entity. Consequently, the Employee agrees that she will continue to observe the restrictions set out in this clause 21 for the benefit of any successor and will not regard herself as released from her obligations under this clause in the event of such assignment. The Employee agrees to co-operate with, and use her best endeavours to assist the Company and any successor in such circumstances including but not limited to providing such information, executing such documents and giving such assurances and undertakings as they may reasonably request.

22 WHISTLEBLOWING

22.1 The Employee must at all times comply with the Company's Code of Ethics from time to time in force. A copy is available from the Parent's public website and on the intranet site of the Group Companies.

22.2 If the Employee wishes to make a disclosure under Sections 43A-L of the ERA she should do so without delay by contacting the Parent's audit committee chairperson in writing, expressly stating that she wishes to make a qualifying disclosure. A 'qualifying disclosure' is defined for these purposes as a disclosure of information which, in the reasonable belief of the Employee, is made in the public interest and tends to show one or more of the following: a criminal offence, a risk to health and safety, a failure to comply with a legal obligation, a miscarriage of justice, environmental damage or concealment of any of these.

23 AMALGAMATION AND RECONSTRUCTION

23.1 If the Company is wound up for the purposes of reconstruction or amalgamation the Employee shall not as a result or by reason of any termination of the Employment or the redefinition of her duties within the Company or any Group Company arising or resulting from any reorganisation of the Group have any claim against the Company for damages for termination of the Employment or otherwise so long as she shall be offered employment with any concern or undertaking resulting from such reconstruction reorganisation or amalgamation on terms and conditions no less favourable to the Employee than the terms contained in this Agreement.

23.2 If the Employee shall at any time have been offered but shall have unreasonably refused or failed to agree to the transfer of this Agreement on no less favourable terms by way of novation to a company which has acquired or agreed to acquire the whole or substantially the whole of the undertaking and assets or not less than 50 per cent of the equity share capital of the Parent the Company may terminate the Employment by such notice as is required by s.86 of the ERA within one month of such offer being refused by the Employee.

24 DISCIPLINARY AND GRIEVANCE PROCEDURES AND SUSPENSION

24.1 The Company aims to follow applicable best practice in relation to any disciplinary matter or dismissal involving the Employee. However, such practice is not a contractual entitlement of the Employee and the Company reserve the right not to do so.

24.2 If the Employee wishes to obtain redress of any grievance relating to the Employment or is dissatisfied with any reprimand, suspension or other disciplinary step taken by the Company, she shall apply in writing to the head of the Group Companies' Global Human Resources department or the head of the Group Companies' Legal Department setting out the nature and details of any such grievance or dissatisfaction.

24.3 The Company reserves the right to suspend the Employee on full pay, for so long as it reasonably thinks fit, in order to:

24.3.1 investigate any allegations made against the Employee (whether in the context of the internal disciplinary process or otherwise);

24.3.2 satisfy itself as to the Employee's fitness for work; and

24.3.3 where it reasonably considers that it may be beneficial to temporarily remove the Employee.

25 NOTICES

25.1 Any notice or other document to be given under this Agreement shall be in writing and may be given personally to the Employee or to the Company's Legal Department (as the case may be) or may be sent by first class post or by facsimile transmission to, in the case of the Parent, its registered office for the time being (marked for the attention of the Legal Department) and in the case of the Employee either to her address shown on the face of this Agreement or to her last known place of residence.

25.2 Any such notice shall (unless contrary is proved) be deemed served when in the ordinary course of the means of transmission it would first be received by the addressee in normal business hours. In proving such service it shall be sufficient to prove, where appropriate, that the notice was addressed properly and posted or that the facsimile transmission was dispatched.

26 COMMUNICATIONS

Telephone calls made and received by the Employee using the Company's and/or the Group Companies' equipment and use of the Company's and/or the Group Companies' email system to send or receive personal correspondence may be recorded on their communication systems. Any recordings made shall at all times remain the property of the Company and/or the Group Companies and, if necessary, will be used as evidence in the case of disputes with employees or clients.

27 ENTIRE AGREEMENT AND FORMER SERVICE AGREEMENT(S)

27.1 This Agreement together with any documents referred to in it constitutes the entire agreement and understanding between the parties and the Employee agrees that she has not been induced to enter into the Employment by and has not relied upon any Pre-Contractual Statement.

27.2 This Agreement together with any documents referred to in it shall be in substitution for any previous letters of appointment, agreements or arrangements, (whether written, oral or implied), relating to the employment of the Employee, which shall be deemed to have been terminated by mutual consent. The Employee acknowledges that as at the date of this Agreement she has no outstanding claim of any kind against the Company and/ or any Group Company.

27.3 The parties do not intend the terms of this Agreement to be varied by implication due to any custom, practice, usage or course of dealings. No variation of this Agreement shall be effective unless agreed in writing by both parties.

27.4 There are no collective agreements affecting the Employee's employment.

28 GOVERNING LAW AND JURISDICTION

This Agreement shall be governed by and interpreted in accordance with English law and the parties irrevocably agree to the exclusive jurisdiction of the English Courts.

29 REGULATORY CHANGES

The Employee understands that the terms set out in this Agreement are subject always to any legal or regulatory requirements which may be introduced after the date of this Agreement, in particular in relation to restrictions on remuneration for directors and senior Employees. In the event that the Company is required to comply with such new obligations it may, at its absolute discretion, vary the relevant terms of this Agreement to the extent that it considers necessary to ensure compliance and the Employee agrees that they will have no claim for damages or compensation as a result.

30 THIRD PARTY RIGHTS

Save for any Group Companies the Employee and the Company do not intend that any term of this Agreement should be enforceable, by virtue of the Contracts (Right of Third Parties) Act 1999 by any third party.

31 GENERAL

31.1 This Agreement constitutes the written statement of the terms of Employment of the Employee provided in compliance with part 1 of the ERA.

31.2 The expiration or termination of this Agreement, however arising, shall not operate to affect such of the provisions of this Agreement as are expressed to operate or have effect after that time and shall be without prejudice to any accrued rights or remedies of the parties.

31.3 This Agreement may be executed in any number of counterparts, each of which, when executed and delivered, shall be an original and such counterparts or duplicates together shall constitute one and the same instrument.

31.4 The various provisions and sub-provisions of this Agreement are severable and if any provision or any identifiable part of any provision is held to be unenforceable by any court of competent jurisdiction then such unenforceability shall not affect the enforceability of the remaining provisions or identifiable parts of them.

Remainder of Page Intentionally Left Blank; Signature Page Follows

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first set forth above.

THE COMPANY:

INTERCEPT PHARMACEUTICALS, INC.

By: /s/ Mark Pruzanski
Name: Mark E. Pruzanski, MD
Title: President and Chief Executive Officer

EMPLOYEE:

By: /s/ Lisa Bright Morrison
Name: Lisa Bright Morrison

Address for Notice Purposes:

Exhibit 31.1

CERTIFICATIONS

I, Mark Pruzanski, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Intercept 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 period 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 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 us 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: May 11, 2015

By: /s/ Mark Pruzanski
Mark Pruzanski, M.D.
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS

I, Barbara Duncan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Intercept 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 period 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 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 us 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: May 11, 2015

By: /s/ Barbara Duncan
Barbara Duncan
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Intercept Pharmaceuticals, Inc. (the "Company") for the period ended March 31, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company hereby certifies, pursuant to 18 U.S.C. Section 1350, that to his or her knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 11, 2015 By: /s/ Mark Pruzanski
Mark Pruzanski, M.D.
President and Chief Executive Officer
(Principal Executive Officer)

Date: May 11, 2015 By: /s/ Barbara Duncan
Barbara Duncan
Chief Financial Officer
(Principal Financial Officer)