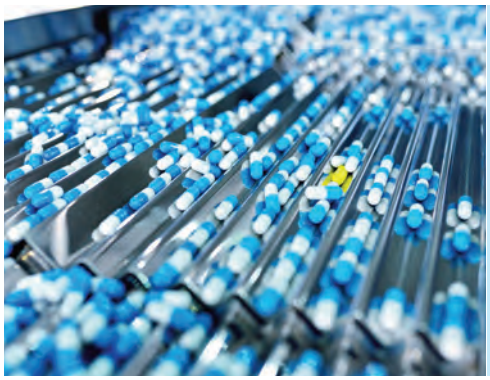
AMRYT PHARMA

Amryt Pharma plc
Annual Report 2018

The Rare and Orphan Diseases Specialist

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



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

Delivering on strategy to acquire, develop and commercialise products as evidenced by our recent planned acquisition announcement

The planned acquisition of Aegerion Pharmaceuticals will put Amryt on the path of creating a rare and orphan disease company with a diversified offering of multiple commercial and development stage assets

Robust pipeline of drug candidates with excellent progress made on AP101 and AP103

Pivotal phase 3 trial, "EASE" Study, to examine AP101's efficacy as a new treatment for EB is progressing with positive unblinded interim efficacy result received in H1 2019. Study top line data expected to be available in H1 2020

Driving growth of our multiple commercial products will be a key focus for us in 2019

Planned NASDAQ listing will drive liquidity and investor reach

AMRYT PHARMA

Contents

We are pleased to present the annual report and consolidated financial statements of Amryt Pharma plc for the year ended 31 December 2018. 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.

STRATEGIC REPORT:
Our Business

Amryt is a biopharmaceutical company focused on developing and delivering innovative new treatments to help improve the lives of patients with rare or orphan diseases. Through acquiring, developing and commercialising products, the Company's ambition is to become a global leader in the orphan disease market. The Group has built a diverse portfolio of commercial and development stage assets and its strategy is focused on three pillars:

- Expand our commercial business - driving further revenue growth of our lead commercial asset, Lojuxta® in existing and new territories
- Acquisition and in-licence opportunities - actively seeking to expand the Group's commercial product portfolio by acquiring further commercial or near commercial assets to leverage our successful Lojuxta business
- Epidermolysis Bullosa ("EB") franchise - developing our lead development asset, AP101, which is currently in Phase 3 as a potential treatment for EB as well as progressing our gene therapy platform, AP103, into the clinic.

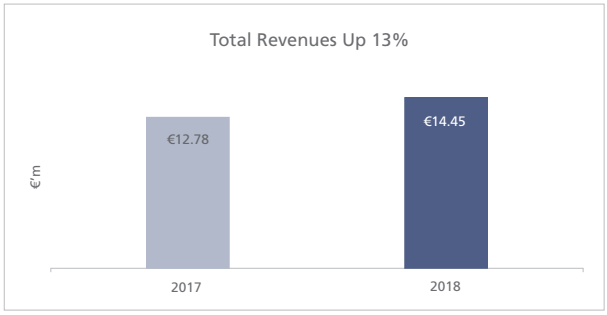
STRATEGIC REPORT:
Performance Highlights

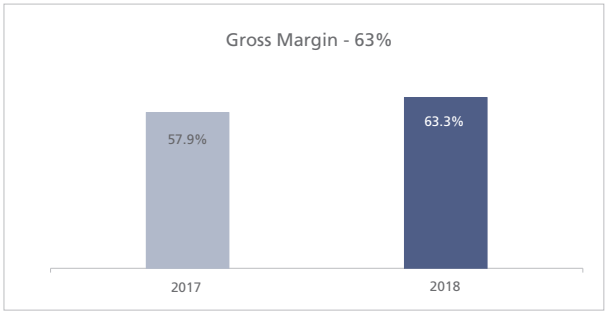
2018 was another very strong year for Amryt, marked by solid financial, operational and strategic progress with our lead commercial product Lojuxta (lomitapide), which treats HoFH, a rare, genetic, life-threatening disorder that causes abnormally high levels of "bad" cholesterol and the continued progress of our lead development asset AP101 for the treatment of EB, a rare life limiting genetic skin condition. Amryt remains well positioned to build on the positive momentum achieved in 2018 through 2019 and beyond.

With a relentless focus on continuous product development, revenue expansion and cash management, we believe 2019 will be a year of continued progress and further growth for the Group. A significant development to date in 2019 has been the announcement of the planned acquisition of Aegerion Pharmaceuticals (Aegerion), a subsidiary of Novelion Therapeutics Inc. (NASDAQ:NVLN), (Novelion). This transformational acquisition is in line with Amryt's strategy to expand its product portfolio to enhance shareholder value. The combination of Aegerion and Amryt will significantly advance Amryt's ambition to create a global leader in rare and orphan diseases with a diversified offering of multiple commercial and development stage assets and will provide Amryt with the scale to support further growth.

Some financial and operational highlights of the Group's performance in 2018 and in 2019 to date are as follows:

2018 Financial Highlights





- Revenue growth of 13.3% to €14.5m (2017: €12.8m)
- Revenues from Lojuxta (lomitapide), increased to €13.6m, which represents a growth rate of 14.2% year-on-year
- Gross profit margin increased to 63% (2017: 58%)
- Cash balance at 31 December 2018 of €9.8m (2017: €20.5m)

2018 Operational Highlights

Lead Commercial Asset - Lojuxta

- Eight new distribution agreements signed in 2018, now covering 23 countries in total
- Reimbursement approval received in the UK and France resulting in first orders from the UK in late 2018
- Initial orders received for patients in Saudi Arabia in Q4
- Continued expansion of the licenced territories for Lojuxta, including Russia, the Commonwealth of Independent States ("CIS"), and the non-EU Balkan states

Lead Development Asset - AP101

- Significant continued progress made in the development of AP101, a potential treatment for EB, a rare life limiting genetic skin condition
- Investigational New Drug ("IND") approval obtained from the U.S. Food and Drug Administration ("FDA"), permitting the Group to open clinical trial sites in the US, which is expected to help enrolment into the EASE Phase 3 study in EB

STRATEGIC REPORT:
Performance Highlights continued

- Paediatric Rare Disease designation was granted by FDA meaning that if a New Drug Application ("NDA") for AP101 is approved, Amryt will be eligible to receive a Priority Review Voucher that can be used, sold or transferred. Publicly disclosed sale prices for such vouchers have ranged from US$67.5m to US$350m
- Early access programme in EB initiated in Colombia with first AP101 shipments in response to unsolicited requests for named patient access in Q4 2018

Gene Therapy Platform - AP103

- Exclusive in-licence agreement signed in March 2018 with University College Dublin ("UCD") for a novel non-viral gene therapy platform technology, which offers a potential treatment for patients with EB and beyond
- Significant grant funding totalling €8.4m awarded by the Irish Government to develop the AP103 gene therapy platform, to be received over the next three years

Post Period-End Events and Q1 Highlights

Recommended Acquisition of Aegerion Pharmaceuticals

On 21 May 2019, Amryt announced that it had reached agreement to acquire Aegerion Pharmaceuticals ("Aegerion"), a subsidiary of Novelion Therapeutics (NASDAQ:NVLN). The transaction has been unanimously approved and recommended by the Boards of Amryt, Aegerion and Novelion.

Transaction Rationale

The Company has already built a diversified portfolio of drugs to treat patients with rare and orphan diseases through the acquisition of its AP101 and AP103 product lines and through the in-licensing of the Lojuxta product line. The acquisition of Aegerion is in line with Amryt's strategy to expand its product portfolio to enhance shareholder value.

The transaction will put Amryt on the path to creating a rare and orphan disease company with a diversified offering of multiple commercial and development stage assets and will provide it with scale to support further growth. The transaction will give Amryt an expanded commercial footprint to market two US and EU approved products, lomitapide (Juxtapid® (US/ROW) / Lojuxta (EU)) and metreleptin (Myalept® (US) / Myalepta® (EU)). Amryt's leadership team already has a deep knowledge of both these products and since December 2016 has successfully commercialized Lojuxta across Europe and the Middle East.

Dr. Joe Wiley, Chief Executive Officer of Amryt, commented:

"The planned acquisition of Aegerion accelerates our ambition to become a global leader in treating rare conditions to help improve the lives of patients where there is a high unmet medical need. By delivering two substantial revenue-generating products and an enhanced pipeline of promising development opportunities, this will significantly strengthen our growth in highly attractive markets globally. Amryt has a unique insight into both Aegerion and its products, through our commercial success with Lojuxta and given that many of our senior management team previously worked at Aegerion. With this transaction we can continue the strong growth trajectory already underway with Lojuxta in Europe on a global scale. It also delivers metreleptin, another highly compelling commercial rare disease product alongside an established commercial footprint in the US and internationally. This transformational deal provides Amryt with the financial flexibility to fully execute our medium-term growth plans and is expected to deliver significant shareholder returns."

Transaction Highlights

- Amryt has agreed to acquire Aegerion in a share for share transaction
- The combined group had 2018 pro-forma combined revenues of $136.5m
- Pre-money implied transaction equity valuations: Amryt $120m and Aegerion $190.7m
- Contingent Value Rights ("CVRs") will be issued to Amryt stakeholders that could result in the payment of up to $85m (settled in cash or stock) based on certain AP101 milestones being achieved
- Amryt plans to raise $60m in equity concurrent with closing of the transaction and certain Aegerion bondholders have agreed to backstop this equity raise
- This equity raise will be placed at a 20% discount to the implied transaction equity value
- Aegerion's balance sheet is to be restructured through a US Chapter 11 process prior to Amryt acquiring Aegerion - Aegerion will continue to operate as usual during the Chapter 11 process
- New loan facilities for the combined group will be put in place, and the key terms of such facilities have been agreed - Amryt's existing European Investment Bank facility is to be repaid
- The combined group's global HQ will be in Dublin, Ireland with its US HQ in Boston, Massachusetts
- Enlarged group to be re-admitted to the Alternative Investment Market ("AIM") and Euronext Growth on closing with a planned dual-listing on NASDAQ
- Transaction already endorsed by 34.3% of Amryt shareholders and in excess of 67% of Aegerion's bondholders

Rich Commercial Portfolio & Development Pipeline with a Global Footprint

- Amryt will have a differentiated, diverse, global offering of multiple commercial and development stage rare disease assets, including:
- Two high-value commercial assets with multiple development opportunities in complementary global markets
  - o Lomitapide (Juxtapid (US)/Lojuxta (EU)) for the treatment of HoFH
  - o Metreleptin (Myalept (US) / Myalepta (EU)), a leptin hormone replacement therapy, approved in the US for Generalised Lipodystrophy (GL), and recently in Europe for GL and Partial Lipodystrophy (PL)
- Additional near-term potential commercial opportunities for a broadened Amryt portfolio of products
  - o Metreleptin as a potential treatment for PL in the US
  - o Lomitapide (Juxtapid/Lojuxta) as a potential treatment for familial chylomicronemia syndrome (FCS)
  - o A lead development asset (AP101) for Epidermolysis Bullosa ("EB"), a >$1bn market opportunity in a pivotal Phase 3 trial, which recently reported positive unblinded interim efficacy analysis results and is anticipated will be fully enrolled by end of H2 2019
  - o Novel gene therapy platform (AP103) which offers a potential treatment for patients with EB and other topical indications

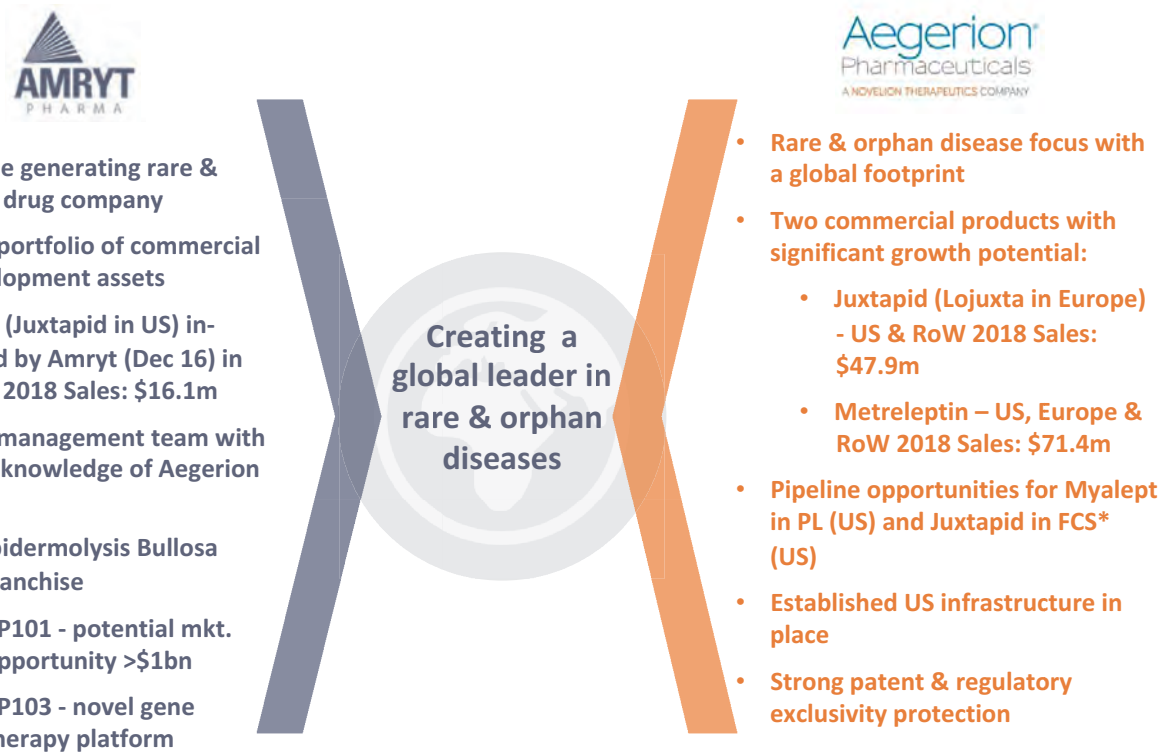
STRATEGIC REPORT:
Performance Highlights continued

Value Creation

- Enhanced scale of combined group expected to drive revenue growth and future profitability
- Expected to deliver meaningful operational synergies over the medium term - the Directors believe, on the work undertaken to date, that the enlarged group can deliver operational synergies of between $25m and $40m in 2020, rising further in 2021
- Amryt's deep knowledge of Aegerion products is key to driving growth
- Reunification of lomitapide brands provides potential to replicate success of Lojuxta in Europe with Juxtapid in the US
- Opportunity to grow Myalepta revenues with broader reach across EU to accelerate recent launch
- Delivers a ready-made commercial US infrastructure in advance of anticipated launch of AP101
- Recapitalized business well-positioned to drive pipeline value
- Planned NASDAQ listing to drive liquidity and investor reach
- Opportunity for corporate restructuring to drive additional value

Board & Management

- Team led by Dr. Joe Wiley, CEO of Amryt
- Strong international management with significant industry experience
- Revised Board composition, on closing of the transaction, consisting of CEO and six Non-Executive Directors
- New Board to be appointed on closing



Current Amryt Assets Post Period End & Q1 Update

Lead Commercial Asset - Lojuxta

- Lojuxta unaudited revenues for Q1 2019 of €3.9m, which represents an increase of 28.1% on the same period in 2018, continuing the momentum generated in 2018
- Significant expansion in patient numbers in the UK in Q1 2019 following the launch in this new market in Q4 2018
- First patient order received from France in Q1 2019
- Sales to Saudi Arabia in Q1 2019 increased by 118% compared to Q4 2018

Lead Development Asset - AP101

- Following an assessment of the results of an unblinded interim efficacy analysis of its pivotal Phase 3 Efficacy and Safety in EB ("EASE") trial for AP101 as a potential treatment for EB, the Independent Data Monitoring Committee ("IDMC") recommended that the trial should continue with an increase of 48 patients in the study to a total of 230 evaluable patients, in order to maintain 80% statistical power
- Following an assessment in February by the EASE trial's IDMC of pharmacokinetic ("PK") data received from patients already enrolled in the trial (aged four years and older), Amryt can now enrol infants and children with EB between the ages of 21 days to 4 years of age into the trial
- Expected that the final patient will be enrolled into the trial in H2 2019

Gene Therapy Platform - AP103

- Two pre-clinical studies showed that topical application of AP103 restored production of collagen VII in pre-clinical models of EB to levels exceeding those produced by healthy human keratinocytes and to levels similar to those observed following delivery with a viral vector
- In addition, AP103 exhibited no evidence of cellular toxicity after repeated administration

STRATEGIC REPORT:
Our Products

Commercial Assets

What is Lojuxta?

- Lojuxta is an approved treatment for adult patients with the rare cholesterol disorder - Homozygous Familial Hypercholesterolaemia ("HoFH")
- HoFH impairs the body's ability to remove low density lipoprotein ("LDL") cholesterol ("bad" cholesterol) from the blood, leading to excessively high blood LDL cholesterol levels in the body from before birth - often reaching ten times more than people unaffected by the condition - and subsequent aggressive and premature narrowing and blocking of blood vessels

What is Imlan?

- Imlan is a range of derma-cosmetic products that Amryt acquired with the acquisition of Birken AG (now Amryt AG)
- Imlan is marketed solely in Germany as a treatment for sensitive, allergy-prone and dry skin.

Development Pipeline – EB Franchise

What is AP101?

RARE

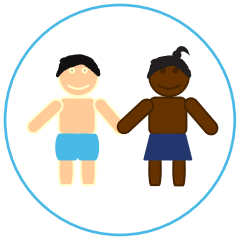
1:17,000

1 in 17,000 live births affected**

GENETIC

Hereditary, but parents may not know they're carriers

ANYONE



Equally affects both genders and every ethnicity

NO CURE

No current treatment

* Stanford School of Medicine, "Epidermolysis Bullosa Clinic"
** The Dystrophic Epidermolysis Bullosa Research Association (Debra)

- AP101 is being developed as a prescription medicine for EB
- EB is a distressing and painful genetic skin condition that causes the skin layers and internal body linings to separate. There are currently no treatments available
- The prevalence of EB is estimated between 25,000 – 35,000 in the U.S (Source: Stanford School of Medicine, "Epidermolysis Bullosa Clinic") and estimated between 30,000 – 41,000 in the EU (Source: The Dystrophic Epidermolysis Bullosa Research Association ("DEBRA")
- Amryt is currently progressing the largest ever pivotal, global Phase 3 clinical trial of EB - "EASE" - with AP101

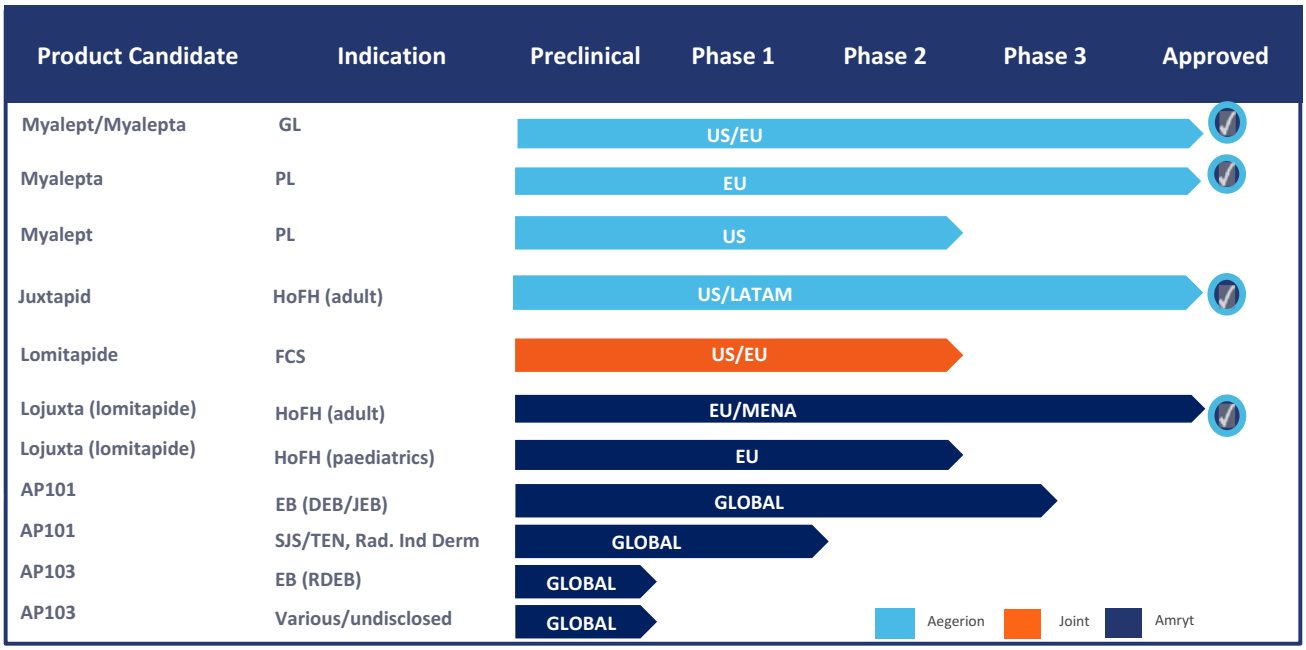
What is AP103 (Gene Therapy in EB)?

- Amryt has exclusively in-licenced a novel polymer platform technology for the delivery of gene therapies with potential applicability across a range of genetic disorders. This technology has been exclusively in-licenced from University College Dublin ("UCD") and involves the use of Highly Branched Poly (β-Amino Ester) ("HPAE") polymers as the delivery vehicle for gene therapy
- The initial focus of the development work has been in the area of EB
- Patients with EB have mutations in the genes that code for structural proteins in the skin. These genetic mutations cause impaired or absent function of the proteins that normally give the skin its mechanical strength. Mutations in the gene that codes for type VII collagen cause a sub-type of EB called dystrophic EB ("DEB")
- When this disease is inherited it can be passed on as a recessive form in which both parents are carriers of the disease but don't have symptoms. This is referred to as Recessive Dystrophic Epidermolysis Bullosa ("RDEB"). RDEB is a severely debilitating condition that often causes widespread skin wounds that cause substantial pain, itching, infections, and predisposes patients to develop an aggressive form of skin cancer. The multiple complications of this disease also result in a dramatically shortened life expectancy

STRATEGIC REPORT:
Drug Development Pipeline

Amryt has a rich pipeline with multiple development opportunities:

- Our lead commercial asset, Lojuxta, is growing year on year with revenues increasing by 14.2% in 2018 compared to 2017 and a 28.1% increase in revenues (unaudited) in Q1 2019 versus Q1 2018
- Potential for Lojuxta to be used in other indications - Amryt is currently supporting an ongoing proof of concept study to consider efficacy and safety of Lojuxta in the treatment of Familial Chylomicronaemia ("FCS")
- Following on from the positive unblinded interim efficacy analysis result, we now expect to complete recruitment in our EASE study, the largest ever Phase 3 clinical trial in EB, in H2 2019
- Following an assessment in February by the EASE trial's IDMC of PK data received from patients already enrolled in the trial (aged four years and older), Amryt can now enrol infants and children with EB between the ages of 21 days to 4 years of age into the trial
- Our earlier stage pipeline product, AP103, which we believe has the potential to be transformative in the treatment of EB and other indications
- Our planned acquisition of Aegerion augments our existing pipeline and delivers significant growth opportunities. A significant addition to our development pipeline would be the potential expansion of the Myalept label in the US to include partial lipodystrophy ("PL"), which has already been approved in Europe



STRATEGIC REPORT:
Chairman & CEO's Statement and Business Review

Dear Shareholder

We are delighted to report another strong year of progress for Amryt Pharma plc. During the year, Amryt continued to deliver against our key milestones, culminating in the positive results achieved in the unblinded interim efficacy analysis for our lead development asset, AP101, and positive revenue momentum experienced with our lead commercial asset, Lojuxta.

2019 promises to be a transformational year for Amryt following the recent announcement (21 May 2019) of our planned acquisition of Aegerion, a subsidiary of Novelion Therapeutics, a NASDAQ-listed biopharmaceutical company dedicated to developing and commercialising therapies for individuals living with rare diseases. We believe that the combination of Amryt and Aegerion will transform Amryt and significantly accelerate our ambition to create a global player in the rare and orphan disease market, with a diversified offering of multiple commercial and development stage assets and the scale to support further growth. We believe Aegerion is a perfect fit for Amryt and we look forward to updating shareholders further as the deal progresses.

2018 Operational Highlights

Lead Commercial Asset – Lojuxta

With the completion of the Lojuxta in-licencing deal in December 2016, Amryt became a commercial pharmaceutical company, generating sales across Europe, the Middle East and other licenced territories. Our Lojuxta business has grown significantly over the course of the last two and a half years, with sales for FY 2018 growing to €13.6m (2017: €11.9m). Our focus on adoption of, and access to, Lojuxta in new and existing territories delivered a significant revenue contribution in late 2018 and this positive momentum has continued into 2019 to date with Lojuxta revenues (unaudited) growing 28.1% in Q1 2019 versus the same period in 2018.

In 2018, Amryt agreed eight new distribution partnerships and we are now covering 23 countries across our territories. National reimbursement negotiations concluded successfully in the UK and France in the second half of 2018, resulting in the first UK orders being received in 2018 and our first French orders in Q1 2019. The Group continues to actively negotiate the initiation of reimbursement in a number of other countries and we are optimistic that some of these discussions will conclude successfully in 2019.

In May 2018, Amryt signed a licence extension with Novelion to significantly expand its exclusive licence agreement for Lojuxta into Russia and CIS, as well as the non-EU Balkan states. As part of this agreement, Amryt also formally became the Marketing Authorisation holder for Lojuxta in Europe which has marginally increased the level of royalties payable to Novelion. Amryt estimates there may be up to 450 additional patients who could benefit from treatment with Lojuxta across the countries covered by the extended agreement, representing an increase of approximately 25% in the total number of addressable patients in the Amryt territories. The Group believes the total addressable market opportunity for Lojuxta in its licensed territories to be in excess of €125 million.

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

Patent term extensions for Lojuxta were granted in multiple markets within our territories including France, Germany, Italy and Spain during 2018. The Group expects that these extensions will prolong our product patent in these territories through 2028.

Amryt has also received enquiries from physicians to study Lojuxta in an indication called FCS, a rare, often severe, genetic disease characterised by the build-up of chylomicrons (chylomicronemia), the largest protein lipoprotein particle, which are responsible for transporting dietary fat and cholesterol. These patients suffer severe morbidity and mortality risk from repeated hospitalisation for acute pancreatitis. In response to this interest, Amryt has supported an investigator-initiated study ("IIS") in Italy to look at the efficacy and safety of Lojuxta in treating patients with FCS. This study is underway and data is planned to be available in H2 2019. This study is supported by data from two patients who received treatment under the compassionate use programme, both who have shown improvements in lowering of serum triglyceride levels and reduction in episodes of abdominal pain.

In line with European Medicines Agency ("EMA") commitments, Amryt also plan to initiate a study in paediatric HoFH in 2019 which is expected to lead to label extension and an expanded growth opportunity in the mid-term.

Future sales growth will be driven by existing markets and from new territories. This anticipated growth is underpinned by:

- Positive momentum following the recent reimbursement decisions in the UK and France for Lojuxta which has already resulted in the first orders being received;
- 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, and
- Amryt's strategy to appoint local distribution partners for new territories which is proving to be successful as evidenced by the first orders being received for patients in Saudi Arabia and Qatar in the second half of 2018.

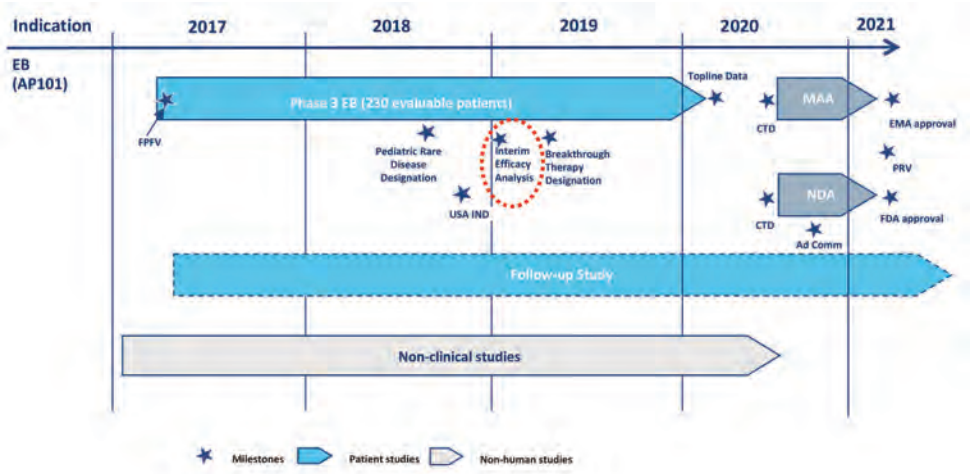
These market-access decisions will allow Amryt to provide access for a cohort of HoFH patients in these territories, which should result in accelerated growth for the business.

Lead Development Asset – AP101

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 commenced the pivotal Phase 3 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.

Product Pipeline for EB



Clinical Trials Update

Adult and paediatric patients with EB are currently 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, total wound burden and changes in infection risk, pain and pruritus (itch) and improvements in quality of life.

In January 2019, Amryt received the result of the pre-planned unblinded interim efficacy analysis. The unblinded interim efficacy analysis was conducted by an Independent Data Monitoring Committee ("IDMC"). The IDMC recommended that the trial should continue with an increase of 48 patients in the study to a total of 230 evaluable patients, in order to achieve 80% statistical power. The analysis was conducted using unblinded efficacy data received by the IDMC for the primary endpoint from the first half of the study. Following this announcement, Amryt has already begun the recruitment process for the additional patients required and now expects to complete enrolment in the EASE study in H2 2019. The IDMC's recommendation allows us to continue the trial with only a modest increase in the size of the study. This brings us closer to potentially delivering a treatment for patients with EB.

Following the interim efficacy analysis, in February 2019, the IDMC also recommended that Amryt be allowed to expand the eligibility criteria for the study to be able to enrol infants and children with EB between the ages of 21 days and 4 years of age into the EASE trial. Extending the age eligibility criteria for this trial is positive news and work has already begun in order to be able to start the recruitment process for this new cohort of patients. This development represents another milestone for Amryt as we build on our vision of becoming a global leader in rare and orphan diseases.

Throughout 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 US, have been successfully completed. No safety signals or concerns were noted from the preliminary data and IND approval has recently been received from the FDA. This will enable us to open clinical trial sites in the US, thereby accelerating enrolment of patients into the EASE study. Amryt also recently received Paediatric Rare Disease designation from the FDA for AP101, which, pending successful approval of AP101 in EB, will allow the Group to apply for a Priority Review Voucher that can be used, sold or transferred. The Group also intends to apply to the FDA for breakthrough designation following the opening of the IND in the USA. Breakthrough designation would expedite the review process for AP101, conducted by the FDA, upon completion of the Phase 3 clinical trial.

In November 2018, the first patients were enrolled in our Early Access programme ("EAP") for AP101 in Latin America, resulting in our first EAP sales for AP101 in November 2018. Total EAP revenues for 2018 amounted to €50,000 (2017: €nil). This program allows us to provide our pre-approval product, AP101, to patients in need around the world and the program runs alongside the EASE clinical trial. Our early access programme offers several benefits to Amryt:

- It allows us to collect real-world data from patients enrolled in the programs in Latin America, which can be used to generate real world evidence and to supplement clinical trial data when seeking drug approval. Only patients who are not eligible for EASE are eligible for consideration for early access
- It allows us to help patients in an ethical and regulatory-controlled manner and enables us to provide drug to these patients that do not have access to the clinical trial and have no other treatment options available to them
- It enables real world, hands on experience of the product for physicians and healthcare providers before it becomes commercially available

The Group intends to extend the availability of the early access program in Brazil, Columbia, Argentina and in countries in Europe, such as France and Italy, throughout 2019 where interest has been expressed.

Future Indications for AP101

Amryt has received interest from physicians to study AP101 in various PTW indications where there is 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)
- 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.

Management intends to file applications for orphan designation for some of these new potential orphan indications in the

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

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.

Gene Therapy Platform – AP103

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

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

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

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

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

Data from the pre-clinical studies demonstrated that:

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

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

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

Financial Position

We are pleased with the total revenue growth of 13.3% compared to 2017, resulting in total revenues for the year of €14.5m. Already in 2019, Q1 revenues for Lojuxta are already 28.1% higher than the same period last year. We ended the year with a cash balance of €9.8m and we completed the final draw down of €5m from our existing European Investment Bank ("EIB") facility in Q1 2019.

Corporate Governance

As of 28 September 2018, companies quoted on AIM are required to formally adopt a corporate governance code as well as disclose details of their compliance with that code and, where they depart from the code, provide an explanation of the reasons for doing so.

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

Our People

Amryt is led by an experienced senior management team which has been enhanced further in 2018 by the appointment of a number of new Senior Managers. Amryt now has in place an exceptionally strong leadership team, and also has the necessary commercial, regulatory and medical infrastructure in place across Europe. Our strategy is to leverage this capacity to seek to in-license more commercial and late stage assets, which we are actively pursuing, as evidenced by the recently announced planned acquisition of Aegerion.

We could not have achieved what we have without the continued support of the entire Amryt team throughout our sites in Europe, and also those partners involved in our wider collaborations. I would like to thank them all for their contribution to the progress we have made in 2018.

Outlook

The Group continued to grow and execute on its strategy and achieved significant milestones in 2018. We remain confident of continuing our significant progress in 2019 and beyond.

We are very positive about the growth prospects for our Lojuxta business. Lojuxta revenues in 2018 increased by 14.2% in 2018 and we were particularly pleased to get approval in the UK and France and we believe that there remains a significant opportunity to further grow revenues especially with material, latent opportunities in our licenced territories. Capitalising on these opportunities will be a major focus for us in 2019.

Over the next 12 months, we expect to see further significant progress in AP101, with the last patient due to be enrolled in the Phase 3 clinical trial, EASE, in H2 2019. This will bring us closer to potentially delivering a treatment for patients with EB. We expect a top-line data readout in Q1 2020, which will represent a significant milestone for Amryt and our shareholders. We are also encouraged about the interest from physicians to study AP101 in various other partial thickness wound indications with high unmet medical need and also FCS as another potential opportunity for Lojuxta. The Group will continue to evaluate these opportunities in 2019.

Our in-licencing agreement for AP103 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.

The planned acquisition of Aegerion will be transformational for Amryt. The transaction will create a global player in the orphan disease market with a diversified offering of multiple commercial and development stage assets and provides scale to support further growth. We hope to finalise the transaction and start the integration process in H2 2019 and update our outlook accordingly. In the meantime, our aim is to complete recruitment for AP101 EASE trial in H2 2019 ahead of the topline readout in early 2020 and continue to grow our existing Lojuxta business.

Following the recent announcement of the acquisition of Aegerion, the key focus for the Company over the coming months will be to prepare for the integration of the Aegerion commercial and development assets into our existing business. Our executive management team has the depth of experience to commercialise Aegerion's marketed products, as demonstrated by our ability to grow sales of Lojuxta in Europe. The acquisition gives us an expanded commercial footprint to market two US and EU approved products, lomitapide (Juxtapid (US/ROW) / Lojuxta (EU)) and metreleptin (Myalept (US) / Myalepta (EU)). The reunification of lomitapide brands provides the potential to replicate success of Lojuxta in Europe with Juxtapid in the US, while there is also an opportunity to grow Myalepta revenues with broader reach across the EU to accelerate the recent launch.

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

Harry Stratford OBE
Non-Executive Chairman

10 June 2019

Dr. Joe Wiley
Chief Executive Officer

10 June 2019

STRATEGIC REPORT:
Vision & Strategy

The Board's vision and strategy is to build a world leader in rare and orphan diseases by acquiring, developing and commercialising products that help improve the lives of patients where there is a high unmet medical need. Amryt creates shareholder value by participating in a diverse portfolio of development and commercial projects.

Strategic Pillars

- Drive revenue growth in existing and new territories with our existing commercial asset, Lojuxta
- Build a franchise in Epidermolysis Bullosa ("EB") through our lead development asset, AP101, and our gene therapy platform, AP103. New potential indications for AP101 represent significant additional opportunities
- Pursue acquisition and in-licensing opportunities to replicate the success of Lojuxta such as the recently announced planned acquisition of Aegerion

The Group has assembled significant commercial and development expertise to drive sustained pipeline growth. With both a pipeline of development and commercial assets, we believe our strategy can deliver shareholder value over the medium to the long term.

Our Strengths

- A management team with considerable expertise in the rare and orphan disease space
- Existing patents provide robust in-market protection for Lojuxta in our licensed territories
- Amryt's lead commercial asset, Lojuxta, and our late stage development asset, AP101, are underpinned by novel early-stage development (AP103)
- Our ambition to become a world leader in rare and orphan diseases accelerated through our recently announced acquisition of Aegerion, which will deliver two substantial revenue-generating products and an enhanced pipeline of promising development opportunities

Our Strategy

- Our ambition is to become a global leader in treating rare conditions to help improve the lives of patients where there is a high unmet medical need.
- We will achieve this by:
    - Maximising revenues in our licensed territories for Lojuxta through organic growth and reimbursement opportunities
    - Building a franchise in EB:
        - Complete our Phase 3 clinical study, EASE
        - Continue our work in potential new indications for AP101
        - Complete pre-clinical work in our gene therapy asset, AP103 and, if successful, proceeding into the clinic with this asset
    - Continuing our product portfolio expansion and diversification through acquisitions and in-licensing, as evidenced through our recently announced planned acquisition of Aegerion

STRATEGIC REPORT:
Financial Review

Revenues

Amryt primarily generates revenues from sales of Lojuxta, which is used to treat a rare and life-threatening disease called HoFH. In 2018, the Group generated its first revenues from the early access program in place for AP101. This program allows us to provide our pre-approval product, AP101, to patients in need around the world and the program runs alongside the EASE clinical trial. Amryt also has a range of in-house dermo cosmetic products, which are sold under the Imlan brand in Germany.

The following table outlines the breakdown of revenues in 2018 compared to 2017:

	31 December 2018 €'000	31 December 2017 €'000	% change
Lojuxta	**13,621**	11,924	14%
Imlan	**784**	830	(6%)
Other	**49**	24	104%
Total	**14,454**	12,778	13%

The growth in Lojuxta revenues in 2018 can be attributed to strong demand from existing markets and revenues from new markets within Amryt's licenced territories. In 2018, the Group experienced significant positive momentum in the reimbursement position in certain countries which resulted in reimbursement being granted in the UK and France in late 2018. The first UK and French orders were received in Q4 2018 and Q1 2019, respectively. The Group had its first sales in Saudi Arabia and Central Eastern Europe ("CEE") in 2018 and experienced an increase in total 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 €11,048,000 for the year ended 31 December 2017 to €15,357,000 for the year ended 31 December 2018, an increase of €4,309,000.

The following table outlines the breakdown of SG&A expenses in 2018 compared to 2017:

	31 December 2018 €'000	31 December 2017 €'000	% change
SG&A expenses	**14,663**	10,483	40%
Share based payments	**694**	565	23%
Total	**15,357**	11,048	39%

SG&A expenses, excluding share-based payments, increased from €10,483,000 in 2017 to €14,663,000 in 2018, an increase of 40%. This increase is mainly attributable to the ongoing growth in the Lojuxta business and the expansion of the Group's sales and marketing infrastructure in anticipation of recent market access successes such as those in the UK and France.

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 payment charge of €694,000 for the year ended 31 December 2018 (2017: €565,000). The increase of €129,000 is due to the full year impact of options granted to Directors and key employees in 2017. No new options were granted in 2018. For further details, see note 4 to the consolidated financial statements.

STRATEGIC REPORT:
Financial Review continued

Research and Development Expenses

Research and development expenses for the year ended 31 December 2018 amount to €9,049,000, compared to €10,564,000 for the year ended 31 December 2017. The decrease of €1,515,000 is primarily due to higher costs incurred in 2017 resulting from higher once off set up costs incurred as part of the roll-out of our global clinical trial sites following the start of the Phase 3 clinical trial in April 2017 and also due non-clinical studies completed in 2017 relating to the Group's development assets, AP101 and AP102. The decrease in these non-clinical expenses have been partially offset by the initial costs incurred in relation to our new development asset for gene therapy, AP103.

Operating Loss

The operating loss before finance expense for the year ended 31 December 2018 amounted to €15,250,000, which included depreciation and amortisation of €310,000 and share based payments of €694,000. This compares to an operating loss before finance expense for the year ended 31 December 2017 of €14,207,000, which included depreciation and amortisation of €259,000 and share based payments of €565,000. Excluding depreciation, amortisation and share based payments, the operating loss before finance costs for the year ended 31 December 2018 would have been €14,246,000 (2017: €13,383,000). The increase in the operating loss in 2018 is largely due to the costs associated with the rollout of the Phase 3 EASE study and our continued investment in the commercial and regulatory infrastructure necessary to continue to grow and expand our Lojuxta business.

The loss on ordinary activities before taxation of €25,777,000 includes €8,934,000 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 non-cash financing charge of €8,934,000 reflects the impact of the revised financial forecasts and the discount component being unwound to the Statement of Comprehensive Income in 2018.

Cash Management

As at 31 December 2018, the Group had cash and cash equivalents of €9,811,000. This compares to cash and cash equivalents of €20,512,000 at 31 December 2017. Included in cash and cash equivalents at 31 December 2018 is cash at bank available on demand of €8,620,000 and restricted cash of €1,191,000. Restricted cash is cash held by our third-party distribution partner at year-end which was transferred to Amryt in January 2019. The total cash and cash equivalents at 31 December 2017 of €20,512,000 relates to €19,975,000 cash at bank available on demand and restricted cash of €537,000.

In October 2017, the Company completed an equity fundraising resulting in gross proceeds of €15,083,000 (net proceeds: €14,393,000). There was no equity fundraising in 2018.

Trade and Other Receivables

As at 31 December 2018, the Group had trade and other receivables of €5,179,000. This compares to trade and other receivables of €4,729,000 at 31 December 2017.

The following table outlines the breakdown of trade and other receivables at 31 December 2018 compared to 31 December 2017:

	31 December 2018 €'000	31 December 2017 €'000	% change
Trade receivables	**3,121**	2,929	7%
Other receivables	**2,058**	1,800	14%
Total	**5,179**	4,729	10%

Trade debtors at 31 December 2018 is consistent with the position at 31 December 2017, the marginal increase due to growth in Lojuxta business in 2018.

Included in other receivables at 31 December 2018 is €1,351,000 (2017: €1,306,000) in relation to prepaid Phase 3 clinical trial costs.

Trade and Other Payables

As at 31 December 2018, the Group had trade and other payables of €10,525,000. This compares to trade and other payables of €9,799,000 at 31 December 2017.

The following table outlines the breakdown of trade and other payables at 31 December 2018 compared to 31 December 2017:

	31 December 2018 €'000	31 December 2017 €'000	% change
Trade payables	**4,666**	4,698	–
Other payables	**5,859**	5,101	15%
Total	**10,525**	9,799	7%

Trade payables at 31 December 2018 are consistent with the position at 31 December 2017. The increase in the other payables arises primarily from the increased supplier costs arising from the growth of the commercial business and the advancement of the Phase 3 clinical trial throughout 2018. The increase was partially offset by the first milestone payment arising from the acquisition of Amryt AG being included in accruals at 31 December 2017. This amounted to €2,000,000 and was payable 24 months after receipt of EMA approval for PTW. This amount was paid in January 2018.

Contingent Consideration

Contingent consideration at 31 December 2018 amounted to €41,351,000 compared to €32,418,000 at 31 December 2017. 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 2018 arises as a result of (i) part of the probability adjusted fair values being unwound to the Consolidated Statement of Comprehensive Income during 2018 as financing expenses and (ii) a revision of the estimates used in the revenue forecast resulting from the revisions to the AP101 launch timelines.

STRATEGIC REPORT:
Financial Review continued

Debt Financing

In December 2016, Amryt DAC entered into a €20,000,000 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 €10,000,000 available immediately and two further tranches of €5,000,000 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 to give the Group the option to draw this amount down at any time. The Group proceeded to draw down this second tranche of €5m in September 2018. In December 2018, the terms of the third tranche were amended by the EIB to give the Group the option to draw down this final tranche if the interim efficacy analysis for AP101 was successful. Following the IDMC's recommendation in January 2019 that the EASE Phase 3 trial should continue with only a modest increase in patients, the Group drew down the final tranche of €5m in February 2019. The facility is secured over the intellectual property assets of the Group 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 of each tranche. The facility has an interest rate of 3% to be paid on an annual basis, the first instalment of which related to the €10m drawn down in 2017 was paid in April 2018. The second interest instalment on the €10m tranche is due for payment in April 2019, the first instalment of the 3% interest on the second tranche of €5m is due in September 2019 and the first instalment of the 3% interest on the third tranche of €5m is due in February 2020. A further annual fixed rate of 10% is payable together with the outstanding principal amount on expiry of the facility. At 31 December 2018, the Group has a short-term accrual for €279,000 which is repayable during 2019 and a long-term accrual of €1,614,000 which represents the discounted present value of the long-term interest accrued but not payable until each tranche matures.

STRATEGIC REPORT:
Key Performance Indicators

Revenue growth in our lead commercial asset, Lojuxta, is a key measure for the Group. This business has been contributing cash since we in-licensed the product in December 2016, culminating in annual revenues of €13.6m in 2018, which represents an increase of 14.2% compared to 2017 annual revenues of €11.9m.

As we are currently in the pre-revenue stage for our lead development asset, AP101, a core focus of our business is on progression of this drug candidate through the clinic into an approved product for the treatment of EB. The rate of enrolment into this study was a key performance measure in 2018 and will this will continue into 2019 as we aim to complete enrolment in our Phase 3 study, EASE, in H2 2019.

Identifying, acquiring and developing new drug candidates to build shareholder value is key to our goal of becoming a global leader in rare and orphan diseases. In 2018, the Group in-licenced our first gene therapy candidate, AP103. This patented technology which Amryt in-licensed from UCD involves the use of a novel gene therapy delivery mechanism using HPAE polymer technology. If successful, this could eliminate the requirement for viruses as delivery vectors and therefore provides a potential competitive advantage to Amryt.

Control of cash balances is a priority of the Group and these are budgeted and monitored closely to ensure that the Group has access to sufficient funds to finance the Phase 3 clinical trial of AP101 (the EASE Study). Operational progress in relation to AP101 and AP103 are reviewed by the Board on a regular basis and actual costs are compared to Board approved budgets.

STRATEGIC REPORT:
Risks and Uncertainties

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

Operational Risk Management

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

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

Principal Risk Factors

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

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

To date, the Group 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 licensing 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 pre-clinical 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 pre-clinical 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 pre-clinical 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 pre-clinical 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 nonclinical trials or clinical trials;
- the population studied in the clinical programme 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 geographic 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

STRATEGIC REPORT:
Risks and Uncertainties continued

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 frequency and severity and causal relationships of any side effects and a continued acceptable safety profile following approval;
- relative convenience and ease of administration;
- cost effectiveness;
- patient diagnostics and screening infrastructure in each market;
- marketing and distribution support;
- the availability of healthcare coverage, reimbursement and adequate payment from health maintenance 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 unknown. The Group's estimates of the potential market opportunity for each of these 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 Group faces significant competition from other biotechnology and pharmaceutical companies

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

The Group's license partners may not be successful in their efforts to develop marketable products

Revenue from any licensing 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 licensing 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-licensed, 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. In addition, there can be no assurance that the Group 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 licensing 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 undifferentiated from 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.

STRATEGIC REPORT:
Risks and Uncertainties continued

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 Group 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.

CORPORATE GOVERNANCE:
Board of Directors

Harry Stratford OBE – Non-Executive Chairman

Skills, Competence and Experience

Harry Stratford, has over 40 years' experience in the pharmaceutical industry and has built two successful publicly listed pharmaceutical companies. Harry 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 was a constituent of the FTSE100 until its takeover by Takeda Pharmaceuticals in 2018. Harry was also 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.

Harry 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.

Harry is responsible for ensuring the quality and sound approach to high standards of corporate governance and the effectiveness of the Board as a working group.

Committee Membership

Remuneration Committee (Chair)

Appointment Date

21 December 2015

Joe Wiley – Chief Executive Officer

Skills, Competence and Experience

Joe Wiley, founded Amryt in 2016. Joe has over 20 years of experience in the pharmaceutical, medical and venture capital industries. Joe 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).

Joe 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.

Appointment Date

19 April 2016

Rory Nealon – Chief Financial Officer/ Chief Operations Officer

Skills, Competence and Experience

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. Rory 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.

Rory 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 continued

James Culverwell – Senior Independent Non-Executive Director

Skills, Competence and Experience

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

James has an MSc from the University of Aberdeen.

Committee Membership

Remuneration Committee (Member)
Audit Committee (Chair)

Appointment Date

19 April 2016

Ray Stafford – Non-Executive Director

Skills, Competence and Experience

Ray Stafford, has worked in the pharmaceutical industry for thirty years. Ray 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, Ray held numerous senior positions within that corporation including CEO Forest UK & Ireland, CEO Forest Europe and since 1999 through his retiring from the business in 2014, Ray was Executive Vice President Global Marketing. Separately Ray 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.

Committee Membership

Remuneration Committee (Member)
Audit Committee (Member)

Appointment Date

19 April 2016

Markus Ziener – Non-Executive Director

Skills, Competence and Experience

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, Markus worked in a number of senior roles across a broad range of industries including as Managing Director of Handelskontor Willmann für Naturprodukte. Markus 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 Stiftung.

Appointment Date

27 June 2016

CORPORATE GOVERNANCE:
Chairman's Introduction to Governance

I am delighted to present this Corporate Governance Report which reinforces the Board's continued commitment to strong corporate governance and the highest ethical standards.

The Board of Amryt Pharma remains committed to high standards of governance across the Group, in line with our core values of excellence and integrity. As of 28 September 2018, companies quoted on AIM are required to formally adopt a corporate governance code as well as disclose details of their compliance with that code and, where they depart from the code, provide an explanation of the reasons for doing so. The Board adopted the Quoted Companies Alliance Code ("the QCA Code") on 25 September 2018. The Board of Directors, including myself as Non-Executive Chairman, acknowledges the importance of the ten principles set out in the QCA Code and details of our compliance with the code can be found in the Corporate Governance section of this Annual Report as well as on our website www.amrytpharma.com.

QCA Code

I am pleased to report that the process of implementing the QCA Code has not proven to be a radical change to our existing practices. Rather, it has proven to be more a case of organising and further articulating our existing practices. We are in total agreement with the underlying philosophy and objectives of the QCA Code as we believe that we are developing a collaborative culture amongst the personnel within Amryt and with our critical stakeholders (i.e. shareholders, physicians, patients, service providers, employees, regulatory authorities and payors) which makes very much aligned to this central core principle of the QCA Code.

The QCA Code charges me, as Non-Executive Chairman, with the responsibilities of:

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

I accept these responsibilities and aim to discharge them in this first full report on Corporate Governance under the QCA Code and on a continuous basis going forward.

Strategy

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

Shareholder Engagement

The Board welcomes continuous, open and meaningful discussion with all of our shareholder's and I look forward to meeting shareholders at our 2019 Annual General Meeting ("AGM"), which will be held on 10 June 2019 at 11.00 am in the Holiday Inn, Mayfair, London UK. I also welcome direct contact and questions from shareholders via our website.

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

Harry Stratford
Non-Executive Chairman

10 June 2019

CORPORATE GOVERNANCE:
Chairman's Governance Overview

The Board

The Board is responsible for the overall governance of the Group. The Board comprises of two executive directors and four non-executive directors, including the Non-Executive Chairman, as detailed on pages 27 - 28. The Board believe the current split of Non-Executive and Executive Directors is appropriate for the requirements of the Group. The Board considers that Harry Stratford, James Culverwell and Ray Stafford are independent in character and judgement. 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 Group. All new Directors appointed since the previous AGM are required to seek election at the next AGM and one third of the other Directors retire annually in rotation in accordance with the Amryt's articles of association. This enables the shareholders to decide on the election of the Group's Board. The Directors required to seek re-election at the next AGM are Harry Stratford and Ray Stafford by rotation.

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

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

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

Board Responsibilities

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

Harry Stratford, Non-Executive Chairman

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

James Culverwell, Senior Independent Director

- Provides a sounding board to the Non-Executive Chairman
- Internal performance appraisal of the Non-Executive Chairman
- Acts as an intermediary for other Directors, if needed

Executive Directors

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

Non-Executive Directors

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

Rory Nealon, Company Secretary

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

Meetings and Attendance

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

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

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.

- Remuneration Committee – Chairman, Harry Stratford
- Audit Committee – Chairman, James Culverwell

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

Remuneration Committee

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

CORPORATE GOVERNANCE:
Chairman's Governance Overview continued

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.

Policy on Executive Directors and Senior Management Remuneration

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

Audit Committee

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

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

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 Group. 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 Group's securities if they are in possession of "inside information". Subject to this condition and trading prohibitions applying to certain periods, trading can occur provided the relevant individual has received the appropriate prescribed clearance.

The QCA Corporate Governance Code 2018 - Principles

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

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

Deliver Growth

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

   Our business model and strategy are explained in the Overview section of the Strategic Report on page 16 of this Annual Report.

2. Seek to understand and meet shareholder needs and expectations

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

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

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

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

   See "Principal Risks and uncertainties" on page 22

Maintain a dynamic management framework

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

   See this section

6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities

   See this section and "Board of Directors" on page 27

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

   See this section

8. Promote a corporate culture that is based on ethical values and behaviours

   See this section and "Corporate Governance" section on our website, amarytpharma.com

9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the board

   See "Corporate Governance" section on our website, amarytpharma.com

Build Trust

10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

    See this section and "Corporate Governance" section on our website, amarytpharma.com

CORPORATE GOVERNANCE:
Director's Report For the year ended 31 December 2018

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 2018.

Directors

The Directors who served on the Board during the year and to the date of this report are as follows:
Harry Stratford (Non-Executive Chairman)
Joe Wiley (Chief Operating Officer)
James Culverwell (Senior Independent Non-Executive Director)
Rory Nealon (Chief Financial Officer & Company Secretary)
Ray Stafford (Non-Executive Director)
Markus Ziener (Non-Executive Director)

Base Salaries Review

In 2018 and 2017, the Remuneration Committee appointed Radford, part of the AON Group, to perform a review of executive and non-executive remuneration. Radford have no connection with the Group.

The Remuneration Committee developed its 2017 and 2018 remuneration proposals based on the recommendations of this report and what the Remuneration Committee believe to be appropriate remuneration levels for the Group at its current stage of development. The Group has set target remuneration for both executive management and non-executive directors at the 50th percentile 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 Group eligible to receive awards. Details of share options issued under the plan in 2017 are included in note 4. No new share options were granted to Directors in 2018. A total of 2,885,582 share options were issued to executive directors in 2017. 2,061,130 share options were granted to Joe Wiley on 29th November 2017 at a strike price of 20.12 pence. 824,452 share options were granted to Rory Nealon on 29th November 2017 at a strike price of 20.12 pence. All share options granted to executive directors in 2017 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.

Directors' Remuneration – Current Year

The remuneration of Directors for the year ended 31 December 2018 was as follows:

	Base Salary and Fees €'000	Bonuses €'000	Pension Contri-butions €'000	Share Based Payment Expense €'000	Other Benefits €'000	2018 Total €'000	2017 Total €'000
Harry Stratford	80	–	–	–	–	80	80
Joe Wiley	355	213	36	106	25	735	567
Rory Nealon	283	142	28	42	16	511	459
James Culverwell	57	–	–	–	–	57	57
Ray Stafford	44	–	–	–	–	44	44
Markus Ziener	44	–	–	–	–	44	44
Cathal Friel	–	–	–	–	–	–	11
TOTAL	863	355	64	148	41	1,471	1,262

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 2018 Number	31 December 2018 %	31 December 2017 Number	31 December 2017 %
Joe Wiley	20,994,487	7.64	20,994,487	7.64
Rory Nealon	9,664,623	3.52	9,664,623	3.52
Ray Stafford	2,296,369	0.84	2,296,369	0.84
Markus Ziener	232,955	0.08	232,955	0.08
James Culverwell	221,592	0.08	221,592	0.08
Harry Stafford	150,000	0.05	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 reverse takeover ("RTO") on 18 April 2016:

Director	31 December 2018 Number	Exercise price	Expiry Date	31 December 2017 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 did not exercise their right to converts these warrants to Ordinary shares in the Company prior to the expiry date. These warrants expired on 10 January 2019.

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 2018 Number	Exercise price	Expiry Date	31 December 2017 Number	Exercise price	Expiry Date
Joe Wiley	2,061,130	20.12p	28/11/24	2,061,130	20.12p	28/11/24
Rory Nealon	824,452	20.12p	28/11/24	824,452	20.12p	28/11/24

Dividends

The Directors do not recommend payment of a dividend (2017: nil).

Share Capital Structure

The Company's ordinary shares of 1p are listed on the AIM Market of the London Stock Exchange (ticker: AMYT.L) and the Euronext 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.

CORPORATE GOVERNANCE:
Director's Report For the year ended 31 December 2018

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 2018 Number	31 December 2018 %	31 December 2017 Number	31 December 2017 %
1	Software AG-Stiftung [A]	61,272,920	22.30	61,272,920	22.30
2	Axa SA	26,940,370	9.80	20,940,370	9.80
3	Raglan Road Capital [B]	24,697,347	8.99	33,077,347	12.04
4	Joe Wiley	20,994,487	7.64	20,994,487	7.64
5	Legal & General	14,250,000	5.19	14,250,000	5.19
6	Amati Global Partners	13,205,882	4.81	8,500,000	3.09
7	Rory Nealon	9,664,623	3.52	9,664,623	3.52
8	Hargreaves Lansdown plc	9,260,296	3.37	8,813,564	2.48
9	Alan Harris	8,869,090	3.23	8,869,090	3.23

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

B Raglan Road Capital Limited is a company owned by Cathal Friel and his wife, Pamela Tyer. Cathal Friel resigned as a Non-Executive Director of Amryt Pharma in March 2017.

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

The business activities of the Group are outlined on pages 2 - 10 and the factors which may affect the Group future development and performance are outlined on pages 22 - 26. The financial review on page 17 discusses the Group's financial and liquidity position and borrowing facilities. In addition, notes 22 to the Consolidated Financial Statements include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and its exposure to credit, currency and liquidity risks.

After making appropriate enquires, the Directors consider that the Company and the Group has adequate resources to continue in business for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Financial Statements. 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 2018.

A key consideration for the Directors is the impact on going concern of the recently announced acquisition with Aegerion. This acquisition represents a significant step forward for Amryt and is expected to create value for Amryt with immediate effect post-deal close through enhanced scale of the combined group which will drive revenues and deliver operational synergies through a combination of medical, commercial, clinical, development and regulatory infrastructure. A planned $60 million fundraising as part of the acquisition of Aegerion which has been backstopped by the current Aegerion bondholders together with a planned listing on NASDAQ will drive liquidity and investor reach.

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

Events after the Reporting Period

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

Auditors

In 2018, Amryt changed its auditors, BDO LLP, and replaced them with Grant Thornton. The Board are recommending Grant Thornton for re-appointment as auditor of the Group. Grant Thornton have expressed their willingness to accept this appointment and a resolution re-appointing them will be submitted to the forthcoming AGM.

Disclosure of Information to the Auditors

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

Directors' Responsibilities

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

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

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

Website Publication

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

This report was approved by the Board on 10 June 2019 and signed on its behalf by:

Rory Nealon
Chief Financial Officer & Company Secretary

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

For the year ended 31 December 2018

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 2018, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity, the Company Statement of Financial Position, the Company Statement of Cash Flows, the Company Statement of Changes in Equity, and the related notes to the financial statements, including the summary of significant accounting policies.

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

In our opinion:

- the group financial statements give a true and fair view in accordance with IFRS as adopted by the European Union of the financial position of the group as at 31 December 2018 and of the group's financial performance and cash flows for the year then ended;
- the parent company financial statements give a true and fair view in accordance with IFRS as adopted by the European Union of the financial position of the company as at 31 December 2018 and of its cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other matter

The consolidated and parent company financial statements for the year ended 31 December 2017 were audited by a predecessor auditor who expressed an unmodified opinion on those financial statements on 16 April 2018.

Key audit matters

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

Overall audit strategy

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

How we tailored the audit scope

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

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

Materiality and audit approach

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

Based on our professional judgement, we determined materiality for the group as follows: 5% of loss before taxes for the financial year ended 31 December 2018. We have applied this benchmark because the main objective of the company is to continue investing in R&D expenditure in order to commercialise its development assets and thus create shareholder value. To date none of this R&D expenditure has been capitalised and net losses correlate to R&D expenses incurred.

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

Significant risks identified

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

Valuation of intangible assets

As a result of the acquisition of Amryt AG and Som Therapeutics Corp. in 2016, the group recognised in-process research and development (IPR&D) costs of €53 million as an intangible asset. The products that the IPR&D relate to are the AP101 and AP102 development assets, which are not yet ready for use. International Accounting Standard (IAS) 36, Impairment of Assets, requires that irrespective of whether there is an indication of impairment, an entity shall test an intangible asset, not yet available for use, for impairment annually by comparing its carrying value with its recoverable amount.

We considered this as a key audit matter because of the significant judgement required by management in assessing the recoverable amount of the asset, which is based on forecasting and discounting future cash flows, which are complex and are heavily reliant on assumptions which could be affected by future market or economic developments.

Refer to note 11 of the Consolidated Financial Statements for further details.

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

For the year ended 31 December 2018

Our response

To address this risk, our audit procedures included the following:

- We reviewed the group's assessment of whether there were any indicators of impairment and ensured this was consistent with our understanding of the business and its activities;
- We evaluated and challenged management's assumptions and judgements used in the calculation of the future cash flows, which include but are not limited to revenue projections, discount rates and probability of clinical development success;
- We performed integrity checks on the forecasting model used to estimate recoverable amount;
- We interviewed research and development personnel employed by management in order to obtain a more detailed understanding of stage of development of the associated IPR&D and its future opportunities;
- We performed sensitivity analysis to determine reasonableness of the input and output variables used in the model; and
- We corroborated results with our understanding of the group's operations to date.

Valuation of contingent consideration

Part of the consideration in relation to the acquisition of Amryt AG and Som Therapeuticas Corp. in 2016 comprised of milestone payments and royalties on future Episalvan sales. This contingent consideration is recognised at fair value and is based on the same forecasting model used to assess the recoverable amount of the intangible asset noted above thus requires the same significant judgements from management.

At 31 December 2018, the group recorded a contingent consideration liability of €41.3 million (2017: €32.4 million) with the change in fair value of €8.9 million recorded in the Statement of Comprehensive Income. We consider there to be a significant risk around the completeness, accuracy and valuation of the contingent consideration liability at the balance sheet date.

Refer to note 5 to the Consolidated Financial Statements for further details.

Our response

To address this risk, our audit procedures included the following:

- We reviewed the underlying purchase agreements of Amryt AG and Som Therapeutics Corp.;
- We evaluated and challenged management's assumptions and judgements used in the calculation of the future cash flows, which include but are not limited to revenue projections, discount rates and probability of clinical development success;
- We performed sensitivity analysis to determine reasonableness of the input variables used in the model;
- We performed integrity checks on the model used to ensure accuracy of the contingent consideration liability recorded at year end; and
- We corroborated results with our understanding of the group's operations to date.

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception

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

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

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

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

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

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

Responsibilities of the auditor for the audit of the financial statements

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

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

For the year ended 31 December 2018

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group and company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and company's ability to continue as a going concern. If they conclude that a material uncertainty exists, they are required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify their opinion. Their conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the group or company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a matter that achieves a true and fair view.

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

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

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

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

Corporate governance statement

In our opinion, based on the work undertaken in the course of our audit of the financial statements, the description of the main features of the internal control and risk management systems in relation to the financial reporting process included in the Corporate Governance Statement, is consistent with the financial statements and has been prepared in accordance with applicable law.

Based on our knowledge and understanding of the company and its environment obtained in the course of our audit of the financial statements, we have not identified material misstatements in the description of the main features of the internal control and risk management systems in relation to the financial reporting process included in the Corporate Governance Statement.

In our opinion, based on the work undertaken during the course of our audit of the financial statements, the information prepared in accordance with applicable legal requirements and rules 7.2.2, 7.2.3 and 7.2.7 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority is contained in the Corporate Governance Statement.

We have nothing to report having performed our review.

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

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.

Stephen Murray
(Senior Statutory Auditor)
For and on behalf of
Grant Thornton
Chartered Accountants & Statutory Auditor
Dublin 2
10 June 2019

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

	Note	31 December 2018 €'000	31 December 2017 €'000
Revenue	3	14,454	12,778
Cost of sales		(5,298)	(5,373)
Gross profit		9,156	7,405
Administrative, selling and marketing expenses		(14,663)	(10,483)
Share based payment expenses	4	(694)	(565)
Total administrative, selling and marketing expenses		(15,357)	(11,048)
Research and development expenses		(9,049)	(10,564)
Operating loss before finance expense	6	(15,250)	(14,207)
Non-cash change in fair value of contingent consideration	5	(8,934)	(11,104)
Finance expense	8	(1,557)	(825)
Loss on ordinary activities before taxation		(25,741)	(26,136)
Tax on loss on ordinary activities	9	(36)	–
Loss for the year attributable to the equity holders of the Company		(25,777)	(26,136)
Exchange translation differences which may be reclassified through the profit or loss		(34)	27
Total other comprehensive (loss)/ profit		(34)	27
Total comprehensive loss for the year attributable to the equity holders of the Company		(25,811)	(26,109)
Loss per share:			
Loss per share – basic and diluted, attributable to ordinary equity holders of the parent (cent)	10	(9.38)	(11.72)

Consolidated Statement of Financial Position

As at 31 December 2018

	Note	31 December 2018 €'000	31 December 2017 €'000
Assets			
Non-current assets			
Intangible assets	11	52,695	52,606
Property, plant and equipment	12	960	1,160
Other non-current assets		130	–
Total non-current assets		53,785	53,766
Current assets			
Trade and other receivables	14	5,179	4,729
Inventories	15	1,868	1,083
Cash and cash equivalents	16	9,811	20,512
Total current assets		16,858	26,324
Total assets		70,643	80,090
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	17	21,173	21,173
Share premium	17	57,334	57,334
Other reserves		(20,858)	(21,512)
Accumulated deficit		(60,880)	(35,109)
Total equity		(3,231)	21,886
Non-current liabilities			
Contingent consideration	5	41,351	32,418
Deferred tax liability	18	5,384	5,384
Long term loan	19	16,614	10,603
Total non-current liabilities		63,349	48,405
Current liabilities			
Trade and other payables	20	10,525	9,799
Total current liabilities		10,525	9,799
Total liabilities		73,874	58,204
Total equity and liabilities		70,643	80,090

The Financial Statements set out on pages 44 to 84 were approved and authorised for issue by the Directors on 10 June 2019.

They are signed on the Board's behalf by:

Rory Nealon
Director

Company Number
05316808

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Note	31 December 2018 €'000	31 December 2017 €'000
Cash flows from operating activities			
Loss on ordinary activities after taxation		(25,777)	(26,136)
Finance expense	8	1,557	825
Depreciation and amortisation	11, 12	310	259
Share based payment expenses	4	694	565
Non-cash change in fair value of contingent consideration	5	8,934	11,104
Movements in working capital and other adjustments:			
Change in trade and other receivables	14	(450)	(2,189)
Change in trade and other payables		2,580	6,022
Change in contingent consideration	5	–	(2,000)
Change in inventories	15	(785)	(313)
Change in non-current assets		(130)	–
Net cash flow used in operating activities		(13,067)	(11,863)
Cash flow from investing activities			
Payments for property, plant and equipment	12	(68)	(243)
Payments for intangible assets	11	(131)	(87)
Cash inflow on sale of property, plant and equipment	12	–	9
Bank interest and fees paid		(18)	–
Deposit interest received		5	5
Net cash flow used in investing activities		(212)	(316)
Cash flow from financing activities			
Proceeds from issue of equity instruments - net of expenses	17	–	14,393
Increase in long term debt	19	5,000	10,000
Interest paid on long term debt		(221)	–
Payment of deferred consideration		(2,000)	–
Repayment of short-term loans		–	(47)
Net cash flow from financing activities		2,779	24,346
Exchange and other movements		(201)	74
Net change in cash and cash equivalents		(10,701)	12,241
Cash and cash equivalents at beginning of year		20,512	8,271
Restricted cash at end of year	16	1,191	537
Cash at bank available on demand at end of year	16	8,620	19,975
Total cash and cash equivalents at end of year	16	9,811	20,512

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	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 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 loss		–	–	–	–	–	27	(26,136)	(26,109)
Transactions with owners									
Issue of placing shares – Gross	17	754	14,329	–	–	–	–	–	15,083
Issue of placing shares – Expenses	17	–	(690)	–	–	–	–	–	(690)
Share based payment expense	4	–	–	565	–	–	–	–	565
Share based payment expense – Lapsed		–	–	(25)	–	–	–	25	–
Total transactions with owners		754	13,639	540	–	–	–	25	14,958
Balance at 31 December 2017		21,173	57,334	4,755	35,818	(62,107)	22	(35,109)	21,886
Balance at 1 January 2018		21,173	57,334	4,755	35,818	(62,107)	22	(35,109)	21,886
Loss for the year		–	–	–	–	–	–	(25,777)	(25,777)
Foreign exchange translation reserve		–	–	–	–	–	(34)	–	(34)
Total comprehensive loss		–	–	–	–	–	(34)	(25,777)	(25,811)
Transaction with owners									
Share based payments	4	–	–	694	–	–	–	–	694
Share based payments - lapsed		–	–	(6)	–	–	–	6	–
Total transaction with owners		–	–	688	–	–	–	6	694
Balance at 31 December 2018		21,173	57,334	5,443	35,818	(62,107)	(12)	(60,880)	(3,231)

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 2018

	Note	31 December 2018 €'000	31 December 2017 €'000
Assets			
Non-current assets			
Intangible assets		58	87
Investment in subsidiaries	13	73,304	58,832
Total non-current assets		73,362	58,919
Current assets			
Trade and other receivables	14	40	90
Cash and cash equivalents	16	79	14,441
Total current assets		119	14,531
Total assets		73,481	73,450
Equity and liabilities			
Equity attributable to owners of the company			
Share capital	17	21,173	21,173
Share premium	17	57,334	57,334
Other reserves		41,261	40,573
Accumulated deficit		(46,646)	(46,070)
Total equity		73,122	73,010
Current liabilities			
Trade and other payables	20	359	440
Total current liabilities		359	440
Total liabilities		359	440
Total equity and liabilities		73,481	73,450

The Financial Statements set out on pages 44 to 84 were approved and authorised for issue by the Directors on 10 June 2019.

They are signed on the Board's behalf by:

Rory Nealon
Director

Company Number
05316808

Company Statement of Cash Flows

For the year ended 31 December 2018

	Note	31 December 2018 €'000	31 December 2017 €'000
Cash flows from operating activities			
Loss for the year	24	(582)	(1,361)
Finance Expense		(100)	(2)
Depreciation and amortisation		29	–
Share based payment expense	4	694	565
Movements in working capital and other adjustments:			
Change in trade and other receivables	14	50	5
Change in trade and other payables	20	(81)	253
Net cash flow used in operating activities		10	(540)
Cash flow from investing activities			
Bank interest received		5	1
Expenditure on development of website	11	–	(87)
Funds received from/ (advanced to) subsidiary companies	13	(14,472)	622
Net cash flow (used in)/ from investing activities		(14,467)	536
Cash flow from financing activities			
Proceeds from issue of equity instruments net of expenses	17	–	14,393
Net cash flow from financing activities		–	14,393
Exchange and other movements		95	1
Net change in cash and cash equivalents		(14,362)	14,390
Cash and cash equivalents at beginning of year		14,441	51
Cash and cash equivalents at end of year	16	79	14,441

Company Statement of Changes in Equity

For the year ended 31 December 2018

	Note	Share capital €'000	Share premium €'000	Share based payment reserve €'000	Merger reserve €'000	Accumulated deficit €'000	Total €'000
Balance at 1 January 2017		20,419	43,695	4,215	35,818	(44,734)	59,413
Total comprehensive loss for the year	24	–	–	–	–	(1,361)	(1,361)
Total comprehensive loss for the year		–	–	–	–	(1,361)	(1,361)
Transactions with owners							
Issue of placing shares – Gross	17	754	14,329	–	–	–	15,083
Issue of placing shares – Expenses	17	–	(690)	–	–	–	(690)
Share based payment expenses	4	–	–	565	–	–	565
Share based payment expenses – Lapsed		–	–	(25)	–	25	–
Total transactions with owners		754	13,639	540	–	25	14,958
Balance at 31 December 2017		21,173	57,334	4,755	35,818	(46,070)	73,010
Balance at 1 January 2018		21,173	57,334	4,755	35,818	(46,070)	73,010
Total comprehensive loss for the year	24	–	–	–	–	(582)	(582)
Total comprehensive loss for the year		–	–	–	–	(582)	(582)
Transaction with owners							
Share based payments	4	–	–	694	–	–	694
Share based payments - lapsed		–	–	(6)	–	6	–
Transaction with owners		–	–	688	–	6	694
Balance at 31 December 2018		21,173	57,334	5,443	35,818	(46,646)	73,122

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

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 Euronext 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 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. The consolidated financial statements have been prepared on a historical cost basis, except for contingent consideration that have been measured at fair value.

Basis of going concern

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

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 2018.

A key consideration for the Directors is the impact on going concern of the recently announced acquisition with Aegerion. This acquisition represents a significant step forward for Amryt and is expected to create value for Amryt with immediate effect post deal close through enhanced scale of the combined group which will drive revenues and deliver operational synergies through a combination of medical, commercial, clinical, development and regulatory infrastructure. A planned $60 million fundraising as part of the acquisition of Aegerion which has been backstopped by the current Aegerion bondholders together with a planned listing on NASDAQ will drive liquidity and investor reach.

Basis of consolidation

The consolidated financial statements comprise the Financial Statements of the Company and its subsidiaries for the year ended 31 December 2018. Subsidiaries are entities controlled by the Company. Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over an investee, exposure 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.

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.

Notes to the Financial Statements continued

For the year ended 31 December 2018

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 2018	1.1827	0.8853	1.1544	10.2639	9.6141	7.4506
At 31 December 2018	1.1357	0.8896	1.1330	10.3184	9.7277	7.4616
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

(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 2018 have been reviewed by the Group. These standards and amendments are described in more detail below.

Adoption of new standards issued and effective as of 1 January 2018

The following new standards and standard amendments became effective for the Group as of 1 January 2018:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- Amendments to IFRS 2 Share-based Payment

While the new standards, interpretations and standard amendments did not result in a material impact on the Group's results, the nature and effect of changes required by IFRS 9 and IFRS 15 are described below.

IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. It addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces a new impairment model for financial assets and new rules for hedge accounting. The Group has applied IFRS 9 retrospectively but elected not to restate comparative information. The Group has assessed the business models and contractual cash flows which apply to its financial assets and classified the assets into the appropriate IFRS 9 categories accordingly.

Under IAS 39, financial assets (cash and cash equivalents, trade receivables and other receivables) were classified at fair value (initial recognition) followed by amortised cost (subsequent measurement). Under IFRS 9, financial assets are classified at fair value (initial recognition) followed by amortised cost net of impairments (subsequent measurement).

The Group's financial assets measured at amortised cost, the most significant of which are trade receivables and amounts receivable in respect of upfront payments for clinical trial costs, are subject to IFRS 9's new expected credit loss model. The Group's impairment methodology has been revised in line with the requirements of IFRS 9. The simplified approach to providing for expected credit losses has been applied to trade receivables, which requires the use of a lifetime expected loss provision. As part of the IFRS 9 transition project, the Group assessed its existing trade and other receivables for impairment to determine the credit risk of the receivables at the date on which they were initially recognised and compared that to the credit risk as at 1 January 2018. This assessment has not resulted in a material adjustment to trade and other receivables.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The Group adopted IFRS 15 following an assessment of our two commercial assets, Lojuxta and Imlan, and whether certain revenue might be more appropriately recorded on an agency or net basis, rather than on a gross basis in accordance with the principal of control. There was no material impact on the Group's revenue recognition as a result of transitioning to IFRS 15 and all revenues continue to be recognised on a gross basis.

In accordance with the requirements of IFRS 15, disclosures outlining the disaggregation of revenue by primary geographic markets and principal activities and products are included in note 3 to the consolidated financial statements.

IFRS 2 Classification and Measurement of Share-based Payment Transactions

The Group has adopted IFRS 2, Share-based Payments for its 2018 financial year. The amended standard had no impact on the consolidated financial statements.

Standards issued but not yet effective

There were a number of standards and interpretations which were in issue at 31 December 2018 but were not effective at 31 December 2018 and have not been adopted for these Financial Statements.

IFRS 16 Leases

IFRS 16 will replace IAS 17 Leases and related interpretations. The Group will adopt IFRS 16 from 1 January 2019 by applying the modified retrospective approach. The Group will apply the recognition exemption for both short-term leases and leases of low value assets.

Under IFRS 16, 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 IFRS16 on the Group's financial statements is expected to be as follows:

Income Statement

Operating expenses (excluding depreciation) will decrease, as the Group currently recognises operating lease expenses in operating costs in the income statement. The Group's operating lease expense for 2018 was €254,000 (2017: €281,000) and is disclosed in note 6 to these consolidated financial statements. Payments for leases which meet the recognition exemption criteria and certain other lease payments which do not meet the criteria for capitalisation will continue to be recorded as an expense within operating expenses (excluding depreciation). Depreciation and finance costs as currently reported in the Group's consolidated income statement will increase, as under the new standard a 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.

Balance Sheet

At transition date, the Group will determine the minimum lease payments outstanding at that date (along with payments for renewal options which are reasonably certain to be exercised) and apply the appropriate discount rate to calculate the present value of the lease liability and right-of-use asset to be recognised on the Group's consolidated balance sheet. The discount rates applied were arrived at using a methodology to calculate incremental borrowing rates across the Group. The Group's outstanding commitment in respect of all operating leases as at 31 December 2018 is €425,000 (2017: €664,000 (see note 23 to these consolidated financial statements).

Notes to the Financial Statements continued

For the year ended 31 December 2018

IAS 19 Employee Benefits

In February 2018, the IASB issued a narrow scope amendment to IAS 19. The amendment will be applied prospectively for plan amendments, curtailments or settlements occurring on or after 1 January 2019. These amendments are not expected to have an impact on the Group on the effective date but will impact how the Group determines current service cost and net interest in the event of any plan amendments, curtailments or settlements which arise thereafter.

IFRS 3 Business Combinations

In October 2018, the IASB issued amendments to IFRS 3, regarding the definition of a business. The amendments clarify that the process required to meet the definition of a business (together with inputs to create outputs) must be substantive; and, that the inputs and process must together significantly contribute to creating outputs. The definition of outputs has been narrowed to focus on goods and services provided to customers and other income from ordinary activities. In addition, the amendments indicate that an acquisition of primarily a single asset or group of similar assets is unlikely to meet the definition of a business. The amendments will be applied prospectively for acquisitions occurring on or after 1 January 2020. The Group is currently evaluating the impact of this amendment on future periods.

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 intangible assets reflect management's best assumptions and estimates, but these items involve inherent uncertainties described above, many of which are not under management's control. As a result, the accounting for such items could result in different estimates or amounts if management used different assumptions or if different conditions occur in future accounting periods.

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, AP102 or AP103. 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.

Recognition of deferred tax assets

Deferred tax assets are determined using enacted tax rates for the effects of net operating losses and temporary differences between the book and tax bases of assets and liabilities. In assessing the realisability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realised. The ultimate realisation of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. While management considers the scheduled reversal of deferred tax liabilities, and projected future taxable income in making this assessment, there can be no assurance that these deferred tax assets may be realisable. As at 31 December 2018, the Group did not recognise a deferred tax asset in respect of unused tax losses as described in note 9.

Principal accounting policies

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

Notes to the Financial Statements continued

For the year ended 31 December 2018

Revenue recognition

Revenue arises from the sale of Lojuxta and Imlan. The Group sells direct to customers and also uses third parties in the distribution of the product to customers.

To determine whether to recognise revenue, the Group follows a 5-step process, as required by IFRS 15:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

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

Revenue from sale of goods

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

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

Principal versus agent considerations

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

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

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

Financial instruments

Recognition and derecognition

Financial instruments are classified on initial recognition as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement. Financial instruments are initially 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.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs, if any.

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

- Amortised cost
- Fair value through profit or loss (FVTPL)
- Fair value through other comprehensive income (FVOCI)

The Group does not have any financial assets categorised as FVTPL and FVOCI as at 31 December 2018 and 2017.

The classification is determined by both:

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

Subsequent measurement of financial assets

Financial assets at amortised cost

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

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

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

Cash and cash equivalents

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

Restricted cash

Restricted cash comprises current cash and cash equivalents that are restricted as to withdrawal or usage. Cash held by the Group's distribution partner for Lojuxta on behalf of the Group is treated as restricted cash in the Financial Statements.

Notes to the Financial Statements continued

For the year ended 31 December 2018

Trade and other receivables

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

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

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.

Offsetting financial instruments

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

Inventories

Inventories are valued at the lower of cost or net 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 control has deemed to be transferred to the Group under the contract terms of the distribution agreement. The cost to acquire the inventory held by the supply chain partners is 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.

Notes to the Financial Statements continued

For the year ended 31 December 2018

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.

The useful life of acquired intangible assets is as follows:

- Software 5-10 years
- Website Development 5-10 years

Intangible assets acquired in 2016 as part of the acquisitions of Amryt AG and SomPharmaceuticals are currently not being 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 of non-financial assets

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 research and development assets, AP101, AP102 and AP103.

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

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For the year ended 31 December 2018

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 2018 €'000	31 December 2017 €'000
Lojuxta	13,621	11,924
Other	833	854
Total revenue	**14,454**	12,778

Lojuxta is sold through a third party to a number of different countries in the European Economic Area ("EEA"), the Middle East and Central Eastern Europe.

Revenue geographical information – Commercial segment

	31 December 2018 €'000	31 December 2017 €'000
EEA	13,579	12,394
Other	875	384
Total revenue	**14,454**	12,778

For the year ended 31 December 2018, the Group generated over 76% of its Lojuxta revenue in Italy, the Netherlands and Greece. In 2017, 77% of Lojuxta revenues was sold in Italy, the Netherlands and Greece. The largest customer in 2018 was a hospital in Greece and the largest customer in 2017 was a distributor in Italy.

Loss for the year by segment

	31 December 2018			
	Commercial €'000	R&D €'000	Centralised Costs €'000	Total €'000
Revenue	14,454	–	–	14,454
Cost of sales	(5,298)	–	–	(5,298)
Gross profit	9,156	–	–	9,156
R&D expenses	–	(9,049)	–	(9,049)
Sales and marketing expenses	(7,799)	–	–	(7,799)
General and administrative expenses	(3,285)	(3,285)	–	(6,570)
Other expenses	–	–	(11,515)	(11,515)
Loss for the year	(1,928)	(12,334)	(11,515)	(25,777)

Included in sales and marketing expenses in 2018 are certain salaries and expenses that relate to work being done in preparation for the launch of AP101 if top-line data is positive and following that, approval is received from the EMA and FDA.

In 2018 and 2017, other expenses include net finance costs, depreciation, foreign exchange gains and losses and share based payments and are classified as central office costs. G&A costs are all allocated 50:50 between the commercial and R&D operating segments.

Loss for the year by segment

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

Total assets by segment

	31 December 2018 €'000	31 December 2017 €'000
Commercial	**5,150**	4,595
R&D	**55,682**	54,983
Centralised assets - cash and cash equivalents	**9,811**	20,512
Total assets	**70,643**	80,090

Total liabilities by segment

	31 December 2018 €'000	31 December 2017 €'000
Commercial	**7,025**	7,650
R&D	**3,500**	2,150
Centralised liabilities – long term loan, contingent consideration and tax	**63,349**	48,404
Total liabilities	**73,874**	58,204

4. Share based payments

Under the terms of the Company's Employee Share Option Plan, options to purchase 19,505,131 shares were outstanding at 31 December 2018. Under the terms of this plan, Options were granted to officers, consultants and employees of the Group at the discretion of the Remuneration Committee. There were no new share options granted during the year ended 31 December 2018.

The Company has issued warrants to key consultants, advisers and suppliers in payment or part payment for services or supplies provided to the Group. There were no warrants granted during the year ended 31 December 2018 or the year ended 31 December 2017.

Each share option and warrant convert 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.

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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 Remuneration Committee at the date of grant of the options (usually the date of approval by the Remuneration Committee) and it is generally over a three 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 Remuneration Committee provided that the term may not exceed a period of seven to ten years from the date of grant. All options will terminate 90 days after termination of the option holder's employment, service or consultancy with the Group except where a longer period is approved by the Board of Directors. Under certain circumstances involving a change in control of the Group, the Remuneration Committee may accelerate the exercisability and termination of options.

The number and weighted average exercise price of share options and warrants per ordinary share is as follows:

	Share Options		Warrants	
	Units	Weighted average exercise price	Units	Weighted average exercise price
Balance at 1 January 2017	15,795,314	19.80p	23,307,269	25.40p
Granted	8,894,460	20.22p	–	–
Lapsed	(4,993,188)	22.98p	(203,788)	88.00p
Outstanding 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**
Balance at 1 January 2018	19,696,586	19.16p	23,103,481	24.74p
Granted	–	–	–	–
Lapsed	(191,455)	23.75p	(193,530)	112.00p
Outstanding at 31 December 2018	**19,505,131**	**19.20p**	**22,909,951**	**24.00p**
Exercisable at 31 December 2018	**7,964,434**	**19.47p**	**22,909,951**	**24.00p**

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:

	2018 Options Inputs	2018 Warrant Inputs	2017 Options Inputs	2017 Warrant Inputs
Days to Expiry	–	–	2,555	–
Volatility	–	–	44% - 48%	–
Risk free interest rate	–	–	0.42% - 0.77%	–
Share price at grant	–	–	18.18p - 25.88p	–

There were no new share options granted in 2018. In 2017, 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 in 2017 was £1,799,000/ €2,038,000.

The share options outstanding as at 31 December 2018 have a weighted remaining contractual life of 4.94 years with exercise prices ranging from £0.155 to £0.48. The share options outstanding as at 31 December 2017 had a weighted remaining contractual life of 5.95 years with exercise prices ranging from £0.155 to £0.48.

22,909,951 warrants were outstanding and exercisable at 31 December 2018, of which, 20,836,696 were due to expire on 31 December 2018. At the time of the Company's IPO in 2016, investors were granted warrants to subscribe for an aggregate of 20,836,696 New Ordinary Shares at an exercise price of 24p sterling with an exercise date of 31 December 2018 to enable investors to benefit from the results of the EASE study. The Independent Monitoring Committee was scheduled to meeting on 21 December to review the EASE unblinded interim efficacy analysis results. The Group received the readout from this interim efficacy analysis on 4 January 2019. In order to reflect the revised timeline for the interim readout, the Group extended the exercise date of warrants issued to 11 January 2019. All other terms and conditions of the warrants, including the exercise price, remained unchanged. The total amount of these warrants amounting to 20,836,696 expired unexercised on 11 January 2019.

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

	31 December 2018	31 December 2017
	€'000	€'000
Share option expense	**694**	565
Total	**694**	565

5. Business Combinations and Asset Acquisitions

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:
  - o €10,000,000 on receipt of first marketing approval by the EMA of Episalvan, paid on the completion date (18 April 2016);
  - o Either (i) €5,000,000 once net ex-factory sales of Episalvan have been at least €100,000 or (ii) if no commercial sales are made within 24 months of EMA first marketing approval (being 14 January 2016), €2,000,000 24 months after receipt of such approval which was paid in January 2018 and €3,000,000 following the first commercial sale;
  - o €10,000,000 on receipt of marketing approval by the EMA or FDA of a pharmaceutical product containing Betulin as its API for the treatment of Epidermolysis Bullosa (EB);
  - o €10,000,000 once net ex-factory sales/net revenue in any calendar year exceed €50,000,000;
  - o €15,000,000 once net ex-factory sales/ net revenue in any calendar year exceed €100,000,000;
- Cash consideration of €150,000, due and paid on the completion date (18 April 2016);
- 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, the amounts and timing of these are outlined 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

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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 type of product 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. 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.

Amryt reviews 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 2018 is €8,934,000 (2017: €11,104,000).

The Group is currently in the process of amending the protocol for the EASE study. In January 2019, the Group received the results of unblinded interim efficacy analysis. This analysis was conducted by an independent data safety monitoring committee and recommended that the trial should continue with an increase of 48 patients in the study to a total of 230 evaluable patients in order to be able to achieve 80% statistical power. The increase in the number of patients in the trial will result in a slight delay of the readout of top-line date, the Group now expects to complete recruitment for top-line data to be completed in H2 2019. Consequently, the launch date for EB has now been delayed to H1 2021. Coupled with this, management has completed its annual forecast and revenues and costs have been amended to reflect current expectations. These factors have resulted in a change to the probability weighted revenue forecasts and the probability of the adjusted present values which are used in the calculation of the contingent consideration balance and impact the amount being unwound to the consolidated statement of comprehensive income.

6. Operating loss for the year

	31 December 2018 €'000	31 December 2017 €'000
Operating loss for the year is stated after charging/(crediting):		
Fees payable to the Group's auditor and its associates:		
Audit fees	**90**	85
Tax fees	**–**	2
Other non audit fees	**–**	–
Changes in inventory expensed	**1,485**	1,086
Research and development expenses	**9,049**	10,564
Share based payments	**694**	565
Pension costs	**493**	331
Depreciation of property, plant and equipment	**268**	257
Amortisation of intangible assets	**42**	2
Operating lease rentals	**254**	281
Foreign exchange losses/ (gains)	**190**	(13)

7. Employees

Including the Directors, the Group's average number of employees during the year was 61 (2017: 41).

Aggregate remuneration comprised:

	31 December 2018 €'000	31 December 2017 €'000
Wages and salaries	**6,129**	3,733
Social security costs	**850**	655
Pension costs – employees	**429**	270
Directors' remuneration	**1,323**	1,252
Share based payments – directors	**148**	10
Share based payments – employees/consultants	**546**	555
Total employee costs	**9,425**	6,475

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 2018 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 2018.

Further information on the compensation of key management personnel is included in note 21 of these financial statements.

8. Net finance expense

	31 December 2018 €'000	31 December 2017 €'000
Interest on loans	**1,355**	830
Interest and fees paid	**17**	13
Deposit interest received	**(5)**	(5)
Foreign exchange losses/ (gains)	**190**	(13)
Total	**1,557**	825

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9. Tax on ordinary activities

A corporation tax charge of €36,000 arises in the year ended 31 December 2018 (31 December 2017: €nil). 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 2018 €'000	31 December 2017 €'000
Loss before tax	**(25,741)**	(26,136)
Tax credit at Irish corporation tax rate of 12.5%	**(3,218)**	(3,267)
Effect of:		
Losses unutilised	**3,536**	3,659
Other timing differences	**(36)**	–
Differences in overseas taxation rates	**(318)**	(392)
Total tax charge on loss on ordinary activities	**(36)**	–

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

	31 December 2018 €'000	31 December 2017 €'000
Ireland	**30,801**	15,281
Germany	**23,029**	22,418
UK	**6,605**	6,230
ROW	**266**	226
Total	**60,701**	44,155

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 of €12,675,000 (31 December 2017: €5,519,000), which was calculated at corporation tax rates ranging from 12.5% to 32%, has not been recognised due to the uncertainty of the recovery.

All current and deferred tax related charges are recognised in the statement of profit or loss.

10. Loss per share – basic and diluted

The weighted average number of shares in the Loss Per Share ("LPS") calculation, reflects the weighted average total actual shares of Amryt Pharma plc in issue at 31 December 2018.

Issued share capital – ordinary shares of £0.01 each

	Number of shares	Weighted average shares
1 January 2017	**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**
31 December 2018	**274,817,283**	**274,817,283**

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

	31 December 2018	31 December 2017
Loss after tax attributable to equity holders of the Company (€'000)	**(25,777)**	(26,136)
Weighted average number of ordinary shares in issue	**274,817,283**	223,075,123
Fully diluted average number of ordinary shares in issue	**274,817,283**	223,075,123
Basic and diluted loss per share (cent)	**(9.38)**	(11.72)

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 2018 totalled 42,415,082 (31 December 2017: 42,800,067) and are potentially dilutive.

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11. Intangible Assets

	In process R&D €'000	Software €'000	Website development €'000	Total €'000
Cost				
At 1 January 2017	52,515	8	–	52,523
Additions	–	–	87	87
At 31 December 2017	**52,515**	**8**	**87**	**52,610**
At 1 January 2018	52,515	8	87	52,610
Additions	–	–	131	131
Disposals	–	(1)	–	(1)
At 31 December 2018	**52,515**	**7**	**218**	**52,740**
Accumulated amortisation				
At 1 January 2017	–	2	–	2
Amortisation charge 2017	–	2	–	2
At 31 December 2017	**–**	**4**	**–**	**4**
At 1 January 2018	–	4	–	4
Amortisation charge 2018	–	1	41	42
Amortisation charge on disposals	–	(1)	–	(1)
At 31 December 2018	**–**	**4**	**41**	**45**
Net book value				
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
Net book value at 31 December 2018	**52,515**	**3**	**177**	**52,695**

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.

These cashflows are projected forward for a further 10 years to 2032 using projected revenue and cost growth to determine the basis for an annuity-based terminal values. 10 years is used as it represents the period of exclusivity for Lojuxta in the Group's territories. 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 cash generating unit ("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% (2017: 28.5%). The market-based probability chance of success is based on market benchmarks for orphan drugs (approximately 72%). The probability applied is higher than the prior year of 65% - 67%. The increased probability of success stems from the nature of our clinical trial which was designed so that the results were blinded to the Group until (i) its interim analysis (half way review of the data which will provide limited efficacy data to the Group) and (ii) the results of its top-line data. In 2018, the Group completed its unblinded interim efficacy analysis, with the results of this unblinded interim efficacy analysis being announced on 4 January 2019. The analysis was conducted by an Independent Data Monitoring Committee ("IDMC"). The IDMC recommended that the trial should continue with an increase of 48 patients in the study to a total of 230 evaluable patients, in order to achieve 80% statistical power. The positive results of the interim efficacy analysis prove that our product, AP101 is displaying treatment effect and brings the Group closer to delivering a treatment for patients with EB. As a result, The Group have increased the probability for success to 72%.

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 2018.
- 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 2018.

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.

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12. Property, plant and equipment

	Property €'000	Plant and Machinery €'000	Office Equipment €'000	Total €'000
Cost				
At 1 January 2017	337	801	237	1,375
Additions	–	147	96	243
Disposals	–	(43)	(6)	(49)
At 31 December 2017	337	905	327	1,569
At 1 January 2018	337	905	327	1,569
Additions	–	9	59	68
Disposals	–	(6)	(18)	(24)
At 31 December 2018	**337**	**908**	**368**	**1,613**
Accumulated depreciation				
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	409
At 1 January 2018	148	169	92	409
Depreciation charge	87	116	65	268
Depreciation charge on disposals	–	(6)	(18)	(24)
At 31 December 2018	**235**	**279**	**139**	653
Net book value				
Net book value at 31 December 2016	276	713	194	1,183
Net book value at 31 December 2017	189	736	235	1,160
Net book value at 31 December 2018	**102**	**629**	**229**	**960**

13. Investment in subsidiaries – Company

	Equity in subsidiary companies €'000	Subsidiary loans €'000	Total €'000
Cost			
At 1 January 2017	37,376	22,078	59,454
Repayment	–	(622)	(622)
At 31 December 2017	37,376	21,456	58,832
At 1 January 2018	37,376	21,456	58,832
Advancement of loan	–	13,523	13,523
Repayment of loan	–	(463)	(463)
Interest charged on loan	–	1,412	1,412
At 31 December 2018	**37,376**	**35,928**	**73,304**
Impairment			
At 1 January 2017	–	–	–
Impairment charge	–	–	–
At 31 December 2017 and 31 December 2018	**–**	**–**	**–**
Net book value			
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
Net book value at 31 December 2018	**37,376**	**35,928**	**73,304**

Equity in subsidiary companies relates to the issue price of ordinary shares on the acquisition of Amryt Pharmaceuticals DAC in 2016.

Subsidiary loans relate to day to day funding that Amryt Pharma plc provides to other Group companies. Interest is charged on these funds advanced from Amryt Pharma plc to these companies at a rate of 2.65%. The additional loan in 2018 of €13,523,000 relates 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. Under the terms of the agreement in place, the parent provides funding to Amryt Pharmaceuticals DAC and its underlying subsidiary companies as required in order to fund the development and commercial activities of the Group. The repayment of loan of €463,000 relates to Euro and USD denominated invoices paid by Amryt Pharmaceuticals DAC on behalf of Amryt plc. In 2018, interest was charged on these loans amounting to €1,412,000. 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, AP102 and AP103. 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.

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For the year ended 31 December 2018

List of subsidiary companies:

Subsidiary	Ownership	Activities	Company Number	Incorporation	2018 % Holding	2017 % 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			
Amryt Lipidology Limited	Indirect	Licensee for Lojuxta	593833	Ireland	**100**	100
Amryt Genetics Limited	Indirect	Pharmaceutical R&D	622577	Ireland	**100**	100
Amryt Pharma (UK) Limited	Indirect	Management services	10463152	UK	**100**	100
Amryt Pharma France	Indirect	Dormant	824 418 156 00017	France	**100**	100
Amryt Pharma Italy SRL	Indirect	Management services	2109476	Italy	**100**	100
Amryt Pharma Spain SL	Indirect	Management services	B67130567	Spain	**100**	100
Amryt 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 Genetics Limited	90 Harcourt Street, Dublin 2
Amryt Pharma (UK) Limited	3rd Floor 1 Ashley Road, Altrincham, Cheshire, United Kingdom, WA14 2DT
Amryt Pharma France	17 Avenue George V, 75008 Paris
Amryt Pharma Italy SRL	Milano (MI)-Via Dell'Annunciata 23/4
Amryt Spain SL	Barcelona, calle Diputacio, number 260
Amryt 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 2018	31 December 2017	**31 December 2018**	31 December 2017
	€'000	€'000	**€'000**	€'000
Trade receivables	**3,121**	2,929	**–**	–
Prepayments and accrued income	**2,033**	1,643	**37**	60
VAT recoverable	**25**	157	**3**	30
Trade and other receivables	**5,179**	4,729	**40**	90

Trade receivables at 31 December 2018 includes €620,000 (2017: €503,000) which is due greater than 60 days. No impairment is considered necessary.

The 31 December 2018 prepayments and accrued income balance includes €1,351,000 (2017: €1,306,000) in relation to prepaid Phase 3 clinical trial costs.

15. Inventories – Group

	31 December 2018	31 December 2017
	€'000	€'000
Raw materials	**266**	332
Work in progress	**683**	429
Finished goods	**919**	322
Inventories	**1,868**	1,083

In 2018, a total of €1,485,000 of inventories was included in the profit or loss as an expense. There was no write down of inventories during the year. Inventory was reviewed at year end and no impairment was deemed necessary.

16. Cash and cash equivalents

	Group		Company	
	31 December 2018	31 December 2017	**31 December 2018**	31 December 2017
	€'000	€'000	**€'000**	€'000
Cash at bank available on demand	**8,620**	19,975	**79**	14,441
Restricted cash	**1,191**	537	**–**	–
Total cash and cash equivalents	**9,811**	20,512	**79**	14,441

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 2019.

Notes to the Financial Statements continued

For the year ended 31 December 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 2017	**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**
At 31 December 2018	**274,817,283**	**43,171,134**	**21,173**	**57,334**

On 11 October 2017, 66,477,651 ordinary shares of with a nominal value of £0.01 each 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.

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.

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

The deferred shares were issued as part of the reverse takeover in 2016 because the nominal value of the existing shares was above the trading price. As a result, a resolution was passed by the shareholders to reduce the nominal value of the existing ordinary shares substantially below their market value in order to provide the Company with the ability to make future share issues. Consequently, a share reorganisation was implemented such that each holding of every 8 or more existing shares were consolidated into one new ordinary share and one deferred share. The deferred shares have no right to receive notice of general meetings nor any right to attend or vote at general meetings and no right to participate in the profits of the Company.

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 2017 and 1 January 2018	5,384
Movement during the year	–
At 31 December 2017 and 31 December 2018	**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 2018	31 December 2017
	€'000	€'000
Long term loan	**15,000**	10,000
Long term loan interest	**1,614**	603
Long term loan and interest	**16,614**	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 resulting in the Group being given option to draw this amount down on demand. The Group drew down this second tranche of €5 million in September 2018. In December 2018, the terms of the third tranche were amended by the EIB to give the Group the option to draw down this final tranche on demand on the condition that the EASE Phase 3 trial interim efficacy results were positive. In January 2019, the Group received the results of this unblinded interim efficacy analysis. The Independent Monitoring Committee recommended that the trial should continue with a modest increase in patients. Following this positive result, the original conditions of the final tranche were waived and the final tranche of €5 million was drawn down in February 2019. The facility is secured over the Intellectual Property assets of the Group 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, the first instalment of short-term interest on the €10 million tranche 1 was paid 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 2018, the Group has short term interest payable accrued amounting to €279,000 (2017: €227,000) which is repayable in April 2019 and long-term interest payable of €1,614,000 (2017: €603,000) which represents the present value of the long-term interest accrued but not payable until each tranche matures. Tranche 1 matures in April 2022 and tranche 2 matures in September 2023.

Notes to the Financial Statements continued

For the year ended 31 December 2018

20. Trade and other payables

	Group		Company	
	31 December 2018 €'000	31 December 2017 €'000	**31 December 2018 €'000**	31 December 2017 €'000
Trade payables	**4,666**	4,698	**187**	305
Accrued expenses	**5,422**	4,866	**166**	129
Social security costs and other taxes	**437**	235	**6**	6
Trade and other payables	**10,525**	9,799	**359**	440

Trade payables and accruals are consistent with the amounts owing at 31 December 2017 and primarily relates to services provided as part of the distribution of Lojuxta and research activities relating to AP101.

21. Related party transactions

Compensation of key management personnel of the Group

At 31 December 2018 and 2017 the key management personnel of the Group were made up of two key personnel. These key personnel are the two executive directors, Joe Wiley and Rory Nealon.

Compensation for the year ended 31 December 2018 of these personnel is detailed below:

	31 December 2018 €'000	31 December 2017 €'000
Short-term employee benefits	**679**	620
Performance related bonus	**355**	310
Post-employment benefits	**64**	61
Share-based compensation benefits	**148**	10
	1,246	1,001

Shares purchased by Directors

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

As part of an October 2017 share placing (see note 17), the Directors of the Company purchased ordinary shares of £0.01 each for a consideration of £0.20 each as follows:

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

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

22. Financial risk management

Categories of Group and Company financial instruments

	Group		Company	
	31 December 2018	31 December 2017	**31 December 2018**	31 December 2017
	€'000	€'000	**€'000**	€'000
Financial assets (all at amortised cost):				
Cash and cash equivalents	**9,811**	20,512	**79**	14,441
Trade receivables	**3,121**	2,929	**–**	–
Total financial assets	**12,932**	23,441	**79**	14,441
Financial liabilities:				
At amortised cost				
Trade payables and accrued expenses	**10,088**	9,564	**347**	434
Long term loan	**16,614**	10,603	**–**	–
At fair value				
Contingent consideration	**41,351**	32,418	**–**	–
Total financial liabilities	**68,053**	52,585	**347**	434
Net	**(55,121)**	(29,144)	**(268)**	14,007

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 €41,351,000 fair value comprises royalty payments and milestone payments at 31 December 2018. 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 €2,982,000. 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 €8,221,000. A decrease of 5% would result in an increase to the fair value of €11,291,000.
- A 6-month delay in the launch date for EB would result in a decrease to the fair value of €3,346,000.

Notes to the Financial Statements continued

For the year ended 31 December 2018

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 2018	Less than 1 month €'000	Between 1 and 3 months €'000s	Between 3 and 6 months €'000	Total €'000
Current liabilities	9,094	124	870	10,088

31 December 2017	Less than 1 month €'000	Between 1 and 3 months €'000	Between 3 and 6 months €'000	Total €'000
Current liabilities	8,607	182	775	9,564

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

31 December 2018	Less than 1 month €'000	Between 1 and 3 months €'000	Between 3 and 6 months €'000	Total €'000
Current liabilities	308	36	3	347

31 December 2017	Less than 1 month €'000	Between 1 and 3 months €'000	Between 3 and 6 months €'000	Total €'000
Current liabilities	348	–	86	434

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

31 December 2018	Less than 1 year €'000	Between 1 and 3 years €'000	Between 3 and 5 years €'000	Greater than 5 years €'000	Total €'000
Long term loan	–	–	16,917	–	16,917

31 December 2017	Less than 1 year €'000	Between 1 and 3 years €'000	Between 3 and 5 years €'000	Greater than 5 years €'000	Total €'000
Long term loan	–	–	10,750	–	10,750

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

31 December 2018	Less than 1 year €'000	Between 1 and 3 years €'000	Between 3 and 5 years €'000	Greater than 5 years €'000	Total €'000
Contingent consideration	–	13,000	25,000	–	38,000

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

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 2018 and 31 December 2017.

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 0.1%. 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 €54,000.

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 €14,000 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 €7,000 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.

Notes to the Financial Statements continued

For the year ended 31 December 2018

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.

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 20%-22% 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):

At 31 December 2018	Less than 1 year	1 year to 5 years	Greater than 5 years	Total
Leases for business premises	210	130	–	340
Leases Other	35	32	18	85
Total	**245**	**162**	**18**	**425**

At 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 Other	15	33	–	48
Total	**222**	**442**	**–**	**664**

The Group had no finance lease commitments in 2018 and 2017.

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 €582,000 (2017: €1,361,000).

25. Notes supporting Statement of Cash Flows

Reconciliation of net cash flow to movement in net debt:

	31 December 2018 €'000	31 December 2017 €'000
Net debt at beginning of year	**(10,830)**	(47)
Cashflows – new debt	**(5,000)**	(10,000)
Cashflows – repayment of debt	**227**	47
Non-cash flows		
Long term interest repayable with long term debt	**(1,614)**	(603)
Short term interest included in trade creditors and accruals	**(278)**	(227)
Net debt at end of year	**(17,495)**	(10,830)

26. Events after the reporting period

EASE Phase 3 trial interim efficacy results

In January 2019, Amryt announced the results of an unblinded interim efficacy analysis on its pivotal Phase 3 EASE trial for AP101 as a potential treatment for EB. The analysis was conducted by the IDMC. The IDMC recommended that the trial should continue with an increase of 48 patients in the study to a total of 230 evaluable patients, in order to achieve 80% statistical power. The analysis was conducted using unblinded efficacy data received by the IDMC for the primary endpoint from the first half of the study. Amryt will begin the recruitment process for the additional patients required and now expects recruitment of patients for top-line data to be completed in H2 2019.

THE IDMC also recommended that the EASE study can now enrol infants and children with EB between the ages of 21 days to 4 years of age in to the trial. The IDMC's analysis was conducted using pharmacokinetic ("PK") data received from patients already enrolled in the trial (aged four years and older).

Positive results for novel non-viral gene therapy AP103

In January 2019, Amryt announced positive results from two pre-clinical studies which support the development of its novel non-viral gene therapy, AP103, as a potentially disease-modifying therapy for patients with Recessive Dystrophic Epidermolysis Bullosa ("RDEB"), a subset of EB. RDEB is a particularly severe form of EB and is caused by mutations in a single gene, COL7A1, which codes for the production of collagen VII, a structural protein vital for the elastic and structural integrity of the skin. Restoring production of collagen VII in skin cells could be transformative for these patients, potentially making their skin less fragile and more resistant to damage and blistering. As a result, the quality of life for patients with RDEB could be dramatically improved.

Pre-clinical studies sought to investigate the potential of AP103 as a topical gene therapy intervention to restore expression of the COL7A1 gene.

- In vitro tests on RDEB keratinocytes, the main cell type in the top layer of skin, showed that a single delivery of the human collagen VII gene, by AP103, restored collagen VII production to levels exceeding those produced by healthy human keratinocytes
- Topical application of AP103 onto a 3-D matrix of human RDEB skin restored collagen VII along the basement membrane to levels similar to those observed post-delivery using a viral vector
- AP103 exhibited no evidence of cellular toxicity after repeated administration

AP103 is based on a new gene therapy delivery platform, in-licensed by Amryt in March 2018, that utilises a non-viral delivery vector, HPAE (Highly Branched Poly β-Amino Ester), designed to deliver the correct collagen VII gene into skin cells. It is topically applied to the skin.

Planned Acquisition of Aegerion

On 21 May 2019, Amryt announced the recommended acquisition of Aegerion Pharmaceuticals ("Aegerion"). The acquisition will create a leading global rare and orphan disease company with a diversified offering of multiple commercial and development stage assets and provides scale to support further growth. The transaction gives Amryt an expanded commercial footprint to market two US and EMEA approved products, lomitapide (Juxtapid (US/ROW)/Lojuxta (EU)) and metreleptin (Myalept (US/ROW)/Myalepta (EU)).

The planned acquisition of Aegerion accelerates Amryt's ambition to become a global leader in treating rare conditions to help improve the lives of patients where there is a high unmet medical need. By delivering two substantial revenue-generating products and an enhanced pipeline of promising development opportunities, this will significantly strengthen our growth in highly attractive markets globally. Amryt has a unique insight into both Aegerion and its products, through our commercial success with Lojuxta and given that many of Amryt's senior management team previously worked at Aegerion.

Notes to the Financial Statements continued

For the year ended 31 December 2018

With this transaction Amryt can continue the strong growth trajectory already underway with Lojuxta in Europe on a global scale. It also delivers metreleptin, another highly compelling commercial rare disease product alongside an established commercial footprint in the US and internationally. This transformational deal provides Amryt with the financial flexibility to fully execute our medium-term growth plans and is expected to deliver significant shareholder returns. The transaction highlights are included on page 5 of this annual report.

Company Information

Registered Office

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

Company Number

05316808

Directors

Harry Stratford – Non-executive Chairman
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

Company Website

www.amrytpharma.com

AIM Nominated Adviser

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

Joint Broker

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

Joint Broker

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

Euronext Growth Adviser and Joint Broker

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

Auditors

Grant Thornton
13-18 City Quay
Dublin 2
Ireland

Registrars

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

Perivan Financial Print 254852

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

Dublin Office:
90 Harcourt Street
Dublin 2
Ireland

www.amrytpharma.com