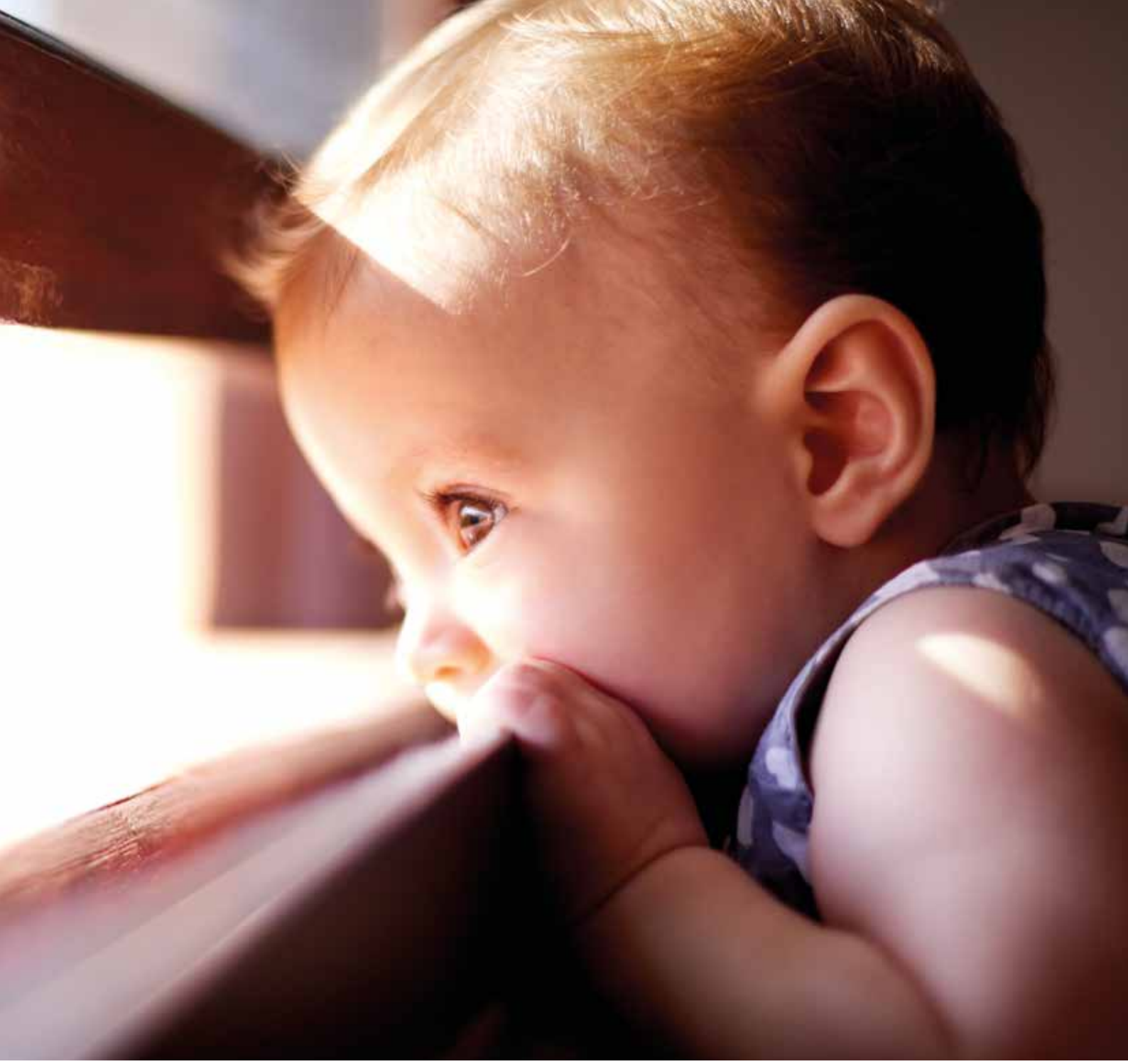

THE RARE AND ORPHAN DISEASES SPECIALIST

AMRYT PHARMA

ANNUAL REPORT 2017

AMRYT
PHARMA

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

Rare and orphan disease focused business with strong and experienced management team in place

Delivering on strategy to acquire, develop and commercialise products

Commercial stage pharma company with significant revenues from Lojuxta sales

Lead development asset, AP101, continues to make strong progress

Pivotal Phase III clinical trial, EASE, to examine AP101's efficacy as a new treatment for EB commenced in March 2017. Top-line data expected to be read out in Q2 2019

Our new in-licencing agreement is an attractive opportunity for Amryt to be involved in the area of gene therapy, which is one of the most exciting and potentially transformative areas of medicine today

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

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STRATEGIC REPORT:
Chairman and CEO's Statement

Introduction

We are pleased to present the annual report and consolidated financial statements of Amryt Pharma plc for the year ended 31 December 2017. 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.

The financial results for the year ended 31 December 2017 comprise the results of the consolidated Group. By contrast, the financial results for 2016 comprise the results of Amryt Pharmaceuticals DAC ("Amryt DAC") for the period from 1 January 2016 to 18 April 2016 and those of the new consolidated Group from 19 April 2016 to 31 December 2016. This reflects the reverse takeover of Fastnet Equity plc by Amryt DAC on 18 April 2016, the subsequent name change to Amryt Pharma plc and the re-admission of the shares to trading on AIM and ESM.

Following Birken AG's acquisition by the Group in 2016, it was renamed Amryt AG in 2017. All references in the notes to the accounts to Amryt AG relate to the entity that was formerly called Birken AG.

Our Business

Amryt is a commercial stage pharmaceutical company focused on acquiring, developing and delivering innovative new treatments that help improve the lives of patients with rare and orphan diseases. The Group has built a diverse portfolio of assets to treat patients with rare and orphan diseases through the acquisition of its AP101 and AP102 assets in April 2016, the in-licencing of Lojuxta in December 2016 and the in-licencing of a gene therapy platform in March 2018. The Group continues to review new opportunities and the Board is active in seeking to expand the Group's commercial product portfolio.

Performance Highlights

Since the reverse takeover on 18 April 2016, the Group has made excellent progress and 2017 was a very strong year for Amryt which places us in a good position to be able to drive further expansion throughout 2018 and beyond.

Some of the highlights of the Group's performance in 2017 and in 2018 to date are as follows:

- Total revenues for the year increased to €12.8m (2016: €1.4m)
- Revenues from Lojuxta increased to €11.9m in 2017 compared to €0.8m in December 2016
- Gross profit margin increased to 58% in 2017 (2016: 57%)
- Cash balance at 31 December 2017 was €20.5m (2016: €8.3m) with €10m undrawn from the European Investment Bank ("EIB") facility
- Successful equity placing in October 2017 raised gross funds of €15m
- One new distribution agreement signed in 2017 and a further four agreements signed in the current financial year to date
- Lead development asset, AP101, continued to make significant progress
- Additional market opportunities for AP101 in partial thickness wound indications are currently under evaluation
- In-licencing deal signed in March 2018 with University College Dublin for exciting non-viral gene therapy platform technology, which offers potential treatments for patients with Epidermolysis bullosa ("EB") (AP103)
- Expansion of key personnel – Amryt now has in place an exceptionally strong leadership team with the necessary commercial, regulatory and medical infrastructure also in place

Operational Highlights

LOJUXTA▼

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

With the completion of the Lojuxta in-licencing deal in December 2016, Amryt is now a commercial pharmaceutical company, generating sales across Europe, the Middle East and other licenced territories. Amryt's Lojuxta business has grown significantly in the 13 months since December 2016, with sales for the year growing to €11.9m (2016: €0.8m). This growth was underpinned by strong demand from existing markets within Amryt's licenced territories. In particular, the Group has experienced positive momentum in negotiations regarding the levels of national reimbursement from certain countries and also an increase in individual named patients, who access funding for treatment on a 'named patient' basis in those countries where there is no national reimbursement agreement.

Future sales growth will be driven by existing markets and from new territories. Since November 2017, Amryt has agreed five new distributor relationships, which together cover seventeen new countries. The Group is actively negotiating the initiation of reimbursement from the UK, France, Spain and Turkey and we are optimistic that some of these discussions will conclude successfully during the course of 2018. If successful, these market-access decisions will allow Amryt to provide access for a cohort of HoFH patients in these territories, which should result in accelerated growth for the business. We have ambitious plans for the remainder of 2018 and we look forward to announcing a series of agreements in the months to come.

LEAD DEVELOPMENT ASSET – AP101 (OLEOGEL-S10)

AP101 (Oleogel-S10) is being developed as a prescription medicine for Epidermolysis Bullosa ("EB"), for which there are severely limited treatment options. EB is a rare genetic skin disorder that leads to exceptionally fragile skin, and children with the disorder are often referred to as "Butterfly Children". AP101 is currently in an investigational global Phase III clinical trial for this indication; however, it has already been approved in Europe for use in the treatment of partial thickness wounds ("PTW") in adults.

The Group has continued to make strong progress with its lead development asset, AP101, as a new potential treatment for EB. In February 2017, Amryt was granted a patent in Japan for AP101. This followed key patents grants for AP101 in Europe and the US in 2016. In March 2017, Amryt completed discussions with both the Food and Drug Administration ("FDA") and the European Medicines Agency ("EMA") regarding the design of its pivotal Phase III clinical trial for AP101 in EB. Subsequently, on 27 March 2017, we commenced the pivotal Phase III clinical trial, EASE (efficacy and safety of AP101 in patients with EB), to examine AP101's efficacy for EB patients. The first patient was enrolled to EASE in April 2017.

Amicus Therapeutics granted Amryt detailed access to the data from its landmark ESSENCE trial of SD101 in EB, which read out in September 2017. Based on the insights from these data, Amryt management is now able to refine its protocol for the Group's ongoing global Phase III EASE study of AP101, with the potential to increase the probability of success for the study. The Group is currently in the process of amending the protocol for the EASE study and will discuss any significant changes with the FDA and the EMA. These amendments include a modest increase in the size of the study from 164 to 192 patients and a restriction on certain wound types, the ultimate goal of which is to increase the chances of success in the study. Interim analysis is now expected to be completed in Q4 2018, with read out of top-line data expected in Q2 2019.

In March 2018, Amryt reached an exclusive agreement to in-licence a new platform technology for gene therapy with potential applicability across a range of genetic disorders.

EXCITING FUTURE INDICATIONS FOR AP101

AP101 was approved by the EMA in Europe in January 2016 for the treatment of PTW in adults. This followed three positive Phase III studies of 280 patients in grade II burns and split thickness skin graft donor sites. Amryt has recently received interest from physicians to study AP101 in various PTW indications also with high unmet medical need. In response to this interest, the Group is evaluating new life cycle opportunities for AP101.

Dermatological conditions currently under consideration include:

- Toxic Epidermal Necrolysis Syndrome (TENS) (including Stevens-Johnson Syndrome (SJS))
- Bullous Pemphigoid
- Pemphigus Vulgaris
- Grade III/IV radiotherapy and chemotherapy induced dermatitis

The scope of the current EMA approval for AP101 may offer the opportunity to launch AP101 in some of these indications in Europe. Early indications suggest that collectively these indications of TENS/SJS, radiotherapy and chemotherapy induced dermatitis, and bullous pemphigoid and pemphigus vulgaris may have a market potential greater than the EB opportunity that the Group is currently investigating in its EASE Phase III study.

Management intends to file applications for orphan designation for some of these new potential orphan indications in the USA, Europe and Japan and believes that there is significant scope to maximise the value of this existing asset through either a global multi-orphan strategy or via the current EMA marketing approval to secure long term growth.

Strategic Developments since year end

In March 2018, Amryt reached an exclusive agreement to in-licence a new platform technology for gene therapy with potential applicability across a range of genetic disorders. The technology has been in-licenced from University College Dublin ("UCD") and involves the delivery of gene therapy using Highly Branched Poly (β-Amino Ester) ("HPAE") polymer technology. The initial focus of development efforts to date has been in the area of EB and preliminary data suggests that the treatment could be potentially disease-modifying for patients with Recessive Dystrophic Epidermolysis Bullosa ("RDEB"). Pre-clinical data in a xenograft model has shown significant levels of collagen VII in the skin post therapy. Patients with RDEB have a defect in their gene coding for collagen VII, consequently the replacement of collagen VII could be transformative for these patients.

Potential competitors working in the area of gene therapy in EB are mostly working with viral vectors to deliver collagen VII to the cell. The patented technology which Amryt has exclusively licenced from UCD involves the use of a novel gene delivery mechanism using HPAE polymer technology. If successful, this will eliminate the requirement for viruses as delivery vectors and provides a potential competitive advantage to Amryt.

Amryt intends to conduct various pre-clinical studies in the coming months and intends to report initial results in Q4 2018. If successful, this platform has the potential to be applicable in other dermatological conditions and possibly beyond.

The name assigned to this development project is 'AP103'.

Corporate and Financial

Revenues for the year to 31 December 2017 totalled €12,778,000 (2016: €1,351,000). Lojuxta generated revenues of €11,924,000. Revenues from Imlan, our dermo cosmetic range of products, amounted to €830,000 and revenues generated from consulting fees amounted to €24,000. In 2016, the Lojuxta revenues are for the period from the completion date of the Licence Agreement with Aegerion Pharmaceuticals Inc ("Aegerion") on 2 December 2016 to 31 December 2016 and totalled €775,000. Imlan revenues for the period from 19 April to 31 December 2016 amounted to €571,000.

The operating loss before finance expense for the year ended 31 December 2017 amounted to €14,207,000, of which research and development expenses

amounted to €10,564,000. This included depreciation and amortisation of €257,000 and non-cash share based payments of €565,000. It compares to an operating loss before finance expense for the year ended 31 December 2016 of €7,683,000 which included reverse takeover and acquisition related costs of €1,838,000, depreciation and amortisation of €194,000 and non-cash share based payments of €229,000. Excluding depreciation, amortisation and once off reverse takeover and acquisition costs, the operating loss before finance costs for the year ended 31 December 2017 would have been €13,385,000 (2016: €5,422,000).

The loss on ordinary activities before taxation of €26,136,000 includes €11,104,000 relating to a current non-cash movement on contingent consideration that arose as part of the acquisition of Amryt AG in 2016. The fair value of this contingent consideration was initially determined by discounting the contingent amounts payable to their present value at the date of acquisition. The discount component is being unwound as a current non-cash financing charge in the Statement of Comprehensive Income over the life of the obligation. This current non-cash financing charge of €11,104,000 represents the discount component being unwound to the Statement of Comprehensive Income during 2017.

As at 31 December 2017, the Group had cash on hand of €20.5m. On 2 December 2016, Amryt entered into a five year €20m debt facility agreement with the EIB. The first tranche of €10m was drawn down on 3 April 2017. In October 2017, the Company completed an equity fundraising resulting in gross proceeds of €15m (net proceeds: €14.3m).

Board and Senior Management changes

Amryt is led by an experienced senior management team which has been enhanced further in 2017 by the appointment of a number of senior managers.

In March 2017, the Group appointed David Allmond as Chief Commercial Officer. David has over 20 years' experience in the pharmaceutical industry in commercial roles. He joined the Company from Aegerion where he was President of EMEA and, in particular, involved in the commercialisation of Lojuxta. Prior to Aegerion, David was Corporate Vice President of Global Marketing for Celgene Corporation where he played a pivotal role in defining strategy for in-line brands, lifecycle/pipeline prioritisation and providing commercial direction for business development. He was previously responsible for EMEA marketing and market access within Celgene. Prior to that, he was Director of Sales and Marketing Effectiveness at Amgen Ltd.

In June 2017, the Group appointed Kieran Rooney, Ph.D., as Vice President of Strategic Alliances and Licencing. Before joining Amryt, he headed a pharmaceutical consulting company, Halo BioConsulting, focusing on business alliances and management consulting. Prior to that, Kieran worked as a consultant for the UK Government and held business development roles at companies including Smith & Nephew, F2G Limited, Pharsight Corporation, and MDS Pharma Services. Kieran is responsible for planning and executing an integrated global business development strategy and has over 25 years of experience in the biopharmaceutical industry, with significant expertise in business development and commercial strategy.

In December 2017, the Group appointed Patrick Jordon as Vice President of Global Distributor Markets. Patrick has worked in the pharmaceutical industry for the last 18 years, during which time he held senior positions in Pfizer and Merck & Co. ("MSD"). He has significant experience across sales, marketing, business development and general management and has been based in a number of global territories. Latterly, Patrick was the Managing Director of MSD's Saudi operations and before that served as MSD's Regional Managing Director of its Eastern Europe and North Africa business.

Amryt now has in place an exceptionally strong leadership team with the necessary commercial, regulatory and medical infrastructure also in place in Europe. Our strategy is to leverage this capacity to seek to in-licence more commercial stage assets, which we are actively pursuing.

Having served on Amryt's Board for approximately a year, Cathal Friel stepped down from the Board of Directors effective from 28 March 2017. Cathal was one of the original founders of Fastnet Equity plc and facilitated the reverse takeover of Fastnet Equity plc and creation of Amryt in April 2016.

Future Developments and Outlook

The Group achieved significant milestones in 2017 and we remain confident of continuing significant progress over 2018.

We are very positive about the growth prospects for our Lojuxta business. Lojuxta revenues in 2017 exceeded management's expectations for the period and we believe that there is a significant opportunity to further grow revenues especially with material, untapped opportunities in our licenced territories. This will be a major focus for us over the coming quarters.

The Phase III clinical trial, EASE, for our lead asset, AP101, has commenced. The results of our interim analysis on EASE are due in Q4 2018 and will provide an assessment of the progress of our study by an independent data safety monitoring board. We are optimistic in this regard and, should the interim analysis be positive, expect to report top-line data Q2 2019.

We are also very excited about the interest from physicians to study AP101 in various PTW indications with high unmet medical need. The Group will continue to evaluate these opportunities in 2018.

Our new in-licencing agreement is an attractive opportunity for Amryt to be involved in the area of gene therapy, which is one of the most exciting and potentially transformative areas of medicine today. If successful, this platform has the potential to be broadly applicable in other dermatological conditions and possibly beyond.

In the meantime, Amryt will continue to seek to in-licence further commercial stage assets to continue to grow our revenues and provide cash resources that will help support these development assets. Amryt has made excellent operational and strategic progress to date and we look forward to reporting on further progress as we continue to develop the business.

Harry Stratford
Non-executive Chairman
16 April 2018

Joe Wiley
CEO
16 April 2018

STRATEGIC REPORT:
Operations and Financial Review

Strategy

Amryt is a commercial stage pharmaceutical company focused on acquiring, developing and delivering innovative new treatments that help improve the lives of patients with rare and orphan diseases. The Group has built a diverse portfolio of assets through the acquisition of AP101 and AP102 in April 2016 and through the in-licencing of Lojuxta in December 2016 and the AP103 gene therapy product line in March 2018. The Group continues to review new business opportunities that may expand the Group's commercial product portfolio to enhance shareholder value.

Financial review

REVENUES

Amryt generates revenues from sales of Lojuxta, which is used to treat a rare and life-threatening disease called HoFH, and its in-house dermo cosmetic products, which are sold under the Imlan brand.

The following table outlines the breakdown of revenues in 2017 compared to 2016:

	31 December 2017 €'000	31 December 2016 €'000	% change
Lojuxta	11,924	775	1438%
Imlan	830	571	45%
Other	24	5	380%
Total	12,778	1,351	846%

The growth in Lojuxta revenues in 2017 was underpinned by strong demand from existing marketing with Amryt's licenced territories. In particular, the Group experienced positive momentum in the reimbursement position in certain countries and also an increase in individual 'named patients' who continue to access funding for treatment in other countries.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses ("SG&A") increased from €6,104,000 for the year ended 31 December 2016 to €11,048,000 for the year ended 31 December 2017, an increase of €4,944,000.

The following table outlines the breakdown of SG&A expenses in 2017 compared with 2016:

	31 December 2017 €'000	31 December 2016 €'000	% change
SG&A	10,483	4,037	160%
Share based payments	565	229	147%
Reverse takeover and acquisition related costs	–	1,838	(100%)
Total	11,048	6,104	81%

SG&A expenses, excluding share based payments and reverse takeover and acquisition costs, increased from €4,037,000 in 2016 to €10,483,000 in 2017, an increase of 160%. This increase is mainly attributable to the growth in the Lojuxta business in 2017. Following on from the Lojuxta licence agreement signed in December 2016, the Group has put in place a commercial, regulatory and medical infrastructure to grow this business. We have seen this already with Lojuxta revenues amounting to €11,924,000. Our strategy is to leverage this capacity to in-licence additional commercial stage assets, which we are actively pursuing.

Share based payments represents the fair value of share options granted to Directors and employees which is charged to the Consolidated Statement of Comprehensive Income over the vesting period of the underlying options. The Group has used a Black Scholes valuation model for the purposes of valuing these share options with the key inputs to the model being the expected volatility over the life of the options, the expected life of the option, the option price, the dividend yield and the risk free rate. The Group recorded a total share based payments charge of €565,000 for the year ended 31 December 2017 (2016: €229,000). The increase of €336,000 is due to the granting of options to key employees and Directors in 2017. For further details, see note 4 to the consolidated financial statements.

Reverse takeover and acquisition related costs incurred in 2016 of €1,838,000 relate to the one-off costs associated with the transaction and the acquisition of Amryt AG and SomPhamaceuticals SA and SomTherapeutics, Corp (together "SOM"). For further details, see note 5 to the consolidated financial statements.

RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses for the year ended 31 December 2017 amount to €10,564,000, compared to €2,344,000 for the year ended 31 December 2016. The increase of €8,220,000 is primarily due to the advancement of the Group's lead development asset, AP101, in 2017.

The Group announced the commencement of EASE, its Phase III clinical trial of AP101 in March 2017, with the first patient being enrolled in April 2017. Following a review of the Amicus data, the Group is currently in the process of amending the protocol for the EASE study. These amendments include a modest increase in the size of the study from 164 to 192 patients and a restriction on certain wound types, the ultimate goal of which is to increase the likelihood of demonstrating a statistically significant treatment effect.

In 2017, the Group also completed various non-clinical trials, as requested by the FDA, which will be required as part of an IND filing to open clinical trial sites in the USA. No safety signals or concerns were noted from the preliminary data and the Group is now hopeful that the combination of these studies, and safety data from patients enrolled to date in non-US EASE study sites, will enable it to request an IND to open trial sites in the USA, which it anticipates will be in Q3 2018.

OPERATING LOSS

The operating loss before finance expense for the year ended 31 December 2017 amounted to €14,207,000, which included depreciation and amortisation of €257,000 and share based payments of €565,000. This compares to an operating loss before finance expense for the year ended 31 December 2016 of €7,683,000, which included reverse takeover and acquisition-related costs of €1,838,000, depreciation and amortisation of €194,000 and share based payments of €229,000. Excluding depreciation, amortisation, share based payments and once off reverse takeover and acquisition costs, the operating loss before finance costs for the year ended 31 December 2017 would have been €13,385,000 (2016: €5,422,000).

The increase in the operating in loss in 2017 is largely due to the costs associated with the rollout of the Phase III EASE study.

The loss on ordinary activities before taxation of €26,136,000 includes €11,104,000 relating to a current non-cash movement on contingent consideration that arose as part of the acquisition of Amryt AG in 2016. The fair value of this contingent consideration was initially determined by discounting the contingent amounts payable to their present value at the date of acquisition. The discount component is being unwound as a current non-cash financing charge in the Statement of Comprehensive Income over the life of the obligation. This current non-cash financing charge of €11,104,000 reflects the impact of the revised financial forecasts and the discount component being unwound to the Statement of Comprehensive Income in 2017.

CASH MANAGEMENT

As at 31 December 2017, the Group had cash and cash equivalents of €20,512,000. This compares to cash and cash equivalents of €8,271,000 at 31 December 2016. Included in cash and cash equivalents at 31 December 2017 is cash at bank available on demand of €19,975,000 and restricted cash of €537,000. Restricted cash is cash held by a third party distributor at the year-end which was transferred to Amryt in January 2018. The total cash and cash equivalents at 31 December 2016 of €8,271,000 relates to cash at bank available on demand.

In October 2017, the Company completed an equity fundraising resulting in gross proceeds of €15,083,000 (net proceeds: €14,393,000).

TRADE AND OTHER RECEIVABLES

As at 31 December 2017, the Group had trade and other receivables of €4,729,000. This compares to trade and other receivables of €2,540,000 at 31 December 2016.

The following table outlines the breakdown of trade and other receivables at 31 December 2017 compared to 31 December 2016:

	31 December 2017 €'000	31 December 2016 €'000	% change
Trade receivables	2,929	844	247%
Other receivables	1,800	1,696	6%
Total	4,729	2,540	86%

The increase in trade debtors at 31 December 2017 arises from the growth of the Lojuxta business in 2017. The in-licencing agreement for Lojuxta was signed in December 2016, hence there was only one month of Lojuxta revenue in 2016 compared with 12 months in 2017.

Included in other receivables at 31 December 2017 is €1,306,000 (2016: €1,548,000) in relation to prepaid Phase III clinical trial costs.

TRADE AND OTHER PAYABLES

As at 31 December 2017, the Group had trade and other payables of €9,799,000. This compares to trade and other payables of €3,550,000 at 31 December 2016.

The following table outlines the breakdown of trade and other payables at 31 December 2017 compared to 31 December 2016:

	31 December 2017 €'000	31 December 2016 €'000	% change
Trade payables	4,698	1,918	145%
Other payables	5,101	1,632	213%
Total	9,799	3,550	176%

The increase in trade payables reflects the increased commercial and R&D activity in the Group in 2017. The increase in the other payables arises primarily from the reclassification of the first milestone payment arising from the acquisition of Amryt AG from contingent consideration to accruals. This amounts to €2,000,000 and is payable 24 months after receipt of EMA approval for PTW. This amount was paid in January 2018.

CONTINGENT CONSIDERATION

Contingent consideration at 31 December 2017 amounted to €32,418,000 compared to €23,314,000 at 31 December 2016. At the date of acquisition, the fair value of the royalty payments was determined using probability weighted revenue forecasts and the fair value of the milestones payments was determined using probability adjusted present values. At each reporting date it is necessary to review the fair value of the contingent consideration. The increase in the contingent consideration in 2017 arises as a result of (i) part of the probability adjusted fair values being unwound to the Consolidated Statement of Comprehensive Income during 2017 as financing expenses and (ii) a revision of the estimates used in the revenue forecast resulting from the revisions to the AP101 launch timelines.

The increase in the contingent consideration balance was partially offset by the reclassification of €2,000,000 which was included in contingent consideration at 31 December 2016 but was reclassified to accruals at 31 December 2017. This relates to the first milestone payment which is payable 24 months after receipt of EMA approval for PTW. This amount was paid in January 2018.

DEBT FINANCING

In December 2016, Amryt DAC entered into a €20m debt facility agreement with the EIB. The facility is significant because it provides non-dilutive funding that secures the Group's near and mid-term funding needs for its lead development asset, AP101.

The facility is split into three tranches, with €10m available immediately and two further tranches of €5m each available upon the achievement of certain milestones. In April 2017, the Group drew down the first tranche of €10m. In October 2017, the terms of the second tranche of €5m were amended by the EIB so the Group has the option to draw this amount down any time it wishes. The Group had not drawn down this second tranche of €5m as at 31 December 2017. The third tranche is conditional on the primary clinical endpoints for the EASE Phase III clinical trials in the US or EU being achieved and therefore it can be concluded that the Phase III clinical trial has been successfully completed. The facility is secured and there is 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 has a five-year term from drawdown. The facility has an interest rate of 3% to be paid on an annual basis, with the first instalment due in April 2018. A further annual fixed rate of 10% is payable together with the outstanding principal amount on expiry of the facility. At 31 December 2017, the Group has a short term accrual for €227,000 which is repayable in April 2018 and a long term accrual of €603,000 which represents the discounted present value of the long term interest accrued but not payable until April 2022.

Lojuxta

In December 2016, Amryt was delighted to reach an agreement with Aegerion, a NASDAQ-listed biopharmaceutical company, for the exclusive rights to sell Aegerion's drug, Lojuxta in certain territories. These territories comprise the EEA, Middle East and MENA, Switzerland, Turkey and Israel and our exclusive licence became effective on 2 December 2016. As anticipated, the licence agreement has been immediately cash generative for Amryt.

Lojuxta is used to treat a rare life-threatening disease called HoFH and was approved in the EU in late 2013. Current treatment options include statin drugs, PCSK9 inhibitors and apheresis (a blood filtration technique similar to dialysis). However, they are not adequate to control LDL cholesterol levels in some patients, particularly those with the most severe genetic mutations. HoFH was historically estimated to occur in about 1 in 1,000,000 people worldwide although more recent studies suggest it may affect up to 1 in 300,000 people. Amryt believes that there is significant potential for the drug to become a mainstay treatment for patients with HoFH. Lojuxta is currently licenced for use in adults and as part of the post approval commitments with the EMA we will be conducting a paediatric study that if successful could extend the label to children also.

LICENCE AGREEMENT TERMS

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

- make royalty payments to Aegerion, paid quarterly, based on a percentage of net sales during a calendar year. The royalty percentage is currently 18% of net sales of the product less than US$15,000,000 and 20% of net sales more than US$15,000,000. This royalty may increase to 20% and 22% respectively in the event that the marketing authorisation is formally transferred to Amryt;
- make once off commercial milestone payments, subject to achieving certain sales targets. A one-off milestone payment of US$1,000,000 is due the first time that aggregate net sales in a calendar year equals US$20,000,000 with a further one-off US$1,500,000 milestone payment due on reaching US$30,000,000 net sales in a calendar year; and
- take on the ongoing regulatory and post-marketing obligations and commitments in support of Lojuxta as above.

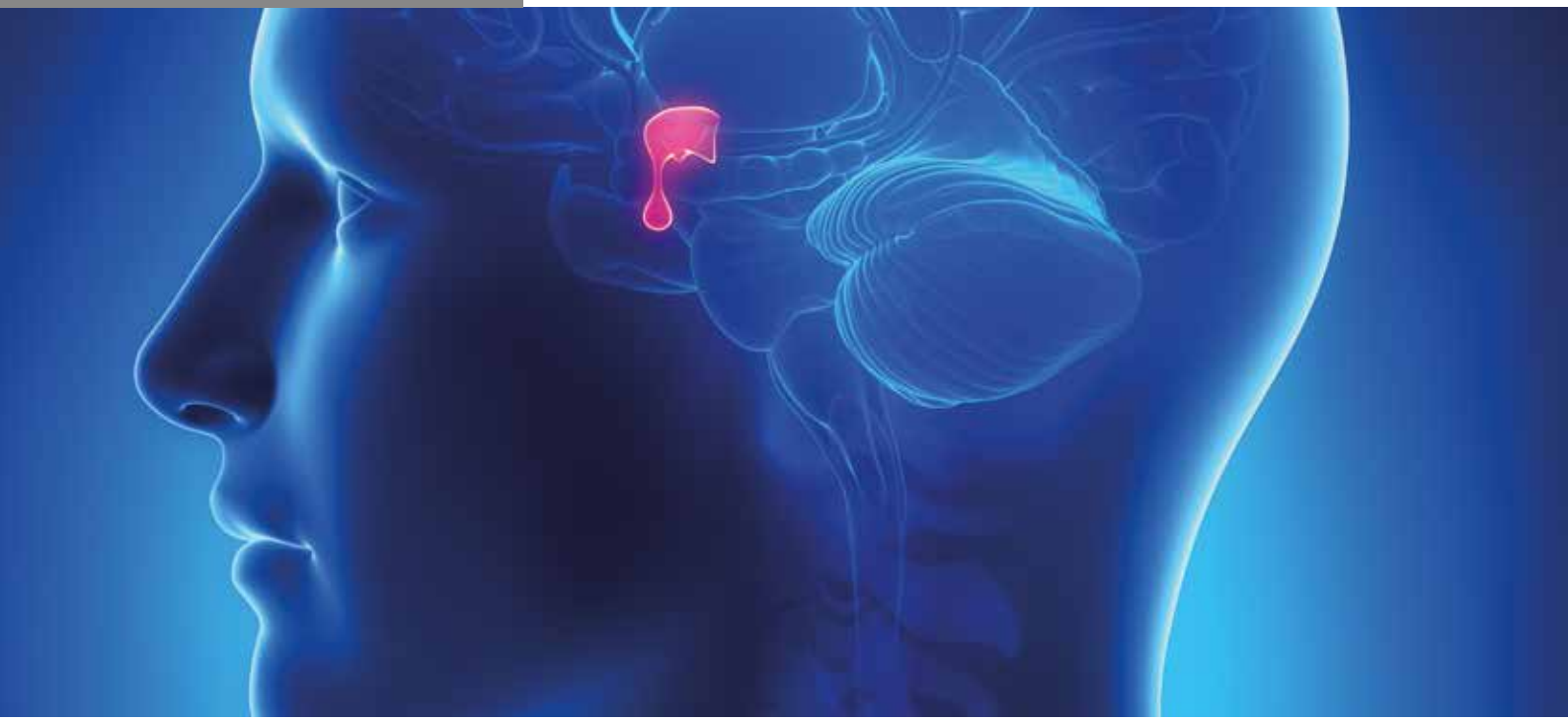
Our licence agreement has an initial term until 1 January 2024 and Amryt may, at its own discretion, extend the licence agreement for a further five years, with the right to extend in further five year periods thereafter.

2017 REVENUE AND PLANS

For the 12 months ended 31 December 2017, Lojuxta generated revenues of €11,924,000 (2016: €775,000 for the month of December 2016). This growth arose from strong demand in existing markets in our territories, in particular, 2017 experienced positive momentum in the reimbursement position in certain countries and also an increase in "named patient" sales.

Future growth will be driven by existing markets and also through expansion into new territories. Since November 2017, the Group has completed five new distributor relationships, covering 17 countries:

- In November 2017, Amryt signed a distributorship agreement, with Faisal Musaed El Seif Saudi Pharmaceutical Company ("El Seif"), for Amryt's products in the Kingdom of Saudi Arabia ("Saudi Arabia"). El Seif, an affiliate of El Seif Development Company, is a leading distributor of medical devices and pharmaceuticals in Saudi Arabia and has a strong presence in the rare and orphan diseases drug sector. Amryt estimates that there are currently in excess of 150 patients with HoFH in Saudi Arabia. The agreement with El Seif covers AP101 in anticipation of a successful conclusion of the Phase III clinical trials.
- In January 2018 Amryt signed an exclusive distributor agreement for Lojuxta in Switzerland. The agreement is with RCC Pharma AG, a leading Swiss pharmaceutical company with expertise in early access programs in rare and orphan diseases. The Company currently estimates that there are approximately 15 patients with HoFH in Switzerland. It has received requests from clinicians for access to Lojuxta for Swiss patients and this agreement will now enable Amryt to respond more effectively to such requests.



- In January 2018, Amryt also signed an exclusive distribution agreement covering Central and Eastern Europe with GryNumber Health, one of the leading healthcare consultancy and distribution companies in the region. The agreement covers Austria, Croatia, Czech Republic, Estonia, Finland, Hungary, Latvia, Poland, Slovakia, and Slovenia. Amryt estimates that there are approximately 100 patients with HoFH in these countries.
- Amryt signed a further exclusive distribution agreement in January 2018 covering Romania and Bulgaria with Romastru Trading SRL, a Bucharest pharmaceutical services company, part of Pharaon Healthcare Europe, a conglomerate which provides a wide range of services, including medical, market research and distribution.
- In March 2018, Amryt announced that it has further expanded its market coverage for Lojuxta with an exclusive distribution agreement for Lebanon, Jordan and Syria. The agreement is with Pharaon Healthcare-Droguerie Mercury S.A.L., one of the leading full-service distributors in the region. The Group estimates that there are approximately 40 patients with HoFH in the countries covered by this agreement.

The Group has now established the commercial, medical and regulatory infrastructure required to support the commercialisation of Lojuxta across our licenced territories using affiliates, third party consultants and distributors. This infrastructure can also be leveraged to support additional products such as AP101 if approval is received from the regulatory authorities, and other products that may be acquired or in-licenced in the future.

AP101 (Oleogel-S10)

Amryt's lead product, AP101, received marketing approval for the treatment of partial thickness wounds ("PTW") from the European Commission in January 2016. In Q1 2017, we completed discussions with the FDA and EMA regarding the design of our pivotal Phase III clinical trial for AP101 (Efficacy and Safety of Oleogel-S10 in EB, the "EASE Study") as a potential treatment for EB and on 27 March 2017, commenced a pivotal Phase III trial, EASE, to examine AP101's safety and efficacy.

EB is a chronic and debilitating condition for which there is currently no approved product and significant unmet medical need. All forms of the disorder are considered serious and the most severe are disfiguring and cause intense suffering. The patient advocacy group, DEBRA International, estimates that there are approximately 500,000 people living with EB worldwide, with some 30,000 in Europe. The Department of Dermatology at Stanford University estimates that there are 25,000 people living with EB in the US. The combined US and European market for the treatment of EB is estimated by management to be in excess of €1.3 billion.

AP101 has already demonstrated encouraging preliminary data in EB in a Phase 2a clinical trial completed in 2011. In addition, three successful Phase III clinical studies in the broad PTW indication have been conducted with AP101. In each of these studies, AP101 successfully demonstrated faster healing in both recent wounds and chronic wounds compared with standard of care therapy. Amryt commenced a single Phase III pivotal study in EB in March 2017 which aims to demonstrate efficacy specifically in EB, a condition that also causes partial thickness wounds.

CLINICAL TRIALS UPDATE

In March 2017, the Group commenced the pivotal Phase III clinical trial, EASE, to examine AP101's efficacy for EB patients. Adult and paediatric patients with EB are being enrolled into a randomised double blind placebo controlled trial. The proportion of patients with completely healed target wounds within 45 days will be evaluated as the primary endpoint. Secondary endpoints include the time to achieve wound healing and changes in pain and pruritus (itch).

In March 2018, Amicus Therapeutics granted Amryt detailed access to the data from its landmark ESSENCE trial of SD101 in EB, which read out in September 2017. Based on insights from these data, Amryt management is now able to refine its protocol for the Group's ongoing global Phase III (EASE) study of AP101, with the potential to increase the probability of success for the study.

The Group is currently in the process of amending the protocol for the EASE study and will discuss any significant changes with the FDA and the EMA. These amendments include a modest increase in the size of the study from 164 to 192 patients and a restriction on certain wound types.

Based on the analysis of the Amicus Therapeutics data, the Group will maintain the current primary endpoint which is the proportion of patients with first complete closure of the target EB wound treated with AP101 versus placebo within 45 days of treatment. The exclusion of EB Simplex patients for the EASE study will help to ensure that patients with likely faster spontaneous healing rates will not be included in the study and is expected to increase the likelihood of demonstrating a statistically significant treatment effect.

These changes will result in a slight delay of the interim analysis which the Company expects will be complete in early Q4 2018. Assuming a positive interim analysis, the Group expects read out of top-line data from our AP101 Phase III study in Q2 2019. The incremental cost of these changes is expected to be approximately €1m. The unblinded interim analysis will be conducted by an independent data safety monitoring board and will result in three possible outcomes:

- continue the study with no change to sample size, which would reflect conditional statistical power of at least 80% or better;
- increase the number of patients in the study to maintain an 80% conditional statistical power;
- or discontinue the study for futility.

The unblinded interim analysis read out potentially represents a significant milestone for the Group. In 2017, the Group agreed with the regulatory authorities to conduct some further non-clinical studies in parallel with this Phase III study. In 2018, various non-clinical studies, requested by the FDA as part of an investigational new drug ("IND") filing to open clinical trial sites in the USA, have recently been successfully completed. No safety signals or concerns were noted from the preliminary data and the Company is now hopeful that the combination of these studies, and safety data from patients enrolled to date in non-US EASE study sites, will enable it to request an IND to open trial sites in the USA, which it anticipates will be in Q3 2018.

EXTENDED PATENTS AND REGULATORY APPROVALS

In January 2016, we secured approval from the EMA for the use of AP101 in the European Union for the treatment of all PTWs. We subsequently secured a European method of use patent for the treatment of PTW in March 2016 and obtained a US method of use patent for the treatment of EB in September 2016. In February 2017, Amryt was granted a patent in Japan by the Japanese Patent Office for AP101 for the treatment of EB. All these patents expire in 2030.

FUTURE INDICATIONS FOR AP101 ASSET

Amryt has recently received interest from physicians to study AP101 in various PTW indications also with high unmet medical need. In response to this interest, the Group is evaluating new life-cycle opportunities for AP101. Dermatological conditions under consideration include:

- Toxic Epidermal Necrolysis Syndrome (TENS) (including Stevens-Johnson Syndrome (SJS))
- Bullous Pemphigoid
- Pemphigus Vulgaris
- Grade III/IV radiotherapy and chemotherapy induced dermatitis

Toxic Epidermal Necrolysis Syndrome (TENS) (including Stevens-Johnson Syndrome (SJS)) is a rare, acute, serious and potentially fatal skin reaction in which there is sheet-like skin and mucosal loss. Amryt has recently agreed to facilitate a compassionate use protocol in this area, which may generate valuable data in the coming quarters. One of the most common effects of radiation or chemotherapy is acute skin reaction that ranges from a mild rash to severe ulceration. Approximately 10% of patients treated with radiation therapy will experience severe skin reaction resulting in grade III/IV wounds.

The scope of the current EMA approval for AP101 may offer the opportunity to launch AP101 in some of these indications in Europe. Early indications suggest that collectively these indications of TENS/SJS, radiotherapy and chemotherapy induced dermatitis, and bullous pemphigoid and pemphigus vulgaris may have a market potential greater than the EB opportunity which the Group is currently investigating in its EASE Phase III study.

AP102

AP102 is an early stage drug asset, which 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.

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

In February 2017, we received positive results from a pre-clinical study that compared AP102 with pasireotide, an approved product for treating patients with resistant acromegaly. Significantly, AP102 did not demonstrate the potential to cause diabetes, an observation which, if replicated in clinical studies, could be clinically beneficial in treating acromegaly. Amryt's study used a well-established diabetic rat model to examine whether or not AP102 has an effect on glucose levels or on food/water intake compared with controls. The study results showed that AP102 had no effect on either in diabetic rats compared with controls. This indicates no impairment in glucose control in these diabetic animals when treated with AP102. Throughout 2017, the Group initiated and conducted various other pre-clinical studies. These studies are ongoing and the Group expects to complete these pre-clinical studies in 2018.

AP103 (Gene therapy platform)

In March 2018, Amryt completed a new exclusive in-licencing of a new platform technology for 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 delivery of gene therapy using HPAE polymer technology.
The initial focus of development efforts to date has been in the area of EB and preliminary data suggests that the treatment could be potentially disease-modifying for patients with Recessive Dystrophic Epidermolysis bullosa ("RDEB"). Pre-clinical data in a xenograft model has shown significant levels of collagen VII in the skin post therapy. Patients with RDEB have a defect in their gene coding for collagen VII, consequently the replacement of collagen VII could be transformative for these patients.

Potential competitors working in the area of gene therapy in EB are mostly working with viral vectors to deliver collagen VII to the cell. The patented technology which Amryt has exclusively licenced from UCD involves the use of a novel gene delivery mechanism using HPAE polymer technology. If successful, this could eliminate the requirement for viruses as delivery vectors and provides a potential competitive advantage to Amryt. Amryt intends to conduct various pre-clinical studies in the coming months and will report initial results in Q4 2018.

Imlan

Amryt has a range of dermo cosmetic products that we acquired with the Amryt AG transaction, which are sold under the Imlan brand. Completely free of emulsifiers, preservatives, colorants and fragrances and other additives or irritants, Imlan is marketed as a treatment for sensitive, allergy-prone and dry skin. It is also recommended for the basic care of eczema or psoriasis.

Revenues for the year ended 31 December 2017 amounted to €830,000 compared to revenues of €571,000 in the period from the acquisition of Amryt AG in April 2016 to 31 December 2016.

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

In June 2016, the UK held a European Union ("EU") referendum where a majority of votes were cast in favour of leaving the EU. This puts the UK on a course to leave the EU in 2019. Brexit has led to a depreciation in the value of Pound Sterling ("GBP") to EURO of approximately 17% from 1 January 2016 to 31 December 2017. It is too early for the Group to predict the potential long term impact of Brexit in advance of the finalisation of Article 50 negotiations. These negotiations could have wide ranging implications for all UK adoption of European regulations, including those for the orphan drug market where the EMA plays a central role in facilitating the development and authorisation of orphan medicines within the EU.

The Group did not generate any revenue within the UK during the current year and does not expect a significant contribution from that market in the medium term. The Group has exposure to costs denominated in GBP due to its quotation on the AIM market of the London Stock Exchange and due to having its parent holding company incorporated in the UK. As a whole, the majority of the Group's costs and operations are outside the UK. The Group raised gross funds of £13m/€15m in an equity fundraising in October 2017 which has since been converted to Euro. The Group has access to a €20m loan facility from the European Investment Bank, €10m of which has been drawn. This is unaffected by Brexit related concerns as the loan facility is available to the main operating entity within the Group, Amryt Pharmaceuticals DAC, an Irish registered company.

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

Key Performance Indicators

A qualitative review of the performance during the year is provided in the Chairman and CEO's Statement and the results for the year are presented in the consolidated financial statements.

The key indicators of performance for the Group include its success in identifying, acquiring and developing drug candidates to create shareholder value. The Group has moved quickly to assemble a portfolio of products. The Lojuxta business has been extremely successful for Amryt to date, being cash flow positive from day one. In the thirteen months since the Group entered into this licence agreement, we have seen growth in the business culminating in annual revenues for 2017 of €11.9m. Amryt is now a fully-fledged pharmaceutical company with sales across Europe and the Middle East. This has enabled us to put significant infrastructure in place, combining new affiliates with other key European territories managed through existing third party consultants/distributors. This infrastructure will also be utilised by Amryt when we roll out other products including AP101 upon approval from the EMA.

Control of cash balances is a priority of the Group and these are budgeted and monitored closely to ensure that the Group has access to sufficient funds to finance the Phase III clinical trial of AP101 (the EASE Study). Operational progress in relation to AP101, AP102 and AP103 are reviewed by the Board on a regular basis and actual costs are compared to Board approved budgets.

Achieving regulatory clarity is an important step in the pharmaceutical development cycle. The completion of discussions with the FDA and EMA on the structure of the AP101 Phase III EASE study in early 2017 enabled the Company to commence enrolment of its first patients in the EASE study. The rate of enrolment into this study will be a key performance indicator in 2018.

STRATEGIC REPORT:
Risks and Uncertainties

Risks and Uncertainties

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

THE COMPANY HAS INCURRED LOSSES SINCE ITS INCEPTION AND ANTICIPATES THAT IT MAY CONTINUE TO INCUR LOSSES FOR THE FORESEEABLE FUTURE

To date, the Company has no positive operating cash flow and its ultimate success will depend on, inter alia, the Board's ability to implement the Group's strategy, generate cash flow and access equity markets. Whilst the Board is optimistic about the Group's prospects, there is no certainty that anticipated outcomes and sustainable revenues or profits can be achieved. In the meantime, the Group will continue to expend its cash reserves. There can be no assurance that the Group's operations will be profitable or produce a reasonable return, if any, on investment.

THE GROUP MAY NOT BE SUCCESSFUL IN ITS EFFORTS TO BUILD A FURTHER PIPELINE OF PRODUCT CANDIDATES AND DEVELOP MARKETABLE PRODUCTS

The Group operates in the biopharmaceutical development sector and has a number of drug candidates in various stages of clinical development. In addition, the Group may continue to exploit other opportunities within the sector in order to expand its 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 the present development pipeline. Further to this, the Group may not be successful in developing new products based on the scientific discoveries developed by the Group. The ability of the Group to develop new products relies on, inter alia, the recruitment of sufficiently qualified research and development partners with expertise in the biopharmaceutical sector. The Group may not be able to develop its relationships and/or recruit research partners of a sufficient calibre to satisfy its growth rate and develop its future pipeline.

Additionally, product development timelines are at risk of delay as the timing of regulatory approvals is uncertain and it is not always possible to predict the rate of patient recruitment into clinical trials. There is therefore a risk that product development could take longer than presently expected by the Group.

Furthermore, there can be no guarantee that the Group will be able to, or that it will be commercially advantageous for the Group to, develop its intellectual property through entering into licencing deals with emerging, midsize and large pharmaceutical companies.

CLINICAL TRIALS ARE EXPENSIVE, TIME CONSUMING AND DIFFICULT TO DESIGN AND IMPLEMENT AND INVOLVE UNCERTAIN OUTCOMES. FURTHERMORE, RESULTS OF EARLIER PRE-CLINICAL STUDIES AND CLINICAL TRIALS MAY NOT BE PREDICTIVE OF RESULTS OF FUTURE PRE-CLINICAL STUDIES OR CLINICAL TRIALS

To obtain the requisite regulatory approvals to market and sell any of the Group's product candidates, it must demonstrate, through extensive preclinical studies and clinical trials, that its product candidates are safe and effective in humans. Clinical testing is expensive and can take many years to complete and its outcome is inherently uncertain. 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 such as the FDA and EMA may not agree on the same trial design for pivotal studies. The results of preclinical studies and earlier clinical trials may not be predictive of the results of later-stage clinical trials. For example, the results generated to date in pre-clinical studies or Phase I or Phase II clinical trials for the Group's product candidates do not ensure that later clinical trials will demonstrate similar results. Product candidates in later stages of clinical trials may fail to show the desired safety and efficacy traits despite having progressed through preclinical studies and initial clinical trials. The Group may suffer setbacks in advanced clinical trials

due to lack of efficacy or adverse safety profiles, notwithstanding promising results in earlier clinical trials. In addition, the Group may experience delays in its on-going or future pre-clinical studies or clinical trials and it does not know whether future preclinical studies or clinical trials will begin on time, need to be redesigned, enrol an adequate number of subjects or patients on time or be completed on schedule, if at all.

THE REGULATORY APPROVAL PROCESSES OF THE EMA, FDA AND OTHER COMPARABLE REGULATORY AGENCIES MAY BE LENGTHY, TIME-CONSUMING AND THE OUTCOME IS UNPREDICTABLE

The Group's future success is dependent upon its ability to develop successfully, obtain regulatory approval for and then successfully commercialise one or more of its product candidates. There can be no assurance that any of the Group's development drug candidates will be successful in clinical trials or receive regulatory approval. Applications for any of the Group's 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 the Group's clinical trials or the Group's 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 the Group is seeking approval;
- the data collected from clinical trials of the Group's product candidates may not be sufficient to support a finding that has statistical significance or clinical meaningfulness or support the submission of a new drug application or other submission, or to obtain regulatory approval in relevant jurisdictions, such as Europe and the US;
- the Group 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 the Group contracts for clinical and commercial supplies; or
- the approval policies or regulations of the EMA, FDA or any other comparable regulatory agency may significantly change in a manner rendering the Group's clinical data insufficient for approval.

Any of the Group's 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 commercialisation of the Group's product candidates.

The Group intends to seek regulatory approvals to commercialise its product candidates in Europe and the United States. To obtain regulatory approval in other countries, the Group must comply with numerous and varying regulatory requirements of such other jurisdictions, which may include (without limitation) safety, efficacy, chemistry, manufacturing and controls, clinical trials, commercial sales, pricing and distribution of its product candidates. Even if the Group is successful in obtaining approval in one jurisdiction, there can be no guarantee that it will obtain approval in other jurisdictions. Failure to obtain marketing authorisations for its product candidates will result in the Group being unable to market and sell such products. If the Group fails to obtain approval in any jurisdiction, the geographical market for its product candidates could be limited. Similarly, regulatory agencies may not approve the labelling claims that are necessary or desirable for the successful commercialisation of the Group's product candidates.

THE GROUP'S PRODUCTS MAY NOT GAIN MARKET ACCEPTANCE, IN WHICH CASE THE GROUP MAY NOT BE ABLE TO GENERATE PRODUCT REVENUES

Even if the EMA, FDA or any other comparable regulatory agency approves the marketing of any product candidates that the Group develops and/or in the case of existing marketed products, physicians, healthcare providers, patients or the medical community may not accept or use them. Efforts to educate the medical community and third party payors on the benefits of the Group's product candidates may require significant resources and may not be successful. If any product candidate that the Group develops, in each case if approved, do not achieve an adequate level of acceptance, the Group may not generate significant product revenues or any profits from operations. The degree of market acceptance will depend on a variety of factors, including, but not limited to:

- whether clinicians and potential patients perceive the Group's product candidates to have a better efficacy, safety and tolerability profile, ease of use, compared with the products marketed by the Group's competitors and the prevailing standard of care;
- the timing of market introduction;
- the number of competing products;
- the Group's ability to provide acceptable evidence of safety and efficacy;
- the prevalence and severity 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 organisations and other third party payors, both public and private; and
- competition from other therapies.

In addition, the potential market opportunity for the product candidates that the Group may develop is difficult to estimate precisely, particularly given that the orphan drug markets which the Group is targeting are, by their nature, relatively small and unknown. The Group's estimates of the potential market opportunity for each of these

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product candidates are predicated on several key assumptions, such as industry knowledge and publications, third party research reports and other surveys. Although the Board believes that the Group's internal assumptions are reasonable, these assumptions may prove to be inaccurate. If any of the assumptions proves to be inaccurate, then the actual market for Lojuxta, AP101 and AP102 or the Group's other product candidates from time to time, could be smaller than the Group's estimates of the potential market opportunity. If that turns out to be the case, the Group's product revenue may be limited and it may be unable to achieve or maintain profitability.

THE COMPANY FACES SIGNIFICANT COMPETITION FROM OTHER BIOTECHNOLOGY AND PHARMACEUTICAL COMPANIES

The biotechnology and pharmaceutical industries are very competitive. The Company's competitors include major multinational pharmaceutical companies, biotechnology companies and research institutions. Many of its competitors have substantially greater financial, technical and other resources, such as larger research and development staff. The Company's competitors may succeed in developing, acquiring or licencing drug product candidates that are earlier to market, more effective or less costly than any product candidate which the Company is currently developing or which it may develop and this may have a material adverse impact on the Company.

THE GROUP'S LICENCE PARTNERS MAY NOT BE SUCCESSFUL IN THEIR EFFORTS TO DEVELOP MARKETABLE PRODUCTS

Revenue from any licencing and collaboration deals entered into is dependent on future progression of programs through development of and into the market. If these programs transfer to a partner for progression, there is a risk that a licencing deal may not deliver all the indicated milestones and terms due to product failure or a partner deprioritising a product.

PROTECTION OF INTELLECTUAL PROPERTY

The Group's success and ability to compete effectively are in large part dependent upon exploitation of proprietary technologies and candidates that the Group has developed internally or has in-licenced, the Group's ability to protect and enforce its intellectual property rights so as to preserve its exclusive rights in respect of its technologies and candidates, and its ability to preserve the confidentiality of its know-how. The Group relies primarily on exclusivity granted by a combination of orphan drug approval, data exclusivity, patent laws and trade secrets/ confidentiality to protect its 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 the Group's ability to develop and market its proposed candidates, or that, if issued, the Group would have the resources to protect any such issued patent from infringement. Also, no assurance can be given that the Group will develop technologies or candidates which are patentable or that patents will be sufficient in their scope to provide protection for the Group's intellectual property rights against third parties. Nor can there be any assurance as to the ownership, validity or scope of any patents which have been, or may in the future be, issued to the Group or that claims with respect thereto would not be asserted by other parties. Furthermore, there are some areas of technology that are important for the Group's business which cannot be patented due to the existence of prior disclosures or rights. AP102 currently has no patent protection in Europe and intends to rely on exclusivity from a possible future orphan drug approval. In addition, there can be no assurance that the Company will be able to obtain and/or maintain its orphan drug designation or orphan drug approval for its product candidates.

To date, the Group has also relied on copyright, trademark and trade secret laws, as well as confidentiality procedures, non-compete and/or work for hire invention assignment agreements and licencing arrangements with its employees, consultants, contractors, customers and vendors, to establish and protect its rights to its technology and other developments and, to the best extent possible, control the access to and distribution of its technology, software, documentation and proprietary information. Despite these precautions, it may be possible for a third party to copy or otherwise obtain and use its technology without authorisation. Once granted, a patent can be challenged both in the patent office and in the courts by third parties. Third parties can bring material and arguments which the patent office granting the patent may not have been aware of. Therefore, issued patents may be found by a court of law or by the patent office to be invalid or unenforceable or in need of further restriction.

ORPHAN DRUG DESIGNATION

In the European Union, orphan drug designation under Regulation (EC) No. 141/2000 by the EMA's Committee for Orphan Medicinal Products provides regulatory and financial incentives for companies to develop, promote and market products that are intended for the diagnosis, prevention, or treatment of a life-threatening or chronically debilitating condition affecting not more than five in 10,000 persons in the European Union and for which no satisfactory treatment is available or where such treatment is already available, the new treatment must be of significant benefit to those affected by the condition. Additionally, designation is granted for products intended for the diagnosis, prevention or treatment of a life-threatening, seriously debilitating or serious and chronic condition when, without incentives, it is unlikely that sales of the drug in the European Union would be sufficient to justify the necessary investment in developing the drug or biological product or where there is no satisfactory method of diagnosis, prevention or treatment, or, if such a method exists, the medicine must be of significant benefit to those affected by the condition. In Europe, the first product candidate to obtain approval for a given indication would benefit from a 10 year period of market exclusivity from the date of approval. Subsequent candidates for the same condition may also be granted orphan drug designation where the underlying molecule used in the treatment is different, where the method of action is different or where the new treatment shows clinical superiority over the existing treatment. The 10 year exclusivity period referred to above may be reduced to six years if the orphan drug designation criteria are no longer met, including where it is shown that the product is sufficiently profitable not to justify maintenance of market exclusivity.

In the United States, under the Orphan Drug Act of 1983, the FDA may designate a product as an orphan drug if it is intended to treat an orphan disease or condition, defined as a patient population of fewer than 200,000 in the United States, or a patient population greater than 200,000 in the United States where there is no reasonable expectation that the cost of developing the drug will be recovered from sales in the United States within 7 years following FDA approval.

In the United States, orphan drug designation entitles a party to financial incentives, such as opportunities for grant funding towards clinical trial costs, tax advantages and user fee waivers. In addition, if a product receives the first FDA approval for the indication for which it has orphan drug designation, the product is entitled to orphan drug exclusivity, which means the FDA may not approve any other application to market the same drug for the same indication for a period of seven years, except in limited circumstances, such as a showing of clinical superiority over the product with orphan exclusivity or where the manufacturer is unable to assure sufficient product quantity.

However, whilst the Group has obtained orphan drug designation for certain of its product candidates (and may do so for others in the future), there are limits on the extent of protection provided. For example, in the EU, a new product cannot be designated if it is similar to an orphan drug which has already been approved. Similarity in this context is defined as having a similar active substance (identical or having an active substance with the same or similar principal molecular structural features) and which acts via the same mechanism. Additionally, orphan drug exclusivity will not apply if there is a second medicinal product that is safer, more effective or otherwise clinically superior.

Furthermore, it is important to note that there can be multiple orphan drug designations for each indication and more than one entity can receive orphan drug designation for the same product candidate for the same use. However, the exclusivity period is granted to the first entity (with orphan drug designation for the relevant product candidate) who has obtained marketing approval. As such, only the first product candidate to be approved for a given indication will enjoy the exclusivity benefits of orphan drug approval. It is therefore possible that the Group may not obtain market exclusivity because another product for the same indication was approved earlier, even if the Group ultimately obtains marketing approval for its product candidates.

Moreover, orphan drug designation rarely shortens the development time nor the regulatory review time of a drug nor does it give the drug any formal advantage in the regulatory review or approval process.

FUTURE FUNDING REQUIREMENTS

The Group will likely need to raise additional funding to undertake future development work and marketing of any successful drug. If additional funds are raised through the issuance of new equity or equity linked securities of the Group other than on a pro rata basis to existing Shareholders, the percentage ownership of the existing Shareholders may be reduced. Shareholders may also experience subsequent dilution and/or such securities may have preferred rights, options and pre-emption rights senior to the Ordinary Shares.

The Company may also issue Ordinary Shares as consideration shares on acquisitions or investments that would also dilute Shareholders' respective shareholdings.

There is also no certainty that any future fund raising will be possible at all or on acceptable terms. If the Group is unable to obtain additional financing as required, it may be required to reduce the scope of its operations or anticipated expansion.

The Company has a €20 million debt facility with the European Investment Bank and may seek further debt financing in future. Such debt financing may have adverse consequences for the Group including placing restrictions on the Group's financial and operating activities as a consequence of the covenants to which the Group is subject and requiring it to dedicate a portion of its cash flows to repay the debt and to pay interest due, which may materially reduce funds available for planned development activities and will expose the Group to interest rate fluctuations to the extent that the borrowings are subject to variable interest rates. Debt financing may also require assets of the Group to be secured in favour of the lender, which security may be enforced if the Group were unable to comply with the terms of the relevant debt facility agreement.

INABILITY TO SCALE UP MANUFACTURING CAPABILITY AND/OR OUTSOURCING

The Group is investing in new biopharmaceutical manufacturing equipment which will require significant investment, installation and calibration activities to be undertaken. The Directors may underestimate the cost or time of installing such manufacturing equipment. There is also a risk that the new equipment may not function as expected once installed. The Group may outsource manufacturing but may be unable to find sufficient demand for its new manufacturing capabilities. Scaling-up production may be negatively impacted as a result of these factors.

EXIT OF UK FROM THE EUROPEAN UNION

The UK has voted in an advisory referendum to leave the European Union (commonly referred to as "Brexit"). The impact of the referendum and consequent triggering of Article 50 of the Lisbon Treaty is not yet clear, but it may 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. Depending on the exit terms negotiated between EU Member States and the UK following Brexit, the UK could lose access to the single European Union market and the global trade deals negotiated by the European Union on behalf of its members. Such a change in trade terms could affect the attractiveness of the UK as an investment centre and, as a result, could have a detrimental effect on UK companies. This may impact the Group's ability to access funding in the future, and its prospects. Although it is not possible at this point in time to predict fully the effects of an exit of the UK from the European Union, it could have a material effect on the Group's business, financial condition and results of operations.

The Strategic Report on pages 6 to 12 was approved by the Board on 16 April 2018 and signed on its behalf by:

Rory Nealon
Director

CORPORATE GOVERNANCE:
Board of Directors

Harry Stratford OBE
Non-Executive Chairman

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

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

Joe Wiley
CEO

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

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

Rory Nealon
CFO/COO

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

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

CORPORATE GOVERNANCE:
Board of Directors

James Culverwell
Non-Executive Director

James Culverwell has over 30 years' experience in analysing and valuing pharmaceutical companies. Mr Culverwell joined Hoare Govett in 1982, and then moved to Merrill Lynch in 1995, where he became global head of pharmaceutical equity research. In 2004, Mr Culverwell set up Sudbrook Associates, a healthcare corporate adviser. Mr Culverwell currently sits on the Board of two other companies in the drug development and diagnostic fields, including HOX Therapeutics where he is the CEO.

Mr Culverwell has an MSc from the University of Aberdeen.

Ray Stafford
Non-Executive Director

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

Markus Ziener
Non-Executive Director

Markus Ziener joined Software AG Stiftung in 2013 as a Director of Asset Management before becoming Chief Financial Officer in August 2014. Prior to joining Software AG Stiftung, a 22.3% shareholder in Amryt at 31 December 2017, Mr Ziener worked in a number of senior roles across a broad range of industries including as Managing Director of Handelskontor Willmann für Naturprodukte.

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

CORPORATE GOVERNANCE:
Corporate Governance Statement

Compliance Statement

The Board seeks to follow best practice in corporate governance appropriate to the Company's size and in accordance with the regulatory framework that applies to AIM and ESM companies. The Board intend to comply, so far as practicable and having regard to the size and nature of the Company's business, with the principles and disclosures as set out in the QCA Code. The main features of the Company's corporate governance arrangements are:

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

Board Composition

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

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

Board Committees

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

AUDIT COMMITTEE

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

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

REMUNERATION COMMITTEE

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

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

Meetings and attendance

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

	Full Board	Audit Committee	Remuneration Committee
Meetings held during the year	8	2	5
Directors' Attendance:			
Harry Stratford	8/8		5/5
Joe Wiley	8/8		
Rory Nealon	8/8		
James Culverwell	7/8	2/2	5/5
Ray Stafford	7/8	2/2	5/5
Markus Ziener	7/8		

Policy on Executive Directors and Senior Management Remuneration

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

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 22 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.

Risk Management and 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, EIB funding and holds its cash as a liquid resource to fund the obligations of the Company. Decisions regarding the management of these assets are 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 Company'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.

Communications with Shareholders

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

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

CORPORATE GOVERNANCE:
Directors' Report
For the year ended 31 December 2017

The Directors of Amryt Pharma plc (the "Company") present their report and the financial statements of the Company and its subsidiary undertakings (together the "Group" or "Amryt") for the year to 31 December 2017.

Directors

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

Harry Stratford

Joe Wiley

Rory Nealon

James Culverwell

Ray Stafford

Markus Ziener

Cathal Friel
(resigned on 28 March 2017)

BASE SALARIES REVIEW

In 2016 and 2017, the Committee appointed Radford, a part of the AON Group, to perform a review of executive and non-executive remuneration. Radford have no connection with the Company.

The Committee developed its 2017 and 2018 remuneration proposals based on the recommendations of this report and what the Committee believe to be appropriate remuneration levels for the Company at its current stage of development. The Company has set target remuneration for both executive management and non-executive directors at the 50th percentile for European companies as outlined in the report.

BONUS PAYMENTS

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

LONG TERM INCENTIVES

The Company has adopted an Employee Share Option Plan (the "Plan") with all directors, senior management and consultants to the Company eligible to receive awards on the Plan. Details of share options issued under the plan in 2017 are included in note 4. A total of 2,885,582 share options were issued to executive directors during the year. 2,061,130 share options were granted to Joe Wiley on 29th November at a strike price of 20.12 pence. 824,452 share options were granted to Rory Nealon on 29th November at a strike price of 20.12 pence. All share options granted to executive directors during the year contain a 3-year vesting period. In accordance with UK best practice on corporate governance, it is the Company's current policy not to award share options to non-executive directors.

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

DIRECTORS' REMUNERATION – CURRENT YEAR

The remuneration of Directors for the year ended 31 December 2017 was as follows:

	Base Salary and Fees €'000	Bonuses €'000	Pension Contributions €'000	Share Based Payments €'000	Other Benefits €'000	2017 Total €'000	2016 Total €'000
Harry Stratford	80	–	–	–	–	80	60
Joe Wiley[A]	331	172	33	7	24	567	397
Rory Nealon[A]	275	138	28	3	15	459	296
James Culverwell	57	–	–	–	–	57	36
Ray Stafford	44	–	–	–	–	44	24
Markus Ziener	44	–	–	–	–	44	16
Cathal Friel[B]	11	–	–	–	–	11	59
Michael Edelson[B]	_	–	–	–	–	_	4
Michael Nolan[B]	_	–	–	–	–	_	4
Total	842	310	61	10	39	1,262	896

[A] In 2016, the two executive Directors, Joe Wiley and Rory Nealon, offered to take 30% voluntary pay reduction for the 2016 calendar year.
[B] In 2016, Companies controlled by these Directors, also received payments in respect of consultancy and other services performed outside of their Director's contract. These are disclosed as consulting fees, office facilities and administration and other fees in Note 21 Related party transactions. Michael Edelson and Michael Nolan resigned on 19 April 2016.

Directors and their Interests

INTEREST IN ORDINARY SHARES OF 1p

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

Director	31 December 2017 Number	31 December 2017 %	31 December 2016 Number	31 December 2016 %
Joe Wiley	20,994,487	7.64	20,772,895	9.97
Rory Nealon	9,664,623	3.52	9,443,031	4.53
Ray Stafford	2,296,369	0.84	2,296,369	1.10
Markus Ziener	232,955	0.08	–	–
James Culverwell	221,592	0.08	–	–
Harry Stafford	150,000	0.05	–	–

[a] Markus Ziener represents Software AG-Stiftung's 22.3% shareholding in the Company.

SHARE OPTIONS AND WARRANTS

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

Director	31 December 2017 Number	Exercise price	Expiry Date	31 December 2016 Number	Exercise price	Expiry Date
Joe Wiley	165,208	24p	31/12/18	165,208	24p	31/12/18
Rory Nealon	656,250	24p	31/12/18	656,250	24p	31/12/18
Ray Stafford	826,041	24p	31/12/18	826,041	24p	31/12/18

The Directors of the Company held the following share options of Amryt Pharma plc which were issued to them in November 2017:

Director	31 December 2017 Number	Exercise price	Expiry Date	31 December 2016 Number	Exercise price	Expiry Date
Joe Wiley	2,061,130	20.12p	28/11/24	–	–	–
Rory Nealon	824,452	20.12p	28/11/24	–	–	–

Dividends

The Directors do not recommend payment of a dividend (2016: nil).

Share Capital Structure

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

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

The Company's ordinary shares of 1p are listed on the AIM Market of the London Stock Exchange (ticker: AMYT.L) and the Enterprise Securities Market of the Irish Stock Exchange (ticker: AYP). At the date of this report, 274,817,283 ordinary shares of 1p each were in issue. Details of share issues and changes to the capital structure during the year are set out in note 17.

Substantial Shareholdings

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

Rank	Investor	31 December 2017 Number	31 December 2017 %	31 December 2016 Number	31 December 2016 %
1	Software AG-Stiftung[A]	61,272,930	22.30	43,545,567	20.90
2	Cathal Friel[B]	33,077,347	12.04	33,077,347	15.88
3	Axa Framlington	26,940,370	9.80	20,625,000	9.90
4	Joe Wiley	20,994,487	7.64	20,772,895	9.97
5	Legal & General	14,250,000	5.19	–	–
6	Rory Nealon	9,664,623	3.52	9,443,031	4.53
7	Alan Harris	8,869,090	3.23	8,869,090	4.26
8	Amati	8,500,000	3.09	–	–

[A] Markus Ziener represents Software AG-Stiftung's 22.3% shareholding in the Company.
[B] 32,660,698 of these shares are held by Raglan Road Capital Limited, a company owned by Cathal Friel and his wife, Pamela Tyler.

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

Qualifying Indemnity Provision

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

Going Concern

After making appropriate enquires, the Directors consider that the Company and the Group has adequate resources to continue in business for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. As part of their enquiries the Directors reviewed budgets, projected cash flows, and other relevant information for 12 months from the date of approval of the consolidated financial statements for the year ended 31 December 2017.

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

As part of the reverse takeover of the Company in 2016, €12.6m (£10m) before costs of new funds were introduced to the Group. In December 2016 the Group secured a €20m facility agreement from the European Investment Bank ("EIB"), of which €10m was drawn down during 2017.

In October 2017, Amryt raised €15m before costs in equity fundraising. The Board intends to use these funds to progress a Phase III clinical trial of AP101 with a view to obtaining approval for the treatment of EB in Europe and the US, to increase the existing manufacturing capacity for the production of AP101, for the further commercialisation of Lojuxta and further development of AP102.

In early December 2016, the Group secured the exclusive rights to sell Lojuxta across the EU and other territories. This licencing deal is immediately cash generative and resulted in revenues of €11,924,000 for the year ended 31 December 2017. This licencing deal is a net cash contributor to the ongoing running costs of the rest of the Amryt business.

The Group's forecasts and projections reflect the Directors' plans for the coming year and include operating expenditures, revenues and costs associated with the Lojuxta business, and expenditure on clinical trials associated with seeking the approval of AP101 to treat EB, pre-clinical testing of AP102 and AP103. The Group performs sensitivity analysis on its projected cashflows and when performing sensitivities has taken into account reasonable changes in market conditions.

The Group's forecasts, taking into account reasonably possible changes as described above, show that the Group will be able to operate and have significant financial headroom for the 12 months from the date of approval of the consolidated financial statements for the year ended 31 December 2017.

Events after the Reporting Period

Events after the reporting period are set out in note 26 to the financial statements. Likely future developments in the business are discussed in the Strategic Report.

Auditors

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

Disclosure of Information to the Auditors

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

After making appropriate enquires, the Directors consider that the Company and the Group has adequate resources to continue in business for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. As part of their enquiries the Directors reviewed budgets, projected cash flows, and other relevant information for 12 months from the date of approval of the consolidated financial statements for the year ended 31 December 2017.

Directors' Responsibilities

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

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

In preparing these financial statements, the Directors are required to:

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

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

Website Publication

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

This report was approved by the Board on 16 April 2018 and signed on its behalf by:

Rory Nealon
Director

FINANCIAL STATEMENTS:

Independent Auditor's Report To the Members of Amryt Pharma plc

For the year ended 31 December 2017

Opinion

We have audited the financial statements of Amryt Pharma plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2017 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity, the company statement of financial position, the company statement of cash flows, the company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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 Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and 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.

Use of our report

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

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's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve 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 judgment, 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) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the 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 we do not provide a separate opinion on these matters.

Revenue recognition

Matter	Response
Refer also to Note 1 (Accounting policies) and note 3 (segmental information) in the financial statements for further details. The group generates its revenue from two sources: the sale of Lojuxta and the sale of Imlan. For both types of product sales revenue is recognised once the risks and rewards of ownership have transferred which normally occurs on despatch. Material sales relate to Lojuxta and are made via third party wholesaler and distributor networks to the end customer which may vary in specific terms. In respect of Lojuxta there are also a number of commission arrangements in place with wholesalers. In the current year the sales of Lojuxta are material for the first time. We considered there to be a risk of misstatement of the financial statements relating to transactions occurring close to the year end as transactions could be recorded within the wrong accounting period.	In order to address the risk related to cut-off in revenue recognition we tested the group's key controls over revenue recognition. Our testing of such key controls focussed on the testing of manual controls focussed on the timely and accurate recording of sales transactions including testing reconciliations of third party sales listings to internal authorisations. In addition, we used substantive procedures: • to test the existence of revenue for a sample of individual transactions which occurred both before and after the year end; • to trace a sample of individual transactions and invoices back to third party distributors' delivery notes; and • to test balances such as trade receivables and accrued / deferred income recognised on the group's statement of financial position. We also reviewed the material distributor agreements in place for individual territories and considered whether the accounting treatment of commissions was in line with the group's accounting policy and IAS 18 'Revenue'. We also assessed the adequacy of the group's disclosures relating to revenue within the financial statements.

Fair value of contingent consideration

Matter	Response
Refer also to note 1 (Accounting policies) and note 5 (business combinations) of the financial statements. On initial recognition of the acquisition of Amryt AG and as at 31 December 2016 contingent consideration of €23.3m was recognised. As at 31 December 2017, Management have reassessed the fair value of contingent consideration to be €32m. Contingent consideration is recognised at fair value based on a probability adjusted net present value model. Key inputs to the model included the probability of success of trials, commercialisation of products and the expected timings of potential revenue streams. As a liability recorded at fair value in the statement of financial position and due to the levels of Management estimation and judgement involved in the valuation, we consider there to be a significant risk around the completeness, accuracy and valuation of the contingent consideration recorded in the statement of financial position as at 31 December 2017.	In order to address the risk identified our audit procedures included: • Evaluating the group's assumptions and judgements applied in the assessment of the valuation of the contingent consideration. In particular, we critically challenged the group's expected timings of potential revenue streams, discount rates applied and the chance of success factors applied given the orphan drug designation of the products. We evaluated and challenged the group's assumptions and judgements against developments in the year alongside our knowledge of the group's business. • Performing sensitivity analysis over the group's model to assess the impact of the model on key assumptions in particular around the revenue projections which are the key driver of the calculation. • Reviewing the inputs and performing integrity checks on the model used in order to ensure it was considered appropriate for the purpose of deriving the contingent consideration liability to be recorded at year end. • Performing a review of the 31 December 2016 conclusions and updating them based on our knowledge of the group over the last twelve months and other information publically available and identified from other aspects of our audit work.

Carrying value of intangible assets	
Matter	**Response**
Refer also to note 1 (Accounting policies) and note 5 (business combinations) of the financial statements. Following the acquisition of Amryt AG and SomTheraputics Corp in the year ended 31 December 2016 the Group recognised in-process research and development ("IPRD") of €53m as an intangible asset. The products to which the IPRD relate, which are primarily the AP101 development asset, are not yet ready for use and are therefore required to be tested for impairment on an annual basis. The impairment assessment requires the group to make key assumptions and judgements on the clinical, technical and commercial viability of the products to which the IPRD intangible asset relates. For such products in development the main risk for the group is the outcome of clinical trials and obtaining required clinical and regulatory approvals for commercialisation. The assessment of the carrying value of the IPRD is therefore based on forecasting and discounting future cash flows, which are inherently highly judgemental.	In order to address the risk identified our audit procedures included: • Reviewing the group's assessment of whether there are any indications of impairment and performing a further independent assessment of such based on our knowledge of the group's business and activities; • We evaluated and challenged the assumptions and judgements used in assessing the recoverability of the IPRD intangible assets against developments in the year alongside our knowledge of the group's business, in particular looking at revenue and cash flow projections and the probability of obtaining regulatory approval for products in trial. Performing sensitivity analysis on the key assumptions of the model prepared by the group to support the IPRD in particular revenue and cash flow projections and the underlying discount rates applied; • Assessing the reasonableness of the group's assumptions regarding probability of obtaining regulatory approval through consideration of the current phase of development, comparison to industry practice and any correspondence with the group's regulator; • Interviewing a range of non-financial key research and development group personnel in order to obtain a more detailed understanding of the underlying stage of development and future opportunities for the IPRD; • Reviewing the inputs and performing integrity checks on the model used in order to ensure it was considered appropriate for the purpose of the assessment of the carrying value of the IPRD recorded on the statement of financial position at year end.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

	Group	Company
Group Materiality 2017	€660,000	€495,000
Group Materiality 2016	€800,000	€560,000
How we determined it	An average of 1% of revenue and 1.5% of total assets (2016: 1.5% of total assets).	1.5% of total assets, capped at 75% of group materiality.
Rationale for the materiality benchmark applied	Setting materiality as the average of 1% or revenue and 1.5% of total assets was considered to be the most appropriate measure of materiality given the different aspects of the Group's current operations, being a mix of investment in R&D and revenue generating opportunities.	The company is primarily a holding company for the investments in the rest of the group and has limited trading operations. As such, total assets was considered to be the most appropriate measure in both the current and prior year. The level of materiality was capped at 75% of group materiality in order to mitigate against the risk of an aggregation of misstatements across the group.

The Group benchmark has changed from the prior year, in order to reflect the change in the nature of the Group's operations from being an investment focussed Group in the prior year, to a Group generating revenue and undertaking trading activity in the current year.

Performance materiality was set at €495,000 (2016: €600,000) for the group, representing 75% of materiality. The level was set taking into account a number of factors including our past experience of adjusted and unadjusted errors, complexity of the audit and controls within the group. The same percentage was applied to each component materiality including the parent company.

Whilst materiality for the financial statements as a whole was €660,000 each significant component of the Group was audited to a lower level of materiality ranging from €2 to €475,000 of group materiality. Such materialities are used to determine the financial statement areas that are included within the scope of our audit and the extent of sample sizes used during the audit.

We agreed with the Audit Committee that we would report to the them all individual audit differences identified during our audit in excess of €33,000 (2016: €40,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

There were no misstatements identified during the course of our audit that were individually or in aggregate considered to be material in terms of their absolute monetary value or on qualitative grounds.

An overview of the scope of our audit

Our group audit scope focussed on the Group's principal operating locations and legal structure. The Group has operating entities based in Ireland and Germany with further legal entities located in the UK, France, Switzerland, Italy and the USA. All UK and Irish entities, including the parent company are subject to local statutorily required audits. Amryt Pharma DAC and Amryt Research Limited were considered to be significant components of the group due to their contribution to overall revenue and costs.

The remaining overseas entities were considered to be non-significant components of the Group and were primarily subject to analytical procedures and as considered necessary additional substantive testing on Amryt AG over risk areas detailed above as relevant to that entity. The work performed on Amryt AG was performed in Germany during a site visit. All audit work was performed by the BDO LLP with no component auditor involvement.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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 or apparent material misstatements, 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.

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 26, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the 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 the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Anne Sayers
(Senior Statutory Auditor)
For and on behalf of BDO LLP,
Statutory Auditor
London
United Kingdom

16 April 2018

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

	Note	31 December 2017 €'000	31 December 2016 €'000
Revenue	3	12,778	1,351
Cost of sales		(5,373)	(586)
Gross profit		7,405	765
Administrative, selling and marketing expenses		(10,483)	(4,037)
Share based payment expenses	4	(565)	(229)
Reverse takeover and acquisition related costs	5	–	(867)
Non-cash deemed cost of reverse takeover	5	–	(971)
Total administrative, selling and marketing expenses		(11,048)	(6,104)
Research and development expenses		(10,564)	(2,344)
Operating loss before finance expense	6	(14,207)	(7,683)
Non-cash change in fair value of contingent consideration	5	(11,104)	–
Finance expense	8	(825)	(121)
Loss on ordinary activities before taxation		(26,136)	(7,804)
Tax on loss on ordinary activities	9	–	–
Loss for the year attributable to the equity holders of the Company		(26,136)	(7,804)
Exchange translation differences which may be reclassified through the profit or loss		22	(5)
Total other comprehensive profit/ (loss)		22	(5)
Total comprehensive loss for the year attributable to the equity holders of the Company		(26,114)	(7,809)
Loss per share:			
Loss per share – basic and diluted, attributable to ordinary equity holders of the parent (cent)	10	(11.72)	(4.78)

Consolidated Statement of Financial Position

As at 31 December 2017

	Note	31 December 2017 €'000	31 December 2016 €'000
Assets			
Non-current assets			
Intangible assets	11	52,606	52,521
Property, plant and equipment	12	1,160	1,183
Total non-current assets		53,766	53,704
Current assets			
Trade and other receivables	14	4,729	2,540
Inventories	15	1,083	770
Cash and cash equivalents	16	20,512	8,271
Total current assets		26,324	11,581
Total assets		80,090	65,285
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	17	21,173	20,419
Share premium	17	57,334	43,695
Other reserves		(21,512)	(22,079)
Accumulated deficit		(35,109)	(8,998)
Total equity		21,886	33,037
Non-current liabilities			
Contingent consideration	5	32,418	23,314
Deferred tax liability	18	5,384	5,384
Long term loan	19	10,603	–
Total non-current liabilities		48,405	28,698
Current liabilities			
Trade and other payables	20	9,799	3,550
Total current liabilities		9,799	3,550
Total liabilities		58,204	32,248
Total equity and liabilities		80,090	65,285

The financial statements set out on pages 32 to 64 were approved and authorised for issue by the Directors on 16 April 2018. They are signed on the Board's behalf by:

Rory Nealon
Director

Company Number
5316808

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Note	31 December 2017 €'000	31 December 2016 €'000
Cash flows from operating activities			
Loss on ordinary activities before taxation		(26,136)	(7,804)
Finance expense	8	825	121
Depreciation and amortisation	11, 12	259	194
Share based payment expense	4	565	229
Non-cash change in fair value of contingent consideration	5	11,104	–
Non-cash deemed cost of reverse takeover	5	–	971
Movements in working capital and other adjustments:			
Change in trade and other receivables	14	(2,189)	(1,975)
Change in trade and other payables		6,022	2,236
Change in contingent consideration	5	(2,000)	–
Change in inventories	15	(313)	(83)
Net cash flow used in operating activities		(11,863)	(6,111)
Cash flow from investing activities			
Cash consideration on acquisition of Amryt AG	5	–	(10,150)
Cash consideration on acquisition of SOM	5	–	(89)
Cash inflow on acquisition of Amryt AG	5	–	705
Cash inflow on reverse takeover of Fastnet Equity plc		–	11,993
Payments for property, plant and equipment	12	(243)	(12)
Payments for intangible assets	11	(87)	–
Cash inflow on sale of property, plant and equipment	12	9	10
Deposit interest received		5	1
Net cash flow (used in)/from investing activities		(316)	2,458
Cash flow from financing activities			
Proceeds from issue of equity instruments - net of expenses	17	14,393	11,251
Issue of convertible debenture securities		–	545
Proceeds from long term debt	19	10,000	–
Repayment of short term loans		(47)	(47)
Net cash flow from financing activities		24,346	11,749
Exchange and other movements		74	4
Net change in cash and cash equivalents		12,241	8,100
Cash and cash equivalents at beginning of year		8,271	171
Restricted cash at end of year	16	537	–
Cash at bank available on demand at end of year	16	19,975	8,271
Total cash and cash equivalents at end of year	16	20,512	8,271

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Note	Share capital €'000	Share premium €'000	Share based payment reserve €'000	Merger reserve €'000	Reverse acquisition reserve €'000	Exchange translation reserve €'000	Accumulated deficit €'000	Total €'000
Balance at 1 January 2016		1	–	–	–	–	–	(1,194)	(1,193)
Loss for the year		–	–	–	–	–	–	(7,804)	(7,804)
Foreign exchange translation reserve		–	–	–	–	–	(5)	–	(5)
Total comprehensive income		–	–	–	–	–	(5)	(7,804)	(7,809)
Issue of shares by Amryt DAC on acquisition of Amryt AG		–	11,179	–	–	–	–	–	11,179
Issue of shares by Amryt DAC on acquisition of SOM		–	3,715	–	–	–	–	–	3,715
Issue of shares by Amryt DAC on conversion of convertible debenture securities		–	2,600	–	–	–	–	–	2,600
Issue of shares on acquisition of Amryt DAC		1,557	–	–	35,818	–	–	–	37,375
Issue of placing shares – net of costs		526	10,725	–	–	–	–	–	11,251
Issue of placing warrants		–	(2,251)	2,251	–	–	–	–	–
Share based payments		–	–	229	–	–	–	–	229
Reverse acquisition adjustment		18,335	17,727	1,735	–	(62,107)	–	–	(24,310)
Balance at 31 December 2016		**20,419**	**43,695**	**4,215**	**35,818**	**(62,107)**	**(5)**	**(8,998)**	**33,037**
Balance at 1 January 2017		20,419	43,695	4,215	35,818	(62,107)	(5)	(8,998)	33,037
Loss for the year		–	–	–	–	–	–	(26,136)	(26,136)
Foreign exchange translation reserve		–	–	–	–	–	27	–	27
Total comprehensive income		–	–	–	–	–	27	(26,136)	(26,109)
Issue of placing shares – gross of costs	17	754	14,329	–	–	–	–	–	15,083
Issue of placing shares – costs	17	–	(690)	–	–	–	–	–	(690)
Share based payments	4	–	–	565	–	–	–	–	565
Share based payments – lapsed		–	–	(25)	–	–	–	25	–
Balance at 31 December 2017		**21,173**	**57,334**	**4,755**	**35,818**	**(62,107)**	**22**	**(35,109)**	**21,886**

Share capital represents the cumulative par value arising upon issue of ordinary shares of 1p each and deferred shares of 29.4p each.
Share premium represents the consideration that has been received in excess of the nominal value on issue of share capital.
Share based payment reserve relates to the charge for share based payments in accordance with International Financial Reporting Standard 2.
The merger reserve was created on the acquisition of Amryt DAC. Consideration on the acquisition included the issuance of shares. Under section 612 of the Companies Act 2006, the premium on these shares has been included in a merger reserve.
The reverse acquisition reserve arose during the period ended 31 December 2016 in respect of the reverse acquisition of Amryt Pharma plc by Amryt Pharmaceuticals DAC ("Amryt DAC"). Since the shareholders of Amryt DAC became the majority shareholders of the enlarged group the acquisition is accounted for as though there is a continuation of Amryt DAC's financial statements. The reverse acquisition reserve is created to maintain the equity structure of Amryt Pharma plc in compliance with UK company law.
The exchange translation reserve was created on the retranslation of non-Euro denominated foreign subsidiaries.
Accumulated deficit represents losses accumulated in previous periods and the current year.

Company Statement of Financial Position

As at 31 December 2017

	Note	31 December 2017 €'000	31 December 2016 €'000
Assets			
Non-current assets			
Intangible assets		87	–
Investment in subsidiaries	13	58,832	59,454
Total non-current assets		58,919	59,454
Current assets			
Trade and other receivables	14	90	95
Cash and cash equivalents	16	14,441	51
Total current assets		14,531	146
Total assets		73,450	59,600
Equity and liabilities			
Equity attributable to owners of the company			
Share capital	17	21,173	20,419
Share premium	17	57,334	43,695
Other reserves		40,573	40,033
Accumulated deficit – prior years		(44,709)	(42,819)
Accumulated deficit – current year		(1,361)	(1,915)
Total equity		73,010	59,413
Current liabilities			
Trade and other payables	20	440	187
Total current liabilities		440	187
Total liabilities		440	187
Total equity and liabilities		73,450	59,600

The financial statements set out on pages 32 to 64 were approved and authorised for issue by the Directors on 16 April 2018. They are signed on the Board's behalf by:

Rory Nealon
Director

Company Number
5316808

Company Statement of Cash Flows

For the year ended 31 December 2017

	Note	31 December 2017 €'000	31 December 2016 €'000
Cash flows from operating activities			
Loss for the year – continuing operations		(1,361)	(1,955)
Profit for the year – discontinued operations		–	40
Loss for the year	24	(1,361)	(1,915)
Net interest income		(2)	(5)
Share based payment expense	4	565	243
Impairment of loans advanced		–	(40)
Movements in working capital and other adjustments:			
Change in trade and other receivables	14	5	188
Change in trade and other payables	20	253	(262)
Net cash flow used in operating activities		(540)	(1,791)
Cash flow from investing activities			
Bank interest received		1	2
Expenditure on development of website	11	(87)	–
Funds received from / (advanced to) subsidiary companies	13	622	(22,078)
Net cash inflow on disposal of subsidiaries		–	40
Net cash flow from/ (used) in investing activities		536	(22,036)
Cash flow from financing activities			
Proceeds from issue of equity instruments net of expenses	17	14,393	11,251
Net cash flow from financing activities		14,393	11,251
Exchange and other movements		1	2
Net change in cash and cash equivalents		14,390	(12,574)
Cash and cash equivalents at beginning of year		51	12,625
Cash and cash equivalents at end of year	16	14,441	51

Company Statement of Changes in Equity

For the year ended 31 December 2017

	Note	Share capital €'000	Share premium €'000	Share based payment reserve €'000	Merger reserve €'000	Accumulated deficit €'000	Total €'000
Balance at 1 January 2016		18,336	35,221	1,721	–	(42,819)	12,459
Loss and total comprehensive loss for the year	24	–	–	–	–	(1,915)	(1,915)
Issue of shares on acquisition of Amryt DAC	17	1,557	–	–	35,818	–	37,375
Issue of placing shares – net of costs	17	526	10,725	–	–	–	11,251
Issue of placing warrants	5	–	(2,251)	2,251	–	–	–
Share based payments		–	–	243	–	–	243
Balance at 31 December 2016		20,419	43,695	4,215	35,818	(44,734)	59,413
Balance at 1 January 2017		20,419	43,695	4,215	35,818	(44,734)	59,413
Loss and total comprehensive loss for the year	24	–	–	–	–	(1,361)	(1,361)
Issue of placing shares – gross of costs	17	754	14,329	–	–	–	15,083
Issue of placing shares – costs		–	(690)	–	–	–	(690)
Share based payments	4	–	–	565	–	–	565
Share based payments – lapsed		–	–	(25)	–	25	–
Balance at 31 December 2017		21,173	57,334	4,755	35,818	(46,070)	73,010

Share capital represents the cumulative par value arising upon issue of ordinary shares of 1p each and deferred shares of 29.4p each.
Share premium represents the consideration that has been received in excess of the nominal value on issue of share capital.
Share based payment reserve relates to the charge for share based payments in accordance with International Financial Reporting Standard 2.
The merger reserve was created on the acquisition of Amryt DAC. Consideration on the acquisition included the issuance of shares. Under section 612 of the Companies Act 2006, the premium on these shares has been included in a merger reserve.
Accumulated deficit represents losses accumulated in previous periods and the current year.

Notes to the Financial Statements

For the year ended 31 December 2017

1. General information

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

Amryt is a development and commercial stage pharmaceutical Company focused on acquiring, developing and delivering innovative new treatments to help improve the lives of patients with rare and orphan diseases.

Following on from its acquisition by the Group in 2016, Birken AG was renamed Amryt AG in 2017. All references in the notes to the accounts to Amryt AG relate to the entity that was formerly called Birken AG.

2. Accounting policies

BASIS OF PREPARATION

The consolidated financial statements consolidate those of the Company and its subsidiaries (together the "Group"). The consolidated financial statements of the Group and the individual financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries for the year ended 31 December 2017. Subsidiaries are entities controlled by the Group. Where the Group has control over an investee, it is classified as a subsidiary. The Group controls an investee if all three of the following elements are present: power over an investee, exposure to variable returns from the investee, and the ability of the investor to use its power 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 unrealised gains or losses or income or expenses arising from intergroup transactions are eliminated in preparing the consolidated financial statements.

Reverse Acquisition

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

As the consolidated group results represent a continuation of the financial statements of the legal subsidiary (Amryt DAC), the assets and liabilities of Amryt DAC have been recognised and measured in the consolidated results at their pre-combination carrying amounts. The accumulated deficit and other equity balances recognised are the accumulated deficit and other equity balances of Amryt DAC immediately before the business combination and the amount recognised as issued equity instruments has been determined by adding to the issued equity of Amryt DAC immediately before the business combination the cost of the combination, being the value of notional shares issued by Amryt DAC. To comply with UK company law, adjustments have been made to the consolidated reserves in 2016 to reflect the equity structure of the legal parent Company, Amryt Pharma Plc.

Merger reserve

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

Presentation of Balances

The financial statements are presented in Euro ("€") which is the functional and presentational currency of the Group. Balances in the financial statements are rounded to the nearest thousand (€'000) except where otherwise indicated.

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

Foreign currency units to 1 €	US$	£	CHF	SEK	NOK	DKK
Average period to 31 December 2017	1.1259	0.8715	1.1082	9.6085	9.2979	7.4411
At 31 December 2017	1.1901	0.8813	1.1678	9.8719	9.9537	7.4412
Average period to 31 December 2016	1.1024	0.8161	1.0896	–	–	–
At 31 December 2016	1.0516	0.8521	1.0715	–	–	–

(US$ = US Dollars; £ = Pounds Sterling, CHF = Swiss Franc, SEK = Swedish Kroner, NOK = Norwegian Kroner, DKK = Danish Kroner)

CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial period. New standards and amendments to IFRS effective as of 1 January 2017 have been reviewed by the Group. These standards and amendments principally relate to clarifications and presentation and there has been no material impact on the recognition, measurement or classification of amounts in the financial statements as a result.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

There were a number of standards and interpretations which were in issue at 31 December 2017 but were not effective at 31 December 2017 and have not been adopted for these financial statements. These following new standards, amendments and interpretations are either not expected to have a material impact on the consolidated financial statements or are still under assessment by the Group.

(a) Not expected to have a material impact on the consolidated financial statements:

These standards and amendments principally relate to clarifications and presentation and there has been no material impact on the recognition, measurement or classification of amounts in the financial statements as a result.

(b) Subject to ongoing assessment by the Group:

- IFRS 15, Revenue from Contracts with Customers (effective for the Group's 2018 Consolidated financial statements). The Standard provides a single, principles-based approach to the recognition of revenue from all contracts with customers. It focuses on the identification of performance obligations in a contract and requires revenue to be recognised when or as those performance obligations are satisfied. Amryt will adopt IFRS 15 applying the modified retrospective approach.

  Throughout 2017, the Group performed a detailed analysis of the impact of IFRS 15 including a review of our sales arrangements. At this point, we have concluded that there is no material impact arising from transition to IFRS 15. As part of the review of the impact of IFRS 15, the Group made an assessment of whether there was any potential impact of variable consideration (such as volume discounts), warranty consideration or loss making contracts and of whether any agency considerations were applicable. As a result of the initial assessment undertaken, the Group have determined that no change to the current accounting treatment would apply as a result of the adoption of IFRS 15.

  IFRS 15 disclosure requirements are more detailed than under current IFRS. The Group is in the process of finalising the disclosures required to be reported in 2018.
- IFRS 9, Financial Instruments (effective for the Group's 2018 consolidated financial statements). The Standard replaces the majority of IAS 39 and covers the classification, measurement and de-recognition of financial assets and financial liabilities, introduces a new impairment model for financial assets based on expected losses rather than incurred losses and provides a new hedge accounting model. Management's initial assessment indicates there will be no material impact on the Group's financial instruments from the adoption of IFRS 9. Management continue to review the potential impact on the Parent Company.
- IFRS 16 Leases (effective for the Group's 2019 consolidated financial statements). IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for the majority of leases under a single on-balance sheet model, similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g. personal computers) and short-term leases (i.e. leases with a term of 12 months or less). It also includes an election which permits a lessee not to separate non-lease components (e.g. maintenance) from lease components and instead capitalise both the lease cost and associated non-lease cost.

  At the commencement date of a lease, a lessee will recognise 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 recognise 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 recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

The Group has entered into operating leases for a relatively small number of assets, principally relating to two properties in Ireland and Germany. The adoption of the new standard will not have a material impact on the Group's Consolidated Statement of Comprehensive income. Operating expenses will decrease (€281,000 in 2017) and depreciation increase, as under the new standard the right-of-use asset will be capitalised and depreciated over the term of the lease with an associated finance cost applied annually to the lease liability.

With the exemption of the Group's property leases, the low value exemption is likely to apply to all the Group's other operating leases are they are not significant in value. In addition to the impacts above, there will also be significantly increased disclosures when the Group adopts IFRS 16. The Group will continue to assess its portfolio of leases to calculate the impending impact of transition to the new standard during 2018.

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 recognised 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:

Impairment of intangible assets

The impairment testing process 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 and goodwill is provided in note 11 to the consolidated financial statements. The assumptions and conditions for determining impairment of goodwill 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.

Contingent consideration

Contingent consideration arising as a result of business combinations is initially recognised 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 5 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 22 for quantification of these sensitivities.

Research and development expenses

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

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

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

Factors which impact our judgement to capitalise certain research and development expenditure 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. We review these factors each year to determine whether our 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 capitalising development costs as assets have not yet been met by the Group in relation to AP101 or AP102. Accordingly, all of the Group's costs related to research and development projects are recognised as expenses in the Consolidated Statement of Comprehensive Income 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

The Group acquisition of Amryt AG was completed on 18 April 2016 with Amryt DAC acquiring the entire issued share capital of Amryt AG as at this date. In accounting for this transaction, the Directors considered the date of when control of Amryt AG passed to the Group, the fair value of the consideration settled and the fair value of the assets and liabilities acquired. The Group engaged third party advisers to assist in the determination of the fair value of the consideration and the fair value of the assets and liabilities acquired. See note 5 for further information.

PRINCIPAL ACCOUNTING POLICIES

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

Revenue recognition

Revenue from the sale of goods is recognised in the Consolidated Statement of Comprehensive Income when the significant risks and rewards of ownership have been transferred to the buyer. Imlan revenue is generally recorded as of the date of shipment, consistent with typical ex-works shipment terms. For Lojuxta revenues, the Group sells direct to customers and also uses third parties in the distribution of the product to customers. Where the shipment terms do not permit revenue to be recognised as of the date of shipment, revenue is recognised when the Group has satisfied all of its obligations to the customer in accordance with the shipping terms. Revenue, including any amounts invoiced for shipping and handling costs and excluding sales taxes, represents the value of the goods supplied to external customers.

Revenue from services rendered in the Consolidated Statement of Comprehensive Income is recognised in proportion to the stage of completion of the transaction at the reporting date.

Revenue is recognised to the extent that it is probable that economic benefit will flow to the Group, that risks and rewards of ownership have passed to the buyer and the revenue can be reliably measured. No revenue is recognised if there is uncertainty regarding recovery of the consideration due at the outset of the transaction or the possible return of goods.

Financial instruments

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

Financial assets

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

Cash and cash equivalents

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

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.

Trade and other receivables

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

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

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

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

Interest bearing loans and borrowings
Interest-bearing loans and borrowings are recognised initially at fair value less attributable transaction costs. Loans and borrowings are subsequently carried at amortised cost using the effective interest method.

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

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

Inventories held by third party supply chain partners are included in inventory totals when the risks and rewards of ownership have been deemed as 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 recognised as a liability of the Group.

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

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

Property, plant and equipment
Property, plant and equipment comprise of property and office 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 Statement of Comprehensive Income 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

Business combinations
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. Fair values are attributed to the identifiable assets and liabilities 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 recognised 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 milestones dates must be exceeded. Subsequent changes to the fair value of the contingent consideration will be recognised 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 licences is effected through a non-operating corporate structure. As these structures do not represent a business, it is considered that the transactions do not meet the definition of a business combination. Accordingly, the transactions are accounted for as the acquisition of an asset. The net assets acquired are recognised at cost.

Acquired intangible assets

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

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

Factors which impact our judgement to capitalise certain research and development expenditure 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. We review these factors each year to determine whether our previous estimates as to feasibility, viability and recovery should be changed.

Investment in subsidiaries

Investments in subsidiaries are stated at cost less impairment.

Impairment

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

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 carrying value and value in use. These assessments require the use of estimates and assumptions such as discount rates, future capital requirements, general risks affecting the pharmaceutical industry and other risks specific to the individual asset. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Fair value is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Assets are grouped into the smallest group that generate cash inflows which are independent of other assets.

Taxes

Tax comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date and taking into account any adjustments stemming from prior years. Deferred tax assets or liabilities are recognised where the carrying value of an asset or liability in the Statement of Financial Position differs to its tax base, and is accounted for using the statement of financial position liability method.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

Share based payments

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

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

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

The estimate of the fair value of services received is measured based on 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 historic 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 recognised in the Statement of Comprehensive Income 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.

3. Segmental information

The two identified operating segments are as follows:

1) Commercial - This operating segment includes the financial results of the Group's two current commercial product lines, Imlan and Lojuxta.

2) Research and Development ("R&D") - This operating segment includes the financial results of the Group's two current research and development assets, AP101 and AP102.

The analysis by operating segment includes both items directly attributable to a segment and those, including central overheads, which are allocated on a reasonable basis when presenting information to the Chief operational decision maker ("CODM"). Inter-segmental revenue is not material and thus not subject to separate disclosure.

The commercial segment derives its revenues primarily from one source, being the pharmaceutical sector with high unmet medical need. The R&D segment has no revenue stream and incurs costs relating to R&D in the rare and orphan disease sector. Segment performance is predominantly evaluated based on revenue (commercial segment only) and operating profit/loss. Total revenues, cost of sales and selling and marketing costs with the exception of some market research costs allocated to AP101 are allocated entirely to the commercial operating segment. Research and development costs are allocated entirely to the R&D sector. General and Administration ("G&A") costs are split 50:50 between the commercial and R&D operating segments. Given that financing costs, share based payment expenses, reverse takeover costs and acquisition related costs are managed on a centralised basis, these items are not allocated between operating segments for the purposes of the information presented to the CODM and are accordingly shown as a separate line item in the segmental analysis below.

The following presents revenue and profit/loss information and certain asset and liability information regarding the Group's commercial and R&D operating segments.

REVENUE BY TYPE – COMMERCIAL SEGMENT

	31 December 2017 €'000	31 December 2016 €'000
Lojuxta	11,924	775
Other	854	576
Total revenue	12,778	1,351

Lojuxta is sold through a third party to a number of different countries in the EEA and Middle East.

REVENUE GEOGRAPHICAL INFORMATION – COMMERCIAL SEGMENT

	31 December 2017 €'000	31 December 2016 €'000
EEA	12,394	1,351
Middle East	384	–
Total revenue	12,778	1,351

The Group generates over 77% of its Lojuxta revenue in Italy, the Netherlands and Greece.
This compares to 90% of Lojuxta revenues in Italy, the Netherlands and Greece for the period in 2016.
The largest customer in 2017 and 2016 is a distributor in Italy.

OPERATING PROFIT/ (LOSS) BY SEGMENT

	31 December 2017			
	Commercial €'000	R&D €'000	Centralised Costs €'000	Total €'000
Revenue	12,778	–	–	12,778
Cost of sales	(5,373)	–	–	(5,373)
Gross margin	7,405	–	–	7,405
R&D expenses	–	(10,564)	–	(10,564)
Sales and marketing expenses	(3,527)	(162)	–	(3,689)
General and administrative expenses	(3,276)	(3,276)	–	(6,552)
Other expenses	–	–	(12,736)	(12,736)
Operating profit/ (loss)	602	(14,002)	(12,736)	(26,136)

Other expenses include net finance costs, depreciation, fx gains and losses and share based payments and are classified as central office costs.

OPERATING PROFIT/ (LOSS) BY SEGMENT

	31 December 2016			
	Commercial €'000	R&D €'000	Centralised Costs €'000	Total €'000
Revenue	1,351	–	–	1,351
Cost of sales	(586)	–	–	(586)
Gross margin	765	–	–	765
R&D expenses	–	(2,344)	–	(2,344)
Sales and marketing expenses	(431)	–	–	(431)
General and administrative expenses	–	(3,411)	–	(3,411)
Other expenses	–	–	(2,383)	(2,383)
Operating profit/ (loss)	334	(5,755)	(2,383)	(7,804)

Other expenses include net finance costs, depreciation, fx gains and losses, share based payments and all once off costs relating to the reverse takeover in 2016 and are classified as central office costs.

Due to the fact that the Lojuxta agreement was signed in December 2016, the commercial operating profit for 2016 includes Imlan revenues and costs of sales for the period from 19 April to 31 December 2016 and Lojuxta revenues, cost of sales and selling expenses for December 2016. G&A costs were allocated entirely to R&D segment in 2016. In 2017, the G&A costs are all allocated 50:50 between the commercial and R&D operating segments.

TOTAL ASSETS BY SEGMENT

	31 December 2017 €'000	31 December 2016 €'000
Commercial	4,595	2,081
R&D	54,983	54,933
Centralised assets – cash and cash equivalents	20,512	8,271
Total assets	80,090	65,285

TOTAL LIABILITIES BY SEGMENT

	31 December 2017 €'000	31 December 2016 €'000
Commercial	7,650	1,396
R&D	2,150	2,154
Centralised liabilities – long term loan, contingent consideration and tax	48,404	28,698
Total liabilities	58,204	32,248

4. Share-based payments

The Company has issued share options as an incentive to certain senior management and staff. In addition, the Company has issued warrants to key consultants, advisers and suppliers in payment or part payment for services or supplies provided to the Group. All share options granted during the year were granted under the terms of the Amryt Share Option Plan and are subject to vesting conditions. There were no warrants granted during the year ended 31 December 2017. All warrants granted in 2016 were granted under individual agreements as part of the April 2016 share placing.

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

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

Vesting conditions

The options vest following a period of service by the officer or employee. The required period of service is determined by the Compensation Committee at the date of grant of the options (usually the date of approval by the Compensation Committee) and it is generally over a three to four 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 Compensation Committee provided that the term may not exceed a period of seven 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, the Compensation Committee may accelerate the exercisability and termination of options.

SHARE OPTIONS AND WARRANTS IN ISSUE:

	Share Options[1]		Warrants[1]	
	Units	Weighted average exercise price	Units	Weighted average exercise price
Balance at 1 January 2016	815,954	84.0p	491,512	102.4p
Granted during the year	15,451,564	19.1p	22,909,951	24.0p
Lapsed during the period	(472,204)	110.0p	(94,194)	112.0p
Balance at 31 December 2016	**15,795,314**	**19.8p**	**23,307,269**	**25.4p**
Exercisable at 31 December 2016	**343,750**	**48.0p**	**21,234,014**	**25.4p**
Balance at 1 January 2017	15,795,314	19.8p	23,307,269	25.4p
Granted during the year	8,894,460	20.22p	–	–
Lapsed during the year	(4,993,188)	22.98p	(203,788)	88.0p
Balance at 31 December 2017	**19,696,586**	**19.16p**	**23,103,481**	**24.74p**
Exercisable at 31 December 2017	**3,281,961**	**20.61p**	**23,103,481**	**24.74p**

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

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

	2017 Options Inputs	2017 Warrant Inputs	2016 Options Inputs	2016 Warrants Inputs
Days to Expiry	2,555	–	2,555	1,006-1,844
Volatility	44%-48%	–	43%-50%	50%
Risk free interest rate	0.42%-0.77%	–	0.64%-0.82%	0.82%
Share price at grant	18.18p-25.88p	–	15.5p-24p	24p

During the current year a total of 8,894,460 share options exercisable at a weighted average price of £0.202 were granted. The fair value of share options granted during the year is £1,799,000/ €2,038,000. The share options outstanding as at 31 December 2017 have a weighted remaining contractual life of 5.95 years with exercise prices ranging from £0.155 to £0.48.

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

	31 December 2017 €'000	31 December 2016 €'000
Share options	565	229
Total	565	229

In 2016, in addition to the above charges, a further €2,251,000 was charged to share premium, being the fair value of warrants granted in 2016.

5. Business combinations and asset acquisitions

REVERSE ACQUISITION OF FASTNET EQUITY GROUP PLC BY AMRYT PHARMACEUTICALS DAC

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

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

The value of these notional shares issued by Amryt DAC was compared to the Net Asset value of Fastnet on the date of acquisition and the excess (€971,000) was charged to the Statement of Comprehensive Income in 2016 as a deemed share based payment cost of the business combination.

In addition, €867,000 in professional fees was charged to the Statement of Comprehensive Income in 2016 as part of the costs associated with the reverse acquisition and acquisition of Amryt AG and SOM (see details below). These costs include legal, due diligence, accounting and tax advisory and corporate finance.

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 AG. The consideration comprises:

- Initial cash consideration of €1,000,000 (paid by Amryt DAC prior to its acquisition by the Company);
- Milestone payments of:
  - €10,000,000 on receipt of first marketing approval by the EMA of Episalvan, paid on the completion date (18 April 2016);
  - 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;
  - €10,000,000 on receipt of marketing approval by the EMA or FDA of a pharmaceutical product containing Betulin as its API for the treatment of Epidermolysis Bullosa;
  - €10,000,000 once net ex-factory sales/net revenue in any calendar year exceed €50,000,000;
  - €15,000,000 once net ex-factory sales/ net revenue in any calendar year exceed €100,000,000;
- Cash consideration of €150,000, due and paid on the completion date (18 April 2016);
- Royalties of 9% on sales of Episalvan products for 10 years from first commercial sale; and
- Shares in Amryt DAC that equated to a 30% equity shareholding prior to the acquisition of Amryt DAC by the Company. The Amryt AG sellers received 37,048,622 in Consideration Shares (valued at €11.2 million) for their shareholding in Amryt DAC.

Fair Value Measurement of Contingent Consideration

Contingent consideration comprises the milestone payments and sales royalties detailed above. As at the acquisition date, the fair value of the contingent consideration was estimated to be €23,314,000. The fair value of the royalty payments was determined using probability weighted revenue forecasts and the fair value of the milestones payments was determined using probability adjusted present values (see note 22 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 drugs acquired in the Amryt AG transaction. A discount rate of 28.5% was used in the calculation of the fair value of the contingent consideration and this was sense checked by management against the Implied Rate of Return ("IRR") on the project. As noted earlier in the report the size of the market for the products under development provides a real opportunity to the Group to meet its forecast revenue targets and therefore the milestone targets which underpin the contingent consideration payments. 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 (i.e. regulatory requirements and the commercial success of the product) the timing of when such revenue targets may occur may change. Such changes may have a material impact on the assessment of the fair value of the contingent consideration.

It is necessary to review the contingent consideration on a regular basis as the probability adjusted fair values are being unwound as financing expenses in the Statement of Comprehensive Income over the life of the obligation. Contingent consideration is reviewed on a bi-annual basis and is disclosed in the published interim results for the 6 month period to 30 June and the year end results to 31 December.

The total non-cash finance charge recognised in the Statement of Comprehensive Income Statement for the year ended 31 December 2017 is €11,104,000. The Group is currently in the process of amending the protocol for the EASE study and will discuss any significant changes with the FDA and the EMA. These amendments include a modest increase in the size of the study from 164 to 192 patients and a restriction on certain wound types, the ultimate goal of which is to increase the chances of success of the study. These changes will result in a slight delay of the interim analysis which the Group expects will be complete in Q4 2018, with read out of top-line data from the AP101 Phase III study expected in Q2 2019. Consequently, the launch date for EB and PTW has now been delayed to 1 July 2020. Coupled with this, management has completed its annual forecast and revenues have been amended to reflect current expectations. Both 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.

One milestone payment consisted of (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, €2,000,000 24 months after receipt of such approval and €3,000,000 following the first commercial sale. No commercial sales of Episalvan have been made since EMA first marketing approval. However, if no commercial sales occur, €2,000,000 is due for payment 24 months after the EMA first marketing approval. The Group made this payment of €2,000,000 in January 2018 and does not consider it to be contingent consideration at year end. Consequently, at 31 December 2017 €2,000,000 is included in accruals, thereby reducing the contingent consideration balance at 31 December 2017 from €34,418,000 to €32,418,000.

Assets acquired and liabilities acquired:

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

Amryt AG 2016 Results
Amryt AG's loss and revenue, after adjusting for intercompany transactions, for the year ended 31 December 2017 were €1,483,000 and €830,000 respectively. The loss and revenues for the period from its acquisition date to 31 December 2016 were €1,179,000 and €571,000 respectively.

SOM ACQUISITION

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

6. Operating loss for the year

	31 December 2017 €'000	31 December 2016 €'000
Operating loss for the year is stated after charging/(crediting):		
Fees payable to the Company's auditor for audit of the Company's annual accounts	73	31
Fees payable to the Company's auditor and its associates for other services:		
The audit of the Company's subsidiaries pursuant to legislation	2	16
Tax compliance services	–	9
Assurance services on corporate finance transactions	–	218
Audit-related assurance services	12	7
Changes in inventory of finished goods and work in progress	(280)	(471)
Share based payments	565	229
Pension costs	331	173
Depreciation of property, plant and equipment	257	192
Amortisation of intangible assets	2	2
Operating lease rentals	281	83
Foreign exchange gains	(13)	(4)

7. Employees

Including the Directors, the Group's average number of employees during the year was 41 (2016: 26). Including the Directors, the Company's average number of employees during the year was 3 (2016: 4).

Aggregate remuneration comprised:

	Group		Company	
	31 December 2017 €'000	31 December 2016 €'000	31 December 2017 €'000	31 December 2016 €'000
Other wages and salaries	3,733	1,356	–	–
Social security costs	655	228	22	6
Pension costs – employees	270	131	–	–
Directors' remuneration	1,252	896	181	156
Share based payments – directors	10	–	10	–
Share based payments – employees/consultants	555	229	473	243
Total employee costs	6,475	2,840	686	405

The Directors of the Group and Company held the following share options over shares of Amryt Pharma plc which were issued to them in November 2017:

Director	31 December 2017 Number	Exercise price	Expiry Date
Joe Wiley	2,061,130	20.12p	28/11/24
Rory Nealon	824,452	20.12p	28/11/24

No share options were granted to any of the directors in 2016.

HIGHEST PAID DIRECTOR

Group's highest paid director for the year to 31 December 2017:

Base Salary and Fees €'000	Bonuses €'000	Pension Contributions €'000	Share based payments €'000	Other Benefits €'000	2017 Total €'000
331	172	33	7	24	567

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

Base Salary and Fees €'000	Bonuses €'000	Pension Contributions €'000	Share based payments €'000	Other Benefits €'000	2016 Total €'000
239	120	24	–	14	397

8. Net finance expense

	31 December 2017 €'000	31 December 2016 €'000
Interest on loans	830	–
Interest and fees paid	13	2
Deposit interest received	(5)	(1)
Foreign exchange gains	(13)	(4)
Fair value of embedded derivatives	–	124
Total	825	121

9. Tax on ordinary activities

No corporation tax charge arises in the year ended 31 December 2017 and the year ended 31 December 2016. 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 2017 €'000	31 December 2016 €'000
Loss before tax	(26,136)	(7,804)
Tax credit at Irish corporation tax rate of 12.5%	3,267	976
Effect of:		
Losses unutilised	3,659	1,663
Expenses not deductible for tax purposes	–	1
Differences in overseas taxation rates	(392)	(688)
Total tax charge on loss on ordinary activities	–	–

The Group has tax losses of up to €44,155,000 (31 December 2016: €32,449,000) to carry forward against future profits. €38,066,000 (2016: €25,691,000) of the losses relate to subsidiaries acquired by Amryt Pharma plc in 2016. €22,419,000 (2016: €20,938,000) of the subsidiaries' losses relate to the German domiciled Amryt AG, these losses will be available to the Group going forward. However, due to the fundamental change in the Company's business following the exit of the oil and gas industry in 2016, UK tax losses carried forward of €4,454,000 may not be fully available for use against the future profits of the Group. The deferred tax asset on tax losses at 12.5% of €5,519,000 (31 December 2016: €4,056,000) has not been recognised due to the uncertainty of the recovery.

10. Loss per share – basic and diluted

In the current year, 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 2017.

In 2016, the weighted average number of shares in the LPS calculation, reflects the legal subsidiary's, Amryt Pharmaceuticals DAC ("Amryt DAC"), weighted average pre-combination ordinary shares multiplied by the exchange ratio established in the acquisition, and the weighted average total actual shares of the legal parent, Amryt Pharma plc ("Amryt"), in issue after the date of acquisition.

ISSUED SHARE CAPITAL – ORDINARY SHARES OF £0.01 EACH

	Number of shares	Weighted average shares
1 January 2016	58,075,221	55,638,866
18 April 2016 – Issue of shares by Amryt DAC on acquisition of Amryt	37,048,622	
18 April 2016 – Issue of shares by Amryt DAC on acquisition of SOM	12,277,102	
18 April 2016 – Issue of shares by Amryt DAC on conversion of convertible debentures securities	8,590,365	
19 April 2016 – Issue of shares by Amryt Pharma plc – share for share exchange on acquisition of Amryt DAC B ordinary shares[1]	7,503,786	
19 April 2016 – Issue of shares by Amryt Pharma plc – share consolidation	43,171,134	
19 April 2016 – Issue of shares by Amryt Pharma plc – share placing	41,673,402	
31 December 2016	208,339,632	163,336,437
11 October 2017 – Issue of shares by Amryt Pharma plc – share placing	66,477,651	
31 December 2017	274,817,283	223,075,123

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

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

	31 December 2017	31 December 2016
Loss after tax attributable to equity holders of the Company (€'000)	(26,136)	(7,804)
Weighted average number of ordinary shares in issue	223,075,123	163,336,437
Fully diluted average number of ordinary shares in issue	223,075,123	163,336,437
Basic and diluted loss per share (cent)	(11.72)	(4.78)

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 2017 totalled 42,800,067 (31 December 2016: 39,102,583) and are potentially dilutive.

11. Intangible assets

	In process R&D €'000	Software €'000	Website development €'000	Total €'000
Cost				
At 1 January 2016	–	–	–	–
Acquired on acquisition of Amryt AG	48,453	8	–	48,461
Acquired on acquisition of SOM	4,062	–	–	4,062
At 31 December 2016	**52,515**	**8**	**–**	**52,523**
At 1 January 2017	52,515	8	–	52,523
Additions	–	–	87	87
At 31 December 2017	**52,515**	**8**	**87**	**52,610**
Accumulated amortisation				
At 1 January 2016	–	–	–	–
Amortisation charge 2016	–	2	–	2
At 31 December 2016	**–**	**2**	**–**	**2**
At 1 January 2017	–	2	–	2
Amortisation charge 2017	–	2	–	2
At 31 December 2017	**–**	**4**	**–**	**4**
Net book value				
Net book value at 31 December 2015	–	–	–	–
Net book value at 31 December 2016	52,515	6	–	52,521
Net book value at 31 December 2017	**52,515**	**4**	**87**	**52,606**

In process R&D and software intangible assets are part of the R&D operating segment. Website costs can be attributed equally across both operating segments, commercial and R&D.

The Group reviews the carrying amounts of its intangible assets on an annual basis to determine whether there are any indications that those assets have suffered an impairment loss. If any such indications exist, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Impairment indications include events causing significant changes in any of the underlying assumptions used in the income approach utilised in valuing in process R&D. These key assumptions are: the probability of success; the discount factor; the timing of future revenue flows; market penetration and peak sales assumptions; and expenditures required to complete development.

The income approach uses a four year strategic plan document which has been approved by senior management. These cashflows are projected forward for a further 10 years to 2032 using projected revenue and cost growth rates up to 20% 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 appropriate to each CGU. Amryt have identified one CGU, being the AP101 development assay which is anticipated to be launched to market in 2020. 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 was 28.5% (2016: 28.5%). The market based probability chance of success is based on market benchmarks for orphan drugs (65 %– 67%). As the Group is currently part of the way through its pivotal Phase III trial, the probability applied is consistent with the prior year.

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 2017.
- 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 2017.

During the year the Group did not identify any potential changes in the assumptions used in the assessment of the carrying value of the assets.

12. Property, plant and equipment

	Property €'000	Plant and Machinery €'000	Office Equipment €'000	Total €'000
Cost				
At 1 January 2016	–	–	–	–
Additions	–	–	12	12
Disposals	–	(10)	–	(10)
Acquired on acquisition of Amryt AG	337	811	225	1,373
At 31 December 2016	**337**	**801**	**237**	**1,375**
At 1 January 2017	337	801	237	1,375
Additions	–	147	96	243
Disposals	–	(43)	(6)	(9)
At 31 December 2017	**337**	**905**	**327**	**1,609**
Accumulated depreciation				
At 1 January 2016	–	–	–	–
Depreciation charge	61	88	43	192
At 31 December 2016	**61**	**88**	**43**	**192**
At 1 January 2017	61	88	43	192
Depreciation charge	87	116	54	257
Depreciation charge on disposals	–	(35)	(5)	(40)
At 31 December 2017	**148**	**169**	**92**	**449**
Net book value				
Net book value at 31 December 2015	–	–	–	–
Net book value at 31 December 2016	276	713	194	1,183
Net book value at 31 December 2017	**189**	**736**	**235**	**1,160**

13. Investment in subsidiaries

	Equity in subsidiary companies €'000	Subsidiary funding €'000	Total €'000
Cost			
At 1 January 2016	–	–	–
Additions	37,376	22,078	59,454
At 31 December 2016	**37,376**	**22,078**	**59,454**
At 1 January 2017	37,376	22,078	59,454
Repayment	–	(622)	(622)
At 31 December 2017	**37,376**	**21,456**	**58,832**
Impairment			
At 1 January 2016	–	–	–
Impairment charge	–	–	–
At 31 December 2016 and 31 December 2017	**–**	**–**	**–**
Net book value			
Net book value at 31 December 2015			
Net book value at 31 December 2016	37,376	22,078	59,454
Net book value at 31 December 2017	**37,376**	**21,456**	**58,832**

Equity in subsidiary companies relates to the issue price of ordinary shares on the acquisition of Amryt Pharmaceuticals DAC in 2016. Subsidiary funding additions in 2016 relate to the advancement of loans to Amryt Pharmaceuticals DAC and its underlying subsidiary companies to fund the operations of those companies including the R&D costs of AP101 and AP102. Under the terms of the agreement in place, the parent provides funding to Amryt Pharmaceuticals DAC as required in order to fund costs. The decrease in funding in 2017 primarily relates to Euro and USD denominated invoices paid by Amryt Pharmaceuticals DAC on behalf of Amryt plc. Recoverability of the loans and the carrying value of the investments is directly linked to Amryt Pharmaceuticals DAC's operations including the success or failure of the development of AP101 and AP102. The carrying value of these investments are held at cost and will be reviewed at each reporting date for signs of impairment. No impairment was identified by Management.

LIST OF SUBSIDIARY COMPANIES:

Subsidiary	Ownership	Activities	Company Number	Incorporation	2017 % Holding	2016 % Holding
Amryt Pharmaceuticals DAC	Direct	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	Licencee for Lojuxta	593833	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 AG (previously Birken 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	Licence holder	P14000071235	USA	100	100

LIST OF REGISTERED OFFICES:

Company	Registered Office Address
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 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	260 calle Diputacio, Barcelona
Amryt AG (previously Birken AG)	Streiflingsweg 11, 75223 Niefern-Öschelbronn
SomPharmaceuticals SA	Bahnofstrasse 21, 6300 Zug
SomTherapeutics, Corp	3795 Coventry Lane, Boca Raton, FL 33496

14. Trade and other receivables

	Group		Company	
	31 December 2017 €'000	31 December 2016 €'000	31 December 2017 €'000	31 December 2016 €'000
Trade receivables	2,929	844	–	35
Prepayments and accrued income	1,643	1,652	60	35
VAT recoverable	157	44	30	25
Trade and other receivables	4,729	2,540	90	95

Trade receivables at 31 December 2017 includes €503,000 which is due greater than 60 days. No impairment is necessary as payment was anticipated in early 2018.

The 31 December 2017 prepayments and accrued income balance includes €1,306,000 (2016: €1,548,000) in relation to prepaid Phase III clinical trial costs.

15. Inventories – Group

	31 December 2017 €'000	31 December 2016 €'000
Raw materials	332	299
Work in progress	429	219
Finished goods	322	252
Inventories	1,083	770

16. Cash and cash equivalents

	Group		Company	
	31 December 2017 €'000	31 December 2016 €'000	31 December 2017 €'000	31 December 2016 €'000
Cash at bank available on demand	19,975	8,271	14,441	51
Restricted cash	537	–	–	–
Total cash and cash equivalents	20,512	8,271	14,441	51

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

Restricted cash is cash held by a third party distributor at year end. These funds were transferred to Amryt in January 2018.

17. Share capital and reserves – Company

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

Date	Number of ordinary shares	Number of deferred shares	Total Share Capital €'000	Total Share Premium €'000
At 1 January 2016	43,171,134	–	18,336	35,221
19 April – Share consolidation	(43,171,134)	–	(18,336)	–
19 April – Issue of new ordinary shares on share consolidation	43,171,134	–	603	–
19 April – Creation of deferred shares on share consolidation	–	43,171,134	17,733	–
19 April 2016 – Issue of ordinary shares at £0.24 on acquisition of Amryt Pharmaceuticals DAC	123,495,096	–	1,557	–
19 April 2016 – Issue of ordinary shares at £0.24	41,673,402	–	526	8,474
At 31 December 2016	208,339,632	43,171,134	20,419	43,695
11 October 2017 – Issue of ordinary shares at £0.20	66,477,651	–	754	13,639
At 31 December 2017	274,817,283	43,171,134	21,173	57,334

On 11 October 2017, 66,477,651 ordinary shares of 1p were issued as part of a €15,083,000 (before expenses) fund raising. Share issue costs amounted to €690,000. Net proceeds amounted to €14,329,000.

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

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

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

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

SHARE CAPITAL

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

SHARE PREMIUM

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

SHARE BASED PAYMENT RESERVE

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

MERGER RESERVE

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

18. Deferred tax liability – Group

	Total €'000
At 1 January 2016	–
Recognised on business combinations	5,384
At 31 December 2016 and 31 December 2017	5,384

The deferred tax liability arose in 2016 on the acquisition of Amryt AG (see note 5). An intangible asset was recognised in relation to in process R&D. As the intangible asset only arises on consolidation and there may not be tax deductions available on sale, its tax base is nil.

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

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

19. Long term loan – Group

	31 December 2017 €'000	31 December 2016 €'000
Long term loan	10,000	–
Long term loan interest	603	–
Long term loan and interest	10,603	–

In December 2016, Amryt DAC entered into a €20m facility agreement ("facility") with the EIB on attractive terms for the Group. The facility is significant because it provides non-dilutive funding that secures the Group's near and mid-term funding needs for its lead product, AP101.

The facility is split into three tranches, with €10 million available immediately and two further tranches of €5 million available upon the achievement of certain milestones. In April 2017, the Group drew down the first tranche of €10 million. In October 2017, the terms of the second tranche of €5 million were amended by the EIB so the Group has the option to draw this amount down any time it wishes. The Group has not drawn down this second tranche of €5 million at 31 December 2017. The third tranche is conditional on the primary clinical endpoints for the EASE Phase III clinical trials in the US or EU being achieved and therefore it can be concluded that the Phase III clinical trial have been successfully completed. The facility is secured and there is 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 has a five-year term from the date of drawdown for each tranche. The facility has an interest rate of 3% to be paid on an annual basis, with the first instalment due in April 2018. A further annual fixed rate of 10% is payable together with the outstanding principal amount on expiry of the facility.
At 31 December 2017, the Group has short term interest payable accrued amounting to €227,000 which is repayable in April 2018 and long term interest payable of €603,000 which represents the present value of the long term interest accrued but not payable until April 2022.

20. Trade and other payables

	Group		Company	
	31 December 2017 €'000	31 December 2016 €'000	31 December 2017 €'000	31 December 2016 €'000
Trade payables	4,698	1,918	305	87
Accrued expenses	4,866	1,499	129	94
Social security costs and other taxes	235	133	6	6
Trade and other payables	9,799	3,550	440	187

The increase in trade payables reflects the increase in R&D activity in the Group. The increase in accrued expenses reflects the reclassification of the first milestone payment arising from the acquisition of Amryt AG from contingent consideration to accruals amounting to €2,000,000 and the provision for 2017 staff bonuses and amounts accrued relating to the distribution of Lojuxta. The milestone payment of €2,000,000 is payable 24 months after receipt of EMA approval for PTW. This payment was made in January 2018 and the Group no longer considers this liability a contingent liability at 31 December 2017.

21. Related party transactions

Amounts included in the financial statements, in aggregate, by category of related party are as follows:

	Group		Company	
	31 December 2017 €'000	31 December 2016 €'000	31 December 2017 €'000	31 December 2016 €'000
Directors				
Directors remuneration (short term benefits)	1,191	854	180	156
Directors remuneration (pension cost)	61	42	–	–
Share based payments	10	–	–	–
Sub total	1,262	896	180	156
Related party transactions with former Directors				
Consulting fees	–	113	–	113
Office facilities and administration costs	–	82	–	–
Other fees	–	74	–	74
Total	1,262	1,165	180	343

At 31 December 2016, €15,170 (both Group and Company) was due to former Directors in relation to related party transactions. In 2016, Office facilities and administration costs include €55,000 in relation to office licence fees. The office licence fees were charged on an arm's length basis.

SHARES PURCHASED BY DIRECTORS

As part of an October 2017 share placing (see note 17), the Directors of the Company purchased ordinary shares of 1p as follows:

Director	Number
Joe Wiley	221,592
Rory Nealon	221,592
Harry Stratford	150,000
James Culverwell	221,592
Markus Zeiner	132,955
Total	947,731

Markus Zeiner also purchased 100,000 shares on the open market in 2017.

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

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

As part of the share placing, placing warrants were granted to all placees on the basis of one placing warrant for every two placing shares. The directors received 1,647,500 placing warrants. Share-based payments of €157,000 were charged to share premium in 2016 in relation to these placing warrants.

22. Financial risk management

CATEGORIES OF GROUP AND COMPANY FINANCIAL INSTRUMENTS

	Group		Company	
	31 December 2017 €'000	31 December 2016 €'000	31 December 2017 €'000	31 December 2016 €'000
Financial assets (all at amortised cost):				
Cash and cash equivalents	20,512	8,271	14,441	51
Trade receivables	2,929	844	–	35
Total financial assets	23,441	9,115	14,441	86
Financial liabilities:				
At amortised cost				
Trade payables and accrued expenses	9,564	3,417	434	181
Long term loan	10,603	–	–	–
At fair value				
Contingent consideration	32,418	23,314	–	–
Total financial liabilities	52,585	26,731	434	181
Net	(29,144)	(17,616)	14,007	(95)

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 initial contingent consideration has been valued using level 3. The contingent consideration relates to the acquisition of Amryt AG (see note 5). The €32,418,000 fair value comprises royalty payments and milestone payments at 31 December 2017. The fair value of the royalty payments was determined using probability weighted revenue forecasts and the fair value of the milestones payments was determined using probability adjusted present values. It also included a revision to revenue forecasts since management initial forecasts completed at the time of the acquisition in 2016.

Impact of key unobservable input data

- An increase of 10% in estimated revenue forecasts would result in an increase to the fair value of €2,222,000. 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 €5,957,000. A decrease of 5% would result in an increase to the fair value of €8,061,000.
- A 6 month delay in the launch date for EB would result in a decrease to the fair value of €2,620,000.

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 current liabilities of the Group:

31 December 2017	Less than 1 month	Between 1 and 3 months	Between 3 and 6 months	Total
Current liabilities	8,842	182	775	9,799

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

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

31 December 2017	Less than 1 month	Between 1 and 3 months	Between 3 and 6 months	Total
Current liabilities	354	–	86	440

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

The following table shows the maturity profile of long term loan of the Group:

31 December 2017	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Greater than 5 years	Total
Long term loan	–	–	10,750	–	10,750

31 December 2016	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Greater than 5 years	Total
Long term loan	–	–	–	–	–

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

31 December 2017	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Greater than 5 years	Total
Contingent consideration	–	13,000	25,000	–	38,000

31 December 2016	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Greater than 5 years	Total
Contingent consideration	2,000	13,000	25,000	–	40,000

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 maximising the return to shareholders through the optimisation of debt and equity balances. The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust its capital structure, the Group may adjust or issue new shares or raise debt. On a regular basis, management receives financial and operational performance reports that enable continuous management of assets, liabilities and liquidity. No changes were made in the objectives, policies or processes during the year ended 31 December 2017 and 31 December 2016.

MARKET RISK

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

During the year, the Group earned interest on its interest bearing financial assets at rates between 0% and 0.5%. The effect of a 1% change in interest rates obtainable during the year on cash and on short-term deposits would be to increase or decrease the Group loss before tax by €5,000.

In addition to cash balances maintained in €, the Group had balances in £ and US$ at year-end. A theoretical 10% adverse movement in the year end €:£ exchange rate would lead to an increase in the Group loss before tax by €1,310,000 with a corresponding reduction in the Group loss before tax with a 10% favourable movement. A theoretical 10% adverse movement in €:US$ exchange rates would lead to an increase in the Group loss before tax by €5,000 with a corresponding reduction in the group loss before tax with a 10% favourable movement.

CREDIT RISK

The Group and Company 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 and Company maintains cash and cash equivalents with various financial institutions. The Group and Company 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 and Company's bankers. For cash and cash equivalents, the Group and Company only uses recognised banks with high credit ratings.

23. Capital commitments and contingencies – Group

CONTINGENT LIABILITIES

Amryt AG Share Purchase Agreement

See note 5 in relation to contingent consideration as a result of the acquisition of Amryt AG.

Syneos Services Agreement (previously INC Research LLC)

In December 2016, the Group entered into a clinical research and related services agreement with Syneos for the provision of services in connection with the support of the Phase III Clinical trial for AP101 in the Epidermolysis Bullosa indication. The total estimated project costs payable to Syneos are €15.1 million. €3,679,000 costs were incurred in the current year in relation to the agreement with a further €1,306,000 prepaid at 31 December 2017. Costs are expected to be incurred over the period to completion of the follow on study, estimated Q2 2021.

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

Under the terms of the Lojuxta licence agreement Amryt has the exclusive right to sell Lojuxta across the licenced territories. As part of the agreement, Amryt will make royalty payments to Aegerion of 18%-20% of net sales and will pay one-off milestones payments of US$1,000,000 and US$1,500,000 if calendar year net sales targets of US$20,000,000 and US$30,000,000 respectively are achieved. The Group expects to reach these net sales targets over the next 5 years.

OPERATING LEASE COMMITMENTS – GROUP

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

31 December 2017	Less than 1 year	1 year to 5 years	Greater than 5 years	Total
Leases for business premises	207	409	–	616
Leases for equipment	15	33	–	48

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

The Company had no finance lease commitments in 2017 and 2016.

24. Statement of comprehensive income – Company

In accordance with the provisions under section 408 of the Companies Act 2006, the Company has not presented a Statement of Comprehensive Income. The Company's loss for the year was €1,361,000 (2016: €1,915,000).

25. Notes supporting statement of cash flows

Reconciliation of net cash flow to movement in net debt:

	31 December 2017 €'000
Net debt at beginning of year	(47)
Cashflows – new debt	(10,000)
Cashflows – repayment of debt	47
Non-cash flows	
Long term interest repayable with long term debt	(603)
Short term interest included in trade creditors and accruals	(227)
Net debt at end of year	(10,830)

26. Events after the reporting period

NEW IN-LICENCING DEAL

In March 2018, Amryt signed a new in-licencing agreement with University College Dublin for a non-viral gene therapy platform technology, which offers a potential treatment for patients with EB, and with potential applicability across a range of genetic diseases. The initial focus of development efforts to date has been in the area of EB and preliminary data suggests that the treatment could be potentially disease-modifying for patients with RDEB. Pre-clinical data in a xenograft model has shown significant levels of collagen VII in the skin post therapy. Patients with RDEB have a defect in their gene coding for collagen VII, consequently the replacement of collagen VII could be transformative for these patients.

Potential competitors working in the area of gene therapy in EB are mostly working with viral vectors to deliver collagen VII to the cell. The patented technology which Amryt has exclusively licenced from UCD involves the use of a novel gene delivery mechanism using HPAE polymer technology. If successful, this will eliminate the requirement for viruses as delivery vectors and provides a potential competitive advantage to Amryt. Amryt intends to conduct various pre-clinical studies in the coming months and will report initial results in Q4 2018.

DISTRIBUTION AGREEMENTS

Amryt signed five exclusive distribution agreements for Lojuxta in the period from January 2018 to April 2018. The agreements cover Kuwait, Switzerland, Austria, Croatia, Czech Republic, Estonia, Finland, Hungary, Latvia, Lithuania, Poland, Slovakia, Slovenia, Romania, Bulgaria, Lebanon, Jordan and Syria.

SENIOR MANAGEMENT APPOINTMENT

In January 2018, Derval O'Carroll was appointed Head of Regulatory Affairs. Derval has over 25 years' experience in pharmaceutical industry regulatory affairs. As Amryt continues its pivotal Phase III trial, EASE, to assess the efficacy of AP101 in EB, Derval will assume responsibility for engagement with regulatory agencies. In addition, she will examine opportunities to pursue new orphan indications for AP101 and AP102.

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Joe Wiley
CEO

Rory Nealon
CFO/COO

James Culverwell
Non-executive Director

Ray Stafford
Non-executive Director

Markus Ziener
Non-executive Director

Company Secretary
Rory Nealon

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