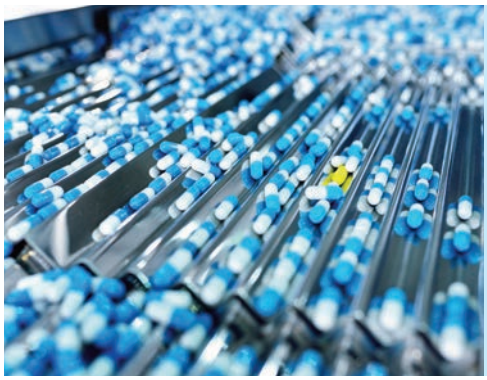
AMRYT
PHARMA

Amryt Pharma plc
Annual Report 2016

The Rare and Orphan Diseases Specialist

Amryt is a specialty pharmaceutical company focused on developing and delivering innovative new treatments to help improve the lives of patients with rare or orphan diseases.



Orphan / Rare Disease focused business with strong and experienced management team in place

Delivering on strategy to acquire, develop and commercialise products

Commercial stage pharma company with material revenues anticipated from Lojuxta sales

Robust pipeline of drug candidates with excellent progress made on AP101 and AP102

Pivotal phase 3 trial, "EASE" Study, to examine AP101's efficacy as a new treatment for EB commenced in March 2017. Study top line data expected to be available in H2 2018

Building Lojuxta sales will be a major focus for us in 2017

Non-dilutive EIB funding secures Amryt's near and mid-term funding needs for its lead product, AP101

AMRYT PHARMA

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Introduction

We are pleased to present the annual report and consolidated financial statements of Amryt Pharma plc ("Amryt" or the "Company") for the year ended 31 December 2016. The publication of this annual report follows the reverse takeover of Fastnet Equity plc by Amryt Pharmaceuticals DAC ("Amryt DAC"), the subsequent name change to Amryt Pharma plc and the re-admission of the shares to trading on AIM and ESM.

The financial results comprise the results of Amryt DAC for the period from 1 January 2016 to 18 April 2016 and those of the new consolidated Amryt group from 19 April 2016 to 31 December 2016.

Company focus

Amryt is a specialty pharmaceutical company focused on developing and delivering innovative new treatments to help improve the lives of patients with rare or orphan diseases. The Company is building a diversified portfolio of best-in-class, proprietary new drugs to help address some of these rare and debilitating illnesses where there is significant unmet medical need.

Significant progress made to date

On 18 April 2016, Amryt DAC successfully completed the reverse takeover of Fastnet Equity plc ("RTO") and raised £10 million before costs in a share placing. On the same date Amryt DAC completed the acquisitions of Birken AG ("Birken") and SomPharmaceuticals ("SOM") and Fastnet Equity plc was renamed Amryt Pharma plc.

Since the RTO, the Group has made excellent progress. This progress included advancing its product candidates, completing an exclusive licensing deal for a further commercial product, Lojuxta, and securing access to non-dilutive funding from the European Investment Bank ("EIB") of up to €20 million.

In addition, the Company has continued to make strong progress in developing its lead product AP101 (Episalvan) as a new treatment for Epidermolysis Bullosa ("EB"). This is a rare and distressing genetic skin disorder which affects young children and adults. In March 2017, the Company reached an agreement with both the Food and Drug Administration ("FDA") and the European Medicines Agency ("EMA") for the design of a pivotal phase 3 clinical trial for AP101 in EB. We also appointed INC Research as the contract research organisation for this study which has now commenced with first site initiation on 27 March 2017. Approximately 30 clinical trial sites in 15 countries have been pre-qualified. We expect the study to be completed within the next 18 months or so with top line data to be available in H2 2018. As part of the study an independent data monitoring committee will conduct an un-blinded interim efficacy analysis after 50% enrolment.

During the year, we secured key patents for AP101 in Europe and the US with expiry dates in 2030. Since year end, we have secured a further patent for AP101 covering Japan, with the patent lasting until 2030. We believe that we have a very robust patent portfolio which will protect AP101 for a considerable period of time.

We also obtained orphan designation from the FDA for our pre-clinical asset, AP102. AP102 is a somatostatin analogue therapy with the potential to treat acromegaly, a disorder that results from excess growth hormone. In addition we conducted a pre-clinical study in diabetic rats that compared AP102 with pasireotide, an existing approved product for treating patients

"It has been a tremendously exciting year for the Company. Amryt has made significant progress, both strategically and operationally. A landmark point came in December 2016 when we reached an agreement to in-license the drug, Lojuxta."

with resistant acromegaly. Significantly, AP102 did not demonstrate the potential to cause diabetes, an observation which if replicated in clinical studies, could be clinically beneficial in treating acromegaly.

Towards the end of the financial year in December 2016, the Company signed an exclusive licensing agreement with Aegerion Pharmaceuticals, Inc. ("Aegerion"). This was a transformational agreement and has secured us the exclusive rights to sell Lojuxta (lomitapide) across certain territories. Lojuxta is a drug therapy used to treat a very rare life-threatening disease called Homozygous Familial Hypercholesterolemia ("HoFH"), which causes excessive levels of LDL "bad" cholesterol. Our exclusive licence covers the treatment of adults with HoFH in the European Economic Area (predominantly the EU), the Middle East, North Africa, Turkey and Israel. The licensing deal is transformational because it makes Amryt into a fully-fledged commercial pharma company with a sales and distribution infrastructure that can also be leveraged for other assets, including AP101 in EB if the upcoming Phase 3 clinical trial is successful.

Our in-licensing agreement for Lojuxta has been immediately cash generative from the effective date of the agreement. Based on revenues from the first three months of operations, we believe it is capable of generating annualised revenues of approximately €10.5 million in 2017. The business is growing and we see good growth potential beyond 2017. We believe that this deal is indicative of the opportunities which Amryt can capitalise on in the coming years.

Corporate and Financial

Revenues for the year to 31 December 2016 totalled €1,351,000 and comprised approximately one month's contribution from Lojuxta as well as well as a partial year's contribution from Imlan, the Company's derma-cosmetics range of products. The Lojuxta sales are for the period since the completion date on 2 December 2016 and totalled €775,000 in December. Very encouragingly, since year end, Amryt recorded sales of €1,859,000 in January and February. Based on this, we expect Lojuxta to generate revenues of approximately €10.5 million on an annualised basis.

The loss for the year amounted to €7,804,000 (2015: loss of €1,194,000). This includes an operating loss before one-off items associated with the RTO and the acquisitions of Birken and SOM of €5,845,000. The operating loss of €5,845,000 includes non-cash share based payments of €229,000.

In April 2016, as part of the RTO, the Company successfully raised €12.6 million (£10 million) before costs. As at 31 December 2016 the Company had a strong balance sheet with €8.3 million in cash reserves (2015: €0.2 million). In December 2016, the Company entered into a €20 million facility agreement ("Facility") with the EIB on highly attractive terms for the Company. The Facility is significant because it provides non-dilutive funding that secures the Company's near and mid-term funding needs for its lead product, AP101. It also provides the funding required to progress the Company's acromegaly drug compound, AP102, through pre-clinical development. The facility from the EIB has not yet been drawn down.

Senior Management and Board appointments

We strengthened the Board and senior management team with two appointments since completion of the RTO. In June 2016, we appointed Markus Ziener to the Board as a non-executive Director. Mr Ziener is the CFO of Software AG Stiftung, a 20.9% shareholder in Amryt. He has also been a long term supporter of the Birken business and was Chairman of the Birken Supervisory Board until the Company acquired the business on 18 April 2016.

In September 2016, we were delighted to welcome Dr Mark Sumeray as Chief Medical Officer of the Company. Dr Sumeray has over 17 years' experience in the pharmaceutical, medical devices and biotech sectors both in the US and UK. Most recently, he spent approximately five years as Chief Medical Officer at Aegerion and has extensive knowledge of interacting with the FDA and EMA and managing late stage clinical trials. Dr Sumeray, is very familiar with Lojuxta, having previously led the clinical development and regulatory approval of the drug at Aegerion.

After the year end, in March 2017, we appointed David Allmond as Chief Commercial Officer. Mr. Allmond has over 20 years' experience in the pharmaceutical industry in commercial roles. He joins the Company from Aegerion Pharmaceuticals where he was President of EMEA and, in particular, involved in the commercialization of Lojuxta (lomitapide), the drug used to treat Homozygous Familial Hypercholesterolemia (HoFH).
Mr Allmond replaces Michele Bellandi.

STRATEGIC REPORT:
Chairman and CEO's Statement continued

Having served on Amryt's Board for approximately a year, Cathal Friel stepped down from the Board of Directors with effect from 28 March 2017. Cathal was one of the original founders of Fastnet Equity plc and instrumental to the RTO of Fastnet Equity plc and creation of Amryt in April 2016. We would like to thank him for his important contribution to the business and his guidance during our first year as a public company.

Future developments and outlook

The Company achieved significant milestones in 2016 and we remain confident of continuing significant progress over 2017. Our Phase 3 clinical trial for our lead product AP101 has just commenced and we are optimistic of receiving top-line data in 2018. In the meantime, we will have the results of our interim analysis which will be an assessment of the progress of our study by an independent data safety monitoring board. We expect to have the results of this assessment in Q1 2018.

During 2017, our goal is to complete our pre-clinical assessment of AP102, our potential treatment for acromegaly, and to seek approval from the regulatory authorities to commence clinical trials in humans.

We also remain very excited about growth prospects for our Lojuxta business. Revenues for the first three months are exceeding our original expectations and we believe that there is a significant opportunity to grow revenues, with material untapped opportunities in our licenced territories. These will be a major focus for us over the coming quarters.

Amryt has made excellent operational and strategic progress to date and we look forward to reporting on further progress as we continue to develop the business.

Harry Stratford
Non-executive Chairman

29 March 2017

Joe Wiley
CEO

29 March 2017

STRATEGIC REPORT:
Operations Review

Lojuxta

In December 2016, we were delighted to reach an agreement with Aegerion Pharmaceuticals, Inc. ("Aegerion"), a NASDAQ-listed biopharmaceutical company, for the exclusive rights to sell Aegerion's drug, Lojuxta (lomitapide) in certain territories. These territories comprise the European Economic Area ("EEA"), Middle East and North Africa ("MENA"), Turkey and Israel and our exclusive licence became effective on 2 December 2016. As anticipated, the licence agreement has been immediately cash generative for Amryt.

Lojuxta is used to treat a rare life-threatening disease called Homozygous Familial Hypercholesterolemia ("HoFH") and was approved in the EU in late 2013. HoFH is a genetic life threatening disorder that impairs the body's ability to remove LDL cholesterol ("bad" cholesterol) from the blood. This typically results in extremely high blood LDL cholesterol levels leading to aggressive and premature narrowing and blocking of arterial blood vessels manifesting as cardiovascular disease. If left untreated, heart attack or sudden death may occur in childhood or early adulthood.

Current treatment options include statin drugs, PCSK9 inhibitors and apheresis (a blood filtration technique similar to dialysis). However, they are not adequate to control LDL cholesterol levels in some patients, particularly those with the most severe genetic mutations. HoFH was historically estimated to occur in about 1 in 1,000,000 people worldwide although more recent studies suggest it may affect up to 1 in 300,000 people. Amryt believes that there is significant potential for the drug to become a mainstay treatment for patients with HoFH. Lojuxta is currently licenced for use in adults and as part of the post approval commitments with the EMA we will be conducting a paediatric study that if successful could extend the label to children also.

Licence Agreement Terms

Under the terms of our licence agreement, Amryt has the exclusive right to sell Lojuxta across its licenced territories in return for which Amryt will:

- make royalty payments to Aegerion, paid quarterly, based on a percentage of net sales during a calendar year. The royalty percentage is 18% of net sales of the product less than US$15,000,000 and 20% of net sales more than US$15,000,000;
- make once-off commercial milestone payments, subject to achieving certain sales targets. A one-off milestone payment of US$1,000,000 is due the first time that aggregate net sales in a calendar year equals US$20,000,000 with a further one-off US$1,500,000 milestone payment due on reaching US$30,000,000 net sales in a calendar year; and
- take on the ongoing regulatory and post-marketing obligations and commitments in support of Lojuxta as above.

Our licence agreement has an initial term until 1 January 2024 and we may, at our discretion, extend the licence agreement for a further five years, with the right to extend in further five year periods.

2016 Revenue and Plans

In December 2016, Lojuxta generated net product sales of €775,000. Very encouragingly, since year end Amryt recorded sales of €1,859,000 in January and February. Based on actual Lojuxta revenues for the first three months annualised revenues total €10.5 million.

We are currently establishing the relatively limited additional commercial, medical and regulatory infrastructure required to support the commercialisation of Lojuxta across our licenced territories. We will defer these costs until revenues increase so that, even during the roll-out of this infrastructure the Lojuxta business will be a positive cash contributor to the Company. Furthermore the Company will also be in a position to leverage this pan-European and Middle-East infrastructure for other drug assets, in particular our lead development asset, AP101, if its Phase 3 clinical trial in EB proves to be successful.

AP101 (Episalvan)

Amryt's lead product, AP101 (Episalvan), received marketing approval for the treatment of partial-thickness wounds ("PTWs") from the European Commission in January 2016. Amryt intends to develop AP101 as a new treatment for Epidermolysis Bullosa ("EB") and after the year end, on 27 March 2017, commenced a pivotal phase 3 trial, EASE, to examine AP101's efficacy.

EB is a chronic and debilitating condition for which there is currently no known approved product and significant unmet medical need. Reflecting the extremely fragile nature of their skin, children born with the condition are often referred to as 'butterfly children'. All forms of the disorder are considered serious and the most severe are disfiguring and cause intense suffering. The patient advocacy group Debra International estimates that there are approximately 500,000 people living with EB worldwide, with some 30,000 in Europe. The Department of Dermatology at Stanford University estimates that there are 25,000 people living with EB in the US. The combined US and European market

STRATEGIC REPORT:
Operations Review continued

for a treatment in EB is estimated by management to be in excess of €1.3 billion.

AP101 has already demonstrated encouraging preliminary data in EB in a Phase 2a clinical trial completed in 2011. In addition, three successful phase 3 clinical studies in the broad indication partial thickness wounds ("PTWs") have been conducted with AP101. In each of these studies, AP101 successfully demonstrated faster healing in both recent wounds and chronic wounds compared with standard of care therapy. Amryt is about to commence a single phase 3 pivotal study in EB to demonstrate efficacy specifically in EB, a condition that also causes partial thickness wounds.

Extended patents and regulatory approvals

In January 2016, we secured approval from the European Medicines Agency ("EMA") for the use of AP101 in the European Union for the treatment of all PTWs. We subsequently secured a European method of use patent for the treatment of EB in March 2016 and obtained a US method of use patent for the treatment of EB in September 2016.

After year end, in February 2017, Amryt was granted a patent in Japan by the Japanese Patent Office for AP101 for the treatment of EB. All these patents expire in 2030.

Forward plan and clinical trials

In Q1 2017, we completed discussions with the Food and Drug Administration ("FDA") and EMA regarding the design of our pivotal phase 3 clinical trial for AP101 (Efficacy And Safety of Oleogel-S10 in EB, the "EASE Study") as a potential treatment for EB. With these discussions now completed and the design of the clinical trial established, we initiated our first site for the EASE Study on 27 March 2017 and expect to have our first patient enrolled imminently.

We have appointed INC Research as the contract research organisation for the phase 3 EASE study, and approximately 30 clinical trial sites in 15 countries have already been pre-qualified.

Adult and paediatric patients with EB will be enrolled into a randomised double blind placebo controlled trial. A total of 164 evaluable patients will be treated for a 90 day blinded period. The proportion of patients with completely healed target wounds within 45 days will be evaluated as the primary endpoint. Secondary endpoints include the time to achieve wound healing and changes in pain and pruritus (itch).

We have also agreed with the regulatory authorities to conduct some further non-clinical studies in parallel with this phase 3 study.

An important component of the phase 3 EASE study is an independent data monitoring committee that will conduct an un-blinded interim efficacy analysis after 50% enrolment. The potential outcomes of this interim analysis include continuation of the study unchanged, discontinuation of the study for futility, or an increase in the number of patients in the study to preserve adequate statistical power.

AP102

AP102 is an early stage drug asset, which shows promise as a novel, next generation somatostatin analogue ("SSA") peptide medicine for patients with rare neuroendocrine diseases, where there is a high unmet medical need, including acromegaly. Acromegaly is a rare endocrine disorder in which the body produces excessive growth hormone, leading to abnormal growth throughout the body over time.

In November 2016, we secured orphan drug designation for AP102 from the FDA. The FDA's Orphan Drug Designation program provides orphan status to drugs and biologics that are being developed to address rare diseases or disorders that affect fewer than 200,000 people in the United States. With orphan designation, AP102 qualifies for various incentives, including tax credits for qualified clinical trials and market exclusivity upon regulatory approval.

After the year end, in February 2017, we received positive results from a pre-clinical study that compared AP102 with pasireotide, an approved product for treating patients with resistant acromegaly. Significantly, AP102 did not demonstrate the potential to cause diabetes, an observation which, if replicated in clinical studies, could be clinically beneficial in treating acromegaly. Amryt's study used a well-established diabetic rat model to examine whether or not AP102 has an effect on glucose levels or on food/water intake compared with controls. The study results showed that AP102 had no effect on either in diabetic rats compared with controls. This indicates no impairment in glucose control in these diabetic animals when treated with AP102.

We will continue preparing AP102 for clinical trials in 2017 and anticipate submitting a request to conduct clinical trials in humans by the end of 2017.

Imlan

Amryt has a range of dermo cosmetic products that we acquired with the Birken transaction, which are sold under

the Imlan brand. Completely free of emulsifiers, preservatives, colorants and fragrances and other additives or irritants, Imlan is marketed as a treatment for sensitive, allergy-prone and dry skin. It is also recommended for the basic care of eczema or psoriasis.

In the period from the acquisition of Birken AG in April 2016 to 31 December 2016, Imlan generated €571,000 in gross revenues.

UK's Referendum Decision to leave the European Union ("Brexit")

In June 2016, the UK held a European Union ("EU") referendum where a majority of votes were cast in favour of leaving the EU. This puts the UK on a course to leave the EU, within two years of triggering Article 50. Brexit has led to unsettled financial market conditions including a depreciation in the value of Pound Sterling ("GBP") to EURO of approximately 16% during 2016. It is too early for the Company to predict the potential long term impact of Brexit in advance of Article 50 negotiations. These negotiations could have wide ranging implications for all UK adoption of European regulations, including those for the orphan drug market where the EMA plays a central role in facilitating the development and authorisation of orphan medicines within the EU.

The Company did not generate any revenue within the UK during the current year and does not expect a significant contribution from that market in the medium term. The Company has exposure to costs denominated in GBP due to its listing on the AIM market of the London Stock Exchange and due to having its parent holding company incorporated in the UK. As a whole, the majority of the Group's costs and operations are outside the UK. The Company raised £10 million in new funding in 2016, and immediately on receipt the Company converted these funds into EURO. It is the Group's policy to maintain the majority of cash resources in EURO and to engage in contracts in EURO whenever possible. Uncertainty due to Brexit may affect the ability of Companies listed on the AIM market to raise funds in the short term. The Company has access to a €20 million loan facility from the European Investment Bank. This is unaffected by Brexit related concerns as the loan facility is available to the main operating entity within the Group, Amryt Pharmaceuticals DAC, an Irish registered company.

The Company will continue to monitor developments in relation to the Brexit and will take appropriate actions to mitigate any potential consequences.

Key Performance Indicators

A qualitative review of the performance during the year is provided in the Chairman and CEO's Statement and the results for the year are presented in the Consolidated Financial Statements.

The key indicators of performance for the Group are its success in identifying, acquiring and developing drug candidates to create shareholder value. During the year the Group completed the RTO of Fastnet Equity plc and completed the acquisition of Birken and SOM. The Company has moved quickly to assemble a portfolio of products. The licensing deal for Lojuxta just before year end was an important step in the growth plans of the Company.

Control of cash balances is a priority of the Group and these are budgeted and monitored closely to ensure that the Group has access to sufficient funds to finance the phase 3 clinical trial of AP101 (the EASE study) and the pre-clinical development of AP102. Operational progress in relation AP101 and AP102 are reviewed by the Board on a regular basis and actual costs are compared to Board approved budgets.

Achieving regulatory clarity is an important step in the pharmaceutical development cycle. The post year end completion of discussions with the FDA and EMA on the structure of the AP101 phase 3 EASE study enables the Company to commence enrolment of its first patients which we expect imminently. The rate of enrolment into this study will be a key performance indicator in 2017.

STRATEGIC REPORT:
Risks and Uncertainties

The Company is subject to risk factors relating to the business and operations of the Company in the healthcare industry. The success of the Company depends on its ability to engage in appropriate product selection and to attract sufficient funding to successfully develop these products. The following table summarises the principal risks and uncertainties of the Group:

Risk	Details	Mitigation
Organisational Risk	The Group is dependent on the experience and skills of the executive Directors and senior management to successfully execute its strategy. The loss of such key contributors would present a risk to the business. The ability to continue to attract and retain employees with the appropriate expertise and skills cannot be guaranteed. Finding and hiring any additional personnel and replacements could be costly and might require the Group to grant significant equity awards or other incentive remuneration, which could adversely impact its financial results.	The Board believes that the senior management team is appropriately structured for the Group's size and is not overly dependent upon any particular individual. The Group has entered into contractual arrangements with these individuals with the aim of securing the services of each of them. Staffing levels, notice periods and contingent arrangements are kept under regular review to ensure that they are appropriate to maintain business continuity. Remuneration packages and staff rewards are reviewed to encourage the long-term maintenance of staff and to align incentivisation with company objectives.
Competition Risk	The biotechnology and pharmaceutical industries are very competitive. The Group's competitors include major multinational pharmaceutical companies, biotechnology companies and research institutions. Many of its competitors have substantially greater financial, technical and other resources, such as larger research and development staff. The Group's competitors may succeed in developing, acquiring or licensing drug product candidates that are earlier to market, more effective or less costly than any product candidate which the Group is currently developing or which it may develop and this may have a material adverse impact on the Group.	The Group seeks to develop its products to ensure they are competitive and monitors its intellectual property rights to identify and protect against any infringements. The Group's selection criteria for products includes potential for Orphan Drug Designation, identifying areas of unmet medical need, market opportunity, competitive profile as a stand-alone opportunity and size and complexity of clinical trials.
Development Risk	The Group has a number of drug candidates in various stages of clinical development. Industry experience indicates that there may be a high incidence of delay or failure to produce valuable scientific results in relation to the present development pipeline. Clinical trials are expensive, time consuming and difficult to design and implement and involve uncertain outcomes. Furthermore, results of earlier pre-clinical studies and clinical trials may not be predictive of results of future pre-clinical studies or clinical trials.	The Group continually seeks to manage this risk by engaging personnel and consultants with the technical skills to advance the Group's development projects.

Risk	Details	Mitigation
Regulatory Risk	The regulatory approval processes of the EMA, FDA and other comparable regulatory agencies may be lengthy, time-consuming and the outcome is unpredictable. The Group's future success is dependent upon its ability to develop successfully, obtain regulatory approval for and then successfully commercialise its product candidates. There can be no assurance that AP101 or AP102 will be successful in clinical trials or receive regulatory approval. In addition, positive Phase 3 data does not guarantee that a product will be given marketing approval in any jurisdiction. Applications for any of the Group's product candidates could fail to receive regulatory approval for many reasons.	The Board and management team have a broad network of industry contacts which include experienced advisers who are engaged to ensure that best practice industry practices are observed and all legal compliance is up to date and in order. The Board feels that the current EU approval of AP101 for partial thickness wounds somewhat de-risks the future development and approval of the product for the treatment of EB in Europe.
Commercial Risk	Even if the EMA, FDA or any other comparable regulatory agency approves the marketing of any product candidates that the Group develops there is no guarantee of commercial success. Similarly, the Company may not be able to increase sales of the Lojuxta product. Physicians, healthcare providers, patients or the medical community may not accept or use the products. Efforts to educate the medical community and third-party payers on the benefits of the Group's product candidates may require significant resources and may not be successful.	The management team and Board have an excellent track record of identifying commercially successful products and of ultimately commercialising these products.
Funding Risk	Significant funds are required to continue the development of the Group's product portfolio beyond the date when top-line data in the EB phase 3 study is anticipated. The Group will likely need to raise additional funding to undertake development work and if our product is approved, commercialisation of AP101 in EB beyond that being funded by the EIB facility. There is also no certainty that it will be possible to raise any additional funds at all or on acceptable terms. Debt financing, may place restrictions on the financial operating activities of the Group. If the Group is unable to obtain additional financing as required, it may be required to reduce the scope of its operations.	The Group continually seeks to manage this risk by controlling its funding and financing risk and reviewing methods of securing additional capital including licensing deals. The Group's objectives when managing capital are to safeguard the ability to continue as a going concern in order to provide returns and benefits for shareholders and other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Working capital forecasts that include sensitivity analysis are prepared to ensure the Group has sufficient funds to complete contracted work commitments.

The Strategic Report on pages 5 to 9 was approved by the board on 29 March 2017 and signed on its behalf by:

Rory Nealon
Director

CORPORATE GOVERNANCE:
Board of Directors

Harry Stratford – Non-Executive Chairman

Harry Stratford, has over 40 years' experience in the pharmaceutical industry and has built two successful publicly listed pharmaceutical companies. Mr Stratford founded Shire Plc in 1986 and was CEO for almost a decade. Shire Plc grew from humble beginnings to be one of the world's largest specialty pharmaceutical companies and its stock is a constituent of the FTSE100 index. Mr Stratford then went on to be founder, CEO and Executive Chairman of Prostrakan Plc, another international specialty pharmaceutical company, which was subsequently acquired by Kyowa Hakko Kirin of Japan in 2011.

Mr Stratford holds a BSc. in Chemistry from the University of London and was awarded an OBE in the 2007 New Year's Honours list for his contribution to the Scottish Life Sciences Industry.

Joe Wiley – CEO

Joe Wiley, founded Amryt. Mr. Wiley has over 20 years of experience in the pharmaceutical, medical and venture capital industries. Mr Wiley opened and led Sofinnova Ventures' European office. He was previously a medical director at Astellas Pharma. Prior to joining Astellas, he held investment roles at Spirit Capital, Inventages Venture Capital and Aberdeen Asset Managers (UK). He also serves as a non-executive of NASDAQ listed Innocoll.

Mr. Wiley trained in general medicine at Trinity College Dublin, specialising in neurology. He is also a Member of the Royal College of Physicians in Ireland and also has an MBA from INSEAD.

Rory Nealon – CFO/COO

Rory Nealon, was previously a board member of Trinity Biotech Plc joining as Chief Financial Officer in January 2003. He was subsequently appointed Chief Operations Officer in November 2007. Mr Nealon left Trinity in 2014. Prior to joining Trinity Biotech plc, he was Chief Financial Officer of Conduit plc, an Irish directory services provider with operations in Ireland, the UK, Austria and Switzerland. Prior to joining Conduit he was an Associate Director in AIB Capital Markets, a subsidiary of AIB Group plc, the Irish banking group.

Mr Nealon holds a Bachelor of Commerce degree from University College Dublin, is a Fellow of the Institute of Chartered Accountants in Ireland, a member of the Institute of Taxation in Ireland and a member of the Institute of Corporate Treasurers in the UK.

Ray Stafford – Non-Executive Director

Ray Stafford, has worked in the pharmaceutical industry for thirty years. He was Chairman, CEO and majority shareholder of the Tosara Group who owned, manufactured and marketed the successful international brand Sudocrem. Following the integration of Tosara Group into the U.S. based NYSE listed company Forest Laboratories in 1988, Mr Stafford held numerous senior positions within that corporation including CEO Forest UK and Ireland, CEO Forest Europe and since 1999 to him retiring from the business in 2014 Mr Stafford was Executive Vice President Global Marketing. Separately Mr Stafford was founder of what is today one of Ireland's leading multi-channel sales, marketing and distribution service providers approved by the Irish Medicines Board to service the wholesale and retail trade.

James Culverwell – Non-Executive Director

James Culverwell, has over 30 years' experience in analysing and valuing pharmaceutical companies. Mr Culverwell joined Hoare Govett in 1982, and then moved to Merrill Lynch in 1995, where he became global head of pharmaceutical equity research. In 2004, Mr Culverwell set up Sudbrook Associates, a healthcare corporate adviser. Mr Culverwell currently sits on the board of four companies in the specialty pharmaceutical, drug development and diagnostic fields, including NASDAQ-listed Innocoll AG.

Mr Culverwell has an MSc from the University of Aberdeen.

Markus Ziener – Non- Executive Director

Markus Ziener joined Software AG Stiftung in 2013 as a Director of Asset Management before becoming Chief Financial Officer in August 2014. Prior to joining Software AG Stiftung, a 20.9% shareholder in Amryt, Mr Ziener worked in a number of senior roles across a broad range of industries including as Managing Director of Handelskontor Willmann für Naturprodukte.

Mr Ziener was previously a supervisory board member of Birken AG before it was acquired by Amryt and is also a supervisory board member of Software AG.

CORPORATE GOVERNANCE:
Corporate Governance Statement

Compliance Statement

The Board seeks to follow best practice in corporate governance appropriate to the Company's size and in accordance with the regulatory framework that applies to AIM and ESM companies. Although the Quoted Companies Alliance Corporate Governance Code for Small and Mid-Size Quoted Companies 2013 ("QCA Code") is not compulsory for AIM and ESM quoted companies, the Board intend to comply, so far as practicable and having regard to the size and nature of the Company's business, with the principles and disclosures as set out in the QCA Code. Given its size and the nature of its current operations the Company does not seek to adopt the full UK Corporate Governance Code. The main features of the Company's corporate governance arrangements are:

- The Board intends to meet regularly and at least six times per year for formal board meetings. It will consider strategy, performance and approve financial statements, dividends and significant changes in accounting practices and key commercial matters, such as decisions to be taken on whether to take forward or to cancel a research project. There is a formal schedule of matters reserved for decision by the Board in place.
- The Company has an audit committee and remuneration committee, further details of which are provided below.
- The Company does not and will not have a nomination committee, as the Board does not consider it appropriate to establish one at this stage of the Company's development. The Board will take decisions regarding the appointment of new directors as a whole and this will follow a thorough assessment of a potential candidate's skill and suitability for the role.

Board Composition

The Company is managed by a Board of directors and they have the necessary skills and experience to effectively operate and control the business. There are currently six directors as at the date of this report being; Harry Stratford, Joe Wiley, Rory Nealon, James Culverwell, Ray Stafford, and Markus Ziener. The Board comprises 4 non-executive directors, including the Chairman, and 2 executive directors. The Board believe the current split of non-executive and executive directors is appropriate for the requirements of the Company. The board considers that Harry Stratford, James Culverwell and Ray Stafford are independent in character and judgment. James Culverwell was appointed as the senior non-executive director on 29 March 2017.

As the business develops, the composition of the Board will remain under review to ensure that it remains appropriate to the managerial requirements of the Company. All new Directors appointed since the previous Annual General Meeting are required to seek election at the next Annual General Meeting and one third of the other Directors retire annually in rotation in accordance with the Company's articles of association. This enables the shareholders to decide on the election of the Company's Board. The Directors required to seek re-election at the next Annual General Meeting are Markus Ziener as a director appointed since the previous AGM and Harry Stratford and Joe Wiley by rotation.

Board Committees

The Company has an Audit Committee and a Remuneration Committee with formally delegated duties and responsibilities. The composition of these committees may change over time as the composition of the Board changes.

Audit Committee

The Audit Committee has responsibility for, among other things, the monitoring of the financial integrity of the financial statements of the Company and the involvement of the Company's auditors in that process. It focuses, in particular, on compliance with accounting policies and ensuring that an effective system of internal and external audit and financial control is maintained, including considering the scope of the annual audit and the extent of the non-audit work undertaken by external auditors and advising on the appointment of external auditors.

The Audit Committee meets at least twice a year at the appropriate times in the financial reporting and audit cycle. The Audit Committee comprises of two members, who are both non-executive Directors: James Culverwell and Ray Stafford. On 28 March 2017, Cathal Friel resigned as a member of the Board and was replaced as a member of the Audit Committee by Ray Stafford on 29 March 2017. The Audit Committee is chaired by James Culverwell.

Remuneration Committee

The Remuneration Committee has responsibility for the determination of specific remuneration packages for each of the executive directors, including pension rights and any compensation payments, and recommending and monitoring the level and structure of remuneration for senior management, and the implementation of the employee share option plan, or other performance related schemes. It meets at least twice a year.

The Remuneration Committee comprises three members, who are all non-executive Directors: Harry Stratford, Ray Stafford and James Culverwell. The Remuneration Committee is chaired by Harry Stratford.

Meetings and attendance

The directors' attendance at Board and Committee meetings during the year is shown below:

	Full Board	Audit Committee	Remuneration Committee
Meetings held during the year	11	4	5
Directors' Attendance:			
Cathal Friel	11/11	4/4	
Michael Edelson	2/3		
Michael Nolan	2/3		
Harry Stratford	11/11		5/5
Joe Wiley	8/8		
Rory Nealon	8/8		
James Culverwell	8/8	4/4	5/5
Ray Stafford	8/8		5/5
Markus Ziener	5/6		

Internal Controls and Financial Risk Management

The Directors are responsible for the Group's system of internal controls, the setting of appropriate policies on these controls, and regular assurance that the system is functioning effectively and that it is effective in managing business risk. Principal risk and uncertainties are discussed in the Strategic Report and financial risk management objectives and policies are detailed in note 23 of the Notes to the Financial Statements.

The Audit Committee monitors the Group's internal control procedures, reviews the internal control process and risk management procedures and reports its conclusions and recommendations to the Board.

Communications with Shareholders

Good and effective communication with shareholders has been given a high priority by the Board. We regard good communication with investors (both institutional and retail) and analysts as an essential part of the on-going operations of the Company. Amryt is committed to providing up to date corporate information to existing and potential shareholders. The Group maintains a website (www.amrytpharma.com) which contains an Investors & Media section whereby existing and potential investors can access Company information and reports, contact the Company and register to receive Company news alerts.

During the year, the senior management team conducted an extensive programme of face-to face communication. This included both one-on-one and group meetings with institutional investors in the UK, Ireland, the USA and across Europe, as well as attendance at investor and industry conferences.

CORPORATE GOVERNANCE:
Group Directors Report For the year ended 31 December 2016

The Directors of Amryt Pharma plc (the "Company") present their report and the Financial Statements of the Company and its subsidiary undertakings (together the "Group" or "Amryt") for the year to 31 December 2016.

Change of Name and Strategy

On the 18 April 2016 at a general meeting of the Company, the Company's shareholders approved resolutions to effect the reverse takeover of the Company by Amryt Pharmaceuticals DAC, an Irish incorporated specialty pharmaceutical company focused on best in class drugs in the orphan drug market. As part of the approved resolutions the Company's name was changed to Amryt Pharma plc from Fastnet Equity plc and trading on the AIM and ESM markets commenced under the new Company name on 19 April 2016.

Amryt is a specialty pharmaceutical company focused on developing and delivering innovative new treatments to help improve the lives of patients with rare and orphan diseases.

Directors

The Directors who served on the Board during the year and to the date of this report are as follows:
Cathal Friel (resigned on 28 March 2017)
Michael Edelson (resigned on 19 April 2016)
Michael Nolan (resigned on 19 April 2016)
Harry Stratford
Joe Wiley (appointed 19 April 2016)
Rory Nealon (appointed 19 April 2016)
James Culverwell (appointed 19 April 2016)
Ray Stafford (appointed 19 April 2016)
Markus Ziener (appointed 27 June 2016)

Policy on Executive Directors and Senior Management Remuneration

When determining the Board policy for remuneration, the Committee considers all factors which it deems necessary including relevant legal and regulatory requirements and the provisions and recommendations of relevant guidance. The objective of this policy is to help attract, retain and motivate the executive and senior management of the Company without paying more than necessary. The remuneration policy bears in mind the Company's appetite for risk and is aligned to the Company's long term strategic goals. A significant proportion of remuneration is structured to link rewards to corporate and individual performance and be designed to promote the long-term success of the Company.

Base Salaries Review

During the year, the Committee appointed Radford, a part of the AON Group, to perform a review of executive and non-executive remuneration. Radford have no connection with the Company.

The Committee developed its 2017 remuneration proposals based on the recommendations of this report and what the Committee believe to be appropriate remuneration levels for the Company at its current stage of development. The Company has set target remuneration for both executive management and non-executive directors at the 50th percentile for European companies as outlined in the report.

Bonus Payments

All executive directors and senior management are eligible for a discretionary annual bonus. Annual cash bonuses are paid on the achievement of pre-set strategic objectives. The Committee in conjunction with the Board reviews and sets these objectives at the start of each calendar year.

In the current year, the executive management team achieved all pre-set objectives and have received 100% of their target cash bonus which amounts to 50% of their 2016 base salaries.

Long Term Incentives

The Company has adopted an Employee Share Option Plan (the "Plan") with all directors, senior management and consultants to the Company eligible to receive awards on the Plan. Details of options issued under the plan in 2016 are included in note 19. No options were issued to executive directors during the year. In accordance with UK best practice on corporate governance, it is the Company's current policy not to award share options to non-executive directors.

The share options granted to employees during the year all contain 3-year vesting periods with the options used to motivate and retain key individuals.

Directors' Remuneration – Current Year

The remuneration of Directors for the year ended 31 December 2016 was as follows:

	Base Salary and Fees €'000	Bonuses €'000	Pension Contri-butions €'000	Other Benefits €'000	**2016 Total €'000**	2015 Total €'000
Cathal Friel [A]	59	–	–	–	**59**	94
Michael Edelson [A]	4	–	–	–	**4**	11
Michael Nolan [A]	4	–	–	–	**4**	11
Harry Stratford	60	–	–	–	**60**	2
Joe Wiley	239	120	24	14	**397**	–
Rory Nealon	181	91	18	6	**296**	–
James Culverwell	36	–	–	–	**36**	–
Ray Stafford	24	–	–	–	**24**	–
Markus Ziener	16	–	–	–	**16**	–
2016 TOTAL	**623**	**211**	**42**	**20**	**896**	
Period to 31 December 2015 – Total fees						224
Period to 31 December 2015 – Share based payments						23
Period to 31 December 2015 – Total						**247**

A Companies controlled by the Directors, also received payments in respect of consultancy and other services performed outside of their Directors contract. These are disclosed as consulting fees, office facilities and administration and other fees in Note 21 Related party transactions.

CORPORATE GOVERNANCE:
Group Directors Report For the year ended 31 December 2016

Directors and their Interests

Interest in ordinary shares of 1p

The Directors of the Company held the following interest in the ordinary shares of Amryt Pharma plc:

Director	31 December 2016 Number	31 December 2016 %	31 December 2015 Number	31 December 2015 %
Cathal Friel [A, B]	**33,077,347**	**15.88**	4,968,940	11.51
Joe Wiley	**20,772,895**	**9.97**	–	–
Rory Nealon	**9,443,031**	**4.53**	–	–
Ray Stafford	**2,296,369**	**1.10**	–	–

A 32,660,698 of these shares are held by Raglan Road Capital Limited, a company owned by Cathal Friel and his wife Pamela Iyer.

B The prior year share number, 39,751,525 ordinary shares, has been adjusted by a factor of 8 to take into account the 8 to 1 share consolidation that took place on 19 April 2016.

C Markus Ziener represents Software AG-Stiftung's 20.9% shareholding in the Company.

Share options and warrants

The Directors of the Company held the following warrants of Amryt Pharma plc which were issued to them along with other investors in the RTO on 18 April 2016:

Director	31 December 2016 Number	Exercise price	Expiry Date
Joe Wiley	**165,208**	24p	31/12/18
Rory Nealon	**656,250**	24p	31/12/18
Ray Stafford	**826,041**	24p	31/12/18

Results and Dividends

The results for the year are set out on pages 22 to 28 and are also discussed in the Strategic Report. The Directors do not recommend payment of a dividend (2015: nil).

Share Capital Structure

On 19 April 2016, every 8 ordinary shares of par value 3.8p in the Company at close of business on 18 April 2016 became 1 new ordinary share of par value 1p and 1 deferred share of par value 29.4p. The rights attaching to the new ordinary shares of 1p are identical in all respects to those of the old ordinary shares of 3.8p.

The deferred shares created are effectively valueless as they will not carry any rights to vote or dividend rights. In addition, holders of deferred shares will only be entitled to a payment on a return of capital or on a winding up of the Company after each of the holders of ordinary shares of 1p each have received a payment of £10,000,000 on each such share. The deferred shares are not and will not be listed or traded on the Official List, AIM, the ESM or any other investment exchange and are only transferable in limited circumstances.

The Company's ordinary shares of 1p are listed on the Alternative Investment Market ("AIM") market of the London Stock Exchange (ticker: AMYT.L) and the Enterprise Securities Market of the Irish Stock Exchange (ticker: AYP). At the date of this report, 208,339,632 ordinary shares of 1p each were in issue. Details of share issues and changes to the capital structure during the year are set out in note 17.

Substantial Shareholdings

The Company is aware that the following had an interest of 3% or more in the issued ordinary share capital of the Company:

Rank	Investor	31 December 2016 Number	31 December 2016 %	31 December 2015 Number	31 December 2015 %
1	Software AG-Stiftung [A]	**43,545,567**	**20.90**	–	–
2	Cathal Friel [B, C]	**33,077,347**	**15.88**	4,968,940	11.51
3	Joe Wiley	**20,772,895**	**9.97**	–	–
4	Axa Framlington	**20,625,000**	**9.90**	–	–
5	Rory Nealon	**9,443,031**	**4.53**	–	–
6	Alan Harris	**8,869,090**	**4.26**	–	–

A Markus Ziener represents Software AG-Stiftung's 20.9% shareholding in the Company.
B 32,660,698 of these shares are held by Raglan Road Capital Limited, a company owned by Cathal Friel and his wife, Pamela Iyer.
C The prior year share number, 39,751,525 ordinary shares, has been adjusted by a factor of 8 to take into account the 8 to 1 share consolidation that took place on 19 April 2016.

There were no notified changes in these holdings in the period after year end to the date of signing the financial statements.

Qualifying Indemnity Provision

The Group has in place insurance protection, including a Directors and Officers liability policy, to cover the risk of loss when management deems it appropriate and cost effective; however in some cases risks cannot be effectively covered by insurance and the cover in place may not be sufficient to cover the extent of potential liabilities.

Going Concern

After making appropriate enquires, the Directors consider that the Company and the Group has adequate resources to continue in business for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Financial Statements. As part of their enquires the Directors reviewed budgets, projected cash flows, and other relevant information for 12 months from the date of approval of the Consolidated Financial Statements for the year ended 31 December 2016.

The board's strategy is for the Group to acquire, build, develop and commercialise a portfolio of medicines focused on rare and orphan diseases.

As part of the reverse takeover of the Company, €12.6 million (£10 million) before costs of new funds were introduced to the Group. In addition, before year end the Group secured a €20 million facility agreement from the European Investment Bank ("EIB"). The Board intends to use the net proceeds of the placing and the EIB facility to progress a Phase 3 clinical trial of AP101 with a view to obtaining approval for the treatment of EB in Europe and the US. INC Research has been appointed as the contract research organisation for the Phase 3 EASE study.

In early December 2016, the Group secured the exclusive rights to sell Lojuxta across the EU and other territories. This licensing deal is immediately cash generative and resulted in revenues of €775,000 in December 2016 alone. This licensing deal is a net cash contributor to the ongoing running costs of the rest of the Amryt business.

The Group's forecasts and projections reflect the Directors' plans for the coming year and include operating expenditures, revenues and costs associated with the Lojuxta business, and expenditure on clinical trials associated with seeking the approval of AP101 to treat EB and pre-clinical testing of its third asset, AP102. The Group performs sensitivity analysis on its projected cashflows and when performing sensitivities has taken into account reasonable changes in market conditions.

CORPORATE GOVERNANCE:
Group Directors Report For the year ended 31 December 2016

The Group's forecasts, taking into account reasonably possible changes as described above, show that the Group will be able to operate and have significant financial headroom for the 12 months from the date of approval of the Consolidated Financial Statements for the year ended 31 December 2016.

Events after the Reporting Period

Events after the reporting period are set out in note 25 to the Financial Statements. Likely future developments in the business are discussed in the Strategic Report.

Auditors

The Board are recommending BDO LLP for re-appointment as auditor of the Company. BDO LLP have expressed their willingness to accept this appointment and a resolution re-appointing them will be submitted to the forthcoming Annual General Meeting.

Disclosure of Information to the Auditors

All of the current Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Group and Company Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. The Directors are also required to prepare Financial Statements in accordance with the Rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market and the ESM exchange of the Irish Stock Exchange.

In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the Financial Statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website Publication

The Directors are responsible for ensuring the Annual Report and the Financial Statements are made available on a website. Financial Statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of Financial Statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the on-going integrity of the Financial Statements contained therein.

This report was approved by the board on 29 March 2017 and signed on its behalf by:

Rory Nealon
Director

FINANCIAL STATEMENTS:
Independent Auditor's Report For the year ended 31 December 2016

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AMRYT PHARMA PLC

We have audited the financial statements of Amryt Pharma plc for the year ended 31 December 2016 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity, the company statement of financial position, the company statement of cash flows, the company statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements
In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2016 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Anne Sayers (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom
29 March 2017

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016

	Note	**12 months to 31 December 2016**	For the period ended 31 December 2015
		€'000	€'000
Revenue	3	**1,351**	–
Cost of sales		**(586)**	–
Gross profit		**765**	–
Administrative, selling and marketing expenses		**(4,037)**	(66)
Share based payment expenses	19	**(229)**	–
Reverse takeover and acquisition related costs	9	**(867)**	(484)
Non-cash deemed cost of reverse takeover	9	**(971)**	–
Total administrative, selling and marketing expenses		**(6,104)**	(550)
Research and development expenses		**(2,344)**	–
Operating loss before finance expense	4	**(7,683)**	(550)
Net finance expense	6	**(121)**	(644)
Loss on ordinary activities before taxation		**(7,804)**	(1,194)
Tax on loss on ordinary activities	7	**–**	–
Loss for the year attributable to the equity holders of the Company		**(7,804)**	(1,194)
Other comprehensive loss attributable to the equity holders of the Company			
Exchange translation differences which may be reclassified through the profit and loss account		**(5)**	–
Total other comprehensive loss		**(5)**	–
Total comprehensive loss for the year attributable to the equity holders of the Company		**(7,809)**	(1,194)
Loss per share:			
Loss per share – basic and diluted, attributable to ordinary equity holders of the parent (cent)	8	**(4.78)**	(2.14)

Consolidated Statement of Financial Position

As at 31 December 2016

	Note	31 December 2016 €'000	31 December 2015 €'000
Assets			
Non-current assets			
Intangible assets	10	**52,521**	–
Property, plant and equipment	11	**1,183**	–
Total non-current assets		**53,704**	–
Current assets			
Trade and other receivables	14	**2,540**	1,599
Inventories	15	**770**	–
Cash and cash equivalents	16	**8,271**	171
Total current assets		**11,581**	1,770
Total assets		**65,285**	1,770
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital		**20,419**	1
Share premium		**43,695**	–
Other reserves		**(22,079)**	–
Accumulated deficit		**(8,998)**	(1,194)
Total equity		**33,037**	(1,193)
Non-current liabilities			
Contingent consideration	9	**23,314**	–
Deferred tax liability	21	**5,384**	–
Total non-current liabilities		**28,698**	–
Current liabilities			
Trade and other payables	20	**3,550**	2,963
Total current liabilities		**3,550**	2,963
Total liabilities		**32,248**	2,963
Total equity and liabilities		**65,285**	1,770

The Financial Statements set out on pages 22 to 55 were approved and authorised for issue by the Directors on 29 March 2017.

They are signed on the Board's behalf by:

Rory Nealon
Director

Company Number
5316808

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Note	12 months to 31 December 2016 €'000	For the period ended 31 December 2015 €'000
Cash flows from operating activities			
Loss on ordinary activities before taxation		**(7,804)**	(1,194)
Net finance expense	6	**121**	644
Depreciation and amortisation	10, 11	**194**	–
Share based payment expense	19	**229**	–
Non-cash deemed cost of reverse takeover	9	**971**	–
Movements in working capital and other adjustments:			
Change in trade and other receivables		**(1,975)**	(54)
Change in trade and other payables		**2,236**	322
Change in inventories		**(83)**	–
Net cash flow (used in)/from operating activities		**(6,111)**	282
Cash flow from investing activities			
Cash consideration on acquisition of Birken AG	9	**(10,150)**	(1,000)
Cash consideration on acquisition of SOM	9	**(89)**	–
Cash inflow on acquisition of Birken AG	9	**705**	–
Cash inflow on reverse takeover of Fastnet Equity plc		**11,993**	–
Payments for property, plant and equipment	11	**(12)**	–
Cash inflow on sale of property, plant and equipment	11	**10**	–
Deposit interest received		**1**	–
Net cash flow from/(used in) investing activities		**2,458**	(1,000)
Cash flow from financing activities			
Proceeds from issue of equity instruments – net of expenses		**11,251**	1
Issue of convertible debenture securities		**545**	1,455
Short term loans received		**–**	1,000
Repayment of short term loans		**(47)**	(1,003)
Net cash flow from financing activities		**11,749**	1,453
Exchange and other movements		**4**	–
Net change in cash and cash equivalents		**8,100**	171
Cash and cash equivalents at beginning of year/period		**171**	–
Cash and cash equivalents at end of year/period	16	**8,271**	171

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Note	Share capital €'000	Share premium €'000	Share based payment reserve €'000	Merger reserve €'000	Reverse acquisition €'000	Exchange translation reserve €'000	Accumulated deficit €'000	**Total €'000**
Balance at 17 August 2015		–	–	–	–	–	–	–	**–**
Loss and total comprehensive loss for the period		–	–	–	–	–	–	(1,194)	**(1,194)**
Issue of shares		1	–	–	–	–	–	–	**1**
Balance at 31 December 2015		1	–	–	–	–	–	(1,194)	**(1,193)**
Balance at 1 January 2016		1	–	–	–	–	–	(1,194)	**(1,193)**
Loss for the year		–	–	–	–	–	–	(7,804)	**(7,804)**
Foreign exchange translation reserve		–	–	–	–	–	(5)	–	**(5)**
Total comprehensive income		–	–	–	–	–	(5)	(7,804)	**(7,809)**
Issue of shares by Amryt DAC on acquisition of Birken		–	11,179	–	–	–	–	–	**11,179**
Issue of shares by Amryt DAC on acquisition of SOM		–	3,715	–	–	–	–	–	**3,715**
Issue of shares by Amryt DAC on conversion of CDS		–	2,600	–	–	–	–	–	**2,600**
Issue of shares on acquisition of Amryt DAC		1,557	–	–	35,818	–	–	–	**37,375**
Issue of placing shares – net of costs		526	10,725	–	–	–	–	–	**11,251**
Issue of placing warrants	9	–	(2,251)	2,251	–	–	–	–	**–**
Share based payments	19	–	–	229	–	–	–	–	**229**
Reverse acquisition adjustment		18,335	17,727	1,735	–	(62,107)	–	–	**(24,310)**
Balance at 31 December 2016		20,419	43,695	4,215	35,818	(62,107)	(5)	(8,998)	**33,037**

Share capital represents the cumulative par value arising upon issue of ordinary shares of 1p each and deferred shares of 29.4p each.

Share premium represents the consideration that has been received in excess of the nominal value on issue of share capital.

Share based payment reserve and capital reserve relate to the charge for share based payments in accordance with International Financial Reporting Standard 2.

The reverse acquisition reserve arose during the period ended 31 December 2016 in respect of the reverse acquisition of Amryt Pharma plc by Amryt Pharmaceuticals DAC ("Amryt DAC"). Since the shareholders of Amryt DAC became the majority shareholders of the enlarged group the acquisition is accounted for as though there is a continuation of Amryt DAC's Financial Statements. The reverse acquisition reserve is created to maintain the equity structure of Amryt Pharma plc in compliance with UK company law.

The merger reserve was created on the acquisition of Amryt DAC. Consideration on the acquisition included the issuance of shares. Under section 612 of the Companies Act 2006, the premium on these shares has been included in a merger reserve.

The exchange translation reserve was created on the retranslation of non-Euro denominated foreign subsidiaries.
Accumulated deficit represents losses accumulated in previous periods and the current year.

Company Statement of Financial Position

As at 31 December 2016

	Note	31 December 2016 €'000	31 December 2015 €'000
Assets			
Non-current assets			
Investment in subsidiaries	13	**59,454**	–
Total non-current assets		**59,454**	–
Current assets			
Trade and other receivables	14	**95**	283
Cash and cash equivalents	16	**51**	12,625
Total current assets		**146**	12,908
Total assets		**59,600**	12,908
Equity and liabilities			
Equity attributable to owners of the company			
Share capital	17	**20,419**	18,336
Share premium	17	**43,695**	35,221
Other reserves		**40,033**	1,721
Accumulated deficit – prior periods		**(42,819)**	(40,182)
Accumulated deficit – current year/period		**(1,915)**	(2,637)
Total equity		**59,413**	12,459
Current liabilities			
Trade and other payables	20	**187**	449
Total current liabilities		**187**	449
Total liabilities		**187**	449
Total equity and liabilities		**59,600**	12,908

The Financial Statements set out on pages 22 to 55 were approved and authorised for issue by the Directors on 29 March 2017.

They are signed on the Board's behalf by:

Rory Nealon
Director

Company Number
5316808

Company Statement of Cash Flows

For the year ended 31 December 2016

	Note	12 months to 31 December 2016 €'000	For the period ended 31 December 2015 €'000
Cash flows from operating activities			
Loss for the year/period – continuing operations		**(1,955)**	(1,310)
Profit/(loss) for the year/period – discontinued operations		**40**	(1,327)
Loss for the year/period	18	**(1,915)**	(2,637)
Net interest income		**(5)**	(57)
Share based payment expense		**243**	40
Impairment of investments in subsidiaries		**–**	577
Impairment of exploration and evaluation assets		**–**	71
Impairment of loans advanced	12	**(40)**	660
Movements in working capital and other adjustments:			
Change in trade and other receivables	14	**188**	(134)
Change in trade and other payables	22	**(262)**	244
Net cash flow used in operating activities		**(1,791)**	(1,236)
Cash flow from investing activities			
Bank interest received		**2**	51
Expenditure on exploration and evaluation assets		**–**	(71)
Funds advanced to subsidiary companies	13	**(22,078)**	(577)
Net cash inflow/(outflow) on disposal of subsidiaries	12	**40**	(660)
Net cash flow used in investing activities		**(22,036)**	(1,257)
Cash flow from financing activities			
Proceeds from issue of equity instruments - net of expenses		**11,251**	–
Net cash flow from financing activities		**11,251**	–
Exchange and other movements		**2**	6
Net change in cash and cash equivalents		**(12,574)**	(2,487)
Cash and cash equivalents at beginning of year/ period		**12,625**	15,112
Cash and cash equivalents at end of year/period	16	**51**	12,625

Company Statement of Changes in Equity

For the year ended 31 December 2016

	Note	Share capital €'000	Share premium €'000	Share based payment reserve €'000	Merger reserve €'000	Accumulated deficit €'000	**Total €'000**
Balance at 1 April 2015		18,336	35,221	1,681	10,388	(50,570)	**15,056**
Loss and total comprehensive loss for the period		–	–	–	–	(2,637)	**(2,637)**
Reserve movement on disposal of subsidiaries		–	–	–	(10,388)	10,388	**–**
Share based payments		–	–	40	–	–	**40**
Balance at 31 December 2015		18,336	35,221	1,721	–	(42,819)	**12,459**
Balance at 1 January 2016		18,336	35,221	1,721	–	(42,819)	**12,459**
Loss and total comprehensive loss for the year	18	–	–	–	–	(1,915)	**(1,915)**
Issue of shares on acquisition of Amryt DAC	17	1,557	–	–	35,818	–	**37,375**
Issue of placing shares – net of costs		526	10,725	–	–	–	**11,251**
Issue of placing warrants	9	–	(2,251)	2,251	–	–	**–**
Share based payments		–	–	243	–	–	**243**
Balance at 31 December 2016		20,419	43,695	4,215	35,818	(44,734)	**59,413**

The merger reserve was created on the reverse acquisition of Amryt DAC. Consideration on the acquisition included the issuance of shares. Under section 612 of the Companies Act 2006, the premium on these shares has been included in a merger reserve.

Notes to the Financial Statements

For the year ended 31 December 2016

1 General information

Amryt Pharma plc ("Amryt" or the "Company") is a company incorporated in England and Wales. Details of the registered office, the officers and advisers to the Company are presented on the Company Information page at the end of this report. The Company is listed on the AIM market of the London Stock Exchange (ticker: AMYT.L) and the Enterprise Securities Market of the Irish Stock Exchange (ticker: AYP).

Amryt is a specialty biopharmaceutical company focused on the development and commercialisation of new medicines for rare conditions with unmet needs and is committed to bring new hope to people affected by these rare diseases.

2 Accounting policies

Basis of preparation

The consolidated Financial Statements consolidate those of the Company and its subsidiaries (together the "Group"). The consolidated Financial Statements of the Group and the individual Financial Statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") and their interpretations issued by the International Accounting Standards Board ("IASB") as adopted by the EU and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The IFRS adopted by the EU as applied by the Company and the Group in the preparation of these Financial Statements are those that were effective from 1 January 2016.

Consolidation

The consolidated Financial Statements comprise the Financial Statements of the Company and its subsidiaries for the year ended 31 December 2016. Subsidiaries are entities controlled by the Group. Where the Group has control over an investee, it is classified as a subsidiary. The Group controls an investee if all three of the following elements are present: power over an investee, exposure to variable returns from the investee, and the ability of the investor to use its power of affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control. Subsidiaries are fully consolidated from the date that control commences until the date that control ceases. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. Intergroup balances and any unrealised gains or losses or income or expenses arising from intergroup transactions are eliminated in preparing the consolidated Financial Statements.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets, liabilities, and other components of equity while any resultant gain or loss is recognised in profit or loss on discontinued operations. Any investment retained is recognised at fair value.

Reverse Acquisition

On 18 April 2016 Fastnet Equity plc ("Fastnet") became the legal parent company of Amryt Pharmaceuticals DAC ("Amryt DAC") in a share for share transaction, and on the same date changed its name from Fastnet to Amryt Pharma plc ("Amryt"). On the same date Amryt DAC completed the acquisitions of Birken AG ("Birken") and SomPharmaceuticals ("SOM"). The acquisition of Birken by Amryt DAC constitutes a business combination. Due to the relative size of Amryt DAC and Fastnet, Amryt DAC's shareholders became the majority shareholders of the enlarged share capital (before a share placing on the same date). In addition, the Company's continuing operations and executive management became those of Amryt DAC. Management considers that the acquisition constitutes a reverse acquisition of Fastnet by Amryt DAC. It would normally be necessary for the Company's consolidated accounts to follow the legal form of the business combination – with Amryt DAC's results from the acquisition date of 18 April 2016 consolidated into the Group results. In this case, the consolidated accounts have been treated as being a continuation of the accounts of Amryt DAC with Fastnet being treated for accounting purposes as the acquired entity.

As the consolidated group results represent a continuation of the financial statements of the legal subsidiary (Amryt DAC), the assets and liabilities of Amryt DAC have been recognised and measured in the consolidated results at their pre-combination

Notes to the Financial Statements continued

For the year ended 31 December 2016

carrying amounts. The accumulated deficit and other equity balances recognised are the accumulated deficit and other equity balances of Amryt DAC immediately before the business combination and the amount recognised as issued equity instruments has been determined by adding to the issued equity of Amryt DAC immediately before the business combination the cost of the combination, being the value of notional shares issued by Amryt DAC. To comply with UK company law adjustments have been made to the consolidated reserves to reflect the equity structure of the legal parent company, Amryt Pharma Plc.

Merger reserve

The current year merger reserve was created on the acquisition of Amryt DAC by Amryt Pharma plc. Ordinary shares in Amryt Pharma plc were issued to acquire the entire issued share capital of Amryt DAC. Under section 612 of the Companies Act 2006, the premium on these shares has been included in a merger reserve.

Comparative Information

The comparative figures presented in the consolidated financial statements are those for Amryt DAC and relate to the period from incorporation on 17 August 2015 to 31 December 2015. The comparative figures presented in the company financial statements are those for Amryt Pharma plc and related to the period from 1 April 2015 to 31 December 2015.

Except as indicated above, the financial statements have been prepared on a basis consistent with that reported for the period ended 31 December 2015.

Presentation of Balances

The Financial Statements are presented in € which is the functional and presentational currency of the Company. Balances in the Financial Statements are rounded to the nearest thousand (€'000) except where otherwise indicated.

The following table discloses the major exchange rates of those currencies utilised by the Group:

Foreign currency units to 1 €	US$	£	CHF
Average period to 31 December 2016	1.1024	0.8161	1.0896
At 31 December 2016	1.0516	0.8521	1.0715
Average period to 31 December 2015	1.0987	0.7198	N/A
At 31 December 2015	1.0908	0.7367	N/A

(US$ = US Dollars; £ = Pounds Sterling, CHF = Swiss Franc)

Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial period. New standards and amendments to IFRS effective as of 1 January 2016 have been reviewed by the Group. These standards and amendments principally relate to clarifications and presentation and there has been no material impact on the financial statements as a result. The new standards include:

- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Clarification of Acceptable Methods of Depreciation and Amortisation: Disclosure Initiative
- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception.

Standards issued but not yet effective

There were a number of standards and interpretations which were in issue at 31 December 2016 but were not effective at 31 December 2016 and have not been adopted for these Financial Statements. With the exception of IFRS 16, the Directors have assessed the impact of these accounting changes on the Company. To the extent that they may be applicable, the Directors have

concluded that none of these pronouncements will cause material adjustments to the Group's Financial Statements. During the year, the Directors completed a preliminary assessment of the impact of IFRS 15. As the Group utilises third party distributors the point of revenue recognition may be affected under the revenue model outlined in IFRS 15. The Directors believe that if IFRS 15 had been adopted for the current year that it would not have had a material impact on the revenue recognised during the year.

The new standards include:

IFRS 9	Financial Instruments[2]
IFRS 15	Revenue from Contracts with Customers[3]
IFRS 16	Leases[3]
Improvements to IFRSs	Annual Improvements 2014-2016 Cycle [2, 3]
Amendments to IAS 12	Recognition of deferred tax assets for unrealised losses [1]
Amendments to IAS 7	Disclosure Initiative [1]
Clarifications to IFRS 15	Revenue from Contracts with Customers [2]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions [2]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019

Critical accounting judgements and key sources of estimation uncertainty

The preparation of Financial Statements in conformity with IFRS requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the period end and the reported amounts of revenues and expenses during the reporting period. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group's accounting policy descriptions set out the areas that involve significant estimation, uncertainty and critical judgement. The most significant of which are research and development expenditure, fair value of contingent consideration, business combinations and acquired intangible assets and share based payments.

Principal accounting policies

The principal accounting policies are summarised below. They have been consistently applied throughout the period covered by the Financial Statements.

Research and development expenses

The costs relating to the development of products are accounted for in accordance with IAS 38 "Intangible Assets", where they meet the criteria for capitalization.

Development costs are capitalised as an intangible asset if all of the following criteria are met:

1. The technical feasibility of completing the asset so that is will be available for use or sale;
2. The intention to complete the asset and use or sell it;
3. The ability to use or sell the asset;
4. The asset will generate probable future economic benefits and demonstrate the existence of a market or the usefulness of the asset if it is to be used internally;
5. The availability of adequate technical, financial and other resources to complete the development and to use or sell it; and

Notes to the Financial Statements continued

For the year ended 31 December 2016

6. The ability to measure reliably the expenditure attributable to the intangible asset.

Research costs are expensed when they are incurred.

The assessment whether development costs can be capitalized requires management to make significant judgements. Management has reviewed the facts and circumstances of each project in relation to the above criteria and in management's opinion, the criteria prescribed under IAS 38.57 "Intangible Assets" for capitalising development costs as assets have not yet been met by the Company in relation to AP101 or AP102. Accordingly, all of the Company's costs related to research and development projects are recognised as expenses in the income statement in the period in which they are incurred. Management expects that the above criteria will be met on filing of a submission to the regulatory authority for final drug approval or potentially in advance of that on the receipt of information that strongly indicates that the development will be successful.

Revenue recognition

Revenue comprises the fair value of consideration received or receivable for the sale of products. Revenue is recorded immediately where substantially all the risks and rewards of ownership have transferred to the customer, this normally occurs on the despatch of products.

The Company uses third parties in the distribution of pharmaceutical products to its customers. The Company's revenue recognition for these arrangements is the same as that which applies to direct product sales and normally occurs on the despatch of the products by the distributors to the customers.

Financial instruments

Financial instruments are classified on initial recognition as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement. Financial instruments are initially recognised when the Company becomes party to the contractual provisions of the instrument. Financial assets are de-recognised when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred. Financial liabilities are de-recognised when the obligation specified in the contract is discharged, cancelled or expired.

Financial assets

All financial assets are categorised as 'loans and receivables'.

Cash and cash equivalents

Cash comprises cash on hand and bank balances. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value and have a maturity of three months or less at the date of acquisition.

Trade and other receivables

Trade and other receivables have fixed or determinable payments that are not quoted in an active market, are measured at initial recognition at fair value, and are subsequently measured at amortised costs using the effective interest method less impairment. Trade and other receivables are reduced by appropriate allowances for estimated irrecoverable amounts. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

At each statement of financial position date, financial assets are assessed for indicators of impairment. Financial assets are impaired if indications exist that events have occurred after the initial recognition of the financial asset that estimated future cash flows have been impacted. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Any impairment loss arising

from the review is charged to the statement of comprehensive income whenever the carrying amount of the asset exceeds its recoverable amount.

Financial liabilities

Financial liabilities are categorised as 'fair value through profit or loss' or 'other financial liabilities measured at amortised costs using the effective interest method'.

Trade and other payables

Trade and other payables are initially measured at their fair value and are subsequently measured at their amortised cost using the effective interest rate method except for short-term payables when the recognition of interest would be immaterial.

Convertible debentures securities

The proceeds received on issue of convertible debenture securities are allocated into their host debt liability and embedded derivative components. The conversion feature fails equity classification or the 'fixed for fixed' classification under IAS32 and is therefore accounted for as a derivative liability. The host debt liability is initially measured as its fair value plus transaction costs that are directly attributable to the acquisition. Subsequently, the debt component is accounted for as a financial liability measured at amortised cost until extinguished on conversion or maturity of the bond. The embedded derivative component is measured at fair value with changes in value being recorded in profit or loss.

Contingent consideration

Contingent consideration arising as a result of business combinations is initially recognised at fair value using a probability adjusted present value model. Key inputs in the model include the probability of success and the expected timing of potential revenues. The fair value of the contingent consideration will be updated at each reporting date. Adjustments to contingent consideration are recognised in the income statement.

Inventories

Inventories are valued at the lower of cost or net realisable value. The costs are calculated according to the first in first out method (FIFO). Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Work in progress valuation is based on the stage of quality checks successfully performed during the production process. An inventory valuation adjustment is made if the net realisable value is lower than the book value. Net realisable value is determined as estimated selling prices less all costs of completion and costs incurred in selling and distribution.

Inventories held by third party distributors are included in inventory totals when the risks and rewards of ownership have been deemed as transferred to the Company under the contract terms of the distribution agreement. The cost to acquire the inventory held by the distributors is recognised as a liability of the Company.

Leases

Lease agreements are categorised as either finance leases or operating leases. If the lessor has passed all significant opportunities and risks onto the Company as a lessee, the Company is considered to have the risk and rewards of ownership and the lease is categorized as a finance lease. The Company has generally concluded contracts categorised as operating lease contracts. The ongoing lease payments are stated as expenses when incurred. Leases classified as finance leases are capitalised at the lower of the present value of the minimum lease payments or the fair value of the leased asset at the beginning of the lease and are depreciated over the shorter of the period of the term of the lease or the useful economic life of an asset.

Foreign currency translation

The Company translates foreign currency transactions into its functional currency, €, at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange prevailing at the Statement of Financial Position date. Exchange differences arising are taken to the

Notes to the Financial Statements continued

For the year ended 31 December 2016

Statement of Comprehensive Income except those incurred on borrowings specifically allocable to development projects which are capitalised as part of the cost of the asset. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

Group entities with a functional currency other than € are translated into € at: average exchange rates for income and expenses; and reporting date exchange rates for assets and liabilities. Exchange differences arising on consolidation are recognised in other comprehensive income.

Property, plant and equipment

Property, plant and equipment comprise computer equipment and furniture and fittings. The value of property, plant and equipment is recorded at cost less depreciation.

Depreciation of property, plant and equipment is spread over the estimated useful economic life of assets. The useful economic lives are:

- Property, plant and machinery – 5 to 15 years, straight line
- Office equipment – 3 to 23 years, straight line

Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate business area, geographical region or major line of business. Classification as a discontinued operation occurs upon disposal or earlier if the operation meets the criteria to be classified as held for sale.

Non-current assets and disposal groups are classified as held for sale if the carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. Fair values are attributed to the identifiable assets and liabilities and contingent considerations unless the fair value cannot be measured reliably, in which case the value is subsumed into goodwill. In the consolidated Financial Statements, acquisition costs incurred are expensed and included in general and administrative expenses.

Frequently, the acquisition of pharmaceutical patents and licences is effected through a non-operating corporate structure. As these structures do not represent a business, it is considered that the transactions do not meet the definition of a business combination. Accordingly, the transactions are accounted for as the acquisition of an asset. The net assets acquired are recognised at cost.

Acquired intangible assets

Acquired intangible assets are stated at the lower of cost less provision for amortisation and impairment or the recoverable amount. Acquired intangibles assets are amortised over their expected useful economic life on a straight line basis and are tested for impairment annually. In determining the useful economic life each acquisition is reviewed separately and consideration given to the period over which the Group expects to derive economic benefit.

Intangibles assets acquired during the current year as part of the acquisitions of Birken AG and SomPharmaceuticals are currently not being amortised as it is the Company's policy not to amortise assets in development that are not ready for use.

Software that is purchased is valued at cost and amortized on a straight line basis over a useful economic life of three to ten years.

Only intangible assets acquired from third parties have been capitalised, as the conditions have not been met for the capitalisation of self-created intangible assets.

Investment in subsidiaries

Investments in subsidiaries are stated at cost less impairment.

Impairment

At each Statement of Financial Position date, the Company reviews the carrying amounts of its investments and acquired intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Any impairment loss arising from the review is charged to the Statement of Comprehensive Income whenever the carrying amount of the asset exceeds its recoverable amount.

The Group assesses each asset or cash-generating unit annually to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as discount rates, future capital requirements, general risks affecting the pharmaceutical industry and other risks specific to the individual asset. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Fair value is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Assets are grouped into the smallest group that generate cash inflows are independent of other assets.

Taxes

Tax comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date. Deferred tax assets or liabilities are recognised where the carrying value of an asset or liability in the Statement of Financial Position differs to its tax base, and is accounted for using the statement of financial position liability method. Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

Share based payments

The Group issues share options as an incentive to certain senior management and staff. The fair value of options granted is recognised as an expense with a corresponding credit to the share-based payment reserve. The fair value is measured at grant date and spread over the period during which the awards vest.

For equity-settled share-based payment transactions, the goods or services received and the corresponding increase in equity are measured directly at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. If it is not possible to estimate reliably the fair value of the goods or services received, the fair value of the equity instruments granted as calculated using the Black-Scholes model is used as a proxy.

The Group may issue warrants to key consultants, advisers and suppliers in payment or part payment for services or supplies provided to the Group. The fair value of warrants granted is recognised as an expense. The corresponding credits are charged to the share-based payment reserve. The fair value is measured at grant date and spread over the period during which the warrants vest. The fair value is measured using the Black-Scholes model if the fair value of the services received cannot be measured reliably.

Notes to the Financial Statements continued

For the year ended 31 December 2016

The fair value of share based payments is measured by use of valuation models, which take into account conditions attached to the vesting and exercise of the equity instruments. The expected life used in the model is adjusted; based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The share price volatility percentage factor used in the calculation is based on historical share price performance.

3 Segmental information

An operating segment is a component of an entity that (1) engages in business activities from which it may earn revenues and incur expenses, (2) whose operating results are regularly reviewed by the Chief Operating Decision Maker ("CODM"), to make decisions about the resources to be allocated to the segment and assess its performance; and (3) for which discrete financial information is available.

For the year ended 31 December 2016, the CODM has been identified as the executive management team of the Chief Executive Officer ("CEO") and Chief Financial Officer/Chief Operating Officer ("CFO/COO"). All areas of the business are engaged in the development of a range of pharmaceutical products and are deemed to have similar economic and regulatory environments. Therefore, all business areas have been combined into a single reporting segment: pharmaceuticals. The information reported to the CODM during the year is set out below. Lojuxta revenue is for the month of December 2016 and the Imlan revenue is from 19 April 2016 to 31 December 2016.

Revenue by type

	12 months to 31 December 2016 €'000	Period to 31 December 2015 €'000
Lojuxta	**775**	–
Imlan	**571**	–
Other	**5**	–
Total revenue	**1,351**	–

The revenue information above is based on the location of the customer. Imlan is sold through distributors with 5 distributors accounting for €430,000 of the Imlan sales total.

Revenue geographic information

	12 months to 31 December 2016 €'000	Period to 31 December 2015 €'000
Germany	**564**	–
Other European countries	**787**	–
Total revenue	**1,351**	–

The Group has not generated external customer revenue in the UK. 100% of the revenue generated in Germany is from sales of Imlan. The Group generates over 90% of its Lojuxta revenue in Italy, the Netherlands and Greece.

Location of non-current assets

	31 December 2016 €'000	31 December 2015 €'000
Germany	**49,640**	–
Switzerland	**4,062**	–
Other countries	**2**	–
Total non-current assets	**53,704**	–

Non-current assets consist of intangible assets and property, plant and equipment. Acquired intangible assets are classified under the location where the acquired subsidiary is incorporated.

4 Operating loss for the year

	12 months to 31 December 2016 €'000	Period to 31 December 2015 €'000
Operating loss for the year/period is stated after charging/(crediting):		
Fees payable to the Company's auditor for audit of the Company's annual accounts	**31**	2
Fees payable to the Company's auditor and its associates for other services:		
The audit of the Company's subsidiaries pursuant to legislation	**16**	–
Tax compliance services	**9**	–
Assurance services on corporate finance transactions	**218**	–
Audit-related assurance services	**7**	–
Depreciation of property, plant and equipment	**192**	
Amortisation of intangible assets	**2**	–
Operating lease rentals	**83**	–
Foreign exchange gains	**(4)**	–

Notes to the Financial Statements continued

For the year ended 31 December 2016

5 Employees

Including the Directors, the Group's average number of employees during the year was 26 (period to 31 December 2015: 3).
Including the Directors, the Company's average number of employees during the year was 6 (period to 31 December 2015: 4).

Aggregate remuneration comprised:

	Group		Company	
	12 months to 31 December 2016 €'000	Period to 31 December 2015 €'000	**12 months to 31 December 2016 €'000**	Period to 31 December 2015 €'000
Other wages and salaries	**1,356**	–	**–**	–
Social security costs	**228**	–	**6**	–
Directors remuneration	**896**	–	**156**	224
Share based payments – directors	**–**	–	**–**	23
Share based payments – employees/consultants	**229**	–	**243**	17
Total employee costs	**2,709**	–	**405**	264

The Directors were not granted any share options during the year.

Highest paid director

Group's highest paid director, year to 31 December 2016:

	Base Salary and Fees €'000	Bonuses €'000	Pension Contributions €'000	Other Benefits €'000	**2016 Total €'000**
Joe Wiley	239	120	24	14	**397**

Company's highest paid director period to 31 December 2015:

	Base Salary and Fees €'000	Share based payments €'000	**2015 Total €'000**
Carol Law	106	23	**129**

6 Net finance expense

	12 months to 31 December 2016 €'000	Period to 31 December 2015 €'000
Fair value of embedded derivatives (see note 20)	**124**	641
Interest and fees paid	**2**	3
Deposit interest received	**(1)**	–
Foreign exchange gains	**(4)**	–
Total	**121**	644

7 Tax on ordinary activities

No corporation tax charge arises in the year ended 31 December 2016 and the period ended 31 December 2015. A reconciliation of the expected tax benefit computed by applying the tax rate applicable in the primary jurisdiction, the Republic of Ireland, to the loss before tax to the actual tax credit is as follows:

	12 months to 31 December 2016 €'000	Period to 31 December 2015 €'000
Loss before tax	**(7,804)**	(1,194)
Tax credit at Irish corporation tax rate of 12.5%	**976**	149
Effect of:		
Losses unutilised	**1,663**	74
Expenses not deductible for tax purposes	**1**	75
Differences in overseas taxation rates	**(688)**	–
Total tax charge on loss on ordinary activities	**–**	–

The Group has tax losses of up to €32,449,000 (31 December 2015: €593,000) to carry forward against future profits. €25,691,000 of the losses relate to subsidiaries acquired by Amryt Pharma plc during the year. €20,938,000 of the subsidiaries' losses relate to the German domiciled Birken AG, these losses may not be available to the Group going forward. In addition, due to the fundamental change in the Company's business following the exit of the oil and gas industry, UK tax losses carried forward may not be fully available for use against the future profits of the Group. The deferred tax asset on tax losses at 12.5% of €4,056,000 (31 December 2015: €74,000) has not been recognised due to the uncertainty of the recovery.

8 Loss per share – basic and diluted

The Group presents basic and diluted loss per share ("LPS") data for its ordinary shares. Basic LPS is calculated by dividing the loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted LPS is determined by adjusting the loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise warrants and share options granted by the Company.

In the current year, the weighted average number of shares in the loss per share ("LPS") calculation, reflects the legal subsidiary's, Amryt Pharmaceuticals DAC ("Amryt DAC"), weighted average pre-combination ordinary shares multiplied by the exchange ratio established in the acquisition, and the weighted average total actual shares of the legal parent, Amryt Pharma plc ("Amryt"), in issue after the date of acquisition.

The comparative LPS figure is based on Amryt DAC's reported loss for the period divided by the weighted average number of shares in issue in Amryt DAC for the period multiplied by the exchange ratio established in the acquisition.

Notes to the Financial Statements continued

For the year ended 31 December 2016

Issued share capital – ordinary shares of £0.01 each

	Number	Weighted average shares
17 August 2015 – Shares on Incorporation	**11,615,044**	
24 August 2015 – Issue of shares by Amryt DAC [1]	46,460,177	
31 December 2015	**58,075,221**	**55,683,886**
18 April 2016 – Issue of shares by Amryt DAC on acquisition of Birken	37,048,622	
18 April 2016 – Issue of shares by Amryt DAC on acquisition of SOM	12,277,102	
18 April 2016 – Issue of shares by Amryt DAC on conversion of convertible debentures securities	8,590,365	
19 April 2016 – Issue of shares by Amryt Pharma plc – share for share exchange on acquisition of Amryt DAC B ordinary shares [1]	7,503,786	
19 April 2016 – Issue of shares by Amryt Pharma plc – share consolidation	43,171,134	
19 April 2016 – Issue of shares by Amryt Pharma plc – share placing	41,673,402	
31 December 2016	**208,339,632**	**163,336,437**

[1] As part of the 24 August 2015 share placing, Amryt DAC issued B ordinary shares. These shares have not been included in the pre-acquisition weighted average number of shares as they did not carry rights to dividends or repayment of capital on the winding up of Amryt DAC.

The calculation of loss per share is based on the following:

	12 months to 31 December 2016 €'000	Period to 31 December 2015 €'000
Loss after tax attributable to equity holders of the Company (€'000)	**(7,804)**	(1,194)
Weighted average number of ordinary shares in issue	**163,336,437**	55,683,886
Fully diluted average number of ordinary shares in issue	**163,336,437**	55,683,886
Basic and diluted loss per share (cent)	**(4.78)**	(2.14)

Where a loss has occurred, basic and diluted LPS are the same because the outstanding share options and warrants are anti-dilutive. Accordingly, diluted LPS equals the basic LPS. The share options and warrants outstanding as at 31 December 2016 totalled 39,102,583 (31 December 2015: 1,307,466) and are potentially dilutive.

9 Business Combinations and Asset Acquisitions

Reverse Acquisition of Fastnet Equity Group plc by Amryt Pharmaceuticals DAC

On 16 October 2015, Fastnet Equity plc ("Fastnet") signed non-binding heads of terms with Amryt Pharmaceuticals DAC ("Amryt DAC"), for the acquisition of Amryt DAC's entire issued and to be issued share capital. The acquisition was completed on 18 April 2016 and on the same date Amryt DAC completed the acquisitions of Birken AG ("Birken") and SomPharmaceuticals ("SOM"), for consideration satisfied by the issue of new ordinary shares in Amryt DAC. To complete the acquisition of Amryt DAC a total of 123,495,095 new ordinary shares of 1p in Fastnet were issued at an issue price of 24p per share ("Consideration Shares").

As detailed in note 2 the acquisition by Fastnet of Amryt DAC has been treated for accounting purposes as a reverse acquisition by Amryt DAC of Fastnet. In a reverse acquisition, the cost of the business combination is deemed to have been incurred by the legal subsidiary (Amryt DAC) in the form of notional equity instruments issued to the owners of the legal parent. The value of the notional shares is calculated by reference to the proportion of shares that would be needed to be issued by Amryt DAC to

Fastnet if the old shareholder base of Fastnet was to acquire the same percentage holding in Amryt DAC as it received in the combined Group.

The value of these notional shares issued by Amryt DAC was compared to the Net Asset value of Fastnet on the date of acquisition and the excess (€971,000) was charged to the Statement of Comprehensive Income as a deemed share based payment cost of the business combination.

In addition, €867,000 in professional fees was charged to the Statement of Comprehensive Income in the current year (2015: €484,000) as part of the costs associated with the reverse acquisition and acquisition of Birken and SOM (see details below). These costs include legal, due diligence, accounting and tax advisory and corporate finance.

Amryt Pharma plc 2016 Results

See note 18 for details of Amryt Pharma plc's loss for the year. Amryt Pharma plc did not generate external customer revenue during the year.

Acquisition of Birken

Amryt DAC signed a conditional share purchase agreement to acquire Birken on 16 October 2015 ("Birken SPA"). The Birken SPA was completed on 18 April 2016 with Amryt DAC acquiring the entire issued share capital of Birken. The consideration comprises:

- Initial cash consideration of €1,000,000 (paid by Amryt DAC prior to its acquisition by the Company);
- Milestone payments of:
  - o €10,000,000 on receipt of first marketing approval by the EMA of Episalvan, paid on the completion date (18 April 2016);
  - o Either (1) €5,000,000 once net ex-factory sales of Episalvan have been at least €100,000 or (ii) if no commercial sales are made within 24 months of EMA first marketing approval (being 14 January 2016), €2,000,000 24 months after receipt of such approval and €3,000,000 following the first commercial sale;
  - o €10,000,000 on receipt of marketing approval by the EMA or FDA of a pharmaceutical product containing Betulin as its API for the treatment of Epidermolysis Bullosa;
  - o €10,000,000 once net ex-factory sales/net revenue in any calendar year exceed €50,000,000;
  - o €15,000,000 once net ex-factory sales/ net revenue in any calendar year exceed €100,000,000;
- Cash consideration of €150,000, due and paid on the completion date (18 April 2016);
- Royalties of 9% on sales of Episalvan products for 10 years from first commercial sale; and
- Shares in Amryt DAC that equated to a 30% equity shareholding prior to the acquisition of Amryt DAC by the Company. The Birken sellers received 37,048,622 in Consideration Shares (valued at €11.2 million) for their shareholding in Amryt DAC.

Provisional Fair Value Measurement of Contingent Consideration

Contingent consideration comprises the milestone payments and sales royalties detailed above. As at the acquisition date, the fair value of the contingent consideration was estimated to be €23,314,000. The fair value of the royalty payments was determined using probability weighted revenue forecasts and the fair value of the milestones payments was determined using probability adjusted present values (see note 23 for fair value hierarchy applied). The probability adjusted present values took into account published orphan drug research data and statistics which were adjusted by management to reflect the specific circumstances applicable to the drugs acquired in the Birken transaction. A discount rate of 28.5% was used in the calculation of the fair value of the contingent consideration and this was sense checked by Management against the implied rate of return

Notes to the Financial Statements continued

For the year ended 31 December 2016

("IRR") on the project. As noted earlier in the report the size of the market for the products under development provides a real opportunity to the Company to meet its forecast revenue targets and therefore the milestone targets which underpin the contingent consideration payments. At present management anticipate that AP101 for EB will be ready to launch in 2019. However, management note that due to issues outside their control (i.e. regulatory requirements and the commercial success of the product) the timing of when such revenue targets may occur may change. Such changes may have a material impact on the assessment of the fair value of the contingent consideration.

Provisional Fair Value Measurement of Assets Acquired

A fair value exercise was performed on the identifiable assets and liabilities of Birken AG as at the acquisition date. An income based approach was used to value the intangible assets acquired. Key assumptions of the approach include the probability of success, the discount factor applied, the timing of future revenue flows, market penetration and peak sales and expenditure required to complete development.

Assets acquired and liabilities acquired:

	Provisional FV at date of acquisition €'000
Assets	
Intangible assets	48,461
Property, plant and equipment	1,373
Cash and cash equivalents	705
Inventories	687
Trade and other receivables	133
Total assets	**51,359**
Liabilities	
Accounts payable and accrued liabilities	332
Deferred tax liability	5,384
Total liabilities	**5,716**
Total net assets	**45,643**
Consideration	
Issue of fully paid ordinary shares	11,179
Cash consideration	11,150
Contingent consideration	23,314
Total consideration	**45,643**

The fair values set out above are provisional figures which will be finalised in the 2017 interim financial statements following management's final review of key judgemental areas relating to the business combination of Birken AG. Under IFRS 3, business combination accounting needs to be finalised within 12 months of the acquisition date.

Birken 2016 Results

Birken's loss and revenue, after adjusting for intercompany transactions, for the period from its acquisition date to 31 December 2016 were €1,179,000 and €571,000 respectively. On an annualised basis these amount to €1,489,000 and €721,000.

SOM Acquisition

Amryt DAC entered into conditional stock purchase agreements to acquire SomPharmaceuticals SA and SomTherapeutics, Corp on 15 December 2015 and 4 December 2015 respectively ("Som SPAs"). The aggregate consideration payable under the Som SPAs was US$4.25 million which was satisfied by the issue of US$4.15 million in new ordinary shares in Amryt DAC and US$100,000 (€89,000) in cash to the shareholders of SOM. The SOM SPAs were completed on 18 April 2016. The SOM sellers received 12,277,102 of Consideration Shares for their shareholding in Amryt DAC. The acquisition of SOM has been treated for accounting purposes as an asset acquisition with the value of the consideration issued, €4,062,000, recognised as an Intangible Asset.

10 Intangible Assets

	In process R&D €'000	Software €'000	Total €'000
Cost			
At 17 August 2015 and 31 December 2015	–	–	–
Acquired on acquisition of Birken	48,453	8	48,461
Acquired on acquisition of SOM	4,062	–	4,062
At 31 December 2016	**52,515**	**8**	**52,523**
Accumulated amortisation			
At 17 August 2015 and 31 December 2015	–	–	–
Amortisation charge	–	2	2
At 31 December 2016	**–**	**2**	**2**
Net book value			
Net book value at 17 August 2015	–	–	–
Net book value at 31 December 2015	–	–	–
Net book value at 31 December 2016	**52,515**	**6**	**52,521**

The Company reviews the carrying amounts of its intangible assets to determine whether there are any indications that those assets have suffered an impairment loss. If any such indications exist, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Impairment indications include events causing significant changes in any of the underlying assumptions used in the income approach utilised in valuing in process R&D. These key assumptions are: the probability of success; the discount factor; the timing of future revenue flows; market penetration and peak sales assumptions; and expenditures required to complete development. During the year the Group did not identify any potential changes in the assumptions used in the assessment of the carrying value of the assets.

Notes to the Financial Statements continued

For the year ended 31 December 2016

11 Property, plant and equipment

	Property €'000	Plant and Machinery €'000	Office Equipment €'000	Total €'000
Cost				
At 17 August 2015 and 31 December 2015	–	–	–	–
Additions	–	–	12	12
Disposals	–	(10)	–	(10)
Acquired on acquisition of Birken AG	337	811	225	1,373
At 31 December 2016	**337**	**801**	**237**	**1,375**
Accumulated depreciation				
At 17 August 2015 and 31 December 2015	–	–	–	–
Depreciation charge	61	88	43	192
At 31 December 2016	**61**	**88**	**43**	**192**
Net book value				
Net book value at 17 August 2015	–	–	–	–
Net book value at 31 December 2015	–	–	–	–
Net book value at 31 December 2016	**276**	**713**	**194**	**1,183**

12 Discontinued operations – Company

On 18 December 2015, the Company divested of its remaining oil and gas interests.

As part of the demerger of the oil and gas interests an unsecured four year term loan of €660,000 was granted to finance the residual running of the oil and gas assets. The operations of the trust structure set up to administer the oil and gas assets are managed entirely separately from the remaining operations of Amryt. €165,000 of the €660,000 loan related to Pathfinder Hydrocarbon Ventures Limited, a company that was wound down during the year. The Company received a loan repayment of €40,000 as part of the wind down process. The Company fully provided for the loan advanced in the prior period with an impairment charge of €660,000 recognised in the prior period income statement.

13 Investment in subsidiaries

	Equity in subsidiary companies €'000	Subsidiary funding €'000	Total €'000
Cost			
At 1 April 2015	17,839	25,309	43,148
Additions	–	577	577
Discontinued operations	(17,839)	(25,886)	(43,725)
At 1 January 2016	–	–	–
Additions	37,376	22,078	59,454
At 31 December 2016	**37,376**	**22,078**	**59,454**
Impairment			
At 1 April 2015	(17,839)	(25,309)	(43,148)
Impairment charge	–	(577)	(577)
Discontinued operations	17,839	25,886	43,725
At 1 January 2016 and 31 December 2016	**–**	**–**	**–**
Net book value			
At 31 March 2015	–	–	–
At 31 December 2015	–	–	–
At 31 December 2016	**37,376**	**22,078**	**59,454**

Current year equity in subsidiary companies additions relate to the issue price of ordinary shares on the acquisition of Amryt Pharmaceuticals DAC. Current year subsidiary funding additions relate to the advancement of loans to Amryt Pharmaceuticals DAC and its underlying subsidiary companies to fund the operations of those companies including the R&D costs of AP101 and AP102. Recoverability of the loans and the carrying value of the investments is directly linked to Amryt Pharmaceuticals DAC's operations including the success or failure of the development of AP101 and AP102. The carrying value of these investments are held at cost and will be reviewed at each reporting date for signs of impairment.

Notes to the Financial Statements continued

For the year ended 31 December 2016

List of subsidiary companies:

Subsidiary company	Activities	Company Number	Incorporation	2016 % holding	2015 % holding
Amryt Pharmaceuticals DAC	Holding company and management services	566448	Ireland	100	–
Amryt Research Limited	Pharmaceuticals R&D	571411	Ireland	100	–
Amryt Endocrinology Limited	Pharmaceuticals R&D	572984	Ireland	100	–
Amryt Lipidology Limited	Licensee for Lojuxta	593833	Ireland	100	–
Amryt Pharma (UK) Limited	Management services	10463152	UK	100	–
Amryt Pharma France	Dormant	824 418 156 00017	France	100	–
Amryt Pharma Italy SRL	Management services	2109476	Italy	100	–
Birken AG	Product Sales and Pharmaceuticals R&D	HRB 711487	Germany	100	–
SomPharmaceuticals SA	Pharmaceuticals R&D and management services	CHE-435.396.568	Switzerland	100	–
SomTherapeutics, Corp	Licence holder	P14000071235	USA	100	–

The Company did not have any subsidiaries at 31 December 2015, all subsidiaries relating to the old oil and gas business were disposed of during the prior period.

List of registered offices:

Company	Registered Office Address
Amryt Pharmaceuticals DAC	Fitzwilliam Hall, Fitzwilliam Place, Dublin 2
Amryt Research Limited	Fitzwilliam Hall, Fitzwilliam Place, Dublin 2
Amryt Endocrinology Limited	Fitzwilliam Hall, Fitzwilliam Place, Dublin 2
Amryt Lipidology Limited	Fitzwilliam Hall, Fitzwilliam Place, Dublin 2
Amryt Pharma (UK) Limited	3rd Floor 1 Ashley Road, Altrincham, Cheshire, United Kingdom, WA14 2DT
Amryt Pharma France	17 Avenue George V, 75008 Paris
Amryt Pharma Italy SRL	Milano (MI)-Via Dell' Annunciata 23/4
Birken AG	Streiflingsweg 11, 75223 Niefern-Öschelbronn
SomPharmaceuticals SA	Bahnofstrasse 21, 6300 Zug
SomTherapeutics, Corp	3795 Coventry Lane, Boca Raton, FL 33496

There were no active subsidiary companies at 31 December 2015. The results for the period ending 31 December 2015 relate entirely to those of Amryt Pharmaceuticals DAC.

14 Trade and other receivables

	Group		Company	
	31 December 2016 €'000	31 December 2015 €'000	**31 December 2016 €'000**	31 December 2015 €'000
Trade receivables	**844**	–	**35**	–
Prepayments and accrued income	**1,652**	1,000	**35**	22
VAT recoverable	**44**	54	**25**	65
Prepaid costs of reverse takeover	**–**	–	**–**	196
Convertible debenture security receivable	**–**	545	**–**	–
Trade and other receivables	**2,540**	1,599	**95**	283

The 31 December 2016 prepayments and accrued income balance includes €1,548,000 in relation to prepaid phase 3 clinical trial costs.

15 Inventories

	31 December 2016 €'000	31 December 2015 €'000
Raw materials	**299**	–
Work in progress	**219**	–
Finished goods	**252**	–
Inventories	**770**	–

16 Cash and cash equivalents

	Group		Company	
	31 December 2016 €'000	31 December 2015 €'000	**31 December 2016 €'000**	31 December 2015 €'000
Total Cash and cash equivalents	**8,271**	171	**51**	12,625

Cash and cash equivalents include cash in hand, deposits held at call with banks and short term bank deposits, available with no penalty, with maturity less than three months.

Notes to the Financial Statements continued

For the year ended 31 December 2016

17 Share capital – Company

Details of ordinary shares of 1p each issued are in the table below:

	Number of ordinary shares	Number of deferred shares	Total Share Capital €'000	Total Share Premium €'000
At 31 March 2015 and 31 December 2015	**43,171,134** [1]	**–**	**18,336**	**35,221**
19 April – Share consolidation	(43,171,134)	–	(18,336)	–
19 April – Issue of new ordinary shares on share consolidation	43,171,134	–	603	–
19 April – Creation of deferred shares on share consolidation	–	43,171,134	17,733	–
19 April 2016 – Issue of ordinary shares at £0.24 on acquisition of Amryt Pharmaceuticals DAC	123,495,096	–	1,557	–
19 April 2016 – Issue of ordinary shares at £0.24	41,673,402	–	526	8,474
At 31 December 2016	**208,339,632**	**43,171,134**	**20,419**	**43,695**

1 The prior year share number, 345,369,071 ordinary shares, has been adjusted by a factor of 8 to take into account the 8 to 1 share consolidation that took place on 19 April 2016.

On 19 April 2016, every 8 ordinary shares of par value 3.8p in the Company at close of business on 18 April 2016 (total shares 345,369,071) became 1 new ordinary share of par value 1p (total shares 43,171,134) and 1 deferred share of par value 29.4p (total shares 43,171,134). The rights attaching to the new ordinary shares of 1p are identical in all respects to those of the old ordinary shares of 3.8p.

The deferred shares created are effectively valueless as they do not carry any rights to vote or dividend rights. In addition, holders of deferred shares are only entitled to a payment on a return of capital or on a winding up of the Company after each of the holders of ordinary shares of 1p each have received a payment of £10,000,000 on each such share. The deferred shares are not and will not be listed or traded on the Official List, AIM, the ESM or any other investment exchange and are only transferable in limited circumstances.

On 19 April 2016, 123,495,096 ordinary shares of 1p were issued as part of the completion of the acquisition of Amryt Pharmaceuticals DAC by the Company. Under section 612 of the Companies Act 2006, the premium on these shares has been included in the merger reserve.

On 19 April 2016, 41,673,402 ordinary shares of 1p were issued at 24p per share as part of a £10,000,000 (before expenses) fund raising.

18 Statement of Comprehensive Income – Company

In accordance with the provisions under section 408 of the Companies Act 2006, the Company has not presented a Statement of Comprehensive Income. The Company's loss for the year was €1,915,000 (9 month period to 31 December 2015: €2,637,000).

19 Share-based payments

The Company has issued share options as an incentive to certain senior management and staff. In addition, the Company has issued warrants to key consultants, advisers and suppliers in payment or part payment for services or supplies provided to the Group. All share options granted during the year were granted under the terms of the Amryt Share Option Plan and are subject to vesting conditions. All warrants granted during the year were granted under individual agreements as part of the April 2016 share placing. In addition to the share options and warrants granted during the year a total of 1,307,466 share options and warrants were in existence at 31 December 2015 that relate to the old oil and gas business.

Each share option and warrant converts into one ordinary share of Amryt Pharma plc on exercise and are accounted for as equity-settled share-based payments. The options and warrants may be exercised at any time from the date of vesting to the date of their expiry. The equity instruments granted carry neither rights to dividends nor voting rights.

Share options and warrants in issue:

	Share Options[1]		Warrants[1]	
	Units	Weighted average exercise price	Units	Weighted average exercise price
Balance at 17 August 2015	1,415,954	133.6p	661,512	120.8p
Lapsed during the period	(600,000)	201.6p	(170,000)	176.0p
Balance at 31 December 2015	**815,954**	**84.0p**	**491,512**	**102.4p**
Exercisable at 31 December 2015	**815,954**	**84.0p**	**491,512**	**102.4p**
Balance at 1 January 2016	815,954	84.0p	491,512	102.4p
Granted during the year	15,451,564	19.1p	22,909,951	24.0p
Lapsed during the year	(472,204)	110.0p	(94,194)	112.0p
Balance at 31 December 2016	**15,795,314**	**19.8p**	**23,307,269**	**25.3p**
Exercisable at 31 December 2016	**343,750**	**48.0p**	**21,234,014**	**25.4p**

[1] Following the 19 April 2016 share consolidation, as described in note 17, all existing rights attached to share options and warrants were amended to reflect the new share structure. The rights are now over Amryt Pharma plc new ordinary shares of 1p, with the original units divided by a factor of 8 and the original exercise price increased by a factor of 8. The pre 19 April 2016 numbers included in the table above have been adjusted to take into account the share consolidation.

The fair value is estimated at the date of grant using the Black-Scholes pricing model, taking into account the terms and conditions attached to the grant. The following are the inputs to the model for the equity instruments granted during the year:

	Options Inputs	Warrant Inputs
Days to Expiry	2,555	1,006-1,844
Volatility	43%-50%	50%
Risk free interest rate	0.64%-0.82%	0.82%
Share price at grant	15.5p-24p	24p

During the current year a total of 15,451,564 share options exercisable at a weighted average price of £0.191 were granted. The fair value of share options granted during the period is €1,642,000. The share options outstanding as at 31 December 2016 have a weighted remaining contractual life of 6.39 years with exercise prices ranging from £0.155 to £0.48.

During the current year, as part of the share placing that coincided with the completion of the reverse takeover of the Company, a total of 22,909,951 warrants exercisable at a weighted average price of £0.24 were granted. The fair value of warrants granted during the period is €2,251,000. The warrants outstanding as at 31 December 2016 have a weighted remaining contractual life of 2.19 years with exercise prices ranging from £0.24 to £1.12.

Notes to the Financial Statements continued

For the year ended 31 December 2016

The value of share options and warrants charged to the Statement of Comprehensive Income during the year is as follows:

	12 months to 31 December 2016 €'000	Period to 31 December 2015 €'000
Share options	**229**	–
Total	**229**	–

In addition to the above charges, a further €2,251,000 was charged to share premium during the year.

20 Trade and other payables

	Group		**Company**	
	31 December 2016 €'000	31 December 2015 €'000	**31 December 2016 €'000**	31 December 2015 €'000
Trade payables	**1,918**	195	**87**	278
Accrued expenses	**1,499**	292	**94**	168
Social security costs and other taxes	**133**	–	**6**	3
Convertible debenture security liabilities	**–**	2,476	**–**	–
Trade and other payables	**3,550**	2,963	**187**	449

During the prior period the Group issued €2,000,000 of zero interest Convertible Debenture Securities ("CDS"). The CDS automatically converted, at a 30% premium, to ordinary shares in the Company as part of the reverse takeover of Fastnet Equity plc ("RTO") and the principal value of the CDS and the related embedded derivative was cleared as a result.

The increase in trade payables reflects the increase in R&D activity in the Group. The increase in accrued expenses reflects the provision for 2016 staff bonuses and amounts accrued relating to the distribution of Lojuxta.

A €124,000 finance charge (2015: €41,000) was recognised in the current year in relation to the CDS.

21 Deferred tax liability

	Total €'000
At 1 April 2015 and 31 December 2015	–
Recognised on business combinations	5,384
At 31 December 2016	**5,384**

The deferred tax liability arose during the year on the acquisition of Birken AG (see note 9). An intangible asset was recognised in relation to in process R&D. As the intangible asset only arises on consolidation and there may not be tax deductions available on sale, its tax base is nil.

When the intangible asset is amortised the tax difference will reduce and the movement in the deferred tax liability will be recognised in profit or loss. The in process R&D is currently not being amortised.

The Company intends to continue to hold the acquired asset but does not expect it to generate taxable profits in the acquired subsidiary. The Company expects to incur any taxable benefits in relation to the asset in Ireland. This is the jurisdiction of the acquirer of Birken AG and the location where the majority of future R&D work in relation to the asset will be incurred. Ireland's tax rate of 12.5% has been used in calculation of the deferred tax liability.

22 Related party transactions

Key management are those persons having authority and responsibility for planning, controlling and directing the activities of the Company. In the opinion of the Board, the Company's key management are the Directors of Amryt Pharma plc.

Amounts included in the Financial Statements, in aggregate, by category of related party are as follows:

	Group		Company	
	12 months to 31 December 2016	Period to 31 December 2015	**12 months to 31 December 2016**	Period to 31 December 2015
Directors	**€'000**	€'000	**€'000**	€'000
Directors remuneration (short term benefits)	**854**	–	**156**	224
Directors remuneration (pension cost)	**42**	–	**–**	–
Share based payments	**–**	–	**–**	23
Sub total	**896**	–	**156**	247
Related party transactions with former Directors				
Consulting fees	**113**	181	**113**	222
Office facilities and administration costs	**82**	–	**–**	–
Other fees	**74**	–	**74**	24
Total	**1,165**	181	**343**	493

At year end, €15,170 (both Group and Company) (2015: €150,000 Group, €38,581 Company) was due to former Directors in relation to related party transactions. Office facilities and administration costs include €55,000 in relation to office licence fees. The office licence fees were charged on an at arm's length basis.

Shares purchased by Directors

As part of an April 2016 share placing (see note 17), the Directors of the Company purchased ordinary shares of 1p as follows:

Director	Number
Joe Wiley	330,417
Rory Nealon	1,312,500
Ray Stafford	1,652,083
Total	**3,295,000**

As part of the share placing, placing warrants were granted to all placees on the basis of one placing warrant for every two placing shares. The directors received 1,647,500 placing warrants. Share-based payments of €157,000 were charged to share premium in the year in relation to these placing warrants.

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23 Financial risk management

Categories of Group and Company financial instruments

	Group		Company	
	31 December 2016	31 December 2015	**31 December 2016**	31 December 2015
Directors	**€'000**	€'000	**€'000**	€'000
Financial assets (all at amortised cost):				
Cash and cash equivalents	**8,271**	171	**51**	12,625
Trade receivables	**844**	–	**35**	–
Convertible debenture security ("CDS") receivable	**–**	545	**–**	–
Total financial assets	**9,115**	716	**86**	12,625
Financial liabilities:				
At amortised cost				
Trade payables and accrued expenses	**3,417**	487	**181**	446
CDS principal liability	**–**	2,000	**–**	–
At fair value				
CDS embedded derivative	**–**	476	**–**	–
Contingent consideration	**23,314**	–	**–**	–
Total financial liabilities	**26,731**	2,963	**181**	446
Net	**(17,616)**	(2,247)	**(95)**	12,179

The Board considers that the carrying values of all financial assets and liabilities shown above to be the fair value of the Group's and the Company's assets and liabilities.

Financial instruments evaluated at fair value can be classified according to the following valuation hierarchy, which reflects the extent to which the fair value is observable:

- Level 1: fair value evaluations using prices listed on active markets (not adjusted) of identical assets or liabilities.
- Level 2: fair value evaluations using input data for the asset or liability that are either directly observable (as prices) or indirectly observable (derived from prices), but which do not constitute listed prices pursuant to Level 1.
- Level 3: fair value evaluations using input data for the asset or liability that are not based on observable market data (unobservable input data).

The CDS embedded derivative element and contingent consideration have been valued using level 3. The contingent consideration relates to the acquisition of Birken AG (see note 9). The €23,314,000 fair value compromises royalty payments and milestone payments. The fair value of the royalty payments was determined using probability weighted revenue forecasts and the fair value of the milestones payments was determined using probability adjusted present values.

An increase of 10% in estimated revenue forecasts would result in an increase to the fair value of €1,410,000. A decrease would have the opposite effect. A 5% increase in the discount factor used would result in a decrease to the fair value of €4,700,000. A decrease of 5% would result in a increase to the fair value of €6,550,000.

Policies and Objectives

The Group's operations expose it to some financial risks arising from its use of financial instruments, the most significant ones being liquidity, market risk and credit risk. The Board of Directors is responsible for the Group and Company's risk management policies and whilst retaining responsibility for them it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The main policies for managing these risks are as follows:

Liquidity risk

The Group is not subject to any externally imposed capital requirement, accordingly the Group's objectives when managing capital are to safeguard the ability to continue as a going concern in order to provide returns for shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Working capital forecasts are prepared to ensure the Group has sufficient funds to complete contracted work commitments.

The following table shows the maturity profile of current liabilities of the Group:

31 December 2016	**Less than 1 month**	**Between 1 and 3 months**	**Between 3 and 6 months**	**Total**
Current liabilities	3,089	393	68	**3,550**

31 December 2015	**Less than 1 month**	**Between 1 and 3 months**	**Between 3 and 6 months**	**Total**
Current liabilities	310	2,532	121	**2,963**

The following table shows the maturity profile of current liabilities of the Company:

31 December 2016	**Less than 1 month**	**Between 1 and 3 months**	**Between 3 and 6 months**	**Total**
Current liabilities	124	—	63	**187**

31 December 2015	**Less than 1 month**	**Between 1 and 3 months**	**Between 3 and 6 months**	**Total**
Current liabilities	380	—	69	**449**

The following table shows the maturity profile of contingent consideration of the Group:

31 December 2016	**Less than 1 year**	**Between 1 and 3 years**	**Between 3 and 5 years**	**Greater than 5 years**	**Total**
Contingent consideration	—	5,176	5,144	12,994	**23,314**

Capital management

The Group considers its capital to be its ordinary share capital, share premium, other reserves and accumulated deficit. The Group manages its capital to ensure that entities within the Group will be able to continue individually as going concerns, while maximising the return to shareholders through the optimisation of debt and equity balances. The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust its capital structure, the Group may adjust or issue new shares or raise debt. On a regular basis, management receives financial and operational performance reports that enable continuous management of assets, liabilities and liquidity. No changes were made in the objectives, policies or processes during the year/period ended 31 December 2016 and 31 December 2015.

Notes to the Financial Statements continued

For the year ended 31 December 2016

Market risk

Market risk arises from the use of interest bearing financial instruments and represents the risk that future cash flows of a financial instrument will fluctuate as a result of changes in interest rates. It is the Group's policy to ensure that significant contracts are entered into in its functional currency whenever possible and to maintain the majority of cash balances in the functional currency of the Company. The Group considers this policy minimises any unnecessary foreign exchange exposure. In order to monitor the continuing effectiveness of this policy the Board reviews the currency profile of cash balances and managements accounts.

During the year, the Group earned interest on its interest bearing financial assets at rates between 0% and 0.5%. The effect of a 1% change in interest rates obtainable during the period on cash and on short-term deposits would be to increase or decrease the Group loss before tax by €82,000.

In addition to cash balances maintained in €, the Group had balances in £ and US$ at year-end. A theoretical 10% adverse movement in the year end €:£ exchange rate would lead to an increase in the Group loss before tax by €24,000 with a corresponding reduction in the Group loss before tax with a 10% favourable movement. A theoretical 10% adverse movement in €:US$ exchange rates would lead to an increase in the Group loss before tax by €1,000 with a corresponding reduction in the group loss before tax with a 10% favourable movement.

Credit risk

Credit risk is the risk that the counterparty will default on its contractual obligations resulting in financial loss. Credit risk arises from cash and cash equivalents and from exposure via deposits with the Group and Company's bankers. For cash and cash equivalents, the Group and Company only uses recognised banks with high credit ratings.

24 Capital commitments and contingencies

Contingent liabilities

Birken AG ("Birken") Share Purchase Agreement

See note 9 in relation to contingent consideration as a result of the acquisitions of Birken.

INC Research LLC ("INC") Services Agreement

In December 2016, the Group entered into a clinical research and related services agreement with INC for the provision of services in connection with the support of the Phase 3 Clinical trial for AP101 in the Epidermolysis Bullosa indication. The total estimated project costs payable to INC are €12.6 million. €322,000 costs were incurred in the current year in relation to the agreement with a further €1,548,000 prepaid at 31 December 2016. Costs are expected to be incurred over the period to completion of the follow on study, estimated Q1 2021.

Aegerion Pharmaceuticals Inc. ("Aegerion") Lojuxta Licence Agreement

Under the terms of the Lojuxta licence agreement Amryt has the exclusive right to sell Lojuxta across the licenced territories. As part of the agreement, Amryt will make royalty payments to Aegerion of 18%-20% of net sales and will pay one-off milestones payments of US$1,000,000 and US$1,500,000 if calendar year net sales targets of US$20,000,000 and US$30,000,000 respectively are achieved.

Operating lease commitments

Future minimum obligations under operating lease contracts (in €'000):

At 31 December 2016	Less than 1 year	1 year to 5 years	Greater than 5 years	Total
Leases for business premises	97	139	–	**236**
Leases for equipment	3	–	–	**3**

There were no operating lease commitments in the prior period.

25 Events after the reporting period

Pre-clinical study results

In February 2017, the Company received positive results of a completed pre-clinical study that compared drug compound AP102 with pasireotide, an approved product for treating patients with resistant acromegaly. AP102 did not demonstrate the potential to cause diabetes, an observation which, if replicated in clinical studies, could be clinically beneficial in treating acromegaly.

Grant of patent in Japan for AP101

In February 2017, the Company was granted a patent in Japan by the Japanese Patent Office for its lead drug candidate AP101.

AP101 trial discussions completed

In March 2017, discussions with the Food and Drug Administration ("FDA") and European Medicines Agency ("EMA") regarding the design of the phase 3 clinical trial for AP101 as a potential treatment for Epidermolysis Bullosa ("EB") were completed. With the design of a single phase 3 study established the Company can now commence the enrolment of its first patients.

Directorate change

Cathal Friel, a non-executive Director of the Company, resigned from the Board of Directors with effect from 28 March 2017.

Senior management change

In March 2017, David Allmond was appointed Chief Commercial Officer ("CCO") and replaced Michele Bellandi in the role.

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Joe Wiley – CEO
Rory Nealon – CFO/COO
James Culverwell – Non-executive Director
Ray Stafford – Non-executive Director
Markus Ziener – Non-executive Director

Company Secretary

Rory Nealon

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