Amryt Pharma plc
Annual Report 2019

Amryt is a global, commercial-stage biopharmaceutical company dedicated to developing and commercializing novel therapeutics to treat patients suffering from serious and life-threatening rare disease

- Two global rare disease products, metreleptin & lomitapide, with IP into the late 2020s
- Multiple expansion opportunities for approved products in additional indications and geographies
- Late-stage clinical program in severe Epidermolysis Bullosa ("EB") (FILSUVEZ®, previously known as AP101), with data readout in 2H20
- Novel polymer-based topical gene therapy delivery platform, which has potential use for the treatment of rare genetic diseases, including EB
- Existing, scalable global commercial and medical infrastructure, which we will leverage for any future products, including FILSUVEZ®, if approved
- Experienced management team comprised of industry leaders in rare diseases, with a proven track record of building a diversified rare disease product portfolio
- Financial flexibility to develop and launch pipeline programs and acquire additional assets

AMRYT PHARMA

AMRYT PHARMA

Contents

STRATEGIC REPORT:
General Information

We are pleased to present the annual report and consolidated financial statements of Amryt Pharma plc for the year ended 31 December 2019. As used herein, references to "we", "us", "Amryt" or the "Group" in this annual report shall mean Amryt Pharma plc and its world-wide subsidiaries, collectively. References to the "Company" in this annual report shall mean Amryt Pharma plc.

Amryt Pharma plc ("Company") is a company incorporated in England and Wales. The Company is listed on the AIM market of the London Stock Exchange (ticker: AMYT) and the Euronext Growth Market of Euronext Dublin (ticker: AYP). In June 2020, the Company publicly filed a registration statement on Form F-1 to the U.S. Securities Exchange Commission ("SEC") relating to the listing of American Depositary Shares ("ADSs") representing Amryt ordinary shares on the Nasdaq stock market ("Nasdaq").

We were incorporated under the Companies Act 2006 ("Companies Act") on 17 July 2019 as a private company limited by shares under the name Amryt Pharma Holdings Limited, with company number 12107859. We were re-registered as a public limited company on 13 September 2019 under the name Amryt Pharma Holdings Limited. On 24 September 2019, Amryt Pharma Holdings plc became the new parent company of Amryt Pharma plc pursuant to a scheme of arrangement between Amryt Pharma plc and its shareholders under Part 26 of the Companies Act 2006. Amryt Pharma Holdings changed its name to Amryt Pharma plc.

The consolidated accounts comprise the financial statements for the Group for the years ended 31 December 2019 and 2018. The 2019 financial statements incorporate the results of Aegerion Pharmaceuticals, Inc. ("Aegerion") from the date of acquisition, 24 September 2019 to 31 December 2019.

Aegerion, a former subsidiary of Novelion Therapeutics Inc., is a rare and orphan disease company with a diversified offering of multiple commercial and development stage assets. Following the acquisition of Aegerion by Amryt in September 2019, the acquisition has given Amryt an expanded commercial footprint to market two US and EU approved products, lomitapide (JUXTAPID®/(US) / LOJUXTA® (EU)) and metreleptin (MYALEPT® (US) / MYALEPTA® (EU)). Amryt's leadership team already has a deep knowledge of both these products and since December 2016 has successfully commercialized LOJUXTA across Europe and the Middle East.

On 10 July 2019, the shareholders of the Company approved a resolution to give authority to the Company to undertake a consolidation of the existing ordinary shares in the capital of the Company under which every 6 existing ordinary shares were consolidated into one ordinary share.

The functional currency of the Company is U.S. dollars. Beginning 1 January 2018 (the earliest period presented) the Company has changed its reporting currency from Euro ("€") to U.S. dollar ("$") to align with the new functional currency of the Company, subsequent to the Aegerion acquisition in September 2019, and therefore to provide greater clarity to users of these consolidated financial statements.

STRATEGIC REPORT:
Our Business

Amryt Pharma is a global, commercial-stage biopharmaceutical company dedicated to commercialising and developing novel therapeutics to treat patients suffering from serious and life-threatening rare diseases.

Our diversified portfolio is comprised of two substantial revenue-generating products, an international commercial business in the US, Europe, the Middle East and Latin America, and a strong pipeline of development and life-cycle opportunities in areas of significant high unmet medical need.

Amryt's commercial business comprises two orphan disease products.

JUXTAPID®/ LOJUXTA® (lomitapide) is approved as an adjunct to a low-fat diet and other lipid-lowering medicinal products for adults with the rare cholesterol disorder, Homozygous Familial Hypercholesterolaemia ("HoFH") in the US, Canada, Columbia, Argentina and Japan (under the trade name JUXTAPID®) and in the EU (under the trade name LOJUXTA®). HoFH is a rare genetic disorder which impairs the body's ability to remove low density lipoprotein ("LDL") cholesterol ("bad" cholesterol) from the blood, typically leading to abnormally high blood LDL cholesterol levels in the body from before birth - often ten times more than people without HoFH - and subsequent aggressive and premature cardiovascular disease.

MYALEPT® / MYALEPTA® (metreleptin) is approved in the US (under the trade name MYALEPT®) as an adjunct to diet as replacement therapy to treat the complications of leptin deficiency in patients with congenital or acquired generalized lipodystrophy (GL) and in the EU (under the trade name MYALEPTA®) for the treatment of leptin deficiency in patients with congenital or acquired GL in adults and children two years of age and above and familial or acquired partial lipodystrophy (PL) in adults and children 12 years of age and above for whom standard treatments have failed to achieve adequate metabolic control. Metreleptin is also approved for lipodystrophy in Japan. Generalised and partial lipodystrophy are rare disorders characterised by loss or lack of adipose tissue resulting in the deficiency of the hormone leptin, produced by fat cells and are associated with severe metabolic abnormalities including severe insulin resistance, diabetes, hypertriglyceridemia and fatty liver disease.

Amryt's lead development candidate, FILSUVEZ® (AP101) is a potential treatment for the cutaneous manifestations of Epidermolysis Bullosa ("EB"), a rare and distressing genetic skin disorder affecting young children and adults for which there is currently no approved treatment. FILSUVEZ® has been granted Rare Pediatric Disease Designation and has also received a Fast Track Designation from the FDA. In April 2020 the Company closed the Phase 3 study to further enrolment and is expecting top-line data in late Q3 / early Q4 2020. The European and US market opportunity for EB is estimated by the Company to be in excess of $1.0 billion.

In March 2018, Amryt in-licenced a pre-clinical gene-therapy platform technology, AP103, which offers a potential treatment for patients with Recessive Dystrophic Epidermolysis Bullosa, a subset of EB, and is also potentially relevant to other genetic disorders.

We have a proven track record of obtaining rare disease assets, either through acquisition or in-license, and we intend to continue building our portfolio of rare disease programs with the goal of bringing effective treatments to patients in need.

STRATEGIC REPORT:
Chairman & Chief Executive's Statement and Business Review

We are pleased to report on a truly transformational year for Amryt. We have continued to execute on strategy with the acquisition of Aegerion, thereby strengthening our commercial offering and global capabilities. In financial terms, we have delivered strong growth in revenues and our cash position at the end of year has exceeded expectations.

Acquisition and progress against strategic objectives

2019 was another year of strong delivery across a range of strategic and operational initiatives. We continued to reshape our portfolio through the acquisition of Aegerion, which we completed in September 2019. The transaction has put Amryt on the path to creating a rare and orphan disease company with a diversified offering of multiple commercial and development stage assets and will provide it with scale to support further growth. Amryt now has a differentiated, diverse, global offering of multiple commercial and development stage rare disease assets, including:

- Two high-value commercial assets with multiple development opportunities in complementary global markets
    - Lomitapide (JUXTAPID®(US)/LOJUXTA®(EU)) for the treatment of HoFH
    - Metreleptin (MYALEPT®(US) / MYALEPTA® (EU)), a leptin hormone replacement therapy, approved in the US for Generalised Lipodystrophy (GL), and recently in Europe for GL and Partial Lipodystrophy (PL)
- Additional near-term potential commercial opportunities for a broadened Amryt portfolio of products
    - Metreleptin as a potential treatment for PL in the US
    - Lomitapide (JUXTAPID®/LOJUXTA®) as a potential treatment for Familial Chylomicronemia Syndrome (FCS)
    - A lead development asset (FILSUVEZ®) for Epidermolysis Bullosa ("EB"), a greater than $1bn market opportunity as estimated by the Company in a pivotal Phase 3 trial, which reported positive unblinded interim efficacy analysis results in H1 2019 and we anticipate top-line read out in H2 2020
    - Novel gene therapy platform (AP103) which offers a potential treatment for patients with EB and other topical indications

We are pleased to report that the integration of Aegerion was completed successfully in Q1 2020 ahead of schedule.

Financial Position

In August 2019, Amryt raised gross proceeds of $8.0M by way of an interim equity placing. These proceeds were used to meet the Amryt legal, financial and other costs associated with the Aegerion acquisition which were payable at deal close. On completion of the acquisition in September 2019, Amryt raised an additional $57.0M net of fees by way of an equity placing. This compares to the year-end unrestricted cash balance of $65.2M which was significantly ahead of expectations and reflects the strong performance of the business in the period since the acquisition of Aegerion.

In conjunction with the acquisition, Amryt re-structured the existing Amryt and Aegerion debt facilities. This resulted in Amryt repaying the EIB debt facility and putting in place a new five-year term loan of $81.0M and a new five and a half year convertible facility of $125.0M. Amryt's debt maturity profile offers significant flexibility. No principal repayments are due on the term loan until September 2024 and on the convertible facility until April 2025.

Operational Performance

The positive momentum we experienced during 2018 continued into 2019. Our performance far exceeded expectations during the year, driven by the Aegerion acquisition and underlying growth in our existing business. The acquisition of Aegerion has created an ideal platform to expand our existing footprint in US, Europe, the Middle East and Latin America.

STRATEGIC REPORT:
Chairman & Chief Executive's Statement and Business Review continued

Post the Aegerion acquisition, we now have two substantial revenue-generating commercial assets. This is supplemented by a strong pipeline of development and life-cycle opportunities in areas of significant high unmet medical need, and the financial flexibility to execute on our growth plans. Amryt is now very well positioned to execute on our strategy of becoming a global leader in rare and orphan diseases and most importantly, delivering therapies to patients with unmet needs. Both commercial assets are performing well in the market. We are actively deploying our proven strategy for LOJUXTA in Europe to rejuvenate the JUXTAPID business in the US and results have been positive to date. MYALEPT has continued to grow in the US where the product is approved for Generalized Lipodystrophy, and we are now in the active launch-phase of MYALEPTA in EMEA, where this product is approved for both Generalized and Partial Lipodystrophy. MYALEPTA is indicated for treatment of patients with confirmed familial partial LD or acquired partial LD in adults and children 12 years of age and above for whom standard treatments have failed to achieve adequate metabolic control.

FILSUVEZ® Update

The Group has continued to make strong progress with its lead development asset, FILSUVEZ®, as a new potential treatment for EB. In March 2017 Amryt commenced EASE, a Phase 3 prospective double-blind randomised placebo controlled efficacy and safety study of FILSUVEZ® in patients with EB. EASE is the largest ever global Phase 3 study conducted in patients with EB, operating across 55 sites in 27 countries globally. 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, total wound burden and changes in infection risk, pain and pruritus (itch) and improvements in quality of life.

In January 2019, Amryt received the result of the pre-planned unblinded interim efficacy analysis. The unblinded interim efficacy analysis was conducted by an Independent Data Monitoring Committee ("IDMC"). The IDMC recommended that the trial should continue with an increase of 48 patients in the study to a total of 230 evaluable patients, in order to achieve 80% statistical power. The analysis was conducted using unblinded efficacy data received by the IDMC for the primary endpoint from the first half of the study. Following this announcement, Amryt continued to recruit both adults and pediatric candidates throughout the remainder of 2019.

In October 2019, the FDA designated the investigation of FILSUVEZ® for the treatment of Epidermolysis Bullosa (EB) as a Fast Track development program. The FDA has recognised that EB is a serious disease and that there are no FDA-approved treatments for this condition. Additionally, the FDA has noted that Amryt has generated preliminary clinical data from an ongoing Phase 3 trial, which supports continued study. The Fast Track programme is designed to accelerate the development and review of products such as FILSUVEZ®, which are intended to treat serious diseases and for which there is an unmet medical need. Fast Track designation enables more frequent communication with the FDA and may allow for further benefit from FDA accelerated programmes such as priority review and/or rolling review.

The COVID 19 pandemic has had a material impact on clinical trials globally, including patient recruitment. Given that the EASE study was already close to full enrolment, Amryt has taken advice from an independent expert and concluded that the statistical impact of further patient recruitment would most likely be negligible. In April 2020, we decided to close the EASE study to further enrolment. Shortly after the last patient completes the end of the double-blind treatment period (Day 90), the study data will be cleaned and the database locked. Statistical analyses will then be performed and the Company now anticipates top line data read out in late Q3 / early Q4 2020.

Board Renewal

This year, we saw a number of changes to our Board of Directors with four new Non-Executive Directors appointed to the Board – George Hampton, Donald Stern, Alain Munoz and Steven Wills. We welcome them to the Board and look forward to working with them to execute on our strategy of becoming a global leader in rare and orphan diseases and most importantly, delivering therapies to patients with unmet needs. Harry Stafford, James Culverwell and Markus Ziener resigned from their positions as Non-Executive Directors on the Board in September 2019. We thank them for the service and wish them well in all their future endeavours. Rory Nealon also resigned from his position as an Executive Director of the Board but will continue in his roles as Chief Financial Officer (CFO) and Chief Operating Officer (COO).

STRATEGIC REPORT:
Chairman & Chief Executive's Statement and Business Review continued

Corporate Governance

As an AIM quoted company, we are required to formally adopt a corporate governance code as well as disclose details of our compliance with that code and, where we depart from the code, provide an explanation of the reasons for doing so.

The Amryt Board adopted the Quoted Companies Alliance Code (the "QCA Code") on 25 September 2018. The Board of Directors, including myself as Non-Executive Chairman, acknowledge the importance of the ten principles set out in the QCA Code and details of our compliance with the code can be found in the Corporate Governance section of this Annual Report as well as on our website – www.amrytpharma.com.

Our People

Amryt is led by an experienced senior management team which has been enhanced further in 2019 by the appointment of a number of new Senior Managers. Amryt now has in place an exceptionally strong leadership team, and also has the necessary commercial, regulatory and medical infrastructure in place across the US and Europe. Our strategy is to leverage this capacity to seek to in-license more commercial and late stage assets, which we are actively pursuing.

All of our success to date has been achieved through the collective effort of our team across the US and Europe. I would like to take this opportunity to sincerely thank them all for their dedication, support and efforts.

Outlook

Over the past 4 years, Amryt has forged a strategy and business model that we believe is flexible and adaptable over time and can fulfil our ambition of becoming a global player in rare and orphan diseases with a diversified offering of multiple commercial and development stage assets that provides scale to support further growth.

We are very positive about the growth prospects for our lomitapide and metreleptin commercial businesses. Lomitapide performed well both in the US and Europe, Middle East and Africa ("EMEA") territories. Metreleptin revenues continue to increase each year and we believe that there remains a significant opportunity to further grow revenues especially with material, latent opportunities in EMEA and Latin America. Capitalising on these opportunities will be a major focus for us in 2020. We also intend to continue our evaluation of additional opportunities for both commercial products in 2020, in particular FCS for lomitapide and US PL for metreleptin.

We look forward to the top-line data readout from our EASE study in late Q3 / early Q4 2020, which will represent a significant milestone for Amryt and our stakeholders. We are also encouraged by the interest expressed by physicians to study FILSUVEZ® in various other partial thickness wound indications with a high unmet medical need and will continue to evaluate these opportunities in 2020.

COVID-19 update

Amryt provides therapeutic products to HoFH and lipodystrophy patients globally on a recurring basis. Once lomitapide (for the treatment of HoFH) or metreleptin (for the treatment of lipodystrophy) are prescribed by physicians, patients are typically on treatment over a long period of time with repeat prescriptions for each patient, which has limited the impact of the COVID-19 pandemic on Amryt's existing patient revenues.

Amryt has in excess of 12 months of labelled or unlabelled finished products on hand for both lomitapide and metreleptin and we are taking additional steps to further strengthen our inventory levels of both metreleptin and lomitapide. To date, we have not experienced any significant logistical difficulties in delivering product to patients.

Whilst the COVID-19 pandemic is still very much present at the time of writing, we are pleased to be able to report that the impact of COVID-19 to date on Amryt's business has been minimized. This is a result of deploying contingency plans already in place for a variety of scenarios and challenges which may occur. We continue to monitor the situation on a daily basis and our primary focus remains ensuring the safety of our colleagues, their families and our patients at this time.

We look forward to sharing further updates with you on our progress and thank you for your support. We look to the future with optimism and fully believe Amryt is now very well positioned to progress its vision of becoming a global leader in rare and orphan diseases.

Ray Stafford
Non-Executive Chairman

24 June 2020

Dr Joe Wiley
Chief Executive Officer

STRATEGIC REPORT:
Performance Highlights

2019 was a truly transformational year of performance and growth for Amryt. The Aegerion integration was completed successfully and ahead of schedule and the business is performing ahead of expectations. In a single year, Amryt has evolved from a company with a single commercial asset on the market in the EMEA region to become a global biopharmaceutical company with two orphan disease products on the market and a commercial infrastructure across North America, EMEA and LATAM. The acquisition has expanded our capabilities, diversified our global customer base, added important US infrastructure, and creates an ideal platform to expand the existing global footprint through a combination of organic and acquisition growth in conjunction with the advancement of our existing development pipeline products.

Some financial and operational highlights of the Group's performance in 2019 and 2020 to date are as follows:

2019 Financial Highlights

The 2019 audited financial results reflect the acquisition of Aegerion from 24 September 2019 and are not reflective of the performance of the combined businesses for a full year. Total reported revenues of $58.1 million reflect sales of the legacy Amryt business for the full financial year, plus sales of the acquired Aegerion business with effect from 24 September 2019.

To aid comparison, we also report unaudited combined revenues[1] that reflect the combined businesses, had they been integrated for a full financial year. On this basis, the unaudited combined revenues for 2019 would have been $154.1 million representing a growth rate of 13.1% on 2018 unaudited combined revenues of $136.3 million.

- MYALEPT® / MYALEPTA® (metreleptin) generated revenues of $85.4 million (2018: $71.4 million) representing an increase of 19.6%
- JUXTAPID®/LOJUXTA® (lomitapide) generated revenues of $68.0 million (2018: $64.0 million), representing a growth rate of 6.3%
- The significant growth in metreleptin revenues was driven by the ongoing rollout of MYALEPTA® in Europe following the approval of the product by the European Medicines Agency in Q3 2018

1 Unaudited combined revenues for 2018 and 2019 represent the combined unaudited revenues of the Company assuming the acquisition by Amryt of Aegerion occurred on 1 January 2018. It also (i) excludes revenues from sales to end-users in Japan following the out-licencing of JUXTAPID to Recordati in February 2019, (ii) excludes up-front payments from Recordati in 2019, and (iii) includes a 22.5% royalty on Japanese sales of JUXTAPID from 1 January 2018 as if the Recordati agreement was in place from that date.

Statutory and adjusted 2019 results

US$ (Million)	2018	2019	Restructuring / Deal Costs Adjs[2]	Non-cash Items[3]	2019 Non-GAAP Adjusted
Revenue	**17.1**	**58.1**	**–**	**–**	**58.1**
Gross profit	10.8	16.1	2.5	22.2	40.8
R&D	(10.7)	(15.8)	–	–	(15.8)
SG&A	(17.3)	(35.5)	–	0.8	(34.7)
Restructuring & acquisition costs	–	(13.1)	13.1	–	–
Share based compensation expenses	(0.8)	(0.8)	–	0.8	–
Impairment charge	–	(4.7)	–	4.7	–
Operating loss before finance expense	**(18.0)**	**(53.8)**	**15.6**	**28.5**	**(9.7)**
Unrestricted cash & cash equiv.	9.9	65.2	–	–	65.2

2 Restructuring / deal cost adjustments includes the Amryt acquisition and deal related costs associated with the Aegerion acquisition, the subsequent restructuring costs during the period post the completion of the acquisition associated with the relocation of a number of functions from Boston and EMEA to Dublin, Ireland, and the removal of royalties paid by Amryt to Aegerion in the period prior to completion of the acquisition which become an intercompany payment post completion of the acquisition.

3 Non-cash items include amortisation of the acquired metreleptin and lomitapide intangible assets, amortisation of the inventory fair value step-up that was acquired at the acquisition date, depreciation and other amortisation, share based compensation expenses and the impairment of our AP102 asset.

As outlined in the table above, the operating loss for 2019 of $53.8 million (2018: $18.0 million) includes the significant impact of restructuring and deal costs associated with the Aegerion acquisition and non-cash items including amortisation, impairment, depreciation and the impact of share based compensation expenses. Operating losses before non-cash items and restructuring & deal costs in 2019 were $9.7 million (operating loss before non-cash items for 2018: $16.8 million).

2019 Business Highlights

- Amryt acquired Aegerion on 24 September 2019 creating a global commercial rare disease business with two approved products, which delivered $154.1 million in unaudited combined revenues[1] in 2019
- The Company's lead development candidate, FILSUVEZ®, is currently completing a pivotal Phase 3 prospective double-blind randomised placebo controlled study ("EASE") in patients with dystrophic and junctional EB. EASE is the largest ever global Phase 3 study conducted in patients with EB, operating across 55 sites in 27 countries globally. In January 2019, Amryt reported the outcome of an unblinded interim efficacy analysis, at which point an Independent Data Monitoring Committee recommended that the trial should continue with an increase of 48 patients in the study to a total of 230 evaluable patients in order to achieve 80% statistical power. Given the impact the COVID-19 pandemic has had on clinical trials globally, including patient recruitment, and given that the EASE study was already close to full enrolment, Amryt has taken advice from an independent expert and concluded that the statistical impact of further patient recruitment would most likely be negligible. Amryt therefore decided to close the EASE study to further enrolment in April 2020
- FILSUVEZ® received Fast-Track Designation from the U.S. Food and Drug Administration ("FDA") in September 2019 having previously received a Rare Paediatric Disease Designation. These designations from the FDA are designed to accelerate the development and review of products such as FILSUVEZ® and Amryt will be eligible to receive a Priority Review Voucher ("PRV") that can be used, sold or transferred if FILSUVEZ® is ultimately approved by the FDA.

STRATEGIC REPORT:
Performance Highlights continued

- AP103, is currently in pre-clinical development for the treatment of patients with Recessive Dystrophic EB, a subset of EB. AP103 is the first gene therapy product candidate based on our novel polymer-based topical gene therapy delivery platform, which also has potential use for the treatment of other rare genetic diseases. On 7 January 2019 Amryt announced that two pre-clinical studies showed that topical application of AP103 restored production of collagen VII in pre-clinical models of EB to levels exceeding those produced by healthy human keratinocytes and to levels similar to those observed following delivery with a viral vector. In addition, AP103 exhibited no evidence of cellular toxicity after repeated administration
- Board Renewal – In September 2019 post completion of the Aegerion acquisition, Harry Stratford, Rory Nealon, James Culverwell and Markus Ziener stood down from the Board. George Hampton, Dr Alain Munoz, Donald Stern, Dr Patrick Vink and Stephen Wills all joined the Board as Non-Executive Directors with Ray Stafford becoming Non-Executive Chairman

Post-Period End Highlights

- Aegerion integration completed successfully and ahead of schedule
- Q1 2020 revenues (unaudited) of $44.6 million representing a 30% increase on unaudited proforma combined revenues in Q1 2019 of $34.3 million. EBITDA (unaudited) of $4.6 million delivered in Q1 2020
- In February 2020, we announced that we had confidentially submitted a draft registration statement on Form F-1 to the SEC relating to the proposed listing of American ADSs representing Amryt ordinary shares on Nasdaq. In June 2020, we filed a public registration statement on Form F-1
- Enrolment concluded in EASE, a global pivotal Phase 3 trial in patients with dystrophic and junctional EB. Top-line data from this study is expected in late Q3 / early Q4 2020
- In May 2020, FILSUVEZ® was confirmed as the global brand name for AP101. Establishing the brand name for AP101 is another important step forward in ensuring readiness for the global launch of FILSUVEZ®

COVID-19 Update

The primary concern of all the Amryt team is to ensure the safety of our colleagues, their families and our patients and partners at this time. Global healthcare systems are operating at or close to full capacity and the focus within systems now is to treat those patients in need of acute care. Amryt's business lends itself to remote working and in recent weeks, we have successfully transitioned appropriate functions to remote platforms exclusively without incident. The impact of COVID-19 to date on Amryt's business has been minimized and this is a result of deploying contingency plans already in place for a variety of scenarios and challenges which may occur.

Amryt provides therapeutic products to Homozygous Familial Hypercholesterolaemia ("HoFH") and lipodystrophy patients globally on a recurring basis. Once lomitapide (for the treatment of HoFH) or metreleptin (for the treatment of lipodystrophy) are prescribed by physicians, patients are typically on treatment over a long period of time with repeat prescriptions for each patient. As such, the majority of our revenues are recurring in nature. During the pandemic our sales teams' deployment in the field is restricted and we continue to evaluate remote and virtual physician access as a means to identify new patients that may be suitable for treatment with our products.

Amryt has in excess of 12 months of labelled and unlabelled finished products on hand for both lomitapide and metreleptin. Our supply chain is robust and we are confident that we can continue to supply patients for the foreseeable future. We are taking additional steps to further strengthen our inventory levels of both metreleptin and lomitapide. To date, we have not experienced any significant logistical difficulties in delivering product to patients. In major markets such as the USA, the UK and Germany, product has historically been delivered direct to patients' homes. In other markets, product has typically been delivered to local hospitals/distributors and we are continuing to explore opportunities to expand direct to home delivery in these markets.

STRATEGIC REPORT:
Our Products & Development Pipeline

Commercial Assets

Lomitapide is an oral therapy approved as an adjunct to a low-fat diet and other lipid-lowering treatments for adults with HoFH, in the United States under the trade name JUXTAPID and in the European Union under the trade name LOJUXTA. HoFH is a rare and serious genetic condition that leads to aggressive and premature heart disease, heart attacks and strokes in patients as young as teenagers. HoFH patients are at a high risk of experiencing life-threatening cardiovascular events as a result of extremely elevated cholesterol levels in the blood and have a substantially reduced life expectancy. HoFH impairs the liver's ability to remove low density lipoprotein ("LDL") cholesterol, or "bad" cholesterol, from the blood, which if left untreated can cause aggressive narrowing and blocking of the blood vessels. According to a 2013 European Heart Journal article, the prevalence of HoFH is one person per million. However, according to a 2016 article published in Atherosclerosis, the number may be as high as 6.25 persons per million. Lomitapide is a small molecule microsomal triglyceride transfer protein ("MTP") inhibitor. MTP exists in both the liver and intestines where it plays a role in the formation of cholesterol-carrying lipoproteins. As a result, inhibition of MTP is an effective cholesterol-lowering therapy in HoFH patients with limited or non-functional LDL receptors.

Metreleptin for injection is approved in the United States under the trade name MYALEPT as an adjunct to diet as replacement therapy to treat the complications of leptin deficiency in patients with congenital or acquired GL. It is approved in the European Union under the trade name MYALEPTA for the treatment of leptin deficiency in patients with congenital or acquired GL and familial or acquired PL for whom standard treatments have failed to achieve adequate metabolic control. GL and PL are rare diseases characterized by loss or lack of adipose tissues (fat cells), resulting in the deficiency of the hormone leptin. GL and PL patients experience severe metabolic abnormalities including severe insulin resistance, diabetes, hypertriglyceridemia and fatty liver disease. We estimate that the prevalence of GL is approximately one person per million and of PL is approximately three persons per million. Metreleptin is a recombinant human leptin analog that binds to and activates the human leptin receptor. Metreleptin acts to stimulate fatty acid oxidation throughout the body and lower plasma, hepatic and myocellular triglyceride levels.

Development Pipeline

FILSUVEZ®

Our lead development candidate, FILSUVEZ®, is being developed as a potential treatment for the cutaneous manifestations of severe EB, a rare and devastating genetic skin disease affecting young children and adults for which there is currently no approved treatment. EB is a group of diseases of the skin, mucous membranes and internal epithelial linings characterized by extreme skin fragility that blisters and tears from minor friction or trauma. Patients with severe forms of EB, including Dystrophic EB ("DEB") and Junctional EB ("JEB"), suffer from severe and chronic blistering, scarring, mutilating scarring of the hands and feet, joint contractures, strictures of the oesophagus and mucous membranes, a high risk of developing aggressive squamous cell carcinomas, infections and risk of premature death. According to a 2013 article in the Journal of Investigative Dermatology, it is estimated that the incidence of EB is approximately one in 20,000, which implies that there are as many as 30,000 affected individuals in the United States and over 500,000 worldwide.

Our pivotal Phase 3 clinical trial of FILSUVEZ®, EASE, in severe EB, including DEB and JEB commenced in March 2017, with the first patient enrolled in April 2017.

In July 2018, FILSUVEZ® was granted Rare Pediatric Disease designation by the U.S. Food and Drug Administration ("FDA"). This means that if a New Drug Application ("NDA") for FILSUVEZ® is approved, the Directors expect Amryt to be eligible to receive a Rare Pediatric Disease Priority Review Voucher ("PRV") that can be used, sold or transferred.

In January 2019, we reported that the independent Data and Safety Monitoring Committee ("IDMC") performed a pre-specified unblinded interim efficacy analysis, which supported the continuation of the study with an increase in sample size from 182 to 230 evaluable patients to maintain 80% statistical power.

FILSUVEZ® was granted Fast Track designation by the FDA in September 2019. The Fast Track programme is designed to accelerate the development and review of products such as FILSUVEZ®, which are intended to treat serious diseases and for which there is an unmet medical need. Fast Track designation enables more frequent communication with the FDA.

STRATEGIC REPORT:
Our Products & Development Pipeline continued

Amryt intends to request and submit a rolling-NDA in the coming months to the FDA and will request a priority review in the US. Amryt also intends to pursue an accelerated assessment in the EU.

In April 2020, Amryt announced that we have decided to close the EASE study without further enrolment. The COVID-19 pandemic has had a material impact on clinical trials globally, including patient recruitment. Given that the EASE study was already close to full enrolment, Amryt has taken advice from an independent expert and concluded that the statistical impact of further patient recruitment would most likely be negligible and therefore we have decided to close enrolment with immediate effect. Shortly after the last patient completes the end of the double-blind treatment period (Day 90), the study data will be cleaned and the database locked. Statistical analyses will then be performed and the Company now anticipates top line data read out in late Q3 / early Q4 2020.

We continue to evaluate new life cycle opportunities for FILSUVEZ®. Dermatological conditions currently under consideration include:

- Toxic Epidermal Necrolysis Syndrome (TENS), including Stevens-Johnson Syndrome (SJS)
- Grade III / IV radiotherapy and chemotherapy induced

We intend to file applications for orphan designation for some of these new potential orphan indications in the USA, Europe and Japan and believe that, with its intellectual property estate and regulatory protections, there is significant scope to maximise the value of FILSUVEZ® beyond EB through a global multi-orphan strategy.

AP103

In March 2018, Amryt concluded an exclusive in-licencing of AP103 – a novel polymer platform technology for delivery of gene therapy with potential applicability across a range of genetic disorders. This technology has been exclusively in-licenced from University College Dublin ("UCD") and involves the use of Highly Branched Poly (-Amino Ester) ("HPAE") polymers as the delivery vehicle for gene therapy.

The initial focus of the development work has been in the area of EB. Patients with EB have mutations (changes) in the genes that code for structural proteins in the skin. These genetic mutations cause impaired or absent function of the proteins that normally give the skin its mechanical strength. Mutations in the gene that codes for type VII collagen cause a sub-type of EB called dystrophic EB ("DEB"). When this disease is inherited it can be passed on as a recessive form in which both parents are carriers of the disease but don't have symptoms, it is referred to as Recessive Dystrophic Epidermolysis bullosa ("RDEB"). RDEB causes a severely debilitating condition that often causes widespread skin wounds that cause substantial pain, itch, infections, and predispose the patients to develop an aggressive form of skin cancer. The multiple complications of this disease also result in a dramatically shortened life expectancy.

Restoration of production of normal type VII collagen by gene therapy could be transformative for these patients. Preliminary pre-clinical data generated from a human RDEB skin graft model ("xenograft model") has repeatedly shown significant levels of type VII collagen restored to the skin post-therapy.

Potential competitors working in the area of gene therapy for EB are mostly working with viral vectors for gene delivery. The patented technology which Amryt has licenced from UCD involves the use of a novel non-viral gene delivery platform technology, specifically using the family of HPAE polymers. If successful, this could eliminate the requirement for viruses as delivery vectors and provide a safer, easier to manufacture and more convenient treatment for patients.

The Group completed two pre-clinical studies in 2018, and in January 2019, Amryt announced positive results from these studies which support the development of its non-viral gene therapy, AP103, as a potentially disease-modifying therapy for patients with RDEB.

Data from the pre-clinical studies demonstrated that:

- A single application of AP103 restored type VII collagen production to levels exceeding those normally produced by healthy human keratinocytes using RDEB keratinocytes grown in cell culture
- Topical application of AP103 onto a 3-D matrix of human RDEB skin restored collagen VII along the basement membrane to levels similar to those observed post-delivery using a viral vector
- AP103 exhibited no evidence of cellular toxicity in vitro or in vivo after repeated administration.

We continue the pre-clinical testing of AP103. A pre-clinical toxicology program is in development for the safety assessment of the HPAE polymer on its own and formulated as AP103. The suppliers for the materials for production of the components of AP103 and the final AP103 product under good manufacturing practice ("GMP") conditions are currently under evaluation for selection.

In December 2018, an Amryt led consortium was awarded grant funding totalling €8.4m over three years from the Disruptive Technologies Innovation Fund ("DTIF"), part of the Irish Government's Department of Business, Enterprise and Innovation, to develop the Company's AP103 gene therapy platform. The grant has been awarded to a consortium comprised of Amryt, University College Dublin ("UCD") and Curran Scientific Limited. The grant funded activities started in December 2019 and will be matched by the consortium partners at various funding levels over the three-year term of the project. The grant will fund further development of Amryt's AP103 non-viral gene therapy platform from pre-clinical testing to proof of concept in humans. The initial funds will be used for R&D and staff costs associated with the project and, if pre-clinical work is successful, to fund the initial phases of a clinical trial for AP103. In addition to the primary work on AP103, the funds will also support research into the development of the Highly Branched Poly (-Amino Ester) ("HPAE") polymer technology for the potential treatment of other genetic disorders.

Lomitapide and Metreleptin

We continue to evaluate additional expansion opportunities for our two commercial products. We are conducting a Phase 3 pediatric study in the EMEA for the use of lomitapide in children and adolescents with HoFH. In 2019, pre-study activities commenced, the protocol was finalised in August and 17 study sites were selected across multiple countries. An intensive feasibility was also conducted to identify potential patients within the specific age categories required for the trial. We expect to report data in the first half of 2022.

We are also exploring the potential use of lomitapide to treat patients with Familial Chylomicronemia Syndrome ("FCS"), which is a severe, rare genetic lipid disease characterized by extremely elevated levels of triglycerides, or hypertriglyceridemia. An investigator-led open-label Phase 2 trial studying lomitapide in patients with FCS is ongoing and we expect to report data in the second half of 2020. Upon successful completion of this Phase 2 study, we intend to discuss these results with the FDA and EMA in the context of agreeing the design of a potential pivotal trial in FCS.

We also intend to discuss with the FDA in the third quarter of 2020 the potential for label expansion of metreleptin in the United States to include the treatment of PL. We expect this will require a pivotal Phase 3 study in PL patients, either as a post-approval commitment or prior to potential approval.

STRATEGIC REPORT:
Our Mission and Strategy

Our mission is to become a global leader in the treatment of rare diseases through developing, commercializing and acquiring novel therapeutics. To achieve this mission, we are pursuing the following strategies:

- Drive revenue growth for our existing commercial products. We intend to continue to focus on growing the sales of lomitapide and metreleptin in the markets and indications we currently sell them. We also intend to expand the market opportunity by seeking approval for the use of lomitapide to treat pediatric HoFH and for the treatment of FCS and for the use of metreleptin to treat PL in the United States
- Complete development and commercialize our lead product candidate, FILSUVEZ®, for the treatment of severe EB. FILSUVEZ® is currently in a pivotal Phase 3 trial for the treatment of cutaneous manifestations of severe EB, enrolment is now complete and we expect to report data in late Q3 / early Q4 2020. If the trial is successful, we intend to apply for approval of FILSUVEZ® and commercialize it in the United States and the European Union. If approved by the FDA, we are eligible to receive a PRV that we can use, sell or transfer
- Leverage our global commercial and medical infrastructure. We intend to leverage our existing global infrastructure and expertise to commercialize our development-stage pipeline, including our lead product candidate, FILSUVEZ®, if approved, and any rare disease assets we may acquire or in-license in the future
- Continue developing our gene therapy product candidate, AP103, for the treatment of RDEB. AP103 is currently in preclinical development for the treatment of RDEB. We intend to initiate clinical development in the second half of 2021, and:
- Continue evaluating opportunities to expand our rare disease product portfolio and pipeline. We believe we are well positioned to continue to opportunistically acquire or in-license rare disease assets that we believe we can efficiently sell through our existing commercial infrastructure.

STRATEGIC REPORT:
Our Strengths

We believe our key competitive strengths include the following:

Revenue-generating commercial products. We currently generate revenue, including royalties, from global sales of lomitapide and metreleptin. This revenue stream provides us with financial flexibility to fund the continued development and potential commercialization of our existing development candidates as well as the potential acquisition or in-license of additional rare disease products and late-stage product candidates. We have retained worldwide development and commercial rights to all of our programs, excluding Japan for lomitapide, where we receive royalties, and Japan, South Korea and Taiwan for metreleptin.

Late-stage clinical program in severe EB. We are conducting a global pivotal Phase 3 trial of FILSUVEZ® for the treatment of cutaneous manifestations of severe EB and we expect to report data in late Q3 / early Q4 2020. This Phase 3 trial is the largest EB study conducted to date. Based on our conversations with the FDA and EMA, we believe that positive results from this trial would allow us to apply for marketing approval for FILSUVEZ® in both the United States and Europe.

Existing, scalable global commercial and medical infrastructure. We sell lomitapide and metreleptin in the Americas, Europe and the Middle East through our existing rare disease commercial infrastructure. Our commercial expertise includes market access, marketing, sales managers and sales representatives and is supported by our experienced medical affairs team with medical science liaisons, patient advocacy and dieticians in the field. We also leverage our network of third-party distributors in other key markets throughout the world. We believe we will be able to leverage our existing global infrastructure and expertise to efficiently and expeditiously commercialize additional products we may acquire or develop, including our lead product candidate, FILSUVEZ®, if approved.

Proven track record of building a diversified rare disease product portfolio. We acquired FILSUVEZ® through the acquisition of Birken AG in 2016, in-licensed LOJUXTA in December 2016, in-licensed our gene therapy platform, including AP103, in March 2018 and acquired metreleptin and the remaining rights to lomitapide through the Acquisition in September 2019.

Strong patent protection and regulatory exclusivity. We believe our intellectual property portfolio as well as protection afforded by regulatory exclusivity provide us with a substantial competitive advantage in marketing our current products and also protect our development programs. Our lomitapide patent portfolio includes patents that provide protection into 2027 in the United States and into 2025 in the European Union, with supplementary protection granted to extend patent protection in major EU countries into 2028. The metreleptin patent portfolio includes patents that provide protection into 2027 in the United States and into 2022 in the European Union and orphan exclusivity in the European Union into 2028. The FILSUVEZ® patent portfolio includes patents that provide protection in both the United States and the European Union into 2030 and a non-provisional application covering future FILSUVEZ® indications which, if granted, would provide worldwide protection into 2039. We have also submitted additional patent applications to further strengthen our intellectual property portfolio.

Experienced management team comprised of industry leaders in rare diseases. Our management team has extensive expertise in the acquisition, development and commercialization of rare disease assets. We believe that the breadth of experience and successful track record of our management team and our Board, combined with our broad network of established relationships with leaders in the industry and medical community, provide us with strong drug development and commercialization capabilities.

STRATEGIC REPORT:
Financial Review

Revenues

The revenues for each of our significant products were as follows

	Year ended 31 December		Increase / (Decrease)	
	2019	2018		
	$'000	$'000	$'000	% change
Metreleptin	**25,088**	–	25,088	100%
Lomitapide	**32,260**	16,110	16,150	100.2%
Other	**776**	985	(209)	(21.2%)
Total revenues	**58,124**	17,095	41,029	240.0%

Total product sales were $58.1 million for the year ended 31 December 2019, compared to $17.1 million for the year ended 31 December 2018. Sales of metreleptin and lomitapide comprise product sales and royalties on sales, respectively, made by our licensees.

Metreleptin

We generated revenues from product sales of metreleptin of $25.1 million for the period from the date of Acquisition on 24 September 2019 to 31 December 2019. 59.6% of product sales for metreleptin were in the United States, with the remaining 40.4% in the European Union and other international markets.

Lomitapide

We generated revenues from product sales of lomitapide of $31.6 million and royalties of $0.7 million from Recordati for the year ended 31 December 2019. This includes revenues from product sales of LOJUXTA in the EMEA region for the full year together with revenues from product sales and royalties of JUXTAPID in other jurisdictions from the date of Acquisition on 24 September 2019.

This compares to $16.1 million of LOJUXTA product sales (all in the EMEA region) for the year ended 31 December 2018.

Other

Other revenues relate to sales from our in-house derma-cosmetic range of products, Imlan, and our early access program for FILSUVEZ®. Imlan is marketed solely in Germany as a treatment for sensitive, allergy-prone skin. The decrease in revenues in 2019 was due to a decrease in customers following a reduction in product offerings in 2019.

Cost of Sales

	Year ended 31 December		Increase / (Decrease)	
	2019	2018		
	$'000	$'000	$'000	% change
Cost of product sales	**11,384**	3,588	7,796	217.3%
Amortization of acquired intangibles	**11,831**	–	11,831	100%
Amortization of inventory fair value step-up	**10,367**	–	10,367	100%
Royalty expenses	**8,419**	2,678	5,741	214.4%
Total revenues	**42,001**	6,266	35,735	570.3%

Total cost of sales was $42.0 million for the year ended 31 December 2019, representing the cost, including royalties, of selling metreleptin and lomitapide, non-cash intangible amortization and non-cash inventory fair value step-up expenses. Total cost of sales was $6.3 million for the year ended 31 December 2018, which represented the cost, including royalties, from sales of LOJUXTA, Imlan and our Early Access Program for FILSUVEZ®.

STRATEGIC REPORT:
Financial Review continued

The cost of product sales in the year ended 31 December 2019 increased by $7.8 million, and royalty expenses increased by $5.7 million in 2019 compared to the year ended 31 December 2018. The acquisition of lomitapide for markets outside the EMEA and metreleptin for all markets largely drove this increase in costs. Following the Acquisition, we are now selling two commercial products on a global basis, which results in a higher cost of producing our commercial products, higher royalties on sales, and higher costs of delivery of goods sold to customers, including the costs associated with the services provided by our distributors to import and deliver the goods.

Amortization of acquired intangible assets was $11.8 million in 2019 and relates to the amortization charge, for the post Acquisition period, on the two commercial assets purchased as part of the Acquisition.

The non-cash inventory step-up was $10.4 million in 2019. This relates to the difference between the estimated fair value and the book value of inventory acquired from Aegerion which is being amortized over the estimated period that we expect to sell this inventory.

Research and Development Expenses

Research and development expenses consist primarily of costs related to clinical studies and outside services, post-approval commitment studies, personnel expenses and other research and development costs. Study costs and outside services costs relate primarily to services performed by clinical research organizations, materials and supplies, and other third-party fees. Research and development expenses for the year ended 31 December 2019 were $15.8 million, representing 23% of our total operating expenses, compared to $10.7 million, or 37% of total operating expenses, for the year ended 31 December 2018. Research and development expenses in both years were primarily driven by the clinical advancement of FILSUVEZ® as we continued our global clinical trial sites. Research expenses in 2019 comprised $4.8 million in employee compensation, $7.7 million of amounts paid to clinical research organizations, and $3.3 million of other outsourced services. Research expenses in 2018 comprised $2.6 million in employee compensation, $4.4 million of amounts paid to clinical research organizations, and $3.7 million of other outsourced services.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were $35.5 million for the year ended 31 December 2019, representing 51% of our total operating expenses, compared to $17.3 million for the year ended 31 December 2018, representing 60% of our total operating expenses. The increase in selling, general and administrative expenses was primarily due to an increase in compensation-related expenses, primarily driven by higher headcount following the Acquisition, and an increase in other expenses related to the expansion and support of our business.

Restructuring and Acquisition Costs

Restructuring and acquisition costs arising from the Acquisition were $13.0 million for the year ended 31 December 2019. These costs primarily relate to professional fees associated with the Acquisition. The expenses also include severance costs associated with the relocation of a number of roles from the Boston office of Aegerion to our head office in Dublin, Ireland following the completion of the Acquisition.

Share Based Payment Expenses

Non-cash share-based payment expenses for the year ended 31 December 2019 were $0.8 million, unchanged from the same amount in the year ended 31 December 2018. We issue share options as an incentive to senior management and employees. The fair value is measured at the grant date using the Black-Scholes model and amortized over the period during which the awards vest.

STRATEGIC REPORT:
Financial Review continued

Impairment charge

In 2019, an impairment charge of $4.7 million was recorded to write off the remaining carrying value of an in process intangible asset, AP102, an early stage drug asset which represents 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. Following the Acquisition, we made the decision to concentrate resources on those development pipeline activities that will better complement our existing commercial assets, lomitapide and metreleptin. We may look to partner AP102 in the long-term future but in the short to medium term, we will continue to concentrate our efforts on FILSUVEZ®, AP103 and expansion opportunities for the existing commercial assets.

Non-Cash Change in Fair Value of Contingent Consideration

We compute the fair value of the contingent consideration arising from the acquisition of Birken AG (now Amryt GmbH). The Amryt GmbH consideration relates to milestone payments of up to $35 million and royalty payments that are payable to the previous owners of Amryt GmbH, which are triggered by future regulatory approvals of AP101 for the treatment of EB from both the FDA and EMA, as well as future sales-driven milestones.

Non-Cash Contingent Value Rights ("CVR") Finance Expense

The $1.5 million non-cash CVR finance expense for the year ended 31 December 2019 represents the effective interest rate unwind on amortized cost between the carrying value of the CVRs from the initial recognition date to the reporting date of 31 December 2019.

We issued CVRs pursuant to which up to $85 million may become payable to Amryt shareholders and option holders who were shareholders prior to completion of the Acquisition, if certain regulatory approval and revenue milestones are met in relation to AP101.

Net Finance Expense – Other

Other net finance expense was $4.8 million for the year ended 31 December 2019. Other net finance expense relates to interest on loans of $8.5 million, partially offset by foreign exchange gains of $3.8 million. The foreign exchange gain primarily relates to the translation of euro- and sterling-denominated net monetary amounts held by subsidiaries with a non U.S. dollar functional currency.

Other net finance expense was $1.8 million for the year ended 31 December 2018, which primarily related to interest on our EIB Facility with the EIB. This loan facility was repaid in 2019.

Operating Loss and Total Comprehensive Loss

The operating loss before finance expense for the year ended 31 December 2019 amounted to $53.8 million (2018: $18.0 million).

In addition to analysing our operating results on an IFRS basis, management also reviews our results on an "Adjusted EBITDA" basis. Adjusted EBITDA is defined as net loss before income taxes, non-cash change in fair value of contingent consideration, non-cash contingent value rights finance expense, net finance expense – other, amortization expense, depreciation expense, share-based payments, impairment charges, and restructuring and acquisition costs related to the acquisition of Aegerion.

The following table reconciles adjusted EBITDA to total comprehensive loss for the period attributable to the equity holders of the Company:

	31 December 2019 $'000	31 December 2018 $'000
Loss for the year attributable to equity holders of the Company	**(65,535)**	(30,487)
Income taxes	**(1,226)**	43
Non-cash change in fair value of contingent consideration	**6,740**	10,566
Non-cash contingent value rights finance expense	**1,511**	–
Net finance expense – other	**4,759**	1,841
Amortisation of inventory fair value step-up	**10,367**	–
Amortisation expense – other	**11,957**	50
Depreciation expense	**698**	317
Share-based payments	**841**	821
Impairment charge	**4,670**	–
Restructuring and acquisition costs	**13,038**	–
Adjusted EBITDA	**(12,180)**	(16,849)

Liquidity and Capital Resources

We had unrestricted cash and cash equivalents of $65.2 million as at 31 December 2019, compared to $9.9 million as at 31 December 2018. We have financed our operations to date primarily through sales of our commercial products and sales of our ordinary shares and debt financing. We expect to incur significant expenses for the foreseeable future as we continue commercializing our approved products and advancing the clinical development of our product candidates. We expect that our R&D and SG&A costs will increase in connection with conducting clinical trials for our product candidates and any new product candidates we acquire or develop and due to the costs of seeking marketing approval for our product candidates in Europe, the United States and other jurisdictions.

Cash Flows

The table below provides selected cash flow information for the periods indicated:

	31 December 2019 $'000	31 December 2018 $'000
Net cash flow used in operating activities	**(37,497)**	(15,454)
Net cash flow from / (used in) investing activities	**24,425**	(229)
Net cash flow from financing activities	**65,942**	3,265
Exchange and other movements	**3,133**	(767)
Net change in cash and cash equivalents	**56,003**	(13,185)

Net Cash Flow Used in Operating Activities

Net cash used in operating activities was $37.5 million for the year ended 31 December 2019, compared to $15.5 million for the year ended 31 December 2018. The increase of $22.0 million was primarily related to restructuring and acquisition costs of $13.0 million and working capital fluctuations.

STRATEGIC REPORT:
Financial Review continued

Net Cash Flow From / (Used in) Investing Activities

Net cash from investing activities was $24.4 million for the year ended 31 December 2019 and primarily related to the Aegerion cash balance of $25.0 million, which we acquired in the Acquisition. A significant proportion of this cash balance was restricted and held in escrow to meet costs associated with the Aegerion bankruptcy process.

Net cash used in investing activities was $0.2 million for the year ended 31 December 2018 and primarily related to the fees paid for the extension of our license agreement with Aegerion to cover the addition of certain territories, and payments for property, plant and equipment.

Net Cash Flow From Financing Activities

Net cash flow from financing activities was $65.9 million for the year ended 31 December 2019 and primarily related to net proceeds from the issuance of shares of $63.0 million and the issuance of new debt of $31.2 million. These cash inflows were partially offset by the repayment of our EIB Facility of $22.0 million and interest paid to EIB and on our Secured Credit Facility of $6.3 million.

Net cash flow from financing activities was $3.3 million for the year ended 31 December 2018, primarily due to the drawdown of the final tranche of our EIB Facility of $5.9 million, partially offset by a milestone payment of $2.4 million relating to our acquisition of Amryt GmbH in 2016.

Debt Financing

In December 2016, we entered into the EIB Facility, a €20 million credit facility split into three tranches: €10 million available immediately, and two further tranches of €5 million available upon the achievement of certain milestones. In February 2019, after we reported the outcome of an unblinded interim efficacy analysis of the EASE trial, we drew down the final tranche of €5 million. The EIB Facility was repaid in full on 24 September 2019 in connection with the closing of the Acquisition.

In connection with the Acquisition we entered into the $81 million Secured Credit Facility and issued $125 million of Convertible Notes. The Secured Credit Facility has a five-year term from date of draw down and matures in 2024. Interest will be payable at our option at the rate of 11% per annum paid in cash on a quarterly basis or at a rate of 6.5% paid in cash plus 6.5% paid in kind that will be paid when the principal is repaid, which rolls up and is included in the principal balance outstanding, on a quarterly basis. The Convertible Notes bear interest at a rate of 5.0% per year, payable semi-annually in arrears on 1 April and 1 October of each year, beginning on 1 April 2020. The Convertible Notes will mature on 1 April 2025, unless earlier repurchased or converted. For further detail on our principal debt, see Note 19 and Note 20 of our Consolidated Financial Statements.

Contractual Obligations

The following summarizes our contractual obligations as of 31 December 2019:

	Payments due by Period				
	Less than 1 year	1 to 3 years	3 to 4 years	More than 5 years	Total
Principal debt obligations	11,957	24,796	136,927	128,125	301,805
Operating leases obligations	969	916	143	20	2,048
Contingent consideration and contingent value rights	—	99,559	27,998	—	127,557
Other liabilities	15,722	3,928	—	—	19,650
Total	**28,648**	**129,199**	**165,068**	**128,145**	**451,060**

The principal debt obligations relate to our $81 million Secured Credit Facility and our Convertible Notes with an aggregate principal amount of $125 million and the interest associated with these facilities. The Secured Credit Facility has a five-year term from date of draw down and matures in 2024. Interest will be payable at our option at the rate of 11% per annum paid in cash on a quarterly basis or at a rate of 6.5% paid in cash plus 6.5% paid in kind that will be paid when the principal is repaid, which rolls up and is included in the principal balance outstanding, on a quarterly basis. For the purposes of the contractual obligations table above, we assume that we choose to pay interest at a rate of 6.5% paid in cash plus 6.5% paid in kind that will be paid when the principal is repaid. The Convertible Notes bear interest at a rate of 5.0% per year, payable semi-annually in arrears on 1 April and 1 October of each year, beginning on 1 April 2020. The Convertible Notes will mature on 1 April 2025, unless earlier repurchased or converted. For the purposes of the contractual obligations table above, we assume that there is no conversion and that the Convertible Notes are repaid in full on 1 April 2025. For further detail on our principal debt, see Note 19 and Note 20 of our Consolidated Financial Statements.

We have operating leases commitments for offices in the United States, European Union and Latin America, a production facility in Germany and office equipment leases.

Contingent consideration and contingent value rights arose as part of (i) the acquisition of Amryt GmbH in 2016, through which we acquired AP101, and (ii) the issuance of CVRs to Amryt shareholders and option holders prior to the Acquisition of Aegerion. The contingent consideration and contingent value rights arising on these transactions are payable on achieving various milestones. For further detail, see Note 6 of our Consolidated Financial Statements.

Other liabilities relate to our obligations, inclusive of interest, under Aegerion's settlement agreements with the SEC and DOJ. For further detail, see Note 25 of our Consolidated Financial Statements.

STRATEGIC REPORT:
Key Performance Indicators

Revenue growth is a key measure for the Group. We currently generate revenue, both product and royalty revenues, from global sales of lomitapide and metreleptin. A key focus for us is to drive revenue growth in the markets and indications that we currently sell them. We also intend to expand the market opportunity for both these products – seeking approval for the use of lomitapide to treat pediatric HoFH patients and for the treatment of FCS and for the use of metreleptin to treat PL in the US.

Adjusted EBITDA growth is an important financial performance indicator for the Group. The positive momentum we experienced during 2019 has continued into Q1 2020. Our performance so far is exceeding expectations in 2020 as our business performs and grows across a host of metrics. Most importantly, we have experienced strong revenue growth and the business is significantly adjusted EBITDA positive a quarter ahead of schedule. We will continue to focus on this key metric, our goal being significant adjusted EBITDA growth in the coming years.

Our ability to leverage our global commercial and medical infrastructure is a key performance indicator to ensure we achieve significant synergies arising from the acquisition of Aegerion. This has been a key focus for the Group in Q4 2019 and will continue into 2020 as we complete the transition phase of the acquisition.

As we are currently in the pre-revenue stage for our lead development asset, FILSUVEZ®, a core focus of our business is on progression of this drug candidate through the clinic into an approved product for the treatment of EB. Our goal in 2020 is to readout top-line data and, if the results are positive, we intend to start working on EMA and FDA approval.

Identifying, acquiring and developing new drug candidates to build shareholder value is key to our goal of becoming a global leader in rare and orphan diseases. In 2018, the Group in-licenced our first gene therapy candidate, AP103. This patented technology which Amryt in-licensed from UCD involves the use of a novel gene therapy delivery mechanism using HPAE polymer technology. If successful, this could eliminate the requirement for viruses as delivery vectors and therefore provides a potential competitive advantage to Amryt. In 2019, the Group completed the acquisition of Aegerion which was a transformational deal for Amryt. We now have a diversified portfolio comprised of two commercial rare disease products as well as a development-stage pipeline focused on rare skin diseases. We continue to evaluate opportunities to expand our rare disease portfolio and pipeline.

STRATEGIC REPORT:
Risks and Uncertainties

The management of risk is a key responsibility of the Board of Directors. The Board ensures that all key risks are understood and appropriately managed considering the Group's strategy and objective, and that an effective risk management process, including appropriate internal controls, is in place to identify, quantify and manage important risks.

Operational Risk Management

To effectively manage the operational risk, the Group regularly reviews progress in key activities as follows:

- The Board of Directors meets regularly and reviews operational progress against the Group's strategy and key objectives;
- The senior management meets at least twice a month to review operational progress and, during these meetings, they identify and discuss areas of risk. If appropriate, these risks will be communicated to the Board for further discussion; and
- Commercial and Clinical teams meet on a regular basis to review progress of all key projects. As part of these discussions, any key issues identified will be elevated for discussion with the Senior Management team.

Principal Risk Factors

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

Risks Related to our Business, Financial Condition and Capital Requirements

The Group has incurred losses since its inception and anticipates that it may continue to incur losses for the foreseeable future

To date, we have financed our operations primarily through a combination of revenues from sales of our commercialized products and the sale of our equity securities and convertible notes. We have incurred net losses in each year since our inception, including net losses of $30.6 million and $64.8 million for the years ended 31 December 2018 and 2019. We have devoted most of our financial resources to the acquisition of attractive commercial and near-commercial rare disease assets and research and development. We anticipate that we will continue to incur significant costs associated with the continued commercialization of lomitapide and metreleptin, and in connection with ongoing clinical development efforts and post-marketing commitments for these products as well as the continued development of our product candidates. The amount of our future net losses will depend, in part, on the rate of our future expenditures, our ability to continue generating adequate revenues from sales of lomitapide and metreleptin and our ability to obtain funding through equity or debt offerings, grant funding, collaborations, strategic partnerships and/or licensing arrangements. If we do become profitable, we may not be able to sustain or increase our profitability on a quarterly or annual basis.

We are dependent primarily on two products, lomitapide and metreleptin, to generate revenue and these products may not be successful and may not generate sales at anticipated levels

Our ability to meet expectations with respect to sales of lomitapide and metreleptin, and to generate revenues from such sales, and attain and maintain positive cash flow from operations, in the time periods anticipated, or at all, will depend on a number of factors, including, among others:

- the ability to continue to maintain and grow market acceptance for lomitapide and metreleptin among healthcare professionals and patients in the United States, European Union and other key markets for the treatment of approved indications;
- continuing market demand and medical need for these products;
- maintaining regulatory approvals without onerous restrictions or limitations in key markets and securing regulatory approvals in additional markets on a timely basis and with commercially feasible labels, and pricing and reimbursement approvals at adequate levels, where required, on a timely basis;
- side effects or other safety issues associated with the use of lomitapide and metreleptin could require us or our collaborators to modify or halt commercialization of these products or expose us to product liability lawsuits which will harm our business;
- we may be required by regulatory agencies to conduct additional studies regarding the safety and efficacy of lomitapide and

STRATEGIC REPORT:
Risks and Uncertainties continued

metreleptin, which we have not planned or anticipated;

- generating revenues in markets that allow for sales of pharmaceutical products without regulatory approval based solely on the approvals of such products in the United States or European Union, and in which no promotion or commercialization activities are permitted; and
- adequately investing in the manufacturing, sales, marketing, market access, medical affairs and other functions that are supportive of our commercialization efforts.

If we are unable to continue to generate revenue from our current commercial products, our business, financial condition, results of operations and prospects will be adversely affected.

We may not be successful in our efforts to build a pipeline of product candidates and develop additional marketable products

We operate in the biopharmaceutical sector and have product candidates in various stages of clinical and preclinical development. In addition, we may continue to explore other opportunities within the sector in order to expand our present development pipeline. Industry experience indicates that there may be a very high incidence of delay or failure to produce valuable scientific results in relation to our present development pipeline. In addition, disruptions caused by the COVID-19 pandemic may increase the likelihood that we encounter such difficulties or delays in initiating, enrolling, conducting or completing our planned and ongoing clinical trials. We may not be successful in developing new products based on our scientific discoveries. We will also face the risk that in developing new products we may spend substantial sums of money and the new products developed may not effectively meet the perceived need or may not be successfully commercialized. Our ability to develop new products relies on, among other things, the recruitment of sufficiently qualified research and development partners with expertise in the biopharmaceutical sector. We may not be able to develop relationships or recruit research partners of a sufficient calibre to satisfy the rate of growth and develop our future pipeline.

Our future success depends on our ability to hire and retain key executives and to attract, retain and motivate qualified personnel

Our future success depends on our ability to attract and retain key management personnel, scientific and technical personnel, particularly in the biopharmaceutical industry. Our ability to continue our operations and implement our strategy depends upon retaining, recruiting and motivating employees, especially with respect to our management team and research personnel. Experienced employees in the biopharmaceutical and biotechnology industries are in high demand and competition for their talents can be intense, especially in Germany, Ireland, and Boston, Massachusetts, where we maintain our principal operations. The loss of any executive or key employee, or an inability to recruit desirable candidates or find adequate third parties to perform such services on reasonable terms and on a timely basis, could have a material adverse effect on our business, financial condition, results of operations and prospects.

We expect that certain U.S. federal income tax rules regarding "inversion transactions" will apply to us, which could result in adverse U.S. federal income tax consequences

We believe that we are a "surrogate foreign corporation" and that Aegerion is an "expatriated entity," within the meaning of Section 7874 of the U.S. Internal Revenue Code of 1986, as amended ("Code"), as a result of the Acquisition. We are a surrogate foreign corporation with respect to Aegerion if (1) pursuant to a plan, we complete the direct or indirect acquisition of substantially all of the properties held, directly or indirectly, by Aegerion, (2) after the acquisition at least 60% of our stock (by vote or value) is held by former shareholders and certain creditors of Aegerion by reason of their holding Aegerion stock or debt obligations (such percentage held by such persons being the "Section 7874 Percentage"), and (3) after the Acquisition, the expanded affiliated group that includes Amryt, Aegerion and their respective more-than-50% controlled subsidiaries ("Enlarged Amryt Group") does not have substantial business activities in the United Kingdom relative to the group's worldwide business activities.

If the Section 7874 Percentage is at least 60% but less than 80% and we are a surrogate foreign corporation with respect to Aegerion, several limitations apply to Aegerion, including, but not limited to, the prohibition, for a period of ten years, of the use of net operating losses, foreign tax credits and other tax attributes to offset the income or gain recognized by reason of transfer of any property to a foreign related person or to offset any income received or accrued during such period by reason of our license of any property to a foreign

related person and an additional minimum tax under Section 59A of the Code on certain "base eroding" payments to members of the Enlarged Amryt Group that are foreign corporations. In addition, under section 4985 of the Code and the rules related thereto, an excise tax at a rate of currently 20% is imposed on the value of certain share compensation held directly or indirectly by certain "disqualified individuals" (including certain of our officers and directors).

If the Section 7874 Percentage is at least 80% and we are a surrogate foreign corporation with respect to Aegerion, we will be treated as a U.S. domestic corporation, regardless of the fact that we are also incorporated in England and Wales, and managed and controlled in the United Kingdom, and therefore generally classified as a UK corporation for UK tax purposes. If we were treated as a U.S. domestic corporation, our entire net income would be subject to U.S. federal income tax on a net income basis and would be determined under U.S. federal income tax principles.

While we expect to be treated as a surrogate foreign corporation for U.S. federal income tax purposes, we believe that the Section 7874 Percentage with respect to Aegerion is less than 80%. We therefore do not expect to be treated as a U.S. domestic corporation for U.S. federal income tax purposes. Determining the Section 7874 Percentage, however, is complex and subject to factual and legal uncertainties. As a result, there can be no assurance that the Internal Revenue Service ("IRS") will agree with our conclusions regarding the Section 7874 Percentage. Holders are urged to consult their own tax advisors regarding the potential application of section 7874 of the Code and its potential tax consequences. A determination by the IRS that we are a U.S. domestic corporation for the purposes of Section 7874 of the Code may have material adverse effects on the business, financial condition, results of operations and prospects of the Enlarged Amryt Group.

Fluctuations in currency exchange rates and increased inflation could materially adversely affect our financial condition and results of operations

We have operations in Ireland, the United Kingdom, the United States, Germany, Switzerland, Brazil, France, Italy, Spain and other select markets throughout the world. As a result of the international scope of our operations, fluctuations in exchange rates, particularly between the U.S. dollar, our reporting currency, and the Euro, may adversely affect us. In the year ended 31 December 2019, 3.9% of our sales were denominated in pound sterling (£), 57.2% of our sales were denominated in U.S. dollars, 35.5% were denominated in Euros and the balance was denominated in other currencies. As a result, strengthening of the Euro or pound sterling relative to the U.S. dollar presents the most significant risk to us. Any significant fluctuations in currency exchange rates may have a material impact on our business.

In addition, economies in Central European and Latin American countries have periodically experienced high rates of inflation. Periods of higher inflation may slow economic growth in those countries. As a substantial portion of our expenses (excluding currency losses and changes in deferred tax) is denominated in U.S. dollars or Euros, the relative movement of inflation significantly affects our results of operations. Inflation also is likely to increase some of our costs and expenses, including wages, rents, leases and employee benefit payments, which we may not be able to pass on to our customers and, as a result, may reduce our profitability. To the extent inflation causes these costs to increase, such inflation may materially adversely affect our business. Inflationary pressures could also affect our ability to access financial markets and lead to counter-inflationary measures that may harm our financial condition, or results of operations or materially adversely affect the market price of our securities.

The outbreak of COVID-19 could adversely impact our business, including our preclinical studies and clinical trials

Since a novel strain of coronavirus, SARS-CoV-2, causing a disease referred to as COVID-19, was first reported in December 2019, the disease has spread across the world, including countries in which we have planned or active clinical trial sites. The outbreak and government measures taken in response have also had a significant impact, both direct and indirect, on businesses and commerce, as worker shortages have occurred; supply chains have been disrupted; facilities and production have been suspended; and demand for certain goods and services, such as medical services and supplies, has spiked, while demand for other goods and services, such as travel, has fallen. In response to the spread of COVID-19, we have closed our executive offices with our administrative employees continuing their work outside of our offices and limited the number of staff in any given manufacturing facility. As COVID-19 continues to spread around the globe, we may experience disruptions that could affect our business, preclinical studies and clinical trials, including:

STRATEGIC REPORT:
Risks and Uncertainties continued

- unsuccessful and/or untimely completion of preclinical and clinical development of our product candidates and any other future candidates, as well as the associated costs, including any unforeseen costs we may incur as a result of preclinical study or clinical trial delays;
- delays or difficulties in initiating, enrolling, conducting or completing our planned and ongoing clinical trials;
- risk that participants enrolled in our clinical trials will acquire COVID-19 while the clinical trial is ongoing, which could impact the results of the clinical trial, including by increasing the number of observed adverse events;
- existing patients with serious diseases included in our clinical trials may die as a result of contracting COVID-19 or suffer other adverse medical events for reasons that may not be related to our products or candidates;
- delays or difficulties in clinical site initiation, including difficulties in recruiting clinical site investigators and clinical site staff;
- healthcare budgets may be adversely affected and as a result, funding may not be available to pay for our products;
- diversion of healthcare resources away from the conduct of clinical trials, including the diversion of hospitals serving as our clinical trial sites and hospital staff supporting the conduct of our clinical trials;
- interruption of key clinical trial activities, such as clinical trial site monitoring, due to limitations on travel imposed or recommended by federal, state or local governments, employers and others or interruption of clinical trial subject visits and study procedures (such as pre-planned clinical trial assessments), which may impact the integrity of subject data and clinical study endpoints;
- limitations in employee resources that would otherwise be focused on the conduct of our preclinical studies and clinical trials, including because of sickness of employees or their families or the desire of employees to avoid contact with large groups of people;
- interruption or delays in the operations of the FDA or other regulatory authorities, which may impact review and approval timelines;
- delays in receiving approval from local regulatory authorities to initiate our planned clinical trials;
- delays in clinical sites receiving the supplies and materials needed to conduct our clinical trials due to staffing shortages, production slowdowns or stoppages and disruptions in delivery systems;
- suspension or termination of a clinical trial by us, by the Institutional Review Boards ("IRBs") of the institutions in which such trial is being conducted, by a DSMB for such trial or by the FDA, the EMA or comparable foreign regulatory authorities due to a number of factors, including failure to conduct the clinical trial in accordance with regulatory requirements or our clinical protocols, inspection of the clinical trial operations or trial site by the FDA, the EMA or comparable foreign regulatory authorities resulting in the imposition of a clinical hold, unforeseen safety issues or adverse side effects;
- refusal of the FDA to accept data from clinical trials in affected geographies outside the United States;
- changes in local regulations as part of a response to the COVID-19 pandemic which may require us to change the ways in which our clinical trials are conducted, which may result in unexpected costs, or to discontinue the clinical trials altogether;
- delays in necessary interactions with local regulators, ethics committees and other important agencies and contractors due to limitations in employee resources or forced furlough of government employees;
- impairment of our operations, including among others, employee mobility and productivity, availability of facilities, conduct of clinical trials, manufacturing and supply capacity, disruption of our supply chain, availability of shipping and distribution channels, restrictions on import and export regulations and the availability and productivity of third party service suppliers;
- incurrence of delays in the delivery of our products or our inability to deliver products to our patients;
- interruption in global shipping that may affect the transport of clinical trial materials, such as investigational drug product used in our clinical trials; and
- disruption and volatility in the global capital markets, which increases the cost of capital and adversely impacts access to capital should we have specific strategic considerations which require it.

The global pandemic of COVID-19 continues to evolve rapidly. The ultimate impact of the COVID-19 pandemic or a similar health epidemic is highly uncertain and subject to change. We do not yet know the full extent of potential delays or impacts on our business, preclinical studies, clinical trials, healthcare systems or the global economy as a whole. However, these effects could have a material impact on our operations, and we will continue to monitor the COVID-19 situation closely.

Legal, political and economic uncertainty surrounding the exit of the United Kingdom from the European Union may be a source of instability in international markets and create significant currency fluctuations, and could materially and adversely affect our business, financial condition and prospects

In June 2016, the United Kingdom voted in an advisory referendum to leave the European Union (commonly referred to as "Brexit"). On 29 March 2017 the United Kingdom formally notified the Council of the European Union of its intention to leave the European Union. Following negotiations on the terms of the United Kingdom's exit from the European Union, the UK parliament, the European Council, the European Commission ("EC") and the UK Prime Minister signed the Withdrawal Agreement on 24 January 2020. The Withdrawal Agreement was approved by the European parliament and ratified by the United Kingdom on 29 January 2020 and concluded by the Council of the European Union on 30 January 2020. Under the Withdrawal Agreement, the United Kingdom left the European Union at 11:00 p.m. GMT on 31 January 2020. Thereafter, the United Kingdom will remain within the European Union single market and customs union for a transitional period through December 2020, by virtue of transitional arrangements included in the Withdrawal Agreement. These arrangements may be extended beyond 2020 if both the United Kingdom and the European Union agree to an extension before the end of June 2020.

These developments or the perception that any of them could occur may have a significant adverse effect on global economic conditions and the stability of global financial markets, and could significantly reduce global market liquidity and limit the ability of key market participants to operate in certain financial markets. In particular, it could also lead to a period of considerable uncertainty in relation to the UK financial and banking markets, as well as on the regulatory process in Europe. Asset valuations, currency exchange rates may also be subject to increased market volatility.

If the United Kingdom and the European Union are unable to negotiate an acceptable long-term trade agreement, barrier-free access between the United Kingdom and other member states of the European Union ("EU Member States") or among the European Economic Area, overall could be diminished or eliminated. The long-term effects of Brexit will depend on any agreements (or lack thereof) between the United Kingdom and the European Union and, in particular, any arrangements for the United Kingdom to retain access to European Union markets after 2020.

The ultimate impact of Brexit on our business operations could vary depending on the details of the separation agreement and, while negotiations are still underway, Brexit could significantly affect the fiscal, monetary and regulatory landscape in the United Kingdom, and could have a material impact on its economy and the future growth of its various industries, including the pharmaceutical and biotechnology industries. Further, Brexit could lead to legal uncertainty and potentially divergent national laws and regulations as the United Kingdom determines which EU laws to replace or replicate. Given the lack of comparable precedent, it is unclear what financial, trade, regulatory and legal implications the withdrawal of the United Kingdom from the European Union would have and how such withdrawal would affect us. Any of the effects of Brexit could have a material adverse effect on our business, financial condition, results of operations and prospects.

Risks Related to the Commercialization of our Products

Our products may not gain market acceptance, in which case we may not be able to generate product revenues

Physicians, healthcare providers, patients, payers or the medical community may not accept or use our approved products. Efforts to educate the medical community and third-party payers on the benefits of the products may require significant resources and may not be successful. Notwithstanding the level of revenues historically generated from the sale of lomitapide and metreleptin, if any of our existing marketed products or product candidates do not achieve an adequate level of acceptance, we may struggle to continue to generate significant product revenues and may not in the future generate any profits from operations. The degree of market acceptance will depend on a variety of factors, including, but not limited to:

STRATEGIC REPORT:
Risks and Uncertainties continued

- whether clinicians and potential patients perceive product candidates to have better efficacy, safety, tolerability profile and ease of use, when compared with the products marketed by our competitors and the prevailing standard of care ("SOC");
- the timing and location of market introduction of any approved products;
- our ability to provide acceptable evidence of safety and efficacy;
- the frequency and severity and causal relationships of any side effects and a continued acceptable safety profile following approval;
- relative convenience and ease of administration;
- cost effectiveness;
- patient diagnostics and screening infrastructure in each market;
- marketing and distribution support;
- the availability of healthcare coverage, reimbursement and adequate payment from health maintenance organizations and other third-party payers, both public and private; and
- competition from other therapies.

We face significant competition from other biotechnology and pharmaceutical companies

The specific markets in which we operate are highly competitive and this competition could harm our results of operations, cash flows and financial condition. Our competitors include major international pharmaceutical companies as well as smaller or regional specialty pharmaceutical and biotechnology companies. We may be forced to either lower the selling prices of our products in response to competitor pricing or lose patients who choose lower-priced products. Many of our competitors are larger, have greater financial resources and a lower cost structure. As a result, our competitors may be better equipped to withstand changes in economic and industry conditions. These competitors currently engage in, have engaged in or may in the future engage in the development, manufacturing, marketing and commercialization of new pharmaceuticals, some of which may compete with our products. Competition may also arise from, among other things, other drug development technologies, methods of preventing or reducing the incidence of disease, including vaccines and new small molecule or other classes of therapeutic agents. Smaller or early stage companies may also be significant competitors, particularly through collaborative arrangements with large, established companies.

Other competitors may succeed in developing, acquiring or licensing additional pharmaceutical products that are introduced into the market and that are more effective, have a more favourable safety profile, or are less costly than our products. If we do not compete successfully, our operating margins, financial condition and cash flows could be adversely affected.

The successful commercialization of our product candidates will depend in part on the extent to which governmental authorities and health insurers establish adequate coverage, reimbursement levels and pricing policies. Failure to obtain or maintain coverage and adequate reimbursement for our product candidates, if approved, could limit our ability to market those products and decrease revenue generating ability

The availability and adequacy of coverage and reimbursement by governmental healthcare programs such as Medicare and Medicaid, private health insurers and other third-party payers is essential for many patients to be able to afford prescription medications such as our products and potential product candidates, assuming regulatory approval is obtained. Our ability to achieve acceptable levels of coverage and reimbursement for products by governmental authorities, private health insurers and other organizations will affect the success of our approved products and product candidates. Assuming we obtain coverage for our product candidates by third-party payers, the resulting reimbursement payment rates may not be adequate or may require co-payments that patients find unacceptably high. We cannot be sure that coverage and reimbursement in the United States, the EU Member States, or elsewhere will be available for the product candidates or any product that we may develop, and any reimbursement that may become available may be decreased or eliminated in the future.

Further, it is possible that a third-party payer may consider our product candidates as substitutes and only offer to reimburse patients for a less expensive product. Even if we show improved efficiency or convenience of administration with our product candidates compared to products marketed by our competitors and the prevailing SOC, the pricing of existing therapies may still limit the amount we could charge. Third-party payers may deny or revoke the reimbursement status of any given product or establish new prices for existing marketed products that inhibits us from realizing an appropriate return on our investment in the product candidates. If reimbursement is not available or is available only at limited levels, we may not be able to successfully commercialize our product candidates, and may not be able to obtain a satisfactory financial return on them.

Outside the United States, the success of our products and operations is subject to extensive governmental price controls and other market regulations which may materially and adversely affect our ability to generate commercially reasonable revenue and profits

Our operations are subject to extensive governmental price controls and other market regulations in the United Kingdom and other countries outside of the United States. The increasing emphasis on cost-containment initiatives in the various EU Member States and other countries can put pressure on the pricing and usage of currently marketed products and product candidates in the future. In many countries, the prices of medical products are subject to varying price control mechanisms as part of national health systems. Other countries allow companies to fix their own prices for medical products, but monitor and control company profits. Additional foreign price controls or other changes in pricing regulation could restrict the amount that we are able to charge for our product candidates.

We rely on named patient sales of our products in certain territories, but there are no assurances that named patient sales of our products will continue at current levels, or at all

In Brazil, Turkey and a limited number of other countries where permitted based on U.S. or EU approval, metreleptin and lomitapide are available on a named patient sales or similar basis. Named patient basis means physician-requested treatment for patients in territories where marketing authorization has not yet occurred. There is no assurance that named patient sales will continue to be authorized in any particular country. Even if they are authorized, we will likely not be permitted to promote, market or otherwise engage in proactive selling activities for products sold on a named patient basis, which makes named patient sales much less predictable, and susceptible to unexpected decreases. If violations of any laws or governmental regulations are found to have occurred in connection with our products significant criminal or civil lawsuits may be filed, or investigations may be commenced. Further, in October 2017, a new set of regulatory requirements governing use of product candidates was published in Brazil which has added complexity to the process for the purchase, on a named patient basis, of drugs which have not received regulatory and/or pricing and reimbursement approval in Brazil, such as metreleptin and lomitapide, which has, along with the ongoing court proceeding, resulted in delays in the receipt of orders from Brazil for existing metreleptin and lomitapide patients. We believe that this has led certain patients to discontinue therapy with metreleptin and lomitapide. Aegerion filed in Brazil for regulatory approval for JUXTAPID in August 2018. However, the approval process can be lengthy, even with the new regulation that aims at expediting the review process of new drugs for the treatment of rare diseases, there is no guarantee that we will be able to obtain such approval. As a result, we may have to rely on our ability to generate named patient sales for a considerable amount of time, or indefinitely. These factors could significantly negatively affect product revenues from named patient sales of products in Brazil.

We do not know the full extent of the impact that the approval of PCSK9 inhibitor products in the United States, or the approval of a PCSK9 inhibitor product, will have on the named patient sales of lomitapide in Brazil or other countries. We also do not know whether we will be permitted to sell metreleptin or lomitapide on a named patient basis in any additional countries. In certain countries, we may decide not to pursue named patient sales even if permitted. Even if named patient sales (or equivalent sales) are permitted in a certain country, and we elect to make metreleptin or lomitapide available on such basis, there is no guarantee that physicians in such country will prescribe the product, which they can only do if they proactively reach out to us or our distributors and also undertake the effort, time and cost of following the stringent local requirements to get their patient on therapy on a named patient basis, and that patients will be willing to start and adhere to therapy, or that the country will pay for the product at all, or at a level that is acceptable to us, without delay or imposing other hurdles on payment. These risks may be heightened in Brazil for the reasons outlined above and also in light of the

STRATEGIC REPORT:
Risks and Uncertainties continued

2016 approval of a PCSK9 inhibitor product in Brazil.

Further, there are countries where we choose to make our products available under an expanded access program at no cost prior to approval in such countries. There is no assurance that we will be able to obtain marketing approval or reimbursement at all or at acceptable levels or to maintain reimbursement for our products in any country where we have expanded access programs or that patients on such programs will convert to commercial product even if we do obtain requisite approvals. In certain countries where we seek reimbursement for the product during the pre-approval phase, we are able to establish the price for the product, while in other countries we need to negotiate the price. Such negotiations may not result in a price acceptable to us, in which case we may elect not to distribute the products in such country prior to approval or it may curtail distribution. Our expanded access program may result in significant expenses and may not result in expected future sales at desired levels or at all, and could negatively impact our financial results.

Risks Related to Clinical Development

If we are unable to complete clinical development of FILSUVEZ®, or experience significant delays in doing so, our business could be materially harmed

Our lead product candidate, FILSUVEZ®, is currently in a pivotal Phase 3 trial (EASE) to assess its efficacy and safety in treating patients with severe EB. In January 2019, we reported the outcome of an unblinded interim efficacy analysis, at which point the DSMB recommended continuing the EASE trial and increasing enrolment from 182 patients to 230 evaluable patients to maintain adequate statistical power. We expect to report topline results from the EASE trial in late Q3 / early Q4 2020.

The EASE trial requires the investment of substantial expense and time, and it may be subject to significant delays relating to various causes, including difficulties in identifying and enrolling additional patients who meet trial eligibility criteria, failure of patients to complete the clinical trial, unexpected adverse events and failure to achieve specified endpoints. If we are unable to complete the EASE trial and any required additional testing of FILSUVEZ® in a timely manner or at all, it will be difficult or impossible for us to receive regulatory approval and we will be unable to commercialize FILSUVEZ®. Moreover, the continuation of the EASE trial does not guarantee that we will successfully further develop, commercialize or receive regulatory approval for FILSUVEZ®. Our inability to obtain approval for and commercialize FILSUVEZ® would materially adversely affect our business, results of operations and prospects.

Clinical trials are expensive, time consuming and difficult to design and implement and involve uncertain outcomes and, furthermore, results of earlier preclinical studies and clinical trials may not be predictive of results of future preclinical studies or clinical trials

To obtain the requisite regulatory approvals to market and sell any of our product candidates, or to obtain regulatory approvals to market and sell any of our commercial products for new indications, we must demonstrate, through extensive preclinical studies and clinical trials, that our product candidates are safe and effective in humans. Clinical testing is expensive and can take many years to complete and has inherently uncertain outcomes. Failure can occur at any time during the clinical trial process and in addition regulatory authorities may require further studies at additional cost. Furthermore, regulatory authorities may not agree on the same trial design for pivotal studies. The results of preclinical studies and earlier clinical trials, or the results from earlier stages of preclinical studies or clinical trials, may not be predictive of the results of later-stage clinical trials. Product candidates in later stages of clinical trials may fail to show the desired safety and efficacy outcomes despite having progressed through preclinical studies and initial clinical trials. We may suffer setbacks in advanced clinical trials due to lack of efficacy or adverse safety profiles, notwithstanding any promising results in earlier clinical trials. We may experience delays in ongoing or future preclinical studies or clinical trials and we have no certainty as to whether future preclinical studies or clinical trials will begin on time, will need to be redesigned, will enrol an adequate number of subjects or patients on time, if at all, or will be completed on schedule, if at all. Such factors may have a material adverse effect on our business, financial condition, results of operations and prospects.

Our product candidates may not work as intended, may cause undesirable side effects or may have other properties that could delay or prevent their regulatory approval, limit the commercial profile of an approved label, or result in significant negative consequences following marketing approval, if any

Use of our product candidates could be associated with side effects or adverse events which can vary in severity from minor reactions to serious and/or severe adverse events, and in frequency from infrequent to prevalent. For example, an unexpected life-threatening hypersensitivity reaction. Undesirable side effects or unacceptable toxicities caused by our product candidates could cause us or regulatory authorities to interrupt, delay or halt clinical trials and could result in a more restrictive label or the delay or denial of regulatory approval by the FDA, the EMA or comparable regulatory authorities. Results of our trials could reveal a high and unacceptable severity and prevalence of side effects.

If unacceptable side effects arise in the development of our product candidates, we, the FDA, competent authorities of EU Member States, ethics committees, the institutional review boards, at the institutions in which our studies are conducted, or the DSMB, could suspend or terminate our clinical trials. The FDA or comparable regulatory authorities could also order us to cease clinical trials or deny approval of our product candidates for any or all targeted indications. Treatment-related side effects could also affect patient recruitment or the ability of enrolled patients to complete any of our clinical trials or result in potential product liability claims. In addition, these side effects may not be appropriately recognized or managed by the treating medical staff. We expect to have to train medical personnel using our product candidates to understand the side effect profiles of our product candidates in our clinical trials and upon any commercialization of any of our product candidates. Inadequate training in recognizing or managing the potential side effects of our product candidates could result in patient injury or death. Any of these occurrences may harm our business, financial condition, results of operations and prospects significantly.

The regulatory approval processes of the EMA, FDA and other comparable regulatory agencies may be lengthy and time-consuming, and the outcome is unpredictable

Our future success is partly dependent upon our ability to successfully develop, obtain regulatory approval for, and commercialize one or more of our product candidates. There can be no assurance that any development product candidates will be successful in clinical trials or receive regulatory approval. We cannot predict with certainty if or when we might submit for regulatory approval of any of our product candidates currently under development. Any approvals we may obtain may not cover all of the clinical indications for which we are seeking approval. Also, an approval might contain significant limitations in the form of narrow indications, warnings, precautions, or contra-indications with respect to conditions of use. Applications for any of our product candidates could fail to receive regulatory approval for many reasons, including, but not limited to, the following:

- the EMA, FDA or any other comparable regulatory agency may disagree with the design or implementation of clinical trials or interpretation of data from non-clinical trials or clinical trials;
- the population studied in the clinical program may not be sufficiently broad or representative to ensure that the clinical data can be relied on safely in the full population for which we are seeking approval;
- the data collected from clinical trials of our product candidates may not be sufficient to support a finding that has statistically significant clinical meaningfulness or support the submission of a new drug application or other submission, or to obtain regulatory approval in relevant jurisdictions, such as the European Union and the United States;
- we may be unable to demonstrate to the EMA, FDA or any other comparable regulatory agency that a product candidate's risk-benefit ratio for its proposed indication is acceptable;
- the EMA, FDA or any other comparable regulatory agency may fail to approve the manufacturing processes, test procedures and specifications or facilities of third-party manufacturers with which we contract for clinical and commercial supplies; and
- the approval policies or regulations of the EMA, FDA or any other comparable regulatory agency may significantly change in a manner rendering clinical data insufficient for approval.

Any of our current or future product candidates could take a significantly longer time to gain regulatory approval than expected or may never gain regulatory approval. This could delay or eliminate any potential product revenue by delaying or terminating the potential commercialization of product candidates. For example, any centralized

STRATEGIC REPORT:
Risks and Uncertainties continued

marketing authorization application made to the EMA involving 'Advanced Therapy Medicinal Products' (such as AP103) will be subject to scientific evaluation by the Committee for Advanced Therapies, in addition to the Committee for Medicinal Products for Human Use ("CHMP").

We intend to seek regulatory approvals to commercialize the product candidates in the United States and the European Union. Even if we are successful in obtaining approval in one jurisdiction, there can be no guarantee that it will obtain approval in other jurisdictions. Failure to obtain any marketing authorizations for the product candidates will result in us being unable to market and sell such products. If we fail to obtain approval in any jurisdiction, the geographic market for the product candidates could be limited. Similarly, regulatory agencies may not approve the labelling claims that are necessary or desirable for the successful commercialization of the product candidates.

Risks Related to Government Regulation and Compliance

The laws and regulations in the areas of sales and marketing of pharmaceutical products, and interacting with healthcare professionals and patients, are very complex and onerous, and require a robust compliance program. Failure to comply with these laws and regulations could have a material adverse effect on our business, financial condition and results of operations

Failure to comply with certain laws and regulations could lead to governmental investigations and result in financial penalties and remedial and compliance measures. For example, compliance failures by Aegerion led to a DOJ investigation and ultimately resulted in three separate settlements (Corporate Integrity Agreement, Consent Decree and Deferred Prosecution Agreement) with multiple government agencies (Office of Inspector General ("OIG"), FDA, DOJ) and aggregate penalties of approximately US$40.1 million payable over three years, which include restitution and civil penalties. Aegerion had been making the required payments and following the Acquisition we have assumed responsibility for payment. Pursuant to the settlement, we are also required to maintain various remedial and compliance measures, which were implemented as required by the settlement. We may be unsuccessful in implementing and complying with all of the elements of the settlement in a timely or satisfactory manner, or at all. Failure to comply with any provisions of these settlements could result in the imposition of additional fines, penalties and obligations by the applicable government agency, and could subject us to prosecution.

Furthermore, the investigation by the Brazilian authorities of Aegerion's activities could result in the commencement of formal proceedings, and if the investigation finds any violation of any laws or governmental regulations, then our Brazilian subsidiary may be subject to civil lawsuits and administrative penalties and other potential damages and fines. Under certain circumstances, the Brazilian subsidiary and our company could be barred from further sales to federal or state governments in Brazil, including sales of JUXTAPID or MYALEPTA, due to penalties imposed by Brazilian regulatory authorities or through civil actions initiated by federal or state public prosecutors.

We are subject to extensive legal and compliance obligations as a pharmaceutical company that commercializes products, as well as under Aegerion's settlements with the DOJ, OIG, FDA, SEC and other federal and state government agencies

As a pharmaceutical company that develops and commercializes pharmaceutical products, we are subject to an extensive array of broad and complex laws and regulations. These include, without limitation, regulations and laws in the United States and outside the United States related to manufacturing, clinical, quality, drug safety, commercialization, payments to and interactions with healthcare professionals and healthcare organizations, anti-kickbacks, fraud and abuse, the requirement to report payments and other transfers of value to healthcare professionals and healthcare organizations, data protection and privacy, pricing, reimbursement, price reporting, anti-corruption and anti-bribery, and a myriad of other areas and levels of regulation. Any failure by us or our key vendors, contractors, distributors, licensors or other key third-party vendors or service providers to comply with such laws and regulations could have a material adverse effect on our results of operations and financial condition, could result in product approvals being suspended, withdrawn, delayed or denied, could result in litigation or investigations which could be costly and be a significant distraction to executive management and other employees, and could result in damages or prosecution or exclusion from federal healthcare programs in the United States.

Our relationships with customers and payers in the United States are subject to applicable anti-kickback, fraud and abuse and other healthcare laws and regulations, any breaches of which could expose us to criminal sanctions, civil penalties, contractual damages and reputational harm, could diminish future earnings and could prevent us from achieving our expected financial results

Our arrangements with third-party payers and customers in the United States expose us to broadly applicable fraud and abuse and other healthcare laws and regulations, including the federal healthcare Anti-Kickback Statute, the False Claims Act, HIPAA and the Physician Payment Sunshine Act, and similar state and foreign laws and regulations that may regulate the business or financial arrangements and relationships through which we market, sell and distribute our products. The number and complexity of both federal and state laws continue to increase, and additional governmental resources are being used to enforce these laws and to prosecute companies and individuals who are believed to be violating them.

While the evolving nature of the regulatory framework makes it difficult to predict what effect the framework and any recent or future changes will have on our business, we anticipate that government scrutiny of pharmaceutical sales and marketing practices will continue for the foreseeable future, and the risk of government investigations and enforcement actions will continue. Responding to a government investigation or enforcement action would be expensive and time-consuming, and could have a material adverse effect on our reputation, business, financial condition, results of operations and prospects.

Anti-bribery rules in many jurisdictions also prohibit the offer of kick-backs and other inappropriate inducements to prescribe.

We are subject to the UK Bribery Act, the U.S. Foreign Corrupt Practices Act, and other anti-corruption laws, export control laws, import and customs laws, trade and economic sanctions laws and other laws which govern our operations

Our operations are subject to anti-corruption laws, including the UK Bribery Act, the U.S. Foreign Corrupt Practices Act of 1977 ("FCPA"), the U.S. domestic bribery statute, the U.S. Travel Act, and other anti-corruption laws that apply in countries where we conduct business. The UK Bribery Act, the FCPA and these other laws generally prohibit us and our employees and intermediaries from authorizing, promising, offering or providing, directly or indirectly, improper or prohibited payments, or anything else of value, to government officials or other persons to obtain or retain business or gain some other business advantage. Under the UK Bribery Act, we may also be liable for failing to prevent a person associated with us from committing a bribery offense. We and our commercial partners operate in a number of jurisdictions that pose a high risk of potential UK Bribery Act or FCPA violations, and we also participate in collaborations and relationships with third parties whose corrupt or illegal activities could potentially subject them to liability under the UK Bribery Act, FCPA or local anti-corruption laws, even if we did not explicitly authorize or have actual knowledge of such activities. In addition, we cannot predict the nature, scope or effect of future regulatory requirements on its international operations or the manner in which existing laws might be administered or interpreted.

We are also subject to other laws and regulations governing our international operations, including regulations administered by the governments of the United Kingdom and the United States, and authorities in the European Union, including applicable export control regulations, economic sanctions and embargoes on certain countries and persons, anti-money laundering laws, import and customs requirements and currency exchange regulations (collectively, "Trade Control Laws").

There is no assurance that we will be completely effective in ensuring compliance with all applicable anti-corruption laws, including the UK Bribery Act, the FCPA or other legal requirements, including Trade Control Laws. If we are not in compliance with the UK Bribery Act, the FCPA and other anti-corruption laws or Trade Control Laws, we may be subject to criminal and civil penalties, disgorgement and other sanctions and remedial measures, and legal expenses, which could have an adverse effect on our business, financial condition, results of operations and liquidity. Likewise, any investigation of any potential violations of the UK Bribery Act, the FCPA, other anti-corruption laws or Trade Control Laws by the United Kingdom, United States, or other authorities could also have an adverse impact on our reputation, business, financial condition, results of operations and prospects.

STRATEGIC REPORT:
Risks and Uncertainties continued

Risks Related to our Reliance on Third Parties

We rely on third parties to conduct clinical trials and registry studies and perform related services, and those third parties may not perform satisfactorily, including by failing to meet established deadlines for the completion of such clinical trials and compliance with post-marketing requirements

We do not have the resources to independently conduct clinical trials or registry studies, or perform pharmacovigilance and REMS program and other risk management plan monitoring and reporting, and we rely on third parties, such as contract research organizations, medical institutions, academic institutions, clinical investigators, specialty pharmacies and other third-party service providers, to perform these functions. Reliance on third parties for these functions reduces our control over such functions. However, if we sponsor clinical trials, we are responsible for ensuring that each of the sponsored clinical trials is conducted in accordance with the general investigational plan and protocols for the trial. Our reliance on third parties does not relieve us of these responsibilities and requirements. Furthermore, these third parties may have relationships with other entities, some of which may be their competitors.

If the third parties we rely upon fail to successfully carry out their contractual duties or meet expected deadlines, if they need to be replaced or if the quality or accuracy of the data they provide is compromised or delayed due to the failure to adhere to regulatory requirements or clinical trial protocols, or for other reasons, our current marketing authorizations may be revoked, suspended, or revised to be more stringent. Further, our development programs, including any potential clinical studies, may be extended, delayed or terminated. Additional marketing approvals for metreleptin or lomitapide may be delayed or denied in the targeted indication or jurisdiction, and efforts to successfully commercialize FILSUVEZ®, metreleptin, lomitapide, or any other product for targeted indications or in the targeted jurisdiction may be delayed or unsuccessful. Should this occur, any existing approvals could be negatively impacted, which could materially and adversely affect our commercialization efforts.

We depend on third-party manufacturers to produce the drug substance and the drug product for lomitapide and metreleptin sold globally, as well as the drug product for commercial supply and clinical trials. Even though we have reserve stock, interruption in supply could materially and adversely affect sales

We have limited internal manufacturing facilities for the production of the active pharmaceutical ingredient in FILSUVEZ®. We employ a small number of personnel with manufacturing experience but we are currently dependent upon contract manufacturers to produce the drug substance for metreleptin and lomitapide and the drug product for commercial supplies and clinical trials, including for FILSUVEZ®, if it is approved.

If we are unable to maintain arrangements for third-party manufacturing for lomitapide and metreleptin, are unable to do so on commercially reasonable terms, or are unable to obtain timely regulatory approvals in connection with contract manufacturers, we may not be able to complete development of our product candidates or successfully commercialize our products. We may incur significant added costs and substantial delays in identifying and qualifying any replacement manufacturers, and in obtaining regulatory approval to use such replacement manufacturer in the manufacture of the products. Any such delays could result in significant delay in the supply of drug product for an ongoing clinical trial due to the need to replace a third-party manufacturer and could delay completion of the trial. If for any reason we are unable to obtain adequate supplies of lomitapide or metreleptin, or the drug substances used to manufacture them, it will be more difficult or impossible for us to compete effectively, generate revenues, meet expectations for financial performance and further develop our products. In addition, if we are unable to assure a sufficient quantity of the drug for patients with rare diseases or conditions, we may lose any Orphan Drug exclusivity to which our product otherwise would be entitled.

Risks Related to our Intellectual Property

It may be challenging or costly for us to obtain, maintain, enforce and defend our intellectual property rights. Failure to obtain or protect these rights could adversely affect our business and our ability to compete and our existing patent protections will expire and protection for these rights may not be extended

Our success and ability to compete effectively is in large part dependent upon exploitation of proprietary technologies and product candidates that have been developed internally or have been acquired or in-licensed, our ability to protect and enforce our intellectual property rights so as to preserve our exclusive rights in respect of our technologies and product candidates, and our ability to preserve the confidentiality of our know-how. We rely primarily on exclusivity granted by a combination of Orphan Drug approval, data exclusivity, patent laws and trade secrets / confidentiality to protect our intellectual property rights. There can be no assurance that patents pending or future patent applications will be issued, nor that the lack of any such patents will not have a material adverse effect on our ability to develop and market its proposed candidates, or that, if issued, we would have the resources to protect or enforce any such issued patent from infringement. Also, no assurance can be given that we will develop technologies or candidates which are patentable or that patents will be sufficient in their scope to provide protection for our products or intellectual property rights against third parties. Nor can there be any assurance as to the ownership, validity, patentability, enforceability or scope of any patents which have been, or may in the future be, issued to us or that claims with respect thereto would not be asserted by third parties. Furthermore, there are some areas of technology that are important for our businesses which cannot be patented due to the existence of prior disclosures or rights. AP103 currently has no granted patent protection in the European Union. We intend to rely on patent protection once it is approved and also on exclusivity from a possible future Orphan Drug approval. LOJUXTA did not receive Orphan Drug approval in Europe and relies on data exclusivity and patent protection. This may make our reimbursement discussions more difficult. In addition, there can be no assurance that we will be able to obtain and/or maintain Orphan Drug Designation or Orphan Drug approval for our product candidates. If we lose the competitive advantage provided by our intellectual property and other protections, we will not be able to generate sustainable revenues or profits from our product portfolio. If we do not adequately protect and enforce our intellectual property, competitors may erode or negate any competitive advantage we may have, which could materially harm our business and ability to achieve expected financial results. The loss of patent protection could also have a material adverse effect on our business, financial condition, results of operations and prospects.

CORPORATE GOVERNANCE:
Board of Directors

Ray Stafford – Non-Executive Chairman

Skills, Competence and Experience

Mr. Stafford has been a director of Amryt since 2016. He has worked in the pharmaceutical industry for more than 30 years. He has served as Chairman, Chief Executive Officer and majority shareholder of the Tosara Group which owned, manufactured and marketed the successful international brand Sudocrem and was ultimately integrated into the US based, NYSE listed company - Forest Laboratories, Inc. in 1988. Mr. Stafford held numerous senior positions within such corporations, including Chief Executive Officer of Forest UK and Ireland as well as Chief Executive Officer of Forest Laboratories Europe since 1999. Mr. Stafford retired in 2014 following the sale of Forest Laboratories, Inc. to Actavis plc (now Allergan plc) in a US$28 billion transaction where Mr. Stafford was Executive Vice President of Global Marketing. Separately, Mr. Stafford also founded one of Ireland's leading multi-channel sales, marketing and distribution service providers approved by the Irish Medicines Board (now the Health Products Regulatory Authority) to service the wholesale and retail trade.

Committee Membership

Audit Committee (Member)

Appointment Date

Appointed as Non-Executive Chairman on 24 September 2019

Dr. Joe Wiley – Chief Executive Officer

Skills, Competence and Experience

Joe Wiley founded Amryt and has served as Chief Executive Officer since 2015. He has over 20 years of experience in the pharmaceutical, medical and venture capital industries. Prior to Amryt, Dr. Wiley opened and led the European office of Sofinnova Ventures Inc. He was previously a medical director at Astellas Pharma Limited. Prior to joining Astellas, he held investment roles at Spirit Capital SA, Inventages Venture Capital Investment Inc. and Aberdeen Asset Managers Private Equity Limited. Dr. Wiley trained in general medicine at Trinity College Dublin, specializing in neurology. He holds a Masters of Business Administration from INSEAD and is also a Member of the Royal College of Physicians in Ireland.

Appointment Date

24 September 2019

George P. Hampton Jr – Non-Executive Director

Skills, Competence and Experience

Mr. Hampton joined Currax Pharmaceuticals in April of 2019 as Chief Executive Officer and serves on its board of directors. Prior to joining Currax, Mr. Hampton served as Executive Vice President, in the primary care business unit of Horizon Pharmaceuticals (HZNP), a publicly listed biopharmaceutical company. In this role, he was tasked with leading the company's forward-looking strategy, as well as establishing operational goals for the business. Previously, Mr. Hampton served as Executive Vice President, global orphan business unit and international operations for Horizon Pharmaceuticals. He has more than 25 years of experience as a successful executive in the pharmaceutical and biotechnology field on both a national and international scale including specific expertise in rare disease (ACTIMMUNE, RAVICTI, PROCYSBI), autoimmune (HUMIRA), primary care, orthopaedic (CELEBREX), diabetes (BYETTA), anti-infectives and cardiovascular spaces. This includes roles of increasing responsibility in sales, marketing and operations at G.D. Searle, Abbott (now AbbVie), Amylin and Horizon Pharmaceuticals. Mr. Hampton earned his Bachelor of Science from Miami University in Oxford, Ohio. He serves on the board of IMAC (Nasdaq: IMAC) regeneration medical centers.

Committee Membership

Remuneration Committee (Chairman)

Appointment Date

24 September 2019

Dr. Alain H. Munoz – Non-Executive Director

Skills, Competence and Experience

Dr. Munoz is an entrepreneur and independent management consultant in the pharmaceutical and biotechnology industry and has over 30 years of experience in the industry at the executive level. Dr. Munoz worked with the Fournier Group as Research and Development Director and thereafter as Senior Vice President of the Pharmaceutical Division. Prior to serving at Fournier, he served at Sanofi Group, first as Director in the cardiovascular and anti-thrombotic products department, and thereafter as Vice President of international development. Dr. Munoz qualified in cardiology and anesthesiology from the University Hospital of Montpellier, France where he was head of the clinical cardiology department. He has been a member of the Scientific Committee of the French Drug Agency, is advisor to Kurma Partners, and serves on the scientific advisory board of Valneva SA. In addition, he is an independent board member of Oxthera AB, Auris Medical Holding AG (Nasdaq: EARS) and Zealand Pharma A/S (Nasdaq: ZEAL). Mr. Munoz received an undergraduate degree from the International Institute for Management Development, a doctorate from the University of Montpellier and a graduate degree from the Centre Hospitalier Universitaire Pitie-Salpetriere.

Committee Membership

Remuneration Committee (Member)

Appointment Date

24 September 2019

CORPORATE GOVERNANCE:
Board of Directors continued

Donald K. Stern – Non-Executive Director

Skills, Competence and Experience

Mr. Stern was previously a director of Novelion, Aegerion's former parent company, and was a member of Aegerion's board of directors from September 2015 to October 2016. Mr. Stern serves as Managing Director of Corporate Monitoring & Consulting Services at Affiliated Monitors, Inc., a consulting firm providing independent integrity monitoring services and compliance services across a wide range of regulated industries and professions. He is also Counsel to the Boston law firm of Yurko, Salvesen & Remz. He has had a diverse and distinguished legal career, evenly split between private practice and public service. Prior to joining Affiliated Monitors, Inc., Mr. Stern was a partner at three major law firms: Cooley LLP, Bingham McCutchen LLP and Hale & Dorr LLP (now Wilmer Cutler Pickering Hale and Dorr LLP). Mr. Stern also served as the United States Attorney for the District of Massachusetts, the Chief Legal Counsel to Governor Michael S. Dukakis and the Chief of the Government Bureau in the Massachusetts Attorney General's office. Mr. Stern holds a Masters in Laws from University of Pennsylvania Law School, a Juris Doctor degree from Georgetown University Law Center and a Bachelor of Arts from Hobart College.

Committee Membership

Compliance Committee (Chair)
Audit Committee (Member)

Appointment Date

24 September 2019

Dr. Patrick V.J.J. Vink – Non-Executive Director

Skills, Competence and Experience

Dr. Vink has significant experience as a senior executive, having worked in the pharmaceutical industry for more than 30 years. Dr. Vink serves as Chairman at Acacia Pharma Group plc and Targovax ASA, both publicly listed biopharma companies based in the UK and Norway. Dr. Vink also serves as Chairman of venture capital-backed NMD Pharma, a neurology biopharmaceutical company in Denmark and F2G Ltd, a rare fungal disease UK and Austria based company. In addition, Dr. Vink is a board member at Santhera AG and Spero Therapeutics, Inc. and in 2019 began working with Athyrium as a Senior Advisor. While serving in these capacities, Dr. Vink has been involved in initial public offerings and geographic expansions and has contributed to the achievement of significant development and commercial milestones. Earlier in his career he held several leadership positions across the industry, including Head of Global Biopharmaceuticals for the Sandoz division of the Novartis Group, Vice President International Business for Biogen Inc., and Head of Worldwide Marketing, Cardiovascular and Thrombosis at Sanofi-Synthelabo Ltd. Dr. Vink also served as a member of the Executive Committee of the European Federation of Pharmaceutical Industries and Associations from 2013 to 2015. Dr. Vink graduated as a medical doctor from the University of Leiden, Netherlands in 1988 and obtained his Master of Business Administration in 1992 from the University of Rochester.

Committee Membership

Remuneration Committee (Member)
Compliance Committee (Member)

Appointment Date

24 September 2019

Stephen T. Wills – Non-Executive Director

Skills, Competence and Experience

Mr. Wills currently serves as the Chief Financial Officer (since 1997), and Chief Operating Officer (since 2011) of Palatin Technologies, Inc. (NYSE: PTN), a biopharmaceutical company developing targeted, receptor-specific peptide therapeutics for the treatment of diseases with significant unmet medical need and commercial potential. Mr. Wills serves on the boards of directors of MediWound Ltd. (Nasdaq: MDWD), a biopharmaceutical company focused on treatment in the fields of severe burns, chronic and other hard to heal wounds, since April 2017, and as Chairman since January 2018, and of Gamida Cell Ltd. (Nasdaq: GMDA), a leading cellular and immune therapeutics company, since March 2019 (audit and finance committee member). Mr. Wills also has served on the board of trustees and executive committee of The Hun School of Princeton, a college preparatory day and boarding school, since 2013, and its Chairman since June 2018. Mr. Wills served on the board of directors of Caliper Corporation, a psychological assessment and talent development company, since March 2016, and as Chairman from December 2016 to December 2019, when Caliper was acquired by PSI. Mr. Wills served as Executive Chairman and Interim Principal Executive Officer of Derma Sciences, Inc., a provider of advanced wound care products, from December 2015 to February 2017, when Derma Sciences was acquired by Integra Lifesciences (Nasdaq: IART). Previously, Mr. Wills served on the board of directors of Derma Sciences as the lead director and chairman of the audit committee from June 2000 to December 2015. Mr. Wills served as the Chief Financial Officer of Derma Sciences from 1997 to 2000. Mr. Wills served as the President and Chief Operating Officer of Wills, Owens & Baker, P.C., a public accounting firm, from 1991 to 2000. Mr. Wills, a certified public accountant, earned his Bachelor of Science in accounting from West Chester University, and a Master of Science in taxation from Temple University.

Committee Membership

Audit Committee (Chair)
Compliance Committee (Member)

Appointment Date

24 September 2019

CORPORATE GOVERNANCE:
Chairman's Introduction to Governance

I am pleased to present the Amryt Pharma plc Corporate Governance Report for the year ended 31 December 2019.

The Corporate Governance report contains details of Amryt's governance structures and highlights areas of focus for the Board and its Committees during 2019. Your Board remains committed to high standards of governance across the Group, in line with our core values of excellence and integrity in all that we do.

The Board adopted the Quoted Companies Alliance Code ("the QCA Code") on 25 September 2018. The Board of Directors, including myself as Non-Executive Chairman, acknowledges the importance of the ten principles set out in the QCA Code and details of our compliance with the code can be found in the Corporate Governance section of this Annual Report as well as on our website www.amrytpharma.com.

This is my first year as Non-Executive Chairman of Amryt and I am aware that the QCA Code charges me with the responsibilities of:

- articulating my role and demonstrating my responsibility for corporate governance;
- explaining how the QCA Code is applied to Amryt and how that application supports the medium to long term success of our Group;
- explaining any areas in which Amryt departs from the expectations of the QCA Code; and
- identifying any key governance related matters that have occurred during the period under review.

I accept these responsibilities and aim to discharge them diligently.

Culture & Strategy

The Board sets the tone and shared values for the way in which the Group operates. Our culture is underpinned by a robust risk management framework consisting of policies, procedures and tasks, including a Code of Conduct which defines business conduct standards for anyone working for, or on behalf of, the Group. Given the importance of culture to the success of our business model, the Board will continue to assess and monitor the Group's culture to ensure that it is aligned with our strategy and values and is adequately embedded across Amryt's global team.

I am committed to fostering a well governed and effective Board to support the delivery of the Group's strategic priorities. The Board is very clear on its responsibility to ensure the Group is capable of delivering on its strategic objectives. We operate with due regard to the interests of all our stakeholders and are aware of the potential impact of our decisions upon them. Having a clearly defined strategy, a robust governance structure and a culture to guide our values and behaviours remains a priority for the Board and in the following pages we explain our approach to governance and how we fulfil our responsibility to ensure that robust governance practices are embedded in every aspect of our business.

Board Composition

On an ongoing basis, I seek to ensure we have the right balance of skills, knowledge and experience on the Board, taking into account our business model, the specific sector in which we operate, the growth in scale of the Group and our geographic expansion.

During the year, the Board appointed a new Chairman and five new independent Non-Executive Directors. Our CEO, Dr. Joe Wiley, is the only executive director on the Board. The biographies of all the directors are outlined in page 36 - 39 of this annual report. Harry Stratford, James Culverwell and Markus Zeiner resigned as Non-Executive Directors in September 2019. Rory Nealon, stepped down from his role as an Executive Director in September 2019 but he continues to hold the position of CFO and COO and is the Company Secretary.

The Board now consists of seven members and is weighted towards non- executive representation, as part of its preparation for a follow-on listing on NASDAQ, and to ensure the appropriate level of independent review, scrutiny and challenge of the management of the enlarged company following the acquisition of Aegerion and the executive function.

Following the acquisition of Aegerion in September 2019, the size and complexity of Amryt has significantly changed in recent months. With this new Board, I am confident that we have the appropriate balance of sector, financial and public market skills and experience as a well as balance of personal qualities and capabilities. I recognise the need for continuous improvement in order to best serve our stakeholders and intend to constantly review the mix of skills and experience we possess in order to deliver the Company's strategic goals.

Board Committees

In 2019, we established a Compliance Committee which will have responsibility for overseeing the Group's compliance with laws, regulations, internal procedures, and industry standards. Our other existing Board Committees have continued to perform effectively throughout 2019. You will find, on pages 43 to 45, individual reports, giving details of their activities during the year.

Stakeholder Engagement

In order to operate effectively companies must understand those resources and relationships that matter most to their success. The Group's stakeholders include shareholders, employees, customers, healthcare providers, clinicians, patients, suppliers and the community in which it operates. In line with the requirements of the QCA Code, the Board will seek to ensure effective engagement with all stakeholders.

The Board welcomes continuous, open and meaningful discussion with our shareholder's and I welcome direct contact and questions from shareholders either in writing or via our website. This year, due to the COVID 19 pandemic, the format of our Annual General Meeting will be different given we will not all be together in person due to the requirement to follow social-distancing guidelines. In these unprecedented times, we will hold our first "virtual AGM" in the interests of the health and safety of our shareholders. However, I look forward to brighter times ahead and seeing you all in person in as soon as possible.

Finally, I would like to thank my colleagues on the Board and all the Amryt team for their continued support, commitment, challenge and passion for our business.

Ray Stafford
Non-Executive Chairman

24 June 2020

CORPORATE GOVERNANCE:
Chairman's Governance Overview

The Board

The Board is responsible for the overall governance of the Group. The Board comprises of one executive director and six non-executive directors, including the Chairman, as detailed on pages 36 - 39. The Board believe the current split of Non-Executive and Executive Directors is appropriate for the requirements of the Group. The Company acknowledges that the Board is weighted towards independent Non-Executive representation. This is to ensure that there is appropriate independent review, scrutiny, and challenge of the management of the Company and the executive function.

As the business develops, the composition of the Board will remain under review to ensure that it remains appropriate to the requirements of the Group. The current Board is subject to compulsory retirement and will be put up for re-election at our first annual general meeting to be held at least 24 months after the closing of the Acquisition. For so long as each of the Athyrium Parties or the Highbridge Parties (or their respective affiliates) respectively hold at least 10% of our issued share capital, the Athyrium Parties and the Highbridge Parties (as applicable) are each entitled to nominate a replacement of the non-independent director (as applicable) selected by them on his or her resignation or retirement. Any such director shall serve on the Board until our next annual general meeting, where such director's appointment will be subject to approval by an ordinary resolution of our shareholders.

The Board has a formal schedule of matters reserved for its consideration. It is responsible for:

- setting the overall Group strategy and providing leadership to implement the strategy and supervising the management of the business;
- the acquisition or disposal of material corporate entities or assets;
- public announcements (including statutory financial statements); approving or making significant changes in accounting policy, the capital structure and dividend policy of the Group;
- Group remuneration policy; and
- Board structure, composition and succession.

The Board delegates to management, through the executive director, the overall performance of the Group, which is conducted principally through the setting of clear objectives and monitoring of performance against those objectives. The Board is structured so that no one individual or group dominates the decision-making process.

Board Responsibilities

To ensure that the Board operates efficiently and effectively, the Directors and Group Secretary have certain responsibilities in line with their roles which are set out in more detail in the table below:

Non-Executive Chairman

- Leads the Board and promotes a culture of open discussion between Executive and Non-Executive Directors;
- Sets the highest standards of corporate governance; and
- Ensures effective communications with all our stakeholders.

Executive Director

- Develop and execute the Group's strategy in line with the policies and objectives agreed by the Board;
- Manage operational effectiveness and profitability of the Group;
- Promotes the purpose, vision and values of the organisation, both internally and externally; and,
- Monitor compliance with the Group's legal, regulatory, corporate governance, social and ethical responsibilities.

Non-Executive Directors

- Contribute to the overall development of Amryt's strategy;
- Provide independent insight based on relevant experience; and,
- Monitor and challenge the business performance and the execution of strategy.

Company Secretary

- Ensures correct Board procedures are followed;
- Ensures Directors receive timely and clear information so that Directors are equipped for informed decision making and open debate;
- Advises the Board on policy, procedure, governance and ethics; and
- If necessary, coordinates access to independent professional advice for Directors.

Meetings and Attendance

Board meetings are scheduled and held at least four times a year and at other times as required to address requirements arising between these scheduled meetings. During the year, fourteen Board meetings were held. The directors attended as follows:

	Full Board	Audit Committee	Remuneration Committee
Total Meetings held during the year	14	4	4
Directors' Attendance:			
Ray Stafford (resigned from remuneration committee on 24 September 2019)	10/14	4/4	2/4
Joe Wiley	12/14	–	–
George Hampton (appointed 24 September 2019)	3/14	–	2/4
Alain Munoz (appointed 24 September 2019)	1/14	–	2/4
Don Stern (appointed 24 September 2019)	2/14	–	–
Patrick Vink (appointed 24 September 2019)	1/14	–	–
Stephen Wills (appointed 24 September 2019)	3/14	1/4	–
Harry Stratford (resigned 24 September 2019)	10/14	–	2/4
Rory Nealon (resigned 24 September 2019)	10/14	–	–
James Culverwell (resigned 24 September 2019)	10/14	4/4	2/4
Markus Ziener (resigned 24 September 19)	7/14	–	–

Board Committees

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

- Remuneration Committee: Chairman – George Hampton
- Audit Committee: Chairman – Steven Wills
- Compliance Committee: Chairman – Donald Stern

The Board has not established a Nominations Committee, instead the whole Board considers matters of nomination and succession. The Board follows a robust process for the appointment of new Board members to identify the skills, experience, personal qualities and capabilities required for the next stage of the Company's development. The Board also monitors succession plans and possible internal candidates for future Board roles.

CORPORATE GOVERNANCE:
Chairman's Governance Overview continued

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, the implementation of the employee share option plan and other performance related schemes. It meets at least twice a year.

The responsibilities of the remuneration committee covered in its terms of reference include the following: determining and monitoring policy on and setting levels of remuneration, termination, performance related pay, pension arrangements, reporting and disclosure, share incentive plans and appointing remuneration consultants. The terms of reference also set out the reporting responsibilities and the authority of the committee to carry out its responsibilities.

The Remuneration Committee comprises three members, who are all Non-Executive directors: George Hampton, Dr. Alain Munoz and Patrick Vink. The Remuneration Committee is chaired by George Hampton. All 3 members of Remuneration Committee were appointed on 24 September 2019. Prior to this date, the Remuneration Committee comprised of Harry Stratford, Ray Stafford and James Culverwell, all of whom resigned on 24 September 2019.

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 Group without paying more than necessary. The remuneration policy bears in mind the Group's appetite for risk and is aligned to the Group's long-term strategic goals. A significant proportion of remuneration is structured to link rewards to corporate and individual performance and is designed to promote the long-term success of the Group.

Audit Committee

The audit committee of the Company has responsibility for, among other things, the monitoring of the financial integrity of the financial statements of the Amryt Group and the involvement of the Amryt Group's auditors in that process. It focuses in particular on compliance with accounting policies and ensuring that an effective system of internal audit, 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 ultimate responsibility for reviewing and approving the annual report and accounts and the half yearly reports remains with the Board. The audit committee will meet at least two times a year at the appropriate times in the financial reporting and audit cycle.

The terms of reference of the audit committee cover such issues as membership and the frequency of meetings, as mentioned above, together with requirements of any quorum for and the right to attend meetings. The responsibilities of the audit committee covered in its terms of reference include the following: external audit, financial reporting, internal controls and risk management. The terms of reference also set out the authority of the committee to carry out its responsibilities.

The Audit Committee comprises of three members, who are all non-executive Directors: Stephen Wills, Donald Stern and Ray Stafford. On 24 September 2019, James Culverwell resigned as a member of the Board and was replaced as a member of the Audit Committee by Stephen Wills and Donald Stern. The Audit Committee is chaired by Stephen Wills.

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 24 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.

Compliance Committee

Amryt Established a Compliance Committee in 2019. This Committee has responsibility for overseeing the Group's compliance with laws, regulations, internal procedures and industry standards that may cause significant business, regulatory, or reputational damage to the Group, as well as legal and business trends and public policy issues. The primary function of the Compliance Committee is to oversee the development and implementation of compliance and ethics policies and practices at the Group. The Compliance Committee comprises three members, Donald Stern, Patrick Vink and Stephen Wills all of whom are be Non-Executive Directors, and the committee will be chaired by Donald Stern.

Risk Management & Treasury Policy

The Board considers risk assessment to be important in achieving its strategic objectives, with the Board regularly reviewing its projects and activities in this regard. The Group finances its operations through equity, debt funding and holds its cash as a liquid resource to fund the obligations of the Group. Decisions regarding the management of these assets are considered and approved by the Board.

Securities Trading

The Board has adopted a Share Dealing Code that applies to Directors, Senior Management and any Employee who is in possession of "inside information". All such persons are prohibited from trading in the Group's securities if they are in possession of "inside information". Subject to this condition and trading prohibitions applying to certain periods, trading can occur provided the relevant individual has received the appropriate prescribed clearance.

The QCA Corporate Governance Code 2018 – Principles

The QCA Code sets out 10 broad principles and requires the Company to consider how each should be applied. This Report is a summary of the position with the Company's Corporate Governance processes and practices or otherwise "signposts" where other disclosures are made in this document or on the Company's website www.amrytpharma.com, particularly the Company's Corporate Governance Statement: https://www.amrytpharma.com/investors/corporate-governance/

The Board address the ten principles underpinning the QCA case as follows:

Deliver Growth

1. Establish a strategy and business model which promote long-term value for shareholder

   Our business model and strategy are explained in the Overview section of the Strategic Report on page 3 and page 14 of this Annual Report.

2. Seek to understand and meet shareholder needs and expectations

   See Corporate Governance Section of our website, www.amrytpharma.com

3. Take into account wider stakeholder and social responsibilities and their implications for long-term success

   See Corporate Governance Section of our website, www.amrytpharma.com

4. Embed effective risk management, considering both opportunities and threats, throughout the organisation

   See "Principal Risks and uncertainties" on page 23

CORPORATE GOVERNANCE:
Chairman's Governance Overview continued

Maintain a dynamic management framework

5. Maintain the board as a well-functioning, balanced team led by the chair
   See this section

6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities
   See this section and "Board of Directors" on page 36

7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement
   See this section

8. Promote a corporate culture that is based on ethical values and behaviours
   See this section and "Corporate Governance" section on our website, www.amarytpharma.com

9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the board
   See this section and "Corporate Governance" section on our website, www.amarytpharma.com

Build Trust

10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders
    See this section and "Corporate Governance" section on our website, www.amarytpharma.com

CORPORATE GOVERNANCE:
Director's Report For the year ended 31 December 2019

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 ended 31 December 2019.

Amryt Pharma plc was incorporated under the Companies Act 2006 on July 17, 2019 as a private company limited by shares under the name Amryt Pharma Holdings Limited. Following a re-registration as a public company, in September 2019 in connection with the scheme of arrangement under which we acquired Aegerion, we became the parent company of our legacy businesses and changed our name to Amryt Pharma plc.

Directors

The Directors who served on the Board of Amryt Pharma plc during the year to the date of this report are as follows:

Ray Stafford (Non-Executive Chairman) – appointed as Chairman 24 September 2019
Dr. Joe A. Wiley (Chief Executive Officer) – appointed 24 September 2019
George P. Hampton Jr. (Non-Executive Director) – appointed 24 September 2019
Dr. Alain H. Munoz (Non-Executive Director) – appointed 24 September 2019
Donald K. Stern (Non-Executive Director) – appointed 24 September 2019
Dr. Patrick V.J.J. Vink (Non-Executive Director) – appointed 24 September 2019
Stephen T. Wills (Non-Executive Director) – appointed 24 September 2019
Rory Nealon (Chief Financial Officer, Chief Operations Officer & Company Secretary) – resigned 24 September 2019
John McEvoy (appointed on an interim basis) – resigned 24 September 2019

The Directors who served on the Board of Amryt Pharma plc prior to the scheme of arrangement are as follows:

Harry Stratford (Non-Executive Chairman) – resigned 24 September 2019
Dr. Joe A. Wiley (Chief Executive Officer)
Ray Stafford (Non-Executive Director)
James Culverwell (Senior Independent Non-Executive Director) – resigned 24 September 2019
Markus Ziener (Non-Executive Director) – resigned 24 September 2019
Rory Nealon (Chief Financial Officer, Chief Operations Officer & Company Secretary)

Base Salaries Review

In 2019 and 2018, the Remuneration Committee appointed Radford, part of the AON Group, to perform a review of executive and non-executive remuneration. Radford have no connection with the Group.

The Remuneration Committee developed its 2018 and 2019 remuneration proposals based on the recommendations of this report and what the Remuneration Committee believe to be appropriate remuneration levels for the Group at its current stage of development. The Group has set target remuneration for both executive management and non-executive directors at the 50th percentile 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.

Long-Term Incentives

The Company has adopted an Employee Share Option Plan (the "Plan") with all Directors, Senior Management and Consultants to the Group eligible to receive awards. Details of share options issued under the plan in 2019 are included in note 5 of the Notes to the Financial Statements.

CORPORATE GOVERNANCE:
Director's Report For the year ended 31 December 2019

On 10 July 2019, the shareholders of the Company approved a resolution to give authority to the Company to undertake a consolidation of the existing ordinary shares in the capital of the Company under which every 6 existing ordinary shares were consolidated into one ordinary share. On 24 September 2019, all share options and warrants granted prior to this date were exchanged to reflect the 6 for 1 share consolidation.

On 28 April 2020 the Board increased the maximum number of shares over which options may be in issue at any one time under the Plan from 10% to 15% of the issued share capital including any zero cost warrants which may be in issue from time to time (the "Option Limit"). On 1 January in each calendar year, the then Option Limit will automatically increase by 5% of the Company's issued share capital from time to time. The Option Limit from time to time shall decrease by the number of our ordinary shares in relation to which options are exercised.

All references to share options and warrants in this Director's report are stated the reflect the number of share options and warrants after the 6:1 share consolidation.

In 2019, a total of 6,093,939 share options were issued to the executive director, Joe Wiley. 316,039 share options were granted to Joe Wiley on 21 May 2019 at a strike price of £0.7584. A further 5,777,900 share options were granted to Joe Wiley on 5 November 2019 at a strike price of £1.215. Rory Nealon was a director of the company until his resignation on 24 September 2019. He continues to act in his role as CFO/ COO and Company Secretary. While a director of the company in 2019, a total of 251,915 share options were granted to Rory Nealon on 21 May 2019 at a strike price of £0.7584.

All share options granted in 2019 have a 3-year vesting period. No new share options were granted to Directors in 2018.

Directors' Remuneration – Current Year

The remuneration of Directors for the year ended 31 December 2019 was as follows:

	Base Salary and Fees US$'000	Bonuses US$'000	Pension Contri-butions US$'000	Share Based Payment Expense US$'000	Other Benefits US$'000	2019 Total US$'000	2018 Total US$'000
Ray Stafford	61	–	–	–	–	61	52
Joe Wiley	588	703	50	304	31	1,676	869
George Hampton[1]	17	–	–	–	–	17	–
Alain Munoz[1]	15	–	–	–	–	15	–
Donald Stern[1]	21	–	–	–	–	21	–
Patrick Vink[1]	16	–	–	–	–	16	–
Stephen Wills[1]	23	–	–	–	–	23	–
Rory Nealon[2]	288	515	27	32	13	875	604
Harry Stratford[2]	82	–	–	–	–	82	95
James Culverwell[2]	58	–	–	–	–	58	67
Markus Ziener[2]	47	–	–	–	–	47	52
TOTAL	1,216	1,218	77	336	44	2,891	1,739

[1] George, Hampton, Alain Munoz, Donald Stern, Patrick Vink and Stephen Wills were all appointed to the Board on 24 September 2019 and their salaries reflect the period from the appointment date, 31 December 2019.

[2] Rory Nealon, Harry Stratford, James Culverwell and Markus Ziener resigned from the Board on 24 September 2019 and their salaries reflect their salaries from 1 January 2019 to 24 September 2019

Directors and their Interests

Interest in ordinary shares of 1p

The Directors of the Company at 31 December 2019 held the following interest in the ordinary shares of Amryt Pharma plc:

Director	31 December 2019 Number	31 December 2019 %	31 December 2018 Number*	31 December 2018 %
Joe Wiley	3,499,081	2.30	3,499,081	7.64

*For presentational purposes, the number of shares held by Joe Wiley at 31 December 2018 have been restated to reflect the 6:1 consolidation exercise that was completed in 2019.

Share Options and Warrants

The Directors of the Company at 31 December 2019 held the following warrants of Amryt Pharma plc which were issued to them along with other investors in the reverse takeover ("RTO") on April 18, 2016:

Director	31 December 2019 Number	Exercise price	Expiry Date	31 December 2018 Number*	Exercise price	Expiry Date
Joe Wiley	–	–	–	27,535	144p	31/12/18
Ray Stafford	–	–	–	137,674	144p	31/12/18

*For presentational purposes, the number of shares held by the Directors at 31 December 2018 have been restated to reflect the 6:1 consolidation exercise that was completed in 2019.

The Directors did not exercise their right to converts these warrants to Ordinary shares in the Company prior to the expiry date. These warrants expired on 10 January 2019.

At 31 December 2019, Joe Wiley was the only director to hold share options of Amryt Pharma plc as follows:

Director	31 December 2019 Number	Exercise price	Expiry Date	31 December 2018 Number	Exercise price	Expiry Date
Joe Wiley	343,521	£1.21	28/11/24	343,522	£1.21	28/11/24
Joe Wiley	316,039	£0.76	20/05/26	–	–	–
Joe Wiley	5,777,900	£1.22	4/11/26	–	–	–

Dividends

The Directors do not recommend payment of a dividend (2018: nil).

Share Capital Structure

The Company's ordinary shares of 1p are listed on the AIM Market of the London Stock Exchange (AMYT) and the Euronext Growth Market of the Irish Stock Exchange (AYP). At the date of this report, 159,363,543 ordinary shares of 1p each were in issue of which 4,864,656 are treasury shares. Details of share issues and changes to the capital structure during the year are set out in note 17 of the Notes to the Financial Statements.

CORPORATE GOVERNANCE:
Director's Report For the year ended 31 December 2019

Substantial Shareholdings

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

Rank	Investor	31 December 2019 Number	31 December 2019 %	31 December 2018 Number[1]	31 December 2018 %
1	Athyrium Capital Mgt	42,883,097	27.8%	–	–
2	Novelion Therapeutics Inc	14,040,250	8.1%	–	–
3	Edgepoint Investment Mgt	12,126,650	7.8%	–	–
4	Highbridge Capital Mgt	11,073,825	7.2%	–	–
5	Software AG-Stiftung	10,212,153	6.6%	10,212,153	22.3%
6	UBS Group AG	8,816,367	5.7%	–	–
7	Axa SA	6,494,164	4.2%	4,490,062	9.8%

[1] For presentational purposes, the number of shares held at 31 December 2018 have been restated to reflect the 6:1 consolidation exercise that was completed in 2019.

There was a number of notified changes in these holdings in the period after year end to the date of signing the Financial Statements. At 24 June 2020, the Company is aware that the following shareholders had an interest of 3% or more in the issued ordinary share capital of the Company:

Rank	Investor	24 June 2020 Number	24 June 2020 %
1	Athyrium Capital Mgt	43,286,346	28.0%
2	Novelion Therapeutics Inc	12,490,250	8.1%
3	Edgepoint Investment Mgt	12,126,650	7.8%
4	Highbridge Capital Mgt	10,954,293	7.1%
5	Software AG-Stiftung	10,212,153	6.6%
6	Axa SA	6,494,164	4.2%
7	UBS Group AG	6,309,224	4.1%

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.

Section 172 Statement

From the perspective of the Directors, the matters for consideration under Section 172 of the Companies Act 2006 ("s172") have been considered to an appropriate extent by the Group. Such consideration is included in the statements set out below, noting the Directors' duty under s172 to act in good faith to promote the success of the Group and Company for the benefit of its shareholders but having regard amongst other matters to the following:

- the likely consequences of any decision in the long term;
- the interests of the Group's and Company's employees;
- the need to foster the Group's and Company's business relationships with customers and other stakeholders;

- the impact of the Group's and Company's operations on the community and the environment;
- the desirability of the Group and Company maintaining a reputation for high standards of business and conduct; and
- the need to act fairly as between members of the Group and Company.

For the Group, compliance is one of the cornerstone values and forms the basis of all decisions and activities. It is the key to integrity in conducting business and as a global business. The Directors are committed to ensuring that all business is carried out in full accordance with the law as well as internal rules and principles.

Going Concern

The business activities of the Group are outlined on page 3 and the factors which may affect the Group future development and performance are outlined on pages 23 - 35. The financial review on page 16 discusses the Group's financial and liquidity position and borrowing facilities. In addition, notes 24 to the Consolidated Financial Statements include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and its exposure to credit, currency and liquidity risks.

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.

A key consideration for the Directors was the impact on going concern of the acquisition of Aegerion and a US$60 million fundraise, both completed in September 2019. This acquisition represents a significant step forward for Amryt and is already creating value for Amryt through enhanced scale of the combined group which will drive revenues and deliver operational synergies through a combination of medical, commercial, clinical, development and regulatory infrastructure. It is anticipated that our dual listing on Nasdaq, which is expected to be completed in July 2020, may drive liquidity and investor reach.

The Directors reviewed budgets and projected cashflows of the new combined entities of Amryt and Aegerion and they have concluded that the Company and the Group has adequate resources to continue in business for the foreseeable future.

Events after the Reporting Period

Events after the reporting period are set out in note 28 to the consolidated financial statements. Likely future developments in the business are discussed in the Strategic section.

Auditors

The Board are recommending Grant Thornton for re-appointment as auditor of the Group. Grant Thornton have expressed their willingness to accept this appointment and a resolution re-appointing them will be submitted to the forthcoming AGM.

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 Group'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.

CORPORATE GOVERNANCE:
Director's Report For the year ended 31 December 2019

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 Euronext Growth Market 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 Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group 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 Group 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 Amryt'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 Amryt's website is the responsibility of the Directors.

This report was approved by the Board on 24 June 2020 and signed on its behalf by:

Joe Wiley
Chief Executive Officer

Independent auditor's report to the members of Amryt Pharma plc

For the year ended 31 December 2019

Opinion

We have audited the financial statements of Amryt Pharma plc (the 'parent company') and its subsidiaries (together the 'group') for the year ended 31 December 2019, which comprise the Consolidated Statement of Financial Position, the Consolidated Statement of Comprehensive Income, 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 to the financial statements, including the summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the group and parent company financial statements is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

In our opinion, Amryt Pharma plc's financial statements:

- give a true and fair view in accordance with IFRS as adopted by the European Union of the financial position of the parent company as at 31 December 2019 and of its cash flows for the year then ended;
- give a true and fair view in accordance with IFRS as adopted by the European Union of the financial position of the group as at 31 December 2019 and of the group's financial performance and cash flows for the year then ended; and
- have been properly prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs UK') and applicable law. Our responsibilities under those standards are further described in the 'Responsibilities of the auditor for the audit of the financial statements' section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, namely FRC's Ethical Standard concerning the integrity, objectivity and independence of the auditor. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs UK require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors' have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and the directing of efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and therefore we do not provide a separate opinion on these matters.

Independent auditor's report to the members of Amryt Pharma plc continued

For the year ended 31 December 2019

Overall audit strategy

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements. We also addressed the risk of management override of internal controls, including evaluating whether there was any evidence of potential bias that could result in a risk of material misstatement due to fraud.

How we tailored the audit scope

We tailored the scope of our audit taking into account the areas where the risk of misstatement was considered material to the group, taking into account the nature of the group's business and the industry in which it operates.

In establishing the overall approach to our audit, we assessed the risk of material misstatement at a group level, taking into account the nature, likelihood and potential magnitude of any misstatement. As part of our risk assessment, we considered the control environment in place at Amryt Pharma plc.

In assessing the risk of material misstatement to the group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, we selected seven components out of the 31 reporting components of the group. The seven components cover entities across Europe and the Americas, which represent the principal business units with the group.

Of the seven components selected, we performed an audit of the complete financial information of the four components ("full scope components") which were selected based on their size or risk characteristics. For the remaining three components, we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The components where we performed full or specific audit procedures accounted for 98% of the group's total assets, 93% of the total revenue and 93% of the total loss before taxes.

Materiality and audit approach

The scope of our audit is influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the group as follows: 1% of total assets for the financial year ended 31 December 2019. The current year benchmark for materiality calculation was changed to total assets due to acquisition of Aegerion. The acquired assets mainly comprise intangible assets with initial valuation of $308 million as of 24 September 2019, the date of acquisition. We believe the users of the financial statements will focus on the group's assets as these will drive future revenues and net income for the group.

We agreed with the board of directors that we would report to them misstatements identified during our audit above 5% of materiality as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Significant matters identified

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are set out below as significant matters together with an explanation of how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole. This is not a complete list of all risks identified by our audit.

Description of significant matters	Our response to significant matters	Key observations communicated to the Audit Committee
Accounting for business acquisition and the recognition and subsequent measurement of goodwill and purchased intangible assets On 24 September 2019, Amryt completed the acquisition of Aegerion by issuing shares for a value of $153 million. The assets acquired includes significant intangible assets valued at date of acquisition of $308 million and goodwill of $31 million was recognised as a result of the business combination. We have determined the valuation of these intangible assets to be a key audit matter due to the size of the purchased intangible assets, and also because the valuation of the intangible assets and goodwill involve significant judgment. The following significant judgments and estimates used in the valuation models and management's impairment assessment could be selected inappropriately resulting in material misstatement: – Selection of appropriate discount rates – Revenue growth and cash flow forecasts As a consequence, there is greater risk of fraud or error due to management override of controls. This matter is new in 2019 as the acquisition occurred only in the current year.	We reviewed the acquisition related agreements to obtain an understanding of the transaction and key terms and determined whether the acquisition transaction was properly accounted for in accordance with IFRS as adopted by European Union. We reviewed the purchase price allocation (PPA) and related fair value adjustments. In reviewing the PPA adjustments, we evaluated the valuation methodology, reviewed reasonableness of discount rates applied for which we involved our valuation specialists within the engagement team, and assessed and challenged certain key inputs and assumptions applied such as discount rates, revenue growth and cash flow forecasts. We assessed the competence, independence and integrity of the third party valuation experts used by the group. We validated all significant accounting entries relating to the fair value impacts on assets acquired and liabilities assumed resulting from the purchase price allocation. We also performed testing of the opening balances of Aegerion as of the acquisition date. We reviewed the group's assessment of whether there were any indicators of impairment for goodwill and purchased intangible assets. Where a full impairment assessment had been carried out, we evaluated and challenged	We completed our planned audit procedures with no exceptions.

Independent auditor's report to the members of Amryt Pharma plc continued

For the year ended 31 December 2019

Description of significant matters	Our response to significant matters	Key observations communicated to the Audit Committee
Refer to notes 6 and 12 of the consolidated financial statements for further details.	management's assumptions and judgements used in the calculation of the future cash flows, which include but are not limited to revenue projections and discount rates. We performed integrity and mathematical accuracy checks on the forecasting model used to estimate recoverable amounts. We performed sensitivity analysis to determine the reasonableness of the input and output variables used in the model. We assessed the adequacy of the group's financial statements disclosures in respect of these transactions.	
Accounting for Contingent Value Rights (CVRs) On 23 September 2019 (prior to, but in conjunction with, the acquisition of Aegerion on 24 September 2019), Amryt issued CVRs amounting to $85 million to existing shareholders and option holders of Amryt. The contingent value rights arising on these transactions are payable on achieving certain regulatory and revenue milestones. As at 31 December 2019, the CVR liability in the Consolidated and Company Statement of Financial Position was valued at $49 million and the $2 million non-cash finance charge included the Consolidated Statement of Comprehensive Loss, represents the effective interest rate unwind on amortised cost between the carrying value of CVR from initial recognition date of 23 September 2019 to 31 December 2019. Amryt's management engaged an external valuation specialist to estimate the expected cash flows to arise based on certain assumptions. The key	We have obtained an understanding on management's accounting process and controls on the valuation of CVRs. We reviewed and analysed the CVR related agreements and verified whether the conditions are correctly reflected in the valuation of CVR. We evaluated the group's assumptions and judgments applied in the assessment of the valuation of the CVRs through review of the reasonableness of the inputs and assumptions used in the model which included but not limited to cash flows, budgeted revenue growth, discount rates and probability factors. We involved our valuation specialists within the engagement team to assist in the review of the appropriateness of the discount rates applied in the valuation model. We performed integrity and mathematical accuracy checks on the model as well as performing sensitivity analysis to determine the reasonableness	We completed our planned audit procedures with no exceptions.

Description of significant matters	Our response to significant matters	Key observations communicated to the Audit Committee
assumptions include payment amounts, expected timing of achievement of the regulatory approvals, probability of payments, forecasted revenue and applicable discount rates. The valuation method and the assumptions used involved a degree of complexity and further involved significant judgment and estimates. The existence of significant estimation uncertainty warrants significant audit attention. This matter is new in 2019 as the event occurred only in the current year. Refer to note 6 of the consolidated financial statements for further details.	of the input and output variables in the model. We assessed the adequacy of the group's financial statements disclosures in respect of this transaction.	
Valuation of in-process research and development (IPR&D) and contingent consideration As a result of the acquisition of Amryt AG and Som Therapeutics Corp. in 2016, the group recognised IPR&D costs as intangible assets with corresponding credit to contingent consideration liability. The carrying value of IPR&D as at 31 December 2019 was $54 million. The contingent consideration is recognised at fair value and is based on the same forecasting model used to assess the recoverable amount of IPR&D intangible assets. At 31 December 2019, the group recorded a contingent consideration liability of $53 million with the change in fair value of $7 million (recorded in the Statement of Comprehensive Income). The products that the IPR&D relate to are development assets, which are not yet ready for use. International Accounting Standard (IAS) 36, Impairment of Assets, requires that irrespective of whether there is an indication of impairment, an	We have obtained an understanding on management's accounting process and controls on the valuation of IPR&D and contingent consideration. We reviewed the group's assessment of whether there were any indicators of impairment and ensured this was consistent with our understanding of the business and its activities. We evaluated and challenged management's assumptions and judgements used in the calculation of the future cash flows, which include but are not limited to revenue projections, discount rates and probability of clinical development success. We interviewed research and development personnel employed by the group in order to obtain a more detailed understanding of the stage of development of the associated IPR&D assets and their future opportunities.	We completed our planned audit procedures with no exceptions.

Independent auditor's report to the members of Amryt Pharma plc continued

For the year ended 31 December 2019

Description of significant matters	Our response to significant matters	Key observations communicated to the Audit Committee
entity shall test an intangible asset, not yet available for use, for impairment annually by comparing its carrying value with its recoverable amount. We considered the valuation of IPR&D and contingent considerations as a key audit matter because of the significant judgement required by management in assessing the recoverable amount of the asset and fair value of the contingent consideration liability at year-end. The valuation of both IPR&D and fair value determination of the contingent consideration involve forecasting and discounting of future cash flows, which are complex and are heavily reliant on assumptions which could be affected by future market or economic developments. Refer to note 12 of the consolidated financial statements for further details.	We corroborated results with our understanding of the group's operations to date. We performed integrity and mathematical accuracy checks on the forecasting model used to estimate recoverable/fair value amount. We obtained and tested management's sensitivity analysis around the key assumptions, to ascertain that selected adverse changes to key assumptions, both individually and in aggregate, would not cause the carrying amount of IPR&D and contingent consideration.	
Revenue recognition – U.S. pharmaceutical rebate reserves As described in note 2, the Group recognises revenue when the control of the goods or services were transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. Rebates are accounted for as a variable consideration and recorded as reduction in sales. The liability for such rebates is recognised within accrued rebates on the Consolidated Statement of Financial Position. The rebates relate to sale of pharmaceutical goods of the group within the U.S. (i.e. Medicaid programs). The group is required to pay rebate for each unit of product sold to customers covered by the program. As of 31 December 2019, the rebate expense	We have obtained an understanding on management's rebates recognition and calculation process. We reviewed the basis of rebate accrual calculation and recalculated the expected amount of rebates by utilising third party information and market conditions in the U.S. We compared our recalculation to management's estimate and assessed its reasonableness. We performed a review of the historical trend of actual rebate claims paid against the estimated accruals. We selected samples to test rebate claims processed, including evaluating those claims for consistency with the contractual and mandated terms of the rebate arrangements and traced	We completed our planned audit procedures with no exceptions.

Description of significant matters	Our response to significant matters	Key observations communicated to the Audit Committee
deducted against sales amounted to $8 million and remaining accrual of $16 million. We considered this as a key audit matter because management applied significant judgment which involve significant measurement uncertainty in developing these reserves. This in turn led to a high degree of auditor judgment and subjectivity and audit effort in applying procedures for the assumptions related to contractual terms with customers, historical experience and projected market conditions in the U.S. pharmaceutical market.	payments made to different U.S. government states to the bank statements.	

Other information

Other information comprises information included in the annual report, other than the financial statements and our auditor's report thereon, including the Directors' Report and the Strategic Report. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies in the financial statements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions 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 the Directors' report have been prepared in accordance with applicable legal requirements.

Independent auditor's report to the members of Amryt Pharma plc continued

For the year ended 31 December 2019

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and parent company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and 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 for our audit; or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records; 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.

Responsibilities of management and those charged with governance for the financial statements

As explained more fully in the Directors' responsibilities section of the Directors' report, management is responsible for the preparation of the financial statements which give a true and fair view in accordance with IFRS as adopted by the European Union, and for such internal control as directors determine necessary to enable the preparation of financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the group and company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the group and parent company's financial reporting process.

Responsibilities of the auditor for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), the auditor will exercise professional judgment and maintain professional scepticism throughout the audit. They will also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group and parent company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and parent company's ability to continue as a going concern. If they conclude that a material uncertainty exists, they are required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify their opinion. Their conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the group or parent company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a matter that achieves a true and fair view.

The auditor communicates with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that may be identified during the audit.

Where the auditor is reporting on the audit of a group, the auditor's responsibilities are to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the group financial statements. The auditor is responsible for the direction, supervision and performance of the audit, and the auditor remains solely responsible for the auditor's opinion.

The auditor also provides those charged with governance with a statement that they have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on their independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, the auditor determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. These matters are described in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, the auditor determines that a matter should not be communicated in the report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the parent 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 parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Stephen Murray
(Senior Statutory Auditor)
For and on behalf of
Grant Thornton
Chartered Accountants & Statutory Auditor
Dublin 2
24 June 2020

Consolidated Statement of Financial Position

As at 31 December 2019

	Note	As at 31 December 2019 US$'000	As at 31 December 2018 US$'000
Assets			
Non-current assets			
Goodwill	12	30,813	–
Intangible assets	12	350,953	60,297
Property, plant and equipment	13	3,036	1,098
Other non-current assets		2,306	149
Total non-current assets		387,108	61,544
Current assets			
Trade and other receivables	14	36,387	5,927
Inventories	15	43,623	2,137
Cash and cash equivalents, including restricted cash	16	67,229	11,226
Total current assets		147,239	19,290
Total assets		534,347	80,834
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	17	11,918	25,198
Share premium	17	2,422	68,233
Other reserves	17	248,656	(24,865)
Accumulated deficit		(133,674)	(72,263)
Total equity		129,322	(3,697)
Non-current liabilities			
Contingent consideration and contingent value rights	6	102,461	47,316
Deferred tax liability	18	18,921	6,161
Long term loan	19	81,610	19,011
Convertible notes	20	96,856	–
Provisions and other liabilities	22	4,963	–
Total non-current liabilities		304,811	72,488
Current liabilities			
Trade and other payables	21	76,596	12,043
Provisions and other liabilities	22	23,618	–
Total current liabilities		100,214	12,043
Total liabilities		405,025	84,531
Total equity and liabilities		534,347	80,834

The Financial Statements set out on pages 62 to 117 were approved and authorised for issue by the Directors on 24 June 2020.

They are signed on the Board's behalf by:

Joe Wiley
Director

Company Number
12107859

Consolidated Statement of Comprehensive Loss

Year ended 31 December 2019

	Note	Year ended 31 December 2019 US$'000	Year ended 31 December 2018 US$'000
Revenue	3	58,124	17,095
Cost of sales	4	(42,001)	(6,266)
Gross profit		16,123	10,829
Research and development expenses		(15,827)	(10,703)
Selling, general and administrative expenses		(35,498)	(17,342)
Restructuring and acquisition costs	6	(13,038)	–
Share based payment expenses	5	(841)	(821)
Impairment charge	12	(4,670)	–
Operating loss before finance expense	7	(53,751)	(18,037)
Non-cash change in fair value of contingent consideration	6	(6,740)	(10,566)
Non-cash contingent value rights finance expense	6	(1,511)	–
Net finance expense – other	9	(4,759)	(1,841)
Loss on ordinary activities before taxation		(66,761)	(30,444)
Tax credit/(charge) on loss on ordinary activities	10	1,226	(43)
Loss for the year attributable to the equity holders of the Company		(65,535)	(30,487)
Exchange translation differences which may be reclassified through profit or loss		781	(77)
Total other comprehensive income/(loss)		781	(77)
Total comprehensive loss for the year attributable to the equity holders of the Company		(64,754)	(30,564)
Loss per share			
Loss per share – basic and diluted, attributable to ordinary equity holders of the parent (US$)	11	(0.86)	(0.67)

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Note	Year ended 31 December 2019 US$'000	Year ended 31 December 2018 US$'000
Cash flows from operating activities			
Loss on ordinary activities after taxation		(65,535)	(30,487)
Net finance expense – other	9	4,759	1,841
Depreciation and amortisation	12, 13	12,655	367
Amortisation of inventory fair value step-up	4, 7	10,367	–
Loss on disposal of fixed assets		43	–
Share based payment expenses	5	841	821
Non-cash change in fair value of contingent consideration	6	6,740	10,566
Non-cash contingent value rights finance expense	6	1,511	–
Impairment of intangible asset	12	4,670	–
Deferred taxation credit		(1,665)	–
Movements in working capital and other adjustments:			
Change in trade and other receivables	14	(4,732)	(532)
Change in trade and other payables	21	(6,356)	3,051
Change in provision and other liabilities	22	4,922	–
Change in inventories	15	(5,894)	(928)
Change in non-current assets		177	(153)
Net cash flow used in operating activities		(37,497)	(15,454)
Cash flow from investing activities			
Net cash received on acquisition of subsidiary	6	24,985	–
Payments for property, plant and equipment	13	(578)	(80)
Payments for intangible assets	12	(74)	(155)
Deposit interest received		92	6
Net cash flow from (used in) investing activities		24,425	(229)
Cash flow from financing activities			
Proceeds from issue of equity instruments – net of expenses	17	63,009	–
Proceeds from long term borrowings net of debt issue costs	19	31,176	5,914
Repayment of long term debt	19	(21,990)	–
Interest paid	19	(6,253)	(283)
Payment of deferred consideration		–	(2,366)
Net cash flow from financing activities		65,942	3,265
Exchange and other movements		3,133	(767)
Net change in cash and cash equivalents		56,003	(13,185)
Cash and cash equivalents at beginning of year		11,226	24,411
Restricted cash at end of year	16	2,032	1,362
Cash at bank available on demand at end of year	16	65,197	9,864
Total cash and cash equivalents at end of year	16	67,229	11,226

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Note	Share capital US'000	Share premium US'000	Warrant reserve US'000	Treasury shares US'000	Share based payment reserve US'000	Merger reserve US'000	Reverse acquisition reserve US'000	Equity component of convertible notes US'000	Other distributable reserves US'000	Currency translation reserve US'000	Accumulated deficit US'000	Total US'000
Balance at 1 January 2018		25,198	68,233	–	–	5,659	42,627	(73,914)	–	–	26	(41,783)	26,046
Loss for the year		–	–	–	–	–	–	–	–	–	–	(30,487)	(30,487)
Foreign exchange translation reserve		–	–	–	–	–	–	–	–	–	(77)	–	(77)
Total comprehensive loss		–	–	–	–	–	–	–	–	–	(77)	(30,487)	(30,564)
Transactions with owners													
Share based payment expense	5	–	–	–	–	821	–	–	–	–	–	–	821
Share based payment expense – Lapsed		–	–	–	–	(7)	–	–	–	–	–	7	–
Total transactions with owners		–	–	–	–	814	–	–	–	–	–	7	821
Balance at 31 December 2018		25,198	68,233	–	–	6,473	42,627	(73,914)	–	–	(51)	(72,263)	(3,697)
Balance at 1 January 2019		25,198	68,233	–	–	6,473	42,627	(73,914)	–	–	(51)	(72,263)	(3,697)
Loss for the year		–	–	–	–	–	–	–	–	–	–	(65,535)	(65,535)
Foreign exchange translation reserve		–	–	–	–	–	–	–	–	–	781	–	781
Total comprehensive loss		–	–	–	–	–	–	–	–	–	781	(65,535)	(64,754)
Transactions with owners													
Share consolidation	17	(21,262)	21,262	–	–	–	–	–	–	–	–	–	–
Issue of shares in August 2019 equity fund raise	17	533	7,467	–	–	–	–	–	–	–	–	–	8,000
Issue costs associated with August 2019 equity fund raise	17	–	(1,886)	–	–	–	–	–	–	–	–	–	(1,886)
Acquisition of subsidiary without a change of control	17	(495)	(3,726)	–	–	–	–	–	–	(2,969)	7,190	–	–
Issue of shares and warrants in consideration of Aegerion Acquisition	17	5,759	132,392	14,464	–	–	–	–	–	–	–	–	152,615
Issue of shares and warrants in equity fund raise	17	2,059	47,338	10,603	–	–	–	–	–	–	–	–	60,000
Issue costs associated with September 2019 equity fund raise	17	–	(2,575)	(530)	–	–	–	–	–	–	–	–	(3,105)
Issue of convertible notes	20	–	–	–	–	–	–	–	29,210	–	–	–	29,210
Issue of contingent value rights	6	–	–	–	–	–	–	–	–	(47,902)	–	–	(47,902)
Transfer to distributable reserves	17	–	(268,505)	–	–	–	–	–	–	268,505	–	–	–
Treasury shares acquired in consideration for additional warrants	17	–	–	7,534	(7,534)	–	–	–	–	–	–	–	–
Issue of shares in exchange for warrants in December 2019	17	126	2,422	(2,548)	–	–	–	–	–	–	–	–	–
Share based payment expense	5	–	–	–	–	841	–	–	–	–	–	–	841
Share based payment expense – Lapsed		–	–	–	–	(4,124)	–	–	–	–	–	4,124	–
Total transactions with owners		(13,280)	(65,811)	29,523	(7,534)	(3,283)	–	–	29,210	217,634	7,190	4,124	197,773
Balance at 31 December 2019		11,918	2,422	29,523	(7,534)	3,190	42,627	(73,914)	29,210	217,634	7,920	(133,674)	129,322

Company Statement of Financial Position

As at 31 December 2019

	Note	31 December 2019 US$'000
Assets		
Non-current assets		
Investments in subsidiaries	26	280,962
Total non-current assets		280,962
Current assets		
Trade and other receivables	14	58,613
Total current assets		58,613
Total assets		339,575
Equity and liabilities		
Equity attributable to owners of the parent		
Share capital	17	11,918
Share premium	17	2,422
Other reserves	17	274,992
Accumulated deficit		(1,231)
Total equity		288,101
Non-current liabilities		
Contingent consideration and contingent value rights	6	49,413
Total non-current liabilities		49,413
Current liabilities		
Trade and other payables	21	2,061
Total current liabilities		2,061
Total liabilities		51,474
Total equity and liabilities		339,575

The Financial Statements set out on pages 62 to 117 were approved and authorised for issue by the Directors on 24 June 2020.

They are signed on the Board's behalf by:

Joe Wiley
Director

Company Number
12107859

Company Statement of Cash Flows

For the period ended 31 December 2019

	Note	Period ended 31 December 2019 US$'000
Cash flows from operating activities		
Loss on ordinary activities after taxation		(1,232)
Share based payment expenses	5	428
Non-cash contingent value rights finance expense	6	1,511
Movements in working capital and other adjustments:		
Change in trade and other receivables	14	(59,663)
Change in trade and other payables	21	2,061
Net cash flow used in operating activities		(56,895)
Cash flow from financing activities		
Proceeds from issue of equity instruments – net of expenses	17	56,895
Net cash flow from financing activities		56,895
Net change in cash and cash equivalents		–
Cash and cash equivalents at beginning of year		–
Restricted cash at end of period		–
Cash at bank available on demand at end of period		–
Total cash and cash equivalents at end of period		–

Company Statement of Changes in Equity

For the period ended 31 December 2019

	Note	Share capital US$'000	Share premium US$'000	Warrant reserve US$'000	Treasury shares US$'000	Share based payment reserve US$'000	Equity component of convertible notes US$'000	Other distributable reserves US$'000	Accumulated deficit US$'000	Total US$'000
Balance at date of incorporation		–	–	–	–	–	–	–	–	–
Loss for the period		–	–	–	–	–	–	–	(1,232)	(1,232)
Total comprehensive loss		–	–	–	–	–	–	–	(1,232)	(1,232)
Transactions with owners										
Issue of shares in consideration of acquisition of Amryt Pharma Holdings Limited	17	3,974	91,350	–	–	–	–	–	–	95,324
Issue of shares and warrants in consideration of Aegerion Acquisition	17	5,759	132,392	14,464	–	–	–	–	–	152,615
Issue of shares and warrants in equity fund raise	17	2,059	47,338	10,603	–	–	–	–	–	60,000
Issue costs associated with September 2019 equity fund raise	17	–	(2,575)	(530)	–	–	–	–	–	(3,105)
Transfer to distributable reserves	17	–	(268,505)	–	–	–	–	268,505	–	–
Treasury shares acquired in consideration for additional warrants	17	–	–	7,534	(7,534)	–	–	–	–	–
Issue of shares in exchange for warrants in December 2019	17	126	2,422	(2,548)	–	–	–	–	–	–
Issue of convertible notes	20	–	–	–	–	–	29,210	–	–	29,210
Issue of contingent value rights	6	–	–	–	–	–	–	(47,902)	–	(47,902)
Share based payment reserve acquired pursuant to scheme of arrangement	5	–	–	–	–	2,763	–	–	–	2,763
Share based payment expense	5	–	–	–	–	428	–	–	–	428
Share based payment expense – Lapsed		–	–	–	–	(1)	–	–	1	–
Total transactions with owners		11,918	2,422	29,523	(7,534)	3,190	29,210	220,603	1	289,333
Balance at 31 December 2019		11,918	2,422	29,523	(7,534)	3,190	29,210	220,603	(1,231)	288,101

Notes to the Financial Statements

1. General information

We are a global, commercial-stage biopharmaceutical company dedicated to commercializing and developing novel therapeutics to treat patients suffering from serious and life-threatening rare diseases.

As used herein, references to "we", "us", "Amryt" or the "Group" in these consolidated financial statements shall mean Amryt Pharma plc and its global subsidiaries, collectively. References to the "Company" in these consolidated financial statements shall mean Amryt Pharma plc.

Amryt Pharma plc (formerly named Amryt Pharma Holdings Limited) was incorporated on 17 July 2019 and is a company incorporated in England and Wales. The Company is listed on the AIM market of the London Stock Exchange (ticker: AMYT) and the Euronext Growth Exchange of the Irish Stock Exchange (ticker: AYP).

The Company accounts present the financial statements for the period from the date of incorporation of 17 July 2019 to the financial period ended 31 December 2019, as a result, there is no comparative financial information.

On 24 September 2019, the Company became the new parent company of Amryt Pharma Holdings Limited (formerly named Amryt Pharma plc) pursuant to a scheme of arragement between Amryt Pharma plc and its shareholders under Part 26 of the Companies Act 2006.

Aegerion Pharmaceuticals, Inc. ("Aegerion"), a former subsidiary of Novelion Therapeutics Inc., is a rare and orphan disease company with a diversified offering of multiple commercial and development stage assets. The acquisition of Aegerion by Amryt in September 2019 has given Amryt an expanded commercial footprint to market two U.S. and EU approved products, lomitapide (JUXTAPID (U.S.) / LOJUXTA (EU)) and metreleptin (MYALEPT (U.S.) / MYALEPTA (EU)).

On 10 July 2019, the shareholders of the Company approved a resolution to give authority to the Company to undertake a consolidation of the existing ordinary shares in the capital of the Company under which every six existing ordinary shares were consolidated into one ordinary share. The number of shares in issue at 31 December 2018 has been adjusted to reflect this share consolidation on 10 July 2019 for the purposes of the loss per share calculation. The number of share options outstanding at 1 January 2018 and the share options granted and lapsing during the year ended 31 December 2018 have been restated to reflect the 2019 share consolidation.

On 20 September 2019, Amryt registered FILSUVEZ as the trademark name for the Group's lead development asset, AP101, in the European Union. On 18 February 2020, Amryt also registered this trademark name in the United States and is in the process of registering the FILSUVEZ trademark in other key jurisdictions.

2. Accounting policies

Basis of preparation

The consolidated financial statements of the Company and its subsidiaries ("Group") and the individual financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. Except for the new accounting standards to IFRS that have been adopted by the Group, effective 1 January 2019, the financial statements have been prepared using the same accounting policies as 2018.

The financial statements were authorized for issue by the Company's Board of Directors on 24 June 2020.

Basis of going concern

Having considered the Group's current financial position and cash flow projections, the Board of Directors believes that the Group will be able to continue in operational existence for at least the next 12 months from the date of approval of these consolidated financial statements and that it is appropriate to continue to prepare the consolidated financial statements on a going concern basis.

Notes to the Financial Statements continued

For the year ended 31 December 2019

As part of their inquiries, the Board of 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 2019.

A key consideration for the impact on going concern is the acquisition of Aegerion, which was completed in September 2019. This acquisition represents a significant step forward for Amryt and has created value for Amryt with immediate effect post-deal close through enhanced scale of the combined Group, which has the potential to drive revenues and deliver operational synergies through a combination of medical, commercial, clinical, development and regulatory infrastructure. Additionally, Amryt completed a US$60,000,000 fundraising as part of the acquisition of Aegerion.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group for the years ended 31 December 2019 and 2018. Subsidiaries are entities controlled by the Company. Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over an investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to 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 unrealized gains or losses, income or expenses arising from intergroup transactions are eliminated in preparing the consolidated financial statements.

Merger reserve

The merger reserve was created on the acquisition of Amryt Pharmaceuticals DAC ("Amryt DAC") by Amryt Pharma Holdings Limited (formerly named Amryt Pharma plc) in April 2016. Ordinary shares in Amryt Pharma Holdings Limited 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.

Presentation of balances

Beginning 1 January 2018 (the earliest period presented), the Group changed its reporting currency from Euros ("€") to U.S. dollars ("US$") to align with the new functional currency of the Company, subsequent to the Aegerion acquisition in September 2019, and to provide greater clarity to users of these consolidated financial statements. The change in reporting currency was applied retrospectively beginning 1 January 2018 using the following procedures:

- assets and liabilities were translated from their Euro functional currency to U.S. dollars using the exchange rate in effect at the balance sheet date;
- income and expenditure was translated at the average rate of exchange prevailing for the relevant period; and
- opening shareholders' equity at 1 January 2018 was translated at the historic rate on that date and any other movements in shareholders' equity during the year have been translated using the rates prevailing on the date of the transaction.

Any differences which arose due to the change in reporting currency have been posted to the currency translation reserve.

The following table discloses the major exchange rates of those currencies other than the functional currency of US$ that are utilized by the Group:

Foreign currency units to 1 US$	€	£	CHF	SEK	NOK	DKK
Average period to 31 December 2019	0.8932	0.7836	0.9938	9.4533	8.7976	6.6690
At 31 December 2019	0.8929	0.7624	0.971	9.3282	8.8046	6.6698

Foreign currency units to 1 US$	€	£	CHF	SEK	NOK	DKK
Average period to 31 December 2018	0.8455	0.7485	0.9763	8.6784	8.1289	6.2997
At 31 December 2018	0.8739	0.7833	0.9976	9.0855	8.5654	6.5700

(€ = Euro; £ = Pounds Sterling, CHF = Swiss Franc, SEK = Swedish Kroner, NOK = Norwegian Kroner, DKK = Danish Kroner)

Changes in accounting policies and disclosures

New standards and amendments to IFRS effective as of 1 January 2019 that are relevant to the Group have been reviewed by the Group. These standards and amendments are described in more detail below.

Adoption of new standards issued and effective as of 1 January 2019

Impact of initial application of IFRS 16 Leases

IFRS 16 replaced IAS 17, Leases, and the related interpretations. The Group adopted IFRS 16 effective 1 January 2019 by applying the modified retrospective approach. The Group also elected various practical expedients, including the election to not separate lease and non-lease components, the election for leases of low value assets, and the election to not record leases with an initial term of 12 months or less on the statement of financial position. As a result of these elections, each lease component and any associated non-lease components are accounted for as a single lease, and leases with a total maximum term of 12 months and leases for underlying assets of low value will be exempt from balance sheet recognition.

Under IFRS 16, at the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset).

Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Under IFRS 16 lessees will also be required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in lease term or a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

Upon the initial application of IFRS 16 as of 1 January 2019, the Group recognized right-of-use asset and lease liabilities of US$874,000. The lease liabilities were discounted using the discount rates, which were arrived at using a methodology to calculate incremental borrowing rates across the Group as of 1 January 2019. The weighted average discount rate was 6.64%. Additionally, as a result of the adoption of IFRS 16, total amount of depreciation recognized related to the right-of-use assets was US$382,000 during the year ended 31 December 2019; total amount of interest expense recognized on the lease liability was US$36,000 during the year ended 31 December 2019.

The impact on the opening Retained earnings is considered immaterial, hence no adjustments were made to the Retained earnings as a result of adoption of IFRS 16.

Notes to the Financial Statements continued

For the year ended 31 December 2019

In the current year, the Group has applied a number of amendments to IFRS and Interpretations that are effective for annual period begins on or after 1 January 2019. These amendments and interpretations do not have significant impact on the disclosures or the amounts reported in these consolidated financial statements.

- IAS 19 Employee Benefits (Amendment on Employee Benefits Plan, Amendment, Curtailment or Settlement)
- IFRIC 23 Uncertainty over Income Tax Payments
- IFRS 9 Prepayment Features with Negative Compensation (Amendment to IFRS 9)
- IAS 28 Long-term Interests in Associates and Joint Ventures (Amendment to IAS 28)
- Annual improvements to IFRS 2015-2017 Cycle

Standards issued but not yet effective

There were a number of standards and interpretations which were in issue at 31 December 2019 but were not effective at 31 December 2019 and have not been adopted for these financial statements.

- Definition of Business (Amendment to IFRS 3 Business Combination)
- IFRS 17 Insurance Contracts
- Definition of Material (Amendments to IAS 1 and 8)
- Conceptual Framework for Financial Reporting

These amendments are not expected to have significant impact on disclosures or amounts reported in the consolidated financial statements in the period of initial application.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and amounts reported in the financial statements and accompanying notes. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The critical accounting policies which involve significant estimates, assumptions or judgements, the actual outcome of which could have a material impact on the Group's results and financial position outlined below, are as follows:

Valuation of convertible notes

In conjunction with the accounting for financial instruments, the Group recorded compound financial instruments related to the convertible notes that were issued on 24 September 2019. In determining the classification of the convertible notes, the Group assessed the fixed-for-fixed criteria and considered that this was met and the number of shares that can be converted by holders of the notes is fixed. The compound financial instrument consists of a liability component and an equity component. The liability component is valued using an estimated discounted cash flow calculation based on the future contractual cash flows in the contract which are discounted at a rate of interest an identical financial instrument without a conversion feature would be subject to. Factors that are considered in estimating the prevailing market rate of interest include or are not limited to:

- loan term and maturity;
- repayment profile during the loan term other than interest;
- level of loan security; and
- principal amount of the loan.

Valuation of acquired assets

In conjunction with the accounting for business combinations, the Group recorded intangible assets such as in connection with the Aegerion acquisition, primarily related to developed technology on the commercially marketed products, and inventories which include raw materials and finished goods. The identifiable intangible assets and inventories are measured at their respective fair values as of the acquisition date. When significant identifiable intangible assets and inventories are acquired, the Group determines the fair values of these assets as of the acquisition date. The models used in valuing these intangible assets and inventories require the use of significant estimates and assumptions including but not limited to:

Intangible assets

- estimates of revenues and operating profits related to the products or product candidates;
- the probability of success for unapproved product candidates considering their stages of development;
- the time and resources needed to complete the development and approval of product candidates;
- projecting regulatory approvals;
- developing appropriate discount rates and probability rates by project; and
- tax implications, including the forecasted effective tax rate.

Inventories

- estimates of saleable inventory and non-saleable inventory, which was determined by a sales forecast and production timeline; and
- expected selling price and estimated costs of disposal.

The Group believes the fair values used to record intangible assets and inventories acquired in connection with a business combination are based upon reasonable estimates and assumptions given the facts and circumstances as of the acquisition date.

Valuation of contingent value rights ("CVRs")

The Group issued CVRs for payments to its shareholders based on the occurrence of two milestones related to AP101, its pipeline product. The CVRs have pre-determined payouts, based on the occurrence of a future event. If the event does not occur, the CVR expires as worthless. The fair value of the CVRs is estimated as of 24 September 2019, based on the following key assumptions:

- expected timing of achievement of the two milestones (U.S. Food and Drug Administration ("FDA") approval and European Medicines Agency approval) related to AP101;
- probabilities of achievements;
- revenue forecast related to AP101; and
- the appropriate discount rate selected to measure the risks inherent in the future cash flows.

Notes to the Financial Statements continued

For the year ended 31 December 2019

The Group believes the fair value of the CVRs is based upon reasonable estimates and assumptions given the facts and circumstances as of the valuation date.

Impairment of intangible assets and goodwill

The impairment assessment for intangible assets requires management to make significant judgements and estimates to determine the fair value of the assets. Management periodically evaluates and updates the estimates based on the conditions which influence these variables. A detailed discussion of the impairment methodology applied and key assumptions used by the Group in the context of long-lived assets is provided in Note 12, *Intangible assets* and goodwill, to the consolidated financial statements. The assumptions and conditions for determining impairment of intangible assets reflect management's best assumptions and estimates, but these items involve inherent uncertainties described above, many of which are not under management's control. As a result, the accounting for such items could result in different estimates or amounts if management used different assumptions or if different conditions occur in future accounting periods.

Goodwill represents the difference between the purchase price and the fair value of the identifiable tangible and intangible net assets acquired in a business combination. Goodwill is not amortized, but instead is reviewed for impairment on an annual basis or when an event becomes known that could trigger an impairment. To perform the annual impairment test of goodwill, the Group has identified the Group as a whole as a single cash generating unit ("CGU"). CGUs reflect the lowest level at which goodwill is monitored for internal management purposes. At least once a year, the Group compares the recoverable amount of the Group's CGU to the CGU's carrying amount. The recoverable amount (value in use) of a CGU is determined using a discounted cash flow approach based upon the cash flow expected to be generated by the CGU. In case that the value in use of the CGU is less than its carrying amount, the difference is at first recorded as an impairment of the carrying amount of the goodwill. The assumptions utilized in the impairment test are dependent on management's estimates, in particular in relation to the forecasting of future cash flows, the discount rates applied to those cash flows, the expected long-term growth rate of the applicable businesses and terminal values. As a result, the accounting for such items could result in different estimates or amounts if management used different assumptions or if different conditions occur in future accounting periods.

Contingent consideration

Contingent consideration arising as a result of business combinations is initially recognized at fair value using a probability adjusted present value model. The fair value of the contingent consideration is updated at each reporting date. The key judgements and estimates applied by management in the determination of the fair value of the contingent consideration relate to the determination of an appropriate discount rate, the assessment of market size and opportunity and probability assessments based on market data for the chance of success of the commercialisation of an orphan drug. A detailed discussion of the methodology applied and key input assumptions used by the Group is provided in Note 6, *Business combinations and asset acquisitions*, to the consolidated financial statements. The fair value of the contingent consideration uses management's best estimates and judgements and sensitivities have been assessed by management by considering movements in the discount rate applied and movements in revenue forecasts. The chance of success of product development is based on published market data. See Note 24, *Fair value measurement and financial risk management*, for quantification of these sensitivities.

Research and development expenses

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

- completing the asset is technically feasible so that the asset will be available for use or sale;
- there is an intention to complete the asset and use or sell it;
- there is an ability to use or sell the asset;
- 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;

- adequate technical, financial and other resources are available to complete the development of the asset and to use or sell it; and
- there is an ability to measure reliably the expenditure attributable to the intangible asset.

In process R&D acquired as part of a business combination is capitalized at the date of acquisition. Research costs are expensed when they are incurred.

Factors which impact our judgement to capitalize certain research and development expenditures include the degree of regulatory approval for products and the results of any market research to determine the likely future commercial success of products being developed. Management reviews these factors each year to determine whether previous estimates as to feasibility, viability and recovery should be changed.

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 for capitalizing development costs as assets have not yet been met by the Group in relation to AP101 or AP103. Refer to Note 12, *Intangible assets and goodwill*, for further discussion on the impairment of AP102. Accordingly, all of the Group's costs related to research and development projects are recognized as expenses in the Consolidated Statement of Comprehensive Loss 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.

Business combination

On 24 September 2019, the Group acquired Aegerion. In accounting for this transaction, the Board of Directors considered the date of when control of Aegerion passed to the Group, the fair value of the consideration settled and the fair value of the assets and liabilities acquired. See Note 6, *Business combinations and asset acquisitions*, for further information on the determination of the fair value of the assets acquired.

Recognition of deferred tax assets

Deferred tax assets are determined using enacted tax rates for the effects of net operating losses and temporary differences between the book and tax bases of assets and liabilities. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realisation of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. While management considers the scheduled reversal of deferred tax liabilities, and projected future taxable income in making this assessment, there can be no assurance that these deferred tax assets may be realizable. As at 31 December 2019, the Group did not recognize a deferred tax asset in respect of unused tax losses as described in Note 10, *Tax on ordinary activities*.

Principal accounting policies

Principal accounting policies are summarized below. They have been consistently applied throughout the period covered by the financial statements.

Revenue recognition

Revenue arises from the sale of metreleptin, lomitapide and Imlan. The Group sells directly to customers and also uses third parties in the distribution of products to customers.

To determine whether to recognize revenue, the Group follows a five-step process, as required by IFRS 15:

- identifying the contract with a customer;

Notes to the Financial Statements continued

For the year ended 31 December 2019

- identifying the performance obligations;
- determining the transaction price;
- allocating the transaction price to the performance obligations; and
- recognizing revenue when/as performance obligation(s) are satisfied.

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled to in exchange for those goods. The Group recognizes contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as liabilities in the Consolidated Statement of Financial Position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognizes either a contract asset or a receivable in its Consolidated Statement of Financial Position, depending on whether something other than the passage of time is required before the consideration is due.

Revenue from sale of goods

Imlan revenue is generally recognized at a point in time when control of the inventory is transferred, generally the date of shipment, consistent with typical ex-works shipment terms.

Revenue is generally recognized at a point in time when control of the inventory is transferred to the end customer, generally on delivery of the goods.

Principal versus agent considerations

The Group enters into certain contracts for the sale of its products. This includes agreements with third parties to provide logistics, customer and commercial services, i.e. supply chain function and agreements with distributors. The Group determined that it has control over the goods before they are transferred to the customers and has the ability to direct the use or obtain benefits, hence the Group is the principal on the contracts due to the following factors:

- the Group is primarily responsible for fulfilling the promise to provide the promised goods;
- the Group bears the inventory risk before or after the goods have been ordered by the customer, during shipping or on return;
- the Group has the discretion in establishing the selling price of the goods to customers. The distributors' consideration in these contracts is either the margin fee or commission; and
- the Group is exposed to the credit risk for the amounts receivable from the customers.

Where the above criteria are met, the Group recognizes revenue on a gross basis. The costs associated with the delivery of such goods to customers i.e. the costs associated with the services provided by the distributors to import and deliver the goods are recognized in the cost of sales.

Financial instruments

Recognition and derecognition

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 recognized when the Group becomes party to the contractual provisions of the instrument. Financial assets are de-recognized 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-recognized when the obligation specified in the contract is discharged, cancelled or expired.

Classification and initial measurement of financial assets

Trade receivables are measured at the transaction price in accordance with IFRS 15. All financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortized cost;
- fair value through profit or loss ("FVTPL"); and
- fair value through other comprehensive income ("FVOCI").

The Group did not have any financial assets categorized as FVTPL or FVOCI as at 31 December 2019 and 2018. The classification is determined by both:

- the Group's business model for managing the financial asset; and
- the contractual cash flow characteristic of the financial asset.

Subsequent measurement of financial assets

Financial assets at amortized cost

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents and trade and most other receivables fall into this category of financial instruments.

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.

Restricted cash

Restricted cash comprises current cash and cash equivalents that are restricted as to withdrawal or usage. Cash held by the Group's distribution partner for LOJUXTA on behalf of the Group is treated as restricted cash in the financial statements. Aegerion also has restricted cash in an escrow account set-up in accordance with Aegerion's bankruptcy plan as approved by the U.S. Bankruptcy Court.

Trade and other receivables

Trade and other receivables represent the Group's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due).

Impairment of financial assets

The Group recognizes an allowance for expected credit losses ("ECLs") for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group

Notes to the Financial Statements continued

For the year ended 31 December 2019

expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group assesses ECL based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. No impairment is considered necessary.

Financial liabilities

Financial liabilities are categorized as "fair value through profit or loss" or "other financial liabilities measured at amortized 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 amortized cost using the effective interest rate method except for short-term payables when the recognition of interest would be immaterial.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Interest bearing loans and borrowings

Interest-bearing loans and borrowings are recognized initially at fair value less attributable transaction costs. Loans and borrowings are subsequently carried at amortized cost using the effective interest method. Interest is charged to the Consolidated Statement of Comprehensive Loss.

Convertible notes

Convertible notes are first assessed to determine classification as a financial liability or equity instrument for the financial instrument as a whole and components thereof. The initial carrying amount of a compound financial instrument is allocated to its equity and liability components.

The two components are evaluated first by measuring the fair value of the liability component. The fair value of the liability component is assessed using a discounted cash flow calculation based on the future contractual cash flows in the contract which are discounted at an estimated market prevailing rate of interest an identical financial instrument without a conversion feature would be subject to. The equity component is measured by determining the residual of the fair value of the instrument less the estimated fair value of the liability component.

The liability component is carried at amortized cost. Interest is calculated by applying the estimated prevailing market interest rate at the time of issue. The equity component is recognized in equity and is not subsequently remeasured.

Contingent consideration

Contingent consideration arising as a result of business combinations is initially recognized 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 recognized in the Consolidated Statement of Comprehensive Loss.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Consolidated Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Inventories

Inventories are valued at the lower of cost or net realizable value. The costs are calculated according to the first in-first out method ("FIFO"). Cost includes materials, direct labor and an attributable proportion of manufacturing overhead 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 realizable value is lower than the book value. Net realizable value is determined as estimated selling prices less all costs of completion and costs incurred in selling and distribution.

Inventories held by third-party supply chain partners are included in inventory totals when control has deemed to be transferred to the Group under the contract terms of the distribution agreement. The cost to acquire the inventory held by the supply chain partners is recognized as a liability of the Group.

Leases

Accounting policy applicable from 1 January 2019

A lease is defined as a contract that conveys the right to use an underlying asset for a period of time in exchange for consideration. A contract is or contains a lease if:

- the underlying asset is identified in the contract; and
- the customer has both the right to direct the identified asset's use and to obtain substantially all the economic benefits from that use.

Under IFRS 16, the Group is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments for almost all leases.

Lease liabilities

Lease liabilities are initially recognized at the present value of the following payments, when applicable:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments (linked to an index or interest rate);
- expected payments under residual value guarantees;
- the exercise price of purchase options, where exercise is reasonably certain;
- lease payments in optional renewal periods, where exercise of extension options is reasonably certain; and
- penalty payments for the termination of a lease, if the lease term reflects the exercise of the respective termination option.

Notes to the Financial Statements continued

For the year ended 31 December 2019

Lease payments are discounted using the implicit interest rate underlying the lease if this rate can be readily determined. Otherwise, the incremental borrowing rate is used as the discount rate.

Lease liabilities are subsequently measured at amortized cost using the effective interest method. Furthermore, lease liabilities may be remeasured due to lease modifications or reassessments of the lease. A lease modification is any change in lease terms that was not part of the initial terms and conditions of the lease, including increases of the scope of the lease by adding the right to use one or more underlying assets or extending the contractual lease term, decreases of the scope of the lease by removing the right to use one or more underlying assets or shortening the contractual lease term or changes in the consideration. Reassessments are changes in estimates or changes triggered by a clause that was part of the initial lease contract, including changes in future lease payments arising from a change in an index or rate, change in the Group's estimate of the amount expected to be payable under residual value guarantees or change in the Group's assessment of whether it will exercise purchase, extension or termination options.

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the respective lease. Right-of-use assets are stated at cost less accumulated depreciation. Upon initial recognition, cost comprises:

- the initial lease liability amount;
- initial direct costs incurred when entering into the lease;
- (lease) payments before commencement date of the respective lease;
- an estimate of costs to dismantle and remove the underlying asset; and
- less any lease incentives received.

Right-of-use assets are depreciated over the shorter of the lease term or the useful life of the underlying asset using the straight-line method. In addition, right-of-use assets are reduced by impairment losses, if any, and adjusted for certain remeasurements.

Accounting policy applicable before 1 January 2019

The group has a number of operating leases, with the Group as lessee. The ongoing lease payments are stated as expenses when incurred. There are no material lease incentives in place.

Foreign currency translation

Presentation currency

The Group translates foreign currency transactions into its presentational currency, US$, as described in "Presentation of balances" above.

Functional currency

The Company's functional currency is US$.

Transactions in currencies other than the functional currency of the Group entities are recorded at the exchange rates prevailing at the dates of the related transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, as well as from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognized in the Consolidated Statement of Comprehensive Loss. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are translated to the respective functional currencies of the Group's entities at the rates prevailing on the relevant balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rates at the dates of the initial transactions.

The financial statements of the Group's foreign subsidiaries, where the local currency is the functional currency, are translated using exchange rates in effect at the end of the year for assets and liabilities and average exchange rates during the year for results of operations. The resulting foreign currency translation adjustment is recognized in other comprehensive income.

Property, plant and equipment

Items of property, plant and equipment are stated at cost less any accumulated depreciation and any impairment losses. It is not Group policy to revalue any items of property, plant and equipment.

Depreciation is charged to the Consolidated Statement of Comprehensive Loss on a straight-line basis to write-off the cost of the assets over their expected useful lives as follows:

- Property, plant and machinery 5 to 15 years
- Office equipment 3 to 10 years

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Business combinations

Business combinations, including the Aegerion acquisition, 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 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.

To the extent that settlement of all or any part of the consideration for a business combination is deferred, the fair value of the deferred component is determined through discounting the amounts payable to their present value at the date of the exchange. The discount component is unwound as an interest charge in the Consolidated Statement of Comprehensive Income over the life of the obligation. Any contingent consideration is recognized at fair value at the acquisition date and included in the cost of the acquisition. The fair value of contingent consideration at acquisition date is arrived at through discounting the expected payment (based on scenario modelling) to present value. In general, in order for contingent consideration to become payable, pre-defined revenues and/or milestone dates must be exceeded. Subsequent changes to the fair value of the contingent consideration will be recognized in profit or loss unless the contingent consideration is classified as equity, in which case it is not remeasured and settlement is accounted for within equity.

When the initial accounting for a business combination is determined provisionally, any adjustments to the provisional values allocated to the consideration, identifiable assets or liabilities (and contingent liabilities, if relevant) are made within the measurement period, a period of no more than one year from the acquisition date.

Frequently, the acquisition of pharmaceutical patents and licenses 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 recognized at cost.

Common control transactions

The assets and liabilities of the combining entities are reflected in the consolidated financial statements at their carrying amounts. No adjustments are made to reflect fair values, or recognise any new assets or liabilities, at the date of the combination that otherwise would have been done under the acquisition method. The only adjustments that are made are those adjustments to harmonise accounting policies.

No 'new' goodwill is recognised as a result of the combination. The only goodwill that is recognised is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid or transferred and the equity 'acquired' is reflected within equity.

Notes to the Financial Statements continued

For the year ended 31 December 2019

The consolidated income statement reflects the results of the combining entities for the full year, irrespective of when the combination took place.

Comparatives are presented as if the entities had always been combined.

Intangible assets

Intangible assets primarily relate to developed technology on the Company's commercially marketed products and IPR&D. Intangible assets are recorded at fair value at the time of their acquisition and are stated in the Consolidated Statement of Financial Position, net of accumulated amortisation and impairments, if applicable.

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

In connection with the acquisition of Aegerion, the Group acquired developed technology on metreleptin and lomitapide, which are amortized over the remaining patent lives through February 2026 and August 2027, respectively.

The useful life of other acquired intangible assets is as follows:

- Software and hardware 3-10 years
- Website development 5-10 years

Intangible assets acquired in 2016 as part of the acquisitions of Amryt AG and SomPharmaceuticals are currently not being amortized as the assets are still under development.

Factors which impact our judgement to capitalize certain research and development expenditures include the degree of regulatory approval for products and the results of any market research to determine the likely future commercial success of products being developed. Management reviews these factors each year to determine whether previous estimates as to feasibility, viability and recovery should be changed.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less impairment.

Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment, acquired intangible assets and investment in subsidiaries 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 Consolidated Statement of Comprehensive Loss. Assets are grouped into the smallest group that generates cash inflows which are independent of other assets.

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 cost 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.

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 substantively enacted at the reporting date and taking into account any adjustments stemming from prior years. Deferred tax assets or liabilities are recognized where the carrying value of an asset or liability in the Consolidated 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 utilized.

In connection with business combinations, deferred tax balances are recognized if related to temporary differences and loss carry-forwards at the acquisition date or if they arise as a result of the acquisition and are measured in accordance with IAS 12 *Income Taxes*.

Share-based payments

The Group issues share options as an incentive to certain senior management and staff. The fair value of options granted is recognized 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 recognized 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.

The estimate of the fair value of services received is measured based on the Black-Scholes model using input assumptions, including weighted average share price, expected volatility, weighted average expected life and expected yield. The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility is based on the historical volatility (calculated based on the expected life of the options). The Group has considered how future experience may affect historical volatility.

Employee Benefits

Defined contribution plans

The Group operates defined contribution schemes in various locations where employees are based. Contributions to the defined contribution schemes are recognized in the Consolidated Statement of Comprehensive Loss in the period in which the related services are received from the employee. Under these schemes, the Group has no obligation, either legal or constructive, to pay further contributions in the event that the fund does not hold sufficient assets to meet its benefit commitments.

Notes to the Financial Statements continued

For the year ended 31 December 2019

3. Segment information

The Group is a global, commercial-stage biopharmaceutical company dedicated to commercializing and developing novel therapeutics to treat patients suffering from serious and life-threatening rare diseases.

In 2018, the Group reported two operating segments: commercial and research and development. As a result of an internal reorganisation, the Group now identifies one business segment. Corresponding items of the earliest period presented have been restated to reflect this change.

The Group currently operates as one business segment, pharmaceuticals, and is focused on the development and commercialisation of two commercial products and two development products. The Group derives its revenues primarily from one source, being the pharmaceutical sector with high unmet medical need.

The Group's Chief Executive Officer, Joe Wiley, is currently the Company's chief operating decision maker ("CODM"). The Group does not operate any separate lines of business or separate business entities with respect to its products. Accordingly, the Group does not accumulate discrete financial information with respect to separate service lines and does not have separate reportable segments.

The following table summarizes total revenues from external customers by product and by geographic region, based on the location of the customer. Revenues represent the revenue from the Group for the full year (which includes revenue from Aegerion, with acquired products and additional regions, from 24 September 2019 onward).

	31 December 2019			
	U.S.	**EMEA**	**Other**	**Total**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Metreleptin	14,944	8,048	2,096	25,088
Lomitapide	10,616	18,985	2,659	32,260
Other	–	671	105	776
Total revenue	**25,560**	**27,704**	**4,860**	**58,124**

	31 December 2018			
	U.S.	EMEA	Other	Total
	US$'000	US$'000	US$'000	US$'000
Metreleptin	–	–	–	–
Lomitapide	–	15,132	978	16,110
Other	–	928	57	985
Total revenue	–	16,060	1,035	17,095

Major Customers

For the year ended 31 December 2019, one customer accounted for 44% of the Group's net revenues and accounted for 44% of the Group's 31 December 2019 trade receivable balance. For the year ended 31 December 2018, the Group generated over 76% of its lomitapide revenue in Italy, the Netherlands and Greece. The largest customer in 2018 was a hospital in Greece.

4. Cost of sales

	31 December 2019 US$'000	31 December 2018 US$'000
Cost of product sales	**11,384**	3,588
Amortisation of acquired intangibles (see Note 12)	**11,831**	–
Amortisation of inventory fair value step-up (see Note 15)	**10,367**	–
Royalty expenses	**8,419**	2,678
Total cost of sales	**42,001**	6,266

As a result of the acquisition of Aegerion in September 2019, the Group acquired certain inventories, which were measured at fair value on the acquisition date. Refer to Note 2, *Accounting policies*, for further discussion on the key assumptions utilized to estimate the fair value. The difference between the estimated fair value and the book value of the acquired inventory was amortized, using the straight-line method, over the estimated period that the Group intends to sell this inventory.

5. Share based payments

On 10 July 2019, the shareholders of the Company approved a resolution to give authority to the Company to undertake a consolidation of the existing ordinary shares in the capital of the Company under which every 6 existing ordinary shares were consolidated into one ordinary share.

In the table below, for presentational purposes, the number of share options and warrants outstanding at 1 January 2019 and 2018 and the share options and warrants granted and lapsing during the years ended 31 December 2019 and 2018 have been restated to reflect the 2019 6-for-1 share consolidation.

Under the terms of the Company's Employee Share Option Plan, options to purchase 14,481,720 shares were outstanding at 31 December 2019. Under the terms of this plan, options are granted to officers, consultants and employees of the Group at the discretion of the Remuneration Committee. A total of 11,330,641 share options were granted to directors and employees in 2019. There were no new share options granted during the year ended 31 December 2018.

The Company has issued warrants pre-2018 to key consultants, advisers and suppliers in payment or part payment for services or supplies provided to the Group.

There were no similar warrants granted during either of the years ended 31 December 2019 and 31 December 2018.

The terms and conditions of the grants are as follows, whereby all options are settled by physical delivery of shares:

Vesting conditions

The employee share options vest following a period of service by the officer or employee. The required period of service is determined by the Remuneration Committee at the date of grant of the options (usually the date of approval by the Remuneration Committee) and it is generally over a three-year period. There are no market conditions associated with the share option vesting periods.

Contractual life

The term of an option is determined by the Remuneration Committee provided that the term may not exceed a period of seven to ten years from the date of grant. All options will terminate 90 days after termination of the option holder's employment, service or consultancy with the Group except where a longer period is approved by the Board of Directors. Under certain circumstances involving a change in control of the Group, each option will automatically accelerate and become exercisable in full as of a date specified by the Board of Directors.

Notes to the Financial Statements continued

For the year ended 31 December 2019

The number and weighted average exercise price (in Sterling pence) of share options and warrants per ordinary share is as follows:

	Share Options		Warrants	
	Units	Weighted average exercise price (Sterling pence)	Units	Weighted average exercise price (Sterling pence)
Balance at 1 January 2018 (pre share consolidation)	19,696,586	19.16p	23,103,481	24.74p
Balance at 1 January 2018 (restated for 6:1 share consolidation)	3,282,764	114.96p	3,850,580	148.44p
Lapsed	(31,909)	142.50p	(32,255)	672.00p
Outstanding at 31 December 2018	**3,250,855**	**115.20p**	**3,818,325**	**144.00p**
Exercisable at 31 December 2018	**1,327,406**	**116.83p**	**3,818,325**	**144.00p**
Balance at 1 January 2019 (pre share consolidation)	3,250,855	115.20p	3,818,325	144.00p
Granted	11,330,641	117.01p	18,841,378	–
Lapsed	(99,776)	197.66p	(3,472,783)	144.00p
Exercised	–	–	(1,645,105)	–
Outstanding at 31 December 2019	**14,481,720**	**116.00p**	**17,541,815**	**0.03p**
Exercisable at 31 December 2019	**2,468,310**	**109.08p**	**17,541,815**	**0.03p**

The 18,841,378 warrants granted during the year ended 31 December 2019 consist of 8,065,000 zero cost warrants issued to acquire Aegerion, 5,911,722 warrants issued to investors in connection with the US$60,000,000 equity raise and 4,864,656 warrants that were issued in connection with the repurchase of ordinary shares from certain shareholders. Refer to Note 17, *Share capital and reserves* for further details on the warrants exercised during the year ended 31 December 2019.

Outstanding warrants at 31 December 2019 consisted of 17,196,273 zero cost warrants with no expiration date that were issued to Aegerion creditors in connection with the acquisition of Aegerion (see Note 6, *Business combinations and asset acquisitions*) and investors in connection with the US$60,000,000 equity raise (see Note 17, *Share capital and reserves*). The remaining warrants consisting of 345,542 warrants were issued in connection with the admission to the AIM in 2016 and any subsequent reference to warrants in this note relate to the warrants issued in 2016.

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:

	2019 Options Inputs	2019 Warrant Inputs	2018 Options Inputs	2018 Warrant Inputs
Days to Expiration	2,555	–	–	–
Volatility	27% – 48%	–	–	–
Risk free interest rate	0.38% – 0.83%	–	–	–
Share price at grant	75.84p – 121.5p	–	–	–

In 2019, a total of 11,330,641 share options exercisable at a weighted average price of £1.17 were granted. The fair value of share options granted in 2019 was £13,258,000/US$16,919,000. There were no new share options granted in 2018.

The share options outstanding as at 31 December 2019 have a weighted remaining contractual life of 6.19 years with exercise prices ranging from £0.76 to £1.50. The share options outstanding as at 31 December 2018 had a weighted remaining contractual life of 4.94 years with exercise prices ranging from £0.93 to £2.88.

The warrants outstanding as at 31 December 2019 have a weighted remaining contractual life of 1.3 years with an exercise price of £1.44. The remaining warrants outstanding as at 31 December 2018 had a weighted remaining contractual life of 0.25 years with an exercise price of £1.44.

The value of share options charged to the Consolidated Statement of Comprehensive Loss during the year is as follows:

	31 December 2019 US$'000	31 December 2018 US$'000
Share option expense	**841**	821
Total share option expense	**841**	821

The share option scheme was in place prior to the incorporation of the Company and the shares that will be issued upon share options being exercised will be issued by Amrty Pharma plc. As a result, the Company-only recognise the full share based payment reserve from the initial grant date with a corresponing increase in investment in subsidiaries.

6. Business combinations and asset acquisitions

Acquisition of Aegerion Pharmaceuticals

On 20 May 2019, Amryt entered into a Restructuring Support Agreement (as subsequently amended on 12 June 2019) and Plan Funding Agreement pursuant to which, among other matters, Amryt agreed to the acquisition of Aegerion Pharmaceuticals, Inc. ("Aegerion"), a former wholly-owned subsidiary of Novelion Therapeutics Inc. ("Novelion"). On 20 May 2019, Aegerion and its U.S. subsidiary, Aegerion Pharmaceuticals Holdings, Inc., filed voluntary petitions under Chapter 11 of Title 11 of the U.S. Code in the Bankruptcy Court. On 24 September 2019, Amryt completed the acquisition of Aegerion. Amryt acquired Aegerion upon its emergence from bankruptcy in an exchange for ordinary shares and zero cost warrants in Amryt. Amryt issued 85,092,423 effective shares at US$1.793 per share, which is made up of 77,027,423 ordinary shares and 8,065,000 zero cost warrants, to acquire Aegerion for a value of US$152,615,000.

The Company believes that the acquisition of Aegerion will enable the Group to advance the Group's ambition to create a global leader in rare and orphan diseases with a diversified offering of multiple development-stage and commercial assets and provides it with scale to support further growth.

As part of the acquisition of Aegerion, it was agreed, for certain Aegerion creditors who wished to restrict their percentage share interest in Amryt's issued share capital, to issue to the relevant Aegerion creditor, as an alternative to Amryt's ordinary shares, an equivalent number of new zero cost warrants to subscribe for Amryt's ordinary shares to be constituted on the terms of the zero cost warrant. Refer to Note 23, *Related party transactions*, for further discussion.

Relevant Aegerion creditors are entitled at any time to exercise the zero cost warrants, at which point in time, the Company would issue to that Aegerion creditor the relevant number of fully paid ordinary shares in return for the exercise of the zero cost warrants. Each zero cost warrant entitles the holder thereof to subscribe for one ordinary share. The zero cost warrants constitute the Company's direct and unsecured obligations and rank *pari passu* and without any preference among themselves (save for any obligations to be preferred by law) at least equally with the Company's other present and future unsecured and unsubordinated obligations. The zero cost warrants are not transferable except with the Company's prior written consent.

On 14 November 2019, the Company repurchased a combined 4,864,656 ordinary shares from Highbridge Tactical Master Fund L.P., Highbridge SCF Special Situations SPV, L.P. and Nineteen77 Global Multi Strategy Alpha Master Limited. In exchange for the ordinary shares, these institutions were issued an equivalent number of zero cost warrants.

Notes to the Financial Statements continued

For the year ended 31 December 2019

The table below reflects the fair value of the identifiable net assets acquired in respect of the acquisition completed during the year. Any amendments to fair values will be made within the twelve-month period from the date of acquisition, as permitted by IFRS 3 *Business Combinations*.

	Provisional Fair Value at date of acquisition US$'000
Assets	
Non-current assets	
Property, plant and equipment	276
Right of use assets	924
Intangible Assets	308,374
Other assets	2,334
Total non-current assets	**311,908**
Current assets	
Cash and cash equivalents	24,985
Trade and other receivables	23,259
Inventory	45,959
Prepaid expenses and other assets	2,469
Total current assets	**96,672**
Total assets	**408,580**
Current liabilities	
Accounts payable	5,137
Accrued liabilities	64,088
Lease liabilities – current	384
Provision for legal settlements – current	14,916
Total current liabilities	**84,525**
Non-current liabilities	
Lease liabilities – long term	538
Long term debt	54,469
Convertible notes debt and equity components – long term	125,000
Provision for legal settlements – long term	7,821
Deferred tax liability	14,425
Total non-current liabilities	**202,253**
Total liabilities	**286,778**
Total identifiable net assets at fair value	**121,802**
Goodwill arising on acquisition	30,813
Consideration	**152,615**
Consideration	
Issue of fully paid up ordinary shares and zero cost warrants	152,615
Total consideration	**152,615**

The acquired goodwill is attributable principally to the profit generating potential of the businesses, the assembled workforce and benefits arising from embedded infrastructure, that are expected to be achieved from integrating the acquired businesses into the Group's existing business. No amount of goodwill is expected to be deductible for tax purposes.

In the post-acquisition period to 31 December 2019, the business acquired during the current year contributed revenue of US$38,392,000 and a trading loss of US$17,239,000 to the Group's results.

The full year unaudited revenue and trading loss had the acquisitions taken place at the start of the year, would have been US$185,260,000 and US$53,057,000 respectively. In February 2019, the Aegerion Group out licensed the rights to JUXTAPID for distribution in Japan to Recordati Rare Diseases Inc. ("Recordati"). Included in the full year revenue total for 2019 is $28,495,000 relating to an upfront payment for the license and the transfer of the JUXTAPID marketing authorisation to Recordati. The 2019 revenue total also includes a mix of product revenues to Japan from January 2019 until the end of the transition period in May 2019 and then royalty income from Recordati to Aegerion at a rate of 22.5% on net sales of JUXTAPID in Japan for the remaining part of the year.

The gross contractual value of trade and other receivables as at the dates of acquisition amounted to US$23,259,000, which approximated the fair value of these accounts as the amount not expected to be collected was insignificant.

The Group incurred acquisition and restructuring related costs of US$13,038,000 relating to external legal fees, advisory fees, due diligence costs and severance costs. These costs have been included in operating costs in the Consolidated Statement of Comprehensive Income.

The initial assignment of fair values to identifiable net assets acquired has been performed on a provisional basis due to the relative size of the acquisition and the timing of the transaction. Any amendments to these fair values within the twelve-month timeframe from the date of acquisition will be disclosed in the 2020 consolidated financial statements, as stipulated by IFRS3.

Contingent Value Rights

Related to the transaction, Amryt issued Contingent Value Rights ("CVRs") pursuant to which up to US$85,000,000 may become payable to Amryt's shareholders and option holders, who were on the register prior to the completion of the acquisition on 20 September 2019, if certain approval and revenue milestones are met in relation AP101, Amryt's lead product candidate. If any such milestone is achieved, Amryt may elect to pay the holders of CVRs by the issue of Amryt shares or loan notes. If Amryt elects to issue Loan Notes to holders of CVRs, it will settle such loan notes in cash 120 days after their issue. If none of the milestones are achieved, scheme shareholders and option holders will not receive any additional consideration under the terms of the CVRs. In these circumstances, the value of each CVR would be zero.

The terms of the CVRs are as follows:

- The total CVR payable is up to US$85,000,000
- This is divided into three milestones which are related to the success of AP101 (the Group's lead development asset, currently in Phase 3 clinical trials)
- FDA approval
    - o US$35,000,000 upon FDA approval
    - o 100% of the amount due if approval is obtained before 31 December 2021, with a sliding scale on a linear basis to zero if before 1 July 2022

Notes to the Financial Statements continued

For the year ended 31 December 2019

- EMA approval
  - o US$15,000,000 upon EMA approval
  - o 100% of the amount due if approval is obtained before 31 December 2021, with a sliding scale on a linear basis to zero if before 1 July 2022
- Revenue targets
  - o US$35,000,000 upon AP101 revenues exceeding US$75,000,000 in any 12-month period prior to 30 June 2024
- Payment can at the Board's discretion be in the form of either:
  - o 120-day loan notes (effectively cash), or
  - o Shares valued using the 30 day / 45-day VWAP.

The CVRs were contingent on the successful completion of the acquisition and, accordingly, have been based on fair value as at 24 September 2019. In the Company-only accounts, the CVRs have been classified as a financial liability in the Consolidated Statement of Financial Position and debited to equity as a deemed distribution. On consolidation, given that CVRs were issued to legacy Amryt shareholders in their capacity as owners of the identified acquirer as opposed to the seller in the transaction, management concluded that the most appropriate classification would be to recognize the CVR as a distribution on consolidation instead of goodwill.

Measurement of CVRs

As at 31 December 2019, the carrying value of the CVRs was US$49,413,000. The value of the potential payout was calculated using the probability-weighted expected returns method. Using this method, the potential payment amounts were multiplied by the probability of achievement and discounted to present value. 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 type of product acquired in the Amryt GmbH transaction. Discount rates of 10% and 16.5%, as applicable, were used in the calculation of the present value of the estimated contractual cash flows for the year ended 31 December 2019. Management was required to make certain estimates and assumptions in relation to revenue forecasts, timing of revenues and probability of achievement of commercialisation of AP101. However, management notes 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 expected cash flows of the CVRs.

Amryt reviews the expected cash flows on a regular basis as the discount on initial recognition is being unwound as financing expenses in the Consolidated Statement of Comprehensive Loss over the life of the obligation. It is reviewed on a quarterly basis and the appropriate finance charge is booked in the consolidated statement of income on a quarterly basis. The Group expects to read out top-line data from the Phase 3 trial of AP101 in Epidermolysis Bullosa ("EB") in the second half of 2020, followed by applications for approval from the FDA and the EMA, if top-line data is positive. Coupled with this, management has completed its annual forecast and revenues and costs reflect these current expectations.

The total non-cash finance charge recognized in the Consolidated Statement of Comprehensive Loss for the year ended 31 December 2019 is US$1,511,000.

Acquisition of Amryt AG (previously "Birken")

Amryt DAC signed a conditional share purchase agreement to acquire Amryt AG on 16 October 2015 ("Amryt AG SPA"). The Amryt AG SPA was completed on 18 April 2016 with Amryt DAC acquiring the entire issued share capital of Amryt GmbH. The consideration included contingent consideration comprising milestone payments and sales royalties as follows:

- 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 (i) €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, which was paid in January 2018, 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 EB;
  - 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); and
- Royalties of 9% on sales of Episalvan products for 10 years from first commercial sale;

Fair Value Measurement of Contingent Consideration

As of 31 December 2019, the fair value of the contingent consideration was estimated to be US$53,048,000 (2018: US$47,316,000). The fair value of the royalty payments was determined using probability weighted revenue forecasts and the fair value of the milestone payments was determined using probability adjusted present values (see Note 24, *Fair value measurement and financial risk management*, for fair value hierarchy applied and impact of key unobservable impact data). 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 type of product acquired in the Amryt GmbH transaction. A discount rate of 24.4% (2018: 28.5%) was used in the calculation of the fair value of the contingent consideration for the year ended 31 December 2019. At that time management anticipated that AP101 for EB would be ready to launch in 2019. However, management noted that due to issues outside their control, 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.

Amryt reviews the contingent consideration on a regular basis as the probability adjusted fair values are being unwound as financing expenses in the Consolidated Statement of Comprehensive Loss over the life of the obligation. The finance charge is being unwound as a financing expense in the Consolidated Statement of Comprehensive Loss on a quarterly basis.

The total non-cash finance charge recognized in the Consolidated Statement of Comprehensive Income for the year ended 31 December 2019 is US$6,740,000 (2018: US$10,566,000).

In January 2019, the Group received the results of an unblinded interim efficacy analysis for the Phase 3 trial of AP101 in EB. This analysis was conducted by an independent data safety monitoring committee and recommended that the trial should continue with an increase of 48 patients in the study to a total of 230 evaluable patients in order to be able to achieve 80% conditional statistical power. The Group expects to read out top-line data from this trial in the second half of 2020, followed by applications for approval from the FDA and the EMA, if top-line data is positive. Coupled with this, management has completed its annual forecast and revenues and costs have been amended to reflect current expectations. These factors have resulted in a change to the probability weighted revenue forecasts and the probability of the adjusted present values which are used in the calculation of the contingent consideration balance and impact the amount being unwound to the consolidated statement of comprehensive income.

Notes to the Financial Statements continued

For the year ended 31 December 2019

Acquisition of Amryt Pharma Holdings Limited (formerly named Amryt Pharma plc)

On 24 September 2019, the Company became the new parent company of Amryt Pharma Holdings Limited (formerly named Amryt Pharma plc) pursuant to a scheme of arragement between Amryt Pharma plc and its shareholders under Part 26 of the Companies Act 2006. This was accounted for as a common control transaction and, therefore, there were no adjustments to reflect fair values, or recognise any new assets and liabilities at the date of the acquisition that otherwise would have been done under the acquisition method.

7. Operating loss for the year

Operating loss for the year is stated after charging (crediting):

	31 December 2019 US$'000	31 December 2018 US$'000
Fees payable to the Group's auditor and their associates	**611**	106
Changes in inventory expensed (excluding fair value step-up)	**11,335**	1,700
Amortisation of inventory fair value step-up	**10,367**	–
Research and development expenses	**15,827**	10,703
Share based payments	**841**	821
Pension costs	**769**	583
Depreciation of property, plant and equipment	**698**	317
Amortisation of intangible assets	**11,957**	50
Operating lease rentals	**170**	300
Foreign exchange (gains) losses	**(3,750)**	223

8. Employees

Including the directors, the Group's average number of employees during the year was 99 (2018: 61).

Aggregate remuneration comprised:

	31 December 2019 US$'000	31 December 2018 US$'000
Wages and salaries	**17,268**	7,249
Social security costs	**2,037**	1,005
Pension costs – employees	**769**	583
Directors' remuneration	**2,555**	1,565
Shared based payments – directors	**510**	175
Shared based payments – employees/consultants	**331**	646
Total employee costs	**23,470**	11,223

The directors of the Company held the following share options over shares of Amryt Pharma plc at 31 December 2019:

Director	Number	31 December 2019 Exercise price (Sterling Pence)	Expiration Date
Joe Wiley	**6,437,460**	**0.76p – 121.50p**	**27 November 2024 – 4 November 2026**

Rory Nealon was a director of the Company throughout 2018 and resigned as a director of the Company on 24 September 2019.

The options held by the directors of the Company at 31 December 2018 have been restated to reflect the 6:1 share consolidation in 2019.

Director	Number	31 December 2018 Exercise price (Sterling Pence)	Expiration Date
Joe Wiley	343,521	120.72p	27 November 2024
Rory Nealon	137,409	120.72p	27 November 2024

No share options were granted to any of the directors in 2018.

Further information on the compensation of key management personnel is included in Note 23, *Related party transactions*, of these financial statements.

9. Net finance expense – other

	31 December 2019 US$'000	31 December 2018 US$'000
Interest on loans	**8,481**	1,603
Charges and fees paid	**120**	20
Interest received	**(92)**	(5)
Foreign exchange losses (gains)	**(3,750)**	223
Total	**4,759**	1,841

Notes to the Financial Statements continued

For the year ended 31 December 2019

10. Tax on ordinary activities

A corporation tax credit of US$1,226,000 arises in the year ended 31 December 2019 (2018: charge of US$43,000). 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:

	31 December 2019 US$'000	31 December 2018 US$'000
Loss before tax	**(66,760)**	(30,444)
Tax credit at Irish corporation tax rate of 12.5%	**(8,345)**	(3,806)
Effect of:		
Movement in unrecognized deferred tax assets	**3,508**	4,182
Permanent differences	**6,474**	43
Differences in overseas taxation rates	**(2,863)**	(376)
Total tax (credit)/charge on loss on ordinary activities	**(1,226)**	43

At 31 December 2019 and 2018, the Group had unutilized net operating losses in the following jurisdictions as follows:

	31 December 2019 US$'000	31 December 2018 US$'000
Ireland	**53,266**	36,428
United States	**36,334**	–
Germany	**26,228**	27,236
United Kingdom	**16,828**	7,812
ROW	**–**	315
Total	**132,656**	71,791

The deferred tax asset on tax losses of US$25,858,892 (2018: US$14,503,000), which was calculated at corporation tax rates ranging from 12.5% to 32%, has not been recognized due to the uncertainty of the recovery. Tax losses in Ireland, Germany and the UK can be carried forward indefinitely. U.S. losses related to tax periods prior to 2018 can be carried forward for 20 years while losses from 2018 onwards can be carried forward indefinitely.

Due to historical changes in ownership of the U.S. business, the U.S. tax losses carried forward are restricted in how they can be used against future profits of the Group.

All current and deferred tax related charges are recognized in the Consolidated Statement of Comprehensive Loss.

11. Loss per share – basic and diluted

The weighted average number of shares in the loss per share ("LPS") calculation, reflects the weighted average total actual shares of Amryt Pharma plc in issue at 31 December 2019, as adjusted (see below).

Issued share capital - ordinary shares of £0.06 each

	Number of shares	Weighted average shares
31 December 2019	**154,498,887**	**75,871,562**
31 December 2018	**274,817,283**	**274,817,283**
31 December 2018, as adjusted	**45,802,880**	**45,802,880**

The number of shares in issue at 31 December 2018 has been adjusted to reflect the share consolidation on 10 July 2019, whereby each ordinary shareholder received one ordinary share for every six shares held at that date.
The calculation of loss per share is based on the following:

	31 December 2019	31 December 2018
Loss after tax attributable to equity holders of the Company (US$'000)	**(65,535)**	(30,487)
Weighted average number of ordinary shares in issue	**75,871,562**	45,802,880
Fully diluted average number of ordinary shares in issue	**75,871,562**	45,802,880
Basic and diluted loss per share (US$)	**(0.86)**	(0.67)

The basic and diluted loss per share for 2019 of US$0.86 (2018: US$0.67) was calculated using the post consolidation number of ordinary shares in issue.

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 2019 totaled 32,023,535 (2018: 7,069,180 as restated) and are potentially dilutive.

Notes to the Financial Statements continued

For the year ended 31 December 2019

12. Intangible assets and goodwill

	Developed technology - metreleptin US$'000	Developed technology - lomitapide US$'000	In process R&D US$'000	Other intangible assets US$'000	Total intangible assets US$'000	Goodwill US$'000
Cost						
At 1 January 2018	–	–	62,498	114	62,612	–
Additions	–	–	–	155	155	–
Disposals	–	–	–	(1)	(1)	–
Foreign exchange movement	–	–	(2,407)	(10)	(2,417)	–
At 31 December 2018	**–**	**–**	**60,091**	**258**	**60,349**	**–**
Additions	–	–	–	74	74	–
Acquired assets	185,000	123,000	–	374	308,374	30,813
Impairment charge	–	–	(4,670)	–	(4,670)	–
Foreign exchange movement	–	–	(1,160)	(5)	(1,165)	–
At 31 December 2019	**185,000**	**23,000**	**54,261**	**701**	**362,962**	**30,813**
Accumulated amortisation						
At 1 January 2018	–	–	–	5	5	–
Amortisation charge	–	–	–	50	50	–
Amortisation charge on disposals	–	–	–	(1)	(1)	–
Foreign exchange movement	–	–	–	(2)	(2)	–
At 31 December 2018	**–**	**–**	**–**	**52**	**52**	**–**
Amortisation charge	7,688	4,143	–	126	11,957	–
At 31 December 2019	7,688	4,143	–	178	12,009	–
Net book value						
At 31 December 2018	–	–	60,091	206	60,297	–
At 31 December 2019	**177,312**	**118,857**	**54,261**	**523**	**350,953**	**30,813**

Developed technology on commercially marketed products

In connection with the acquisition of Aegerion in September 2019, the Group acquired developed technology, metreleptin and lomitapide. Refer to Note 2, *Accounting policies - critical accounting judgements and key sources of estimation uncertainty*, for further discussion on the valuation related to the developed technology, including the key assumptions utilized. These intangible assets are amortized over their estimated useful lives and the remaining useful lives for metreleptin and lomitapide are approximately 6.2 and 7.7 years, respectively, as of 31 December 2019. At the reporting date, the Group reviews its intangible assets for impairment when events or changes in circumstances indicate that their carrying value may not be recoverable. At 31 December 2019, there were no events or changes in circumstances that indicated the carrying value of metreleptin and lomitapide may not be recoverable, as such there was no impairment charge recorded during the year ended 31 December 2019.

The amortisation associated with metreleptin and lomitapide is recorded as part of cost of sales. As of 31 December 2019, the estimated amortisation expense related to these intangibles for future periods is as follows:

Years Ending 31 December	Metreleptin US$'000	Lomitapide US$'000
2020	28,831	15,537
2021	28,831	15,537
2022	28,831	15,537
2023	28,831	15,537
2024	28,831	15,537
Thereafter	33,157	41,172
Total intangible assets subject to amortisation	**177,312**	**118,857**

In-process R&D

As a result of the acquisition of Amryt GmbH, in 2016, the Group recognized in-process R&D costs of US$54,268,000 which is related to the Group's lead development asset, AP101. The Group reviews the carrying amount of AP101 on an annual basis to determine whether there are any indications that the asset has 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 utilized 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.

These cash flows are projected forward for a further 10 years to 2032 using projected revenue and cost growth to determine the basis for an annuity-based terminal values. The terminal values are used in the value in use calculation. The value in use represents the present value of the future cash flows, including the terminal value, discounted at a rate that is considered appropriate for the Group's size and structure.

The key assumptions employed in arriving at the estimates of future cash flows are subjective and include projected EBITDA, an orphan drug market-based probability chance of success, net cash flows, discount rates and the duration of the discounted cash flow model. The assumptions and estimates used were derived from a combination of internal and external factors based on historical experience. The pre-tax discount rate used in 2019 and 2018 was 24.4% and 28.5%, respectively. The market-based probability chance of success is based on market benchmarks for orphan drugs, which is approximately 72% (same as 2018).

The value-in-use calculation is subject to significant estimation, uncertainty and accounting judgements and key sensitivities arise in the following areas:

- In the event that there was a variation of 10% in the assumed level of future growth in revenues, which would, in management's view, represent a reasonably likely range of outcomes, this variation would not result in an impairment loss at 31 December 2019.
- In the event there was a 10% increase in the discount rate used in the value in use model which would in management's view represent a reasonably likely range of outcomes, this variation would not result in an impairment loss at 31 December 2019.

Notes to the Financial Statements continued

For the year ended 31 December 2019

The Group made changes in the assumptions used in the assessment of these carrying value of the AP101 asset in 2019. In January 2019, the Group received the results of an unblinded interim efficacy analysis from the Phase 3 trial of AP101 in EB. This analysis was conducted by an independent data safety monitoring committee and recommended that the trial should continue with an increase of 48 patients in the study to a total of 230 evaluable patients in order to be able to achieve 80% statistical power. The Group expects to read out top-line data in the second half of 2020, followed by applications for approval from the FDA and the EMA, if top-line data is positive. Coupled with this, management has completed its annual forecast and revenues and costs have been amended to reflect current expectations. The Group also adjusted the discount rate used in the discounted cash flow model, reducing the rate from 28.5% in 2018 to 24.4%. The acquisition of Aegerion in 2019 has significantly increased the size of the Group and also changed the debt and equity structure of the Group. As a result, management believed it was appropriate to update the discount rate to reflect the new structure of the Group. These factors have resulted in a change to the probability weighted revenue forecasts and the probability of the adjusted present values used in 2019.

Additionally, as a result of the acquisition of Som Therapeutics Corp., in 2016, the Group recognized in-process R&D costs of US$4,522,000 as an intangible. This is related to the Group's development project AP102, which is an early stage drug asset. AP102 may represent 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. The Group also reviews the carrying amounts of AP102 on an annual basis to determine whether there are any indications that those assets have suffered an impairment loss.

In 2019, following the acquisition of Aegerion by the Group, a decision was made not to pursue the development of AP102 and therefore, the Group has written off this asset, resulting in an impairment charge of US$4,670,000 recognized as other expense during the year ended 31 December 2019. The decision to impair this intangible asset is primarily based on the grounds that the acquisition of Aegerion has been transformational for the Group, as it has now become a global, commercial-stage biopharmaceutical company dedicated to commercializing and developing novel therapeutics to treat patients suffering from serious and life-threatening rare diseases. The Group's diversified portfolio is comprised of two commercial rare disease products, as well as a development-stage pipeline focused on rare skin diseases. Since the commercial products, lomitapide for the treatment of homozygous familial hypercholesterolemia ("HoFH"), and metreleptin for the treatment of generalized lipodystrophy ("GL") and partial lipodystrophy ("PL"), have each been sold globally through the Group's commercial infrastructure for over six years, management believes it is in the best interest of the Group to concentrate resources on these new development pipeline activities which will better complement the existing commercial products. The Group may look to partner AP102 in the long-term future but in the short and medium term, the Group will continue to concentrate on AP101, AP103 and expansion opportunities for the existing commercial products.

Other intangible assets

Other intangible assets include website costs and the Group's computer software and hardware. The amortisation associated with computer software, hardware and website costs is recorded in both SG&A and R&D expenses. These assets are stated at cost and amortized using straight-line method based on the estimated economic lives, ranging from 3 - 10 years.

Goodwill

During 2019, the Group completed the acquisition of Aegerion, which resulted in aggregate goodwill of US$30,813,000. Refer to Note 6, *Business combinations and asset acquisitions*, for further details. The Group believes that the business, as a whole, represents a single CGU, as it is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Additionally, the Group only operates in one business segment and does not operate any separate lines of business or separate business entities with respect to its products. Accordingly, the Group does not accumulate discrete financial information with respect to separate service lines and does not have separate reportable segments.

Goodwill is subject to impairment testing on an annual basis. The recoverable amount of the Group's CGU is determined based on a value-in-use computation. The Group's value-in-use calculations included the cash flow projections based on the 2020 budget which has been approved by the Board of Directors and the Group's strategic plan for a further three years using projected revenue and cost growth rates of between 0% and 9%. At the end of the four-year forecast period, the terminal value, based on a long-term growth rate of 2%, was used in the value-in-use calculations. The value-in-use represents the present value of the future cash flows, including the terminal value, discounted at a rate appropriate to the Group. The key assumptions employed in arriving at the estimates of future cash flows are subjective and include projected EBITDA, net cash flows, discount rates and the duration of the discounted cash flow model. The Group have used a discount rate of 16.5% which is a conservative estimate for the Group as well as the Group's risk profile.

The 2019 annual goodwill impairment testing process resulted in no impairment for the year ended 31 December 2019.

13. Property, plant and equipment

	Property US$'000	Plant and Machinery US$'000	Office Equipment US$'000	Right-of-use Asset US$'000	Total US$'000
Cost					
At 1 January 2018	401	1,077	389	–	1,867
Additions	–	11	69	–	80
Disposals	–	(7)	(21)	–	(28)
Foreign exchange movement	(15)	(42)	(16)	–	(73)
At 31 December 2018	**386**	**1,039**	**421**	**–**	**1,846**
Additions	6	253	167	152	578
Impact of IFRS 16 adoption	–	–	–	874	874
Acquired assets	–	276	–	924	1,200
Disposals	–	(114)	(32)	–	(146)
Foreign exchange movement	(9)	(22)	(9)	50	10
At 31 December 2019	**383**	**1,432**	**547**	**2,000**	**4,362**
Accumulated					
At 1 January 2018	176	201	109	–	486
Depreciation charge	103	137	77	–	317
Depreciation charged on disposals	–	(7)	(21)	–	(28)
Foreign exchange movement	(10)	(12)	(5)	–	(27)
At 31 December 2018	**269**	**319**	**160**	**–**	**748**
Depreciation charge	90	162	64	382	698
Depreciation charged on disposals	–	(71)	(32)	–	(103)
Foreign exchange movement	(6)	(6)	(5)	–	(17)
At 31 December 2019	**353**	**404**	**187**	**382**	**1,326**
Net book value					
At 31 December 2018	**117**	**720**	**261**	**–**	**1,098**
At 31 December 2019	**30**	**1,028**	**360**	**1,618**	**3,036**

Notes to the Financial Statements continued

For the year ended 31 December 2019

14. Trade and other receivables

	Group		Company
	31 December 2019 US$'000	31 December 2018 US$'000	31 December 2019 US$'000
Trade receivables	28,607	3,572	–
Accrued income and other debtors	5,934	2,326	221
VAT recoverable	1,846	29	171
Intercompany receivables	–	–	58,221
Trade and other receivables	**36,387**	**5,927**	**58,613**

Trade receivables at 31 December 2019 includes US$752,000 (2018: US$338,000) which is due greater than 120 days. No impairment is considered necessary.

The 31 December 2019 accrued income and other debtors balance includes US$857,000 (2018: US$1,546,000) in relation to prepaid Phase 3 clinical trial costs.

Intercompany receivables mainly relate to cash proceeds received on the issuance of new shares of the Company less issuance costs. Refer to Note 17, *Share capital and reserves*, for more details on new shares and the equity issuances during the period. The proceeds were received by subsidiary companies, Amryt Pharmaceuticals DAC and Amryt Pharma Holdings Limited, on behalf of the Company until a Company bank account is set up, at which point the funds will be transferred.

15. Inventories

	31 December 2019 US$'000	31 December 2018 US$'000
Raw materials	17,689	303
Work in progress	2,488	782
Finished goods	23,446	1,052
Inventories	**43,623**	2,137

In 2019, a total of US$11,335,000 (2018: US$1,700,000) of inventories was included in the profit or loss as an expense (excluding the fair value step-up).

The fair value of net inventory acquired as part of the acquisition of Aegerion on 24 September 2019 amounted to US$45,959,000, net of US$61,842,000 of non-saleable inventory acquired in connection with the acquisition of Aegerion. The non-saleable inventories were determined based on the expiration dates and future manufacturing commitments which could result in inventory levels in excess of forecast demand. Under IFRS 3, the finished goods inventory on hand at the date of acquisition was valued at the expected selling price less the sum of (a) remaining costs of disposal and (b) a reasonable profit margin for the selling effort of the acquiring entity based on the EBITDA margin as a percentage of sales. The costs to dispose were calculated based on the average costs as a percentage of revenue through the period in which the current finished goods inventory is expected to be sold. This resulted in a non-cash step up at the valuation of finished goods inventory at 24 September 2019 of US$28,068,000. The non-cash step up in inventory is being unwound to the Consolidated Statement of Comprehensive Loss over the period in which this saleable inventory is expected to be sold which is less than one year. At 31 December 2019, US$17,701,000 of this non-cash inventory step up is included in finished good inventory.

All inventory was reviewed at year end and no impairment was deemed necessary.

16. Cash and cash equivalents

	31 December 2019 US$'000	31 December 2018 US$'000
Cash at bank available on demand	**65,197**	9,864
Restricted cash	**2,032**	1,362
Total cash and cash equivalents	**67,229**	11,226

Cash and cash equivalents include cash at bank available on demand and restricted cash.

Of the US$2,032,000 held in restricted cash, US$1,219,000 was held in an escrow account set-up in accordance with Aegerion's bankruptcy plan as approved by the U.S. Bankruptcy Court to meet the costs associated with the bankruptcy process. Additionally, US$813,000 is cash held by a third-party distributor at year end; the funds from the third-party distributor were transferred to Amryt in January 2020.

17. Share capital and reserves

Details of issued ordinary shares with a nominal value of Sterling 6 pence (2018: 1 pence) each are in thetable below. The ordinary shares and share price in 2018 were adjusted for the share consolidation completed in 2019.

Date	Number of ordinary shares	Number of deferred shares	Total Share Capital US$'000	Total Share Premium US$'000
At 31 December 2019	159,363,543	–	11,918	2,422
At 31 December 2018	274,817,283	43,171,134	25,198	68,233

The number of ordinary shares issued at 31 December 2019 includes treasury shares of 4,864,656 (2018: nil).

The Company repurchased all of the 43,171,134 deferred ordinary shares in July 2019 for an aggregate consideration of £0.01 and the Deferred Shares were immediately cancelled. Simultaneously the Company allotted four additional ordinary shares of par value £0.01 each in the capital of the Company, in connection with a 6 to 1 consolidation of the Company's share capital.

In an US$8,000,000 equity raise, the company issued 7,346,189 ordinary shares, 4,580,288 shares in August 2019 and 2,765,901 shares in September 2019.

On 24 September 2019, the following equity issuances were conducted:

- 77,027,423 ordinary shares and 8,065,000 warrants for a consideration of US$152,615,000 were issued as part of the Aegerion acquisition whereby the company acquired the entire share capital of Aegerion.
- 27,541,944 ordinary shares and 5,911,722 warrants were issued as part of a US$60,000,000 fund raising.

On 19 December 2019, the Company issued 1,645,105 shares to certain shareholders in consideration of warrants.

Share Capital

Share capital represents the cumulative par value arising upon issue of ordinary shares of Sterling 6 pence each.

The ordinary shares have the right to receive notice of, attend and vote at general meetings and participate in the profits of the Company.

Notes to the Financial Statements continued

For the year ended 31 December 2019

Share Premium

Share premium represents the consideration that has been received in excess of the nominal value on issue of share capital net of issue costs and transfers to distributable reserves. By special resolution of the Company duly passed on 23 September 2019, in accordance with section 283 of the UK Companies Act 2006, it was resolved that the entire amount outstanding to the credit of the share premium account and capital redemption reserve of the Company be cancelled. The reduction in capital, amounting to US$268,505,000, representing the entire amount of share premium at that time, was approved by the High Court of Justice of England and Wales on 5 November 2019.

Warrant reserve

The warrant reserve represents zero cost warrants issued as part of the equity raise on 24 September 2019 net of issue costs apportioned to warrants issued and additional warrants issued to certain shareholders on 14 November 2019. Each warrant entitles the holder to subscribe for one ordinary share at zero cost. On 19 December 2019, the company issued 1,645,105 ordinary shares in consideration for certain warrants.

Treasury Shares

On 14 November 2019, the Company repurchased a combined 4,864,656 ordinary shares from certain shareholders. In exchange for the ordinary shares, these shareholders were issued an equivalent number of zero cost warrants. These ordinary shares are now held as treasury shares.

Share based payment reserve

Share based payment reserve relates to the charge for share based payments in accordance with IFRS 2.

Merger reserve

The merger reserve was created on the acquisition of Amryt DAC by Amryt Pharma Holdings Limited (formerly named Amryt Pharma plc) in April 2016. Ordinary shares in Amryt Pharma Holdings Limited were issued to acquire the entire issued share capital of Amryt DAC. Under section 612 of the UK Companies Act 2006, the premium on these shares has been included in a merger reserve.

Reverse acquisition reserve

The reverse acquisition reserve arose during the period ended 31 December 2016 in respect of the reverse acquisition of Amryt Pharma Holdings Limited by 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 Holdings Limited in compliance with UK company law.

Equity component of convertible notes

The equity component of convertible notes represents the equity component of the US$125,000,000 convertible debt and is measured by determining the residual of the fair value of the instrument less the estimated fair value of the liability component. The equity component is recognized in equity and is not subsequently remeasured.

Other distributable reserves

Other distributable reserves of the Company comprise the following:

- Distribution of the share premium amount on 6 November 2019 of US$268,505,000.
- A deemed distribution of US$47,902,000 arising from the issuance of CVRs.

Also included in the Group's other distributable reserves is the following:

- A deemed distribution of US$2,969,000 arising from the scheme of arrangement in September 2019 whereby Amryt Pharma plc, which was incorporated in July 2019, became a 100% shareholder of Amryt Pharma Holdings Limited (formerly named Amryt Pharma plc) (the "Acquisition of subsidiary without a change of control").

Currency translation reserve

The currency translation reserve arises on the retranslation of non-U.S, dollar denominated foreign subsidiaries.

Accumulated deficit

Accumulated deficit represents losses accumulated in previous periods and the current year.

18. Deferred tax liability

	Total US$'000
At 1 January 2018	6,161
Movement during the year	–
At 31 December 2018	6,161
Net movement during the year	12,760
At 31 December 2019	**18,921**

A deferred tax liability arose in 2016 on the acquisition of Amryt GmbH. An intangible asset was recognized 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 amortized the tax difference will be reduced and the movement in the deferred tax liability will be recognized in profit or loss. The in-process R&D is currently not being amortized and as a result the deferred tax liability in relation to the Birken acquisition continues to be in place.

A deferred tax liability, in the amount of US$14,425,000, also arose in 2019 in connection with the acquisition of Aegerion Pharmaceuticals, Inc. (see Note 6, *Business combinations and asset acquisitions*). The intangible assets have been recognized at their fair value. As the transaction was completed as a share acquisition, the intangible assets were not re-based to fair value from a tax perspective with a deferred tax liability being recognized on acquisition. These intangibles are being amortized and the resulting reduction in the deferred tax liability will be recognized in profit or loss.

19. Long Term Loan

	31 December 2019 US$'000	31 December 2018 US$'000
Long term loan	**81,610**	17,164
Long term loan interest	**–**	1,847
Long term loan and interest	**81,610**	**19,011**

In December 2016, Amryt DAC entered into a euro denominated €20,000,000 facility agreement ("facility") with the European Investment Bank ("EIB") on attractive terms for the Group. The facility was significant because it provided non-dilutive funding that secured the Group's near and mid-term funding needs for its lead development candidate, AP101.

Notes to the Financial Statements continued

For the year ended 31 December 2019

The facility was split into three tranches, with €10,000,000 available immediately and two further tranches of €5,000,000 available upon the achievement of certain milestones. In April 2017, the Group drew down the first tranche of €10,000,000. In October 2017, the terms of the second tranche of €5,000,000 were amended by the EIB resulting in the Group being given option to draw this amount down on demand. The Group drew down this second tranche of €5,000,000 in September 2018. In December 2018, the terms of the third tranche were amended by the EIB to give the Group the option to draw down this final tranche on demand on the condition that the EASE Phase 3 trial interim efficacy results were positive. In January 2019, the Group received the results of this unblinded interim efficacy analysis. The Independent Monitoring Committee recommended that the trial should continue with an increase in patients. Following this positive result, the original conditions of the final tranche were waived and the final tranche of €5,000,000 was drawn down in February 2019. The facility was secured over the Intellectual Property assets of the Group and there was also a negative pledge whereby Amryt cannot permit any security to be granted over any of its assets over the course of the loan period.

The facility had a five-year term from the date of drawdown for each tranche. The facility had an interest rate of 3% to be paid on an annual basis, the first instalment of short-term interest on the €10,000,000 tranche 1 was paid in April 2018. A further annual fixed rate of 10% was payable together with the outstanding principal amount on expiry of the facility. At 31 December 2018, the Group had short term interest payable accrued amounting US$319,000 which was repayable in April 2019 and long-term interest payable of US$1,847,000 which represents the present value of the long-term interest accrued but not payable until each tranche matured.

On 24 September 2019, the EIB loan was repaid in full.

As part of the acquisition of Aegerion on 24 September 2019, Aegerion entered into a new U.S. dollar denominated US$81,021,000 secured term loan debt facility ("Term Loan") with various lenders. The Term Loan is made up of a US$54,469,000 loan that was in place prior to the acquisition which was refinanced as part of the acquisition and a US$26,552,000 additional loan that was drawn down on 24 September 2019 and was used to repay the EIB secured loan facility. The Term Loan has a five-year term from the date of the draw down, 24 September 2019 and matures on 24 September 2024. Under the Term Loan, interest will be payable at the option of the Group at the rate of 11% per annum paid in cash on a quarterly basis or at a rate of 6.5% paid in cash plus 6.5% paid in kind that will be paid when the principal is repaid, which rolls up and is included in the principal balance outstanding, on a quarterly basis. The Term Loan may be prepaid, in whole or in part, by Aegerion at any time subject to payment of an exit fee, which depending on the stage of the loan term, ranges from 5.00% to 0.00% of the principal then outstanding on the Term Loan.

In connection with the Term Loan, the Group incurred approximately US$870,000 of debt issuance costs, which primarily consisted of underwriting, legal and other professional fees. These costs are being amortized over the expected life of the loan using the effective interest method.

The Term Loan is guaranteed by Amryt and certain subsidiaries of the Group. In connection with the loan agreement, fixed and floating charges have been placed on property and undertakings of Amryt and certain subsidiaries of the Group.

The Term Loan agreement includes affirmative and negative covenants, including prohibitions on the incurrence of additional indebtedness, granting of liens, certain asset dispositions, investments and restricted payments, in each case, subject to certain exceptions set forth in the Loan Agreement. The Term Loan agreement also includes customary events of default for a transaction of this type, and includes (i) a cross-default to the occurrence of any event of default under material indebtedness of Aegerion and certain subsidiaries of the Group and Amryt, including the convertible notes, and (ii) Amryt or any of its subsidiaries being subject to bankruptcy or other insolvency proceedings. Upon the occurrence of an event of default, the lenders may declare all of the outstanding Term Loan and other obligations under the Term Loan agreement to be immediately due and payable and exercise all rights and remedies available to the lenders under the Term Loan agreement and related documentation. There have been no events of default or breaches of the covenants occurring for the year ended 31 December 2019.

Changes in long term loans from financing activities:	Total US$'000
At 1 January 2019	19,011
Cash-flows	
Proceeds from loans and borrowings	31,176
Repayment of loans and borrowings	(21,990)
Liability related	
Effect of changes in foreign exchange rates	797
Acquired loans and borrowings	54,469
Interest accrual	(1,853)
At 31 December 2019	**81,610**

20. Convertible notes

	31 December 2019 US$'000
Issuance of convertible notes	**125,000**
Amount classified as equity	**(29,210)**
Accreted interest	**1,066**
Total convertible notes	**96,856**

As part of the acquisition, Aegerion issued convertible notes with an aggregate principal amount of US$125,000,000 to Aegerion creditors. Refer to Note 23, *Related party transactions*, for further details.

The convertible notes are senior unsecured obligations and bear interest at a rate of 5.0% per year, payable semi-annually in arrears on 1 April and 1 October of each year, beginning on 1 April 2020. The convertible notes will mature on 1 April 2025, unless earlier repurchased or converted.

The convertible notes are convertible into Amryt's ordinary shares at a conversion rate of 386.75 ordinary shares per US$1,000 principal amount of the convertible notes. If the holders elect to convert the convertible notes, Aegerion can settle the conversion of the convertible notes through payment or delivery of cash, common shares, or a combination of cash and common shares, at its discretion. As a result of the conversion feature in the convertible notes, the convertible notes were assessed to have both a debt and an equity component. The two components were assessed separately and classified as a financial liability and equity instrument. The financial liability component was measured at fair value based on the discounted cash flows expected over the expected term of the notes using a discount rate based on a market interest rate that a similar debt instrument without a conversion feature would be subject to. Refer to Note 17, *Share capital and reserves*, for further details on the equity component of the convertible notes.

From 24 September 2019 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert all or any portion of their convertible notes, in multiples of US$1,000 principal amount, at the option of the holder.

The indenture does not contain any financial covenants or restrict the Group's ability to repurchase securities, pay dividends or make restricted payments in the event of a transaction that substantially increases the Group's level of indebtedness in certain circumstances.

Notes to the Financial Statements continued

For the year ended 31 December 2019

The indenture contains customary terms and covenants and events of default. If an event of default (other than certain events of bankruptcy, insolvency or reorganisation involving Aegerion, Amryt and certain subsidiaries of the Group) occurs and is continuing, the trustee by notice to Aegerion, or the holders of at least 25% in principal amount of the outstanding convertible notes by written notice to Aegerion and the trustee, may declare 100% of the principal of and accrued and unpaid interest, if any, on all of the convertible notes to be due and payable. Upon such a declaration of acceleration, such principal and accrued and unpaid interest, if any, will be due and payable immediately. Upon the occurrence of certain events of bankruptcy, insolvency or reorganisation involving Aegerion, 100% of the principal and accrued and unpaid interest, if any, on the convertible notes will become due and payable automatically. Notwithstanding the foregoing, the indenture provides that, upon Aegerion's election, and for up to 180 days, the sole remedy for an event of default relating to certain failures by Aegerion to comply with certain reporting covenants in the indenture consists exclusively of the right to receive additional interest on the convertible notes. There have been no events of default or breaches of the covenants occurring for the year ended 31 December 2019.

21. Trade and other payables

	Group		Company
	31 December 2019 US$'000	31 December 2018 US$'000	**31 December 2019 US$'000**
Trade payables	**23,418**	5,339	**789**
Accrued expenses	**52,382**	6,204	**592**
Social security costs and other taxes	**796**	500	**–**
Intercompany payables	**–**	–	**680**
Trade and other payables	**76,596**	**12,043**	**2,061**

The accruals mainly consist of costs related to government revenue rebates, convertible note interest, royalty expenses, restructuring costs, clinical and R&D activities.

22. Provisions and other liabilities

	31 December 2019 US$'000	31 December 2018 US$'000
Non-current liabilities		
Provisions and other liabilities	**3,910**	–
Leases due greater than 1 year	**1,053**	–
	4,963	–
Current liabilities		
Provisions and other liabilities	**23,047**	–
Leases due less than 1 year	**571**	–
	23,618	–
Total provisions and other liabilities	**28,581**	–

Refer to Note 25, Commitments and contingencies for further details on provisions.

23. Related party transactions

Compensation of key management personnel of the Group

At 31 December 2019 the key management personnel of the Group were made up of two key personnel, the executive director, Joe Wiley and the Chief Financial Officer and Chief Operating Officer, Rory Nealon. Rory Nealon was an executive director of the Company in 2018 and resigned from this position on 24 September 2019.

Compensation for the year ended 31 December 2019 of these personnel is detailed below:

	31 December 2019 US$'000	31 December 2018 US$'000
Short-term employee benefits	**1,049**	803
Performance related bonus	**1,286**	420
Post-employment benefits	**86**	76
Share-based compensation benefits	**510**	175
Total compensation	**2,931**	1,474

Shares purchased by Directors

The directors of the Company did not purchase any shares in the Company in 2018.

The Chairman, Ray Stafford, purchased 918,273 Amryt ordinary shares as part of the interim fundraise in August 2019. The executive director, Joe Wiley purchased 7,999 shares on the open market in January 2020.

Agreements with principal shareholders

Long term loan

On 24 September 2019, the Group entered into a long term loan. Proceeds from the long term loan were used to refinance Aegerion's existing secured bridge loan in the principal amount of approximately US$50,000,000 (in principal) held by certain funds managed by Athyrium Capital Management, LP and Highbridge Capital Management, LLC, respectively, and Amryt's existing €20,000,000 (in principal) secured loan facility with EIB. Further information on the terms of the long term loan is included in Note 19, *Long term loan*, of these financial statements.

Convertible notes

On 24 September 2019, the Company issued US$125,000,000 aggregate principal amount of convertible notes due 2025 to certain creditors of Aegerion. The convertible notes bear interest at a rate of 5% per annum, payable in cash semi-annually. The convertible notes will mature approximately five and a half years after issuance, unless earlier repurchased, redeemed or converted. Further information on the terms of the convertible notes is included in Note 20, *Convertible notes*, of these financial statements.

Zero Cost Warrants

The Company agreed, for certain Aegerion creditors who wished to restrict their percentage share interest in Amryt's issued share capital, to issue to the relevant Aegerion creditor, as an alternative to Amryt ordinary shares, an equivalent number of new zero cost warrants to subscribe for Amryt ordinary shares to be constituted on the terms of the zero cost warrant. The relevant Aegerion creditors are entitled at any time to exercise the zero cost warrants, at which point in time the Company would issue to that Aegerion creditor the relevant number of fully paid ordinary shares in return for the exercise of the zero cost warrants.

On 24 September 2019, certain of Aegerion's creditors elected to receive 8,065,000 zero cost warrants to subscribe for Amryt ordinary shares as consideration for the acquisition. Separately 5,911,722 warrants were issued to investors in connection with the US$60,000,000 equity raise.

Notes to the Financial Statements continued

For the year ended 31 December 2019

On 14 November 2019, the Company repurchased a combined 4,864,656 ordinary shares from Highbridge Tactical Master Fund L.P., Highbridge SCF Special Situations SPV, L.P. and Nineteen77 Global Multi Strategy Alpha Master Limited. In exchange for the ordinary shares, these institutions were issued an equivalent number of zero cost warrants. Each warrant entitles the holder to subscribe for one ordinary share at zero cost. These ordinary shares are now held as treasury shares. On 19 December 2019, Highbridge MSF International Ltd exercised 1,645,105 zero cost warrants in exchange for 1,645,105 ordinary shares.

24. Fair value measurement and financial risk management

Categories of financial instruments

	Group		Company
	31 December 2019 US$'000	31 December 2018 US$'000	31 December 2019 US$'000
Financial assets (all at amortized cost):			
Cash and cash equivalents	67,229	11,226	–
Trade receivables	28,607	3,572	–
Intercompany receivables	–	–	58,221
Total financial assets	95,836	14,798	58,221
Financial liabilities:			
At amortized cost			
Trade payables and accrued expenses	75,800	11,543	1,381
Intercompany payables	–	–	680
Lease liabilities	1,624	–	–
Other liabilities	19,457	–	–
Convertible notes	96,856	–	–
Long term loan	81,610	19,011	–
Contingent value rights	49,413	–	49,413
At fair value			
Contingent consideration	53,048	47,316	–
Total financial liabilities	377,808	77,870	51,474
Net	(281,972)	(63,072)	6,747

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 contingent consideration has been valued using Level 3. The contingent consideration comprises:

- Contingent consideration relating to the acquisition of Amryt GmbH (see Note 6, *Business combinations and asset acquisitions*) that was measured at US$53,048,000 as at 31 December 2019 (2018: US$47,316,000). The fair value comprises royalty payments which was determined using probability weighted revenue forecasts and the fair value of the milestones payments which was determined using probability adjusted present values. It also included a revision to the discount rate used, and revenue and costs forecasts have been amended to reflect management's current expectations.

Impact of key unobservable input data

- An increase of 10% in estimated revenue forecasts would result in an increase to the fair value of US$3,710,000. 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 US$9,761,000. A decrease of 5% would result in an increase to the fair value of US$13,312,000.
- A six-month delay in the launch date for AP101 for EB would result in a decrease to the fair value of US$4,313,000.

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 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 trade payables of the Group:

31 December 2019	Less than 1 month US$'000	Between 1 and 3 months US$'000s	Between 3 and 6 months US$'000	Total US$'000
Trade payables	17,995	3,272	2,151	23,418

31 December 2018	Less than 1 month US$'000	Between 1 and 3 months US$'000	Between 3 and 6 months US$'000	Total US$'000
Trade payables	4,344	–	995	5,339

Notes to the Financial Statements continued

For the year ended 31 December 2019

The following table shows the maturity profile of trade payables of the Company:

31 December 2019	Less than 1 month US$'000	Between 1 and 3 months US$'000	Between 3 and 6 months US$'000	Total US$'000
Trade payables	789	–	–	789

The following table shows the maturity profile of lease liabilities and other liabilities of the Group:

31 December 2019	Less than 1 year US$'000	Between 1 and 3 years US$'000	Between 3 and 5 years US$'000	Greater than 5 years US$'000	Total US$'000
Lease liabilities	969	916	143	20	2,048
Other liabilities	15,722	3,928	–	–	19,650
	16,691	**4,844**	**143**	**20**	**21,698**

The following table shows the undiscounted maturity profile of long-term loans of the Group, including principal and interest:

31 December 2019	Less than 1 year US$'000	Between 1 and 3 years US$'000	Between 3 and 5 years US$'000	Greater than 5 years US$'000	Total US$'000
Long term loan	5,585	12,296	124,427	–	142,308
Convertible notes	6,372	12,500	12,500	128,125	159,497
	11,957	**24,796**	**136,927**	**128,125**	**301,805**

31 December 2018	Less than 1 year US$'000	Between 1 and 3 years US$'000	Between 3 and 5 years US$'000	Greater than 5 years US$'000	Total US$'000
Long term loan	–	–	19,358	–	19,358

The following table shows the undiscounted maturity profile of the contingent consideration and contingent value rights of the Group:

31 December 2019	Less than 1 year US$'000	Between 1 and 3 years US$'000	Between 3 and 5 years US$'000	Greater than 5 years US$'000	Total US$'000
Contingent consideration and contingent value rights	–	99,559	27,998	–	127,557

31 December 2018	Less than 1 year US$'000	Between 1 and 3 years US$'000	Between 3 and 5 years US$'000	Greater than 5 years US$'000	Total US$'000
Contingent consideration and contingent value rights	–	14,875	28,607	–	43,482

The following table shows the undiscounted maturity profile of the contingent consideration and contingent value rights of the Company:

31 December 2019	Less than 1 year US$'000	Between 1 and 3 years US$'000	Between 3 and 5 years US$'000	Greater than 5 years US$'000	Total US$'000
Contingent value rights	–	85,000	–	–	85,000

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 maximizing 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 years ended 31 December 2019 and 31 December 2018.

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 minimizes any unnecessary foreign exchange exposure. In order to monitor the continuing effectiveness of this policy, the Board of Directors reviews the currency profile of cash balances and managements accounts.

It is the Group's policy to enter into long term borrowings at fixed rates of interest where possible to reduce the Group's exposure to cash flow interest rate risk. During the years ended 31 December 2019 and 31 December 2018, the long term borrowings of the Group were subject to fixed rates of interest.

During the year 2019, the Group earned interest on its interest-bearing financial assets at rates between 0% and 2%. The effect of a 1% change in interest rates obtainable during the year on cash and on short-term deposits would be to increase or decrease the Group loss before tax by US$71,000 (2018: US$64,000).

In addition to cash balances maintained in US$, the Group had balances in £ and € amongst others at year-end. A theoretical 10% adverse movement in the year end €:US$ exchange rate would lead to an increase in the Group loss before tax by US$573,000 with a corresponding reduction in the Group loss before tax with a 10% favorable movement. A theoretical 10% adverse movement in £:US$ exchange rates would lead to an increase in the Group loss before tax by US$438,000 with a corresponding reduction in the Group loss before tax with a 10% favorable movement.

Credit risk

The Group has no significant concentrations of credit risk. Exposure to credit risk is monitored on an ongoing basis. If necessary, the Group maintains specific provisions for potential credit losses. To date there has been no requirement for such provisions. The Group maintains cash and cash equivalents with various financial institutions. The Group performs regular and detailed evaluations of these financial institutions to assess their relative credit standing. The carrying amount reported in the balance sheet for cash and cash equivalents approximate their fair value. 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's bankers. For cash and cash equivalents, the Group only uses recognized banks with high credit ratings.

Notes to the Financial Statements continued

For the year ended 31 December 2019

Credit risk related to customers is managed through risk assessment procedures, through assessment of credit quality, taking into account the financial position of the customer, past experience and other factors. The compliance with credit terms is monitored on a regular basis by management. Credit terms may vary from one month to several months depending on the region and customer. The major customers contribute to 58% of the total trade receivables of the group outstanding as at 31 December 2019 (2018: 92%).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group assesses ECL based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

25. Commitments and contingencies

Contingent consideration and contingent value rights

See Note 6, *Business combinations and asset acquisitions*, in relation to contingent consideration and contingent value rights as a result of the acquisition of Amryt GmbH and Aegerion.

License Agreements

In connection with metreleptin, the Group has license agreements for the exclusive license and patents for the use of metreleptin to develop, manufacture and commercialize a preparation containing metreleptin. Under the license agreements the Group is required to make royalty payments on net sales on a country-by-country basis. During the year ended 31 December 2019, following the Aegerion acquisition on 24 September 2019, the Group made aggregate royalty payments of US$5,104,000 (2018: US$nil).

The Group holds a license agreement for the exclusive, worldwide license of certain know-how and a range of patent rights applicable to lomitapide. The Group is obligated to use commercially reasonable efforts to develop, commercialize, market and sell at least one product covered by the licensed patent right, such as lomitapide. Additionally, the Group is required to make royalty payments on net sales of products. During the year ended 31 December 2019, following the Aegerion acquisition on 24 September 2019, the Group recorded aggregate royalty expenses to third parties of US$803,000 (2018: US$nil).

Prior to the Aegerion acquisition, Amryt had the exclusive right to sell LOJUXTA across the licensed territories pursuant to a license agreement with Aegerion. During the year ended 31 December 2019, Amryt recorded aggregate royalty expenses to Aegerion of US$2,512,000 (2018: US$2,678,000).

The Group entered into a license agreement for the exclusive, worldwide license to the patent rights for a novel polymer-based topical gene therapy delivery platform for potential use in the treatment of rare genetic diseases. The first product candidate utilizing this platform, AP103, is currently in preclinical development for the treatment of recessive dystrophic EB, a subset of severe EB. Under the license agreement Amryt is required to pay milestone payments and, upon the sale of product, royalty payments on net sales of products.

The Group entered into a license agreement for the non-exclusive, worldwide license to the patent rights for the design and development of gene coded therapy vectors and methods for making such vectors, in order for Amryt to develop and commercialize its genetic encoded therapies relating to AP103. Under this agreement Amryt is required to make milestone payments and royalty payments on net sales of products.

Legal matters

Prior to the acquisition of Aegerion by Amryt, Aegerion entered into settlement agreements with governmental entities including the Department of Justice ("DOJ") and the FDA in connection with JUXTAPID investigations. The settlement agreements require Aegerion to pay specified fines and engage in regulatory compliance efforts. Subsequent to the acquisition, Aegerion made US$3,387,000 of settlement payments, including interest, and the total amount of the settlements that remains due as a current liability and a non-current liability is $15,547,000 and $3,910,000, respectively, as of 31 December 2019.

Other legal matters

The Group recognizes a liability for legal contingencies when it believes that it is both probable that a liability has been incurred and that it can reasonably estimate the amount of the loss. The Group reviews these accruals and adjusts them to reflect ongoing negotiations, settlements, rulings, advice of legal counsel and other relevant information. To the extent new information is obtained and the Group's views on the probable outcomes of claims, suits, assessments, investigations or legal proceedings change, changes in the Group's liability accrual would be recorded in the period in which such determination is made.
At 31 December 2019 the Group had recognized liabilities of US$7,500,000 in relation to ongoing legal matters.

Lease commitments

The Group had no finance lease commitments in 2019 (2018: nil). In February 2020, the Group entered an 8-year term lease for its U.S. operational office, located in Boston, Massachusetts. The lease will commence in April 2020, and the aggregate lease payment amounts over the lease term is approximately US$2,400,000.

26. Investments in subsidiaries

	Total US$'000
Cost	
At date of incorporation	–
Additions	280,962
At 31 December 2019	**280,962**
Impairment	
At date of incorporation	–
Impairment charge	–
At 31 December 2019	**–**
Net book value	
At date of incorporation	**–**
At 31 December 2019	**280,962**

Investments in subsidiary companies relates to the issue price of ordinary shares on the acquisition of Amryt Pharma Holdings Limited (formerly named Amryt Pharma plc) on 24 September 2019. In addition to this, the Company invested in subsidiary companies in a manner that it may settle some or all of the obligations of these subsidiary companies relaring to the share options and convertible notes. Refer to Note 5, *Share based payments*, Note 6, *Business combinations and asset acquisitions*, and Note 20, *Convertible notes*, for further details on the share options and the equity component of the convertible notes, respectively.

The carrying value of the investment is directly linked to the subsidiaries of Amryt Pharma Holdings Limited including the portfolio owned by Aegerion Pharmaceuticals Inc. and Amryt Pharmaceuticals DAC. The carrying value of these investments are held at cost and will be reviewed at each reporting date for indicators of impairment. No impairment was identified by management during the period.

Notes to the Financial Statements continued

For the year ended 31 December 2019

List of subsidiary companies:

Subsidiary	Ownership	Activities	Company Number	Incorporation	2019 % Holding	2018 % Holding
Amryt Pharma Holdings Limited	Direct	Holding company and management services	5316808	UK	100	100
Amryt Pharmaceuticals DAC	Indirect	Holding company and management services	566448	Ireland	100	100
Amryt Research Limited	Indirect	Pharmaceuticals R&D	571411	Ireland	100	100
Amryt Endocrinology Limited	Indirect	Pharmaceuticals R&D	572984	Ireland	100	100
Amryt Lipidology Limited	Indirect	Licensee for Lojuxta	593833	Ireland	100	100
Amryt Genetics Limited	Indirect	Pharmaceutical R&D	622577	Ireland	100	100
Amryt Pharma (UK) Limited	Indirect	Management services	10463152	UK	100	100
Amryt Pharma France	Indirect	Dormant	824 418 156 00017	France	100	100
Amryt Pharma Italy SRL	Indirect	Management services	2109476	Italy	100	100
Amryt Pharma Spain SL	Indirect	Management services	B67130567	Spain	100	100
Amryt GmbH (previously Amryt AG)	Indirect	Product Sales and Pharmaceuticals R&D	HRB 711487	Germany	100	100
SomPharmaceuticals SA	Indirect	Pharmaceuticals R&D and management services	CHE-435. 396.568	Switzerland	100	100
SomTherapeutics, Corp	Indirect	License holder	P14000071235	USA	100	100
Aegerion Pharmaceuticals, Inc.	Indirect	Holding company and management services	3922075	USA	100	Not applicable
Aegerion International Ltd.	Indirect	Management services	52048	Bermuda	100	Not applicable
Aegerion Securities Corporation	Indirect	Management services	464215084	USA	100	Not applicable
Aegerion Pharmaceuticals Holdings, Inc.	Indirect	Management services	5213687	USA	100	Not applicable
Aegerion Argentina S.R.L.	Indirect	Management services	901-709682-0	Argentina	100	Not applicable
Aegerion Pharmaceuticals (Canada) Ltd.	Indirect	Management services	85134 5132 RT0001	Canada	100	Not applicable
Aegerion Colombia S.A.S.	Indirect	Management services	R048196625	Colombia	100	Not applicable

Subsidiary	Ownership	Activities	Company Number	Incorporation	2019 % Holding	2018 % Holding
Aegerion Pharmaceuticals K.K.	Indirect	Management services	0104-01-107816	Japan	100	Not applicable
Aegerion Brasil Comercio E Importacao De Medicamentos LTDA	Indirect	Management services	3522602510-1	Brazil	100	Not applicable
Aegerion Pharmaceuticals Ltd.	Indirect	Management services	46134	Bermuda	100	Not applicable
Aegerion Pharmaceuticals Limited	Indirect	Management services	8114919	UK	100	Not applicable
Aegerion Pharmaceuticals, SAS	Indirect	Management services	534 195 59900012	France	100	Not applicable
Aegerion Pharmaceuticals S.r.l.	Indirect	Management services	1166250	Italy	100	Not applicable
Aegerion Pharmaceuticals GmbH	Indirect	Management services	HRB 95895	Germany	100	Not applicable
Aegerion İlaç Ticaret Limited Şirketi	Indirect	Management services	907292	Turkey	100	Not applicable
Aegerion Pharmaceuticals SARL	Indirect	Management services	CHE-497.494.599	Switzerland	100	Not applicable
Aegerion Pharmaceuticals B.V.	Indirect	Management services	69859647	Netherlands	100	Not applicable
Aegerion Pharmaceuticals Spain, S.L.	Indirect	Management services	B88019161	Spain	100	Not applicable

Notes to the Financial Statements continued

For the year ended 31 December 2019

List of registered offices:

Company	Registered Office Address
Amryt Pharma Holdings Limited	Dept 920a 196 High Road, Wood Green, London, United Kingdom, N22 8HH
Amryt Pharmaceuticals DAC	90 Harcourt Street, Dublin 2
Amryt Research Limited	90 Harcourt Street, Dublin 2
Amryt Endocrinology Limited	90 Harcourt Street, Dublin 2
Amryt Lipidology Limited	90 Harcourt Street, Dublin 2
Amryt Genetics Limited	90 Harcourt Street, 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
Amryt Spain SL	Barcelona, calle Diputacio, number 260
Amryt GmbH (previously Amryt AG)	Streiflingsweg 11, 75223 Niefern-Öschelbronn
SomPharmaceuticals SA	Bahnofstrasse 21, 6300 Zug
SomTherapeutics, Corp	3795 Coventry Lane, Boca Raton, FL 33496
Aegerion Pharmaceuticals Inc.	245 First Street, Riverview II, 18th Floor, Cambridge, MA 02142
Aegerion International Ltd.	Clarendon House, 2 Church Street, Hamilton, HM11
Aegerion Securities Corporation	245 First Street, Riverview II, 18th Floor, Cambridge, MA 02142
Aegerion Pharmaceuticals Holdings, Inc.	245 First Street, Riverview II, 18th Floor, Cambridge, MA 02142
Aegerion Argentina S.R.L.	Avda. Camacua 421, Suite 102, Olivos, Vicente Lopez, 1636
Aegerion Pharmaceuticals Canada (Ltd).	5300 Commerce Court West, 199 Bay Street, Toronto, ON M5L 1B9
Aegerion Colombia S.A.S.	CR 12 89 33 P 5, Bogota DC, Bogota 110111
Aegerion Pharmaceuticals K.K.	12F, Ark Mori Building, 1-12-32 Akasaka, Minato-ku, Tokyo
Aegerion Brazil Comercio E Importacao De Medicamentos. LTDA	Rua Joseefina, 200-Guarulhos City, Sao Paulo
Aegerion Pharmaceuticals Ltd.	Clarendon House, 2 Church Street, Hamilton, HM11
Aegerion Pharmaceuticals Limited	Royal Albert House, Sheet Street, Windsor, UK SL4 1BE
Amryt Pharmaceuticals, SAS	235, Avenue Le Jour se Leve, Boulogne-Billancourt, 92 100
Aegerion Pharmaceuticals, S.r.l.	Viale Abruzzi n. 94, Milano, 20131
Aegerion Pharmaceuticals GmbH	Maximilianstrasse 35A, Munich, Germany, 80539
Aegerion ILac Ticaret Limited Sirketi	Orjin Maslak, Eski Buyukdere Caddesi No: 27 K:11, Maslak, Istanbul, 34485
Aegerion Pharmaceuticals SARL	Rue de Rive 5, Nyon, Switzerland 1260
Aegerion Pharmaceuticals B.V.	Atrium Building, 8th Floor, Strawinskylaan 3127, 8e verdieping, Amsterdam
Aegerion Pharmaceuticals Spain, S.L.	Calle Josep Coroleu, 83 2-2, Vilanova I la Geltru, Barcelona 08800

27. 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 period was US$1,232,000.

28. Events after the reporting period

SEC Filing

On 18 February 2020, Amryt confidentially submitted a draft registration statement on Form F-1 to the U.S. Securities and Exchange Commission ("SEC") relating to the American Depositary Shares ("ADSs"), each representing five Amryt ordinary shares, proposed listing of the ADSs on the Nasdaq Global Select Market ("Nasdaq").

COVID-19

Since a novel strain of coronavirus (SARS-CoV-2) causing a disease referred to as COVID-19 was first reported in December 2019, the disease has spread across the world, including countries in which we have patients and in which we have planned or active clinical trial sites. The outbreak and government measures taken in response have had a significant impact, both direct and indirect, on all businesses and commerce as supply chains have been disrupted, facilities and production have been suspended and demand for certain goods and services has spiked while demand for other goods and services has fallen. As COVID-19 continues to spread around the globe, Amryt may experience disruptions that could affect its business, preclinical studies and clinical trials.

In response to the spread of COVID-19, Amryt has closed its executive offices with its administrative employees continuing their work outside of our offices and limited the number of staff in Amryt's manufacturing facility in Germany. Amryt provides therapeutic products to HoFH and lipodystrophy patients globally on a recurring basis. Once lomitapide (for the treatment of HoFH) or metreleptin (for the treatment of lipodystrophy) is prescribed by physicians, patients are typically on treatment over a long period of time with repeat prescriptions for each patient.

Other

In May 2020, the Group entered into a 20-year term lease for its European operational office, located in Dublin, Ireland. The lease will commence in 2020 and contains an option to terminate after 12 years.

Company Information

Registered Office

Dept 920A
196 High Road
Wood Green
London N22 8HH
United Kingdom

Company Number

12107859

Directors

Ray Stafford (Non-Executive Chairman)
Dr. Joe A. Wiley (Chief Executive Officer)
George P. Hampton Jr. (Non-Executive Director)
Dr. Alain H. Munoz (Non-Executive Director)
Donald K. Stern (Non-Executive Director)
Dr. Patrick V.J.J. Vink (Non-Executive Director)
Stephen T. Wills (Non-Executive Director)

Company Secretary

Rory Nealon

Company Website

www.amrytpharma.com

AIM Nominated Adviser

Shore Capital and Corporate Limited
Bond Street House
14 Clifford Street
London, W1S 4JU
United Kingdom

Joint Broker

Shore Capital Stockbrokers Limited
Bond Street House
14 Clifford Street
London, W1S 4JU
United Kingdom

Joint Broker

Stifel Nicolaus Europe Limited
150 Cheapside
London, EC2V 6ET
United Kingdom

Euronext Growth Adviser and Joint Broker

J & E Davy
Davy House
49 Dawson Street
Dublin 2
Ireland

Auditors

Grant Thornton
13-18 City Quay
Dublin 2
Ireland

Registrars

Link Asset Services
The Registry
34 Beckenham Road
Kent, BR3 4TU
United Kingdom

Amryt Pharma plc
Registered Office:
Dept 920A
196 High Road
Wood Green
London N22 8HH
United Kingdom

Dublin Office:
90 Harcourt Street
Dublin 2
Ireland

www.amrytpharma.com