AMARIN CORP PLC\UK
Form 20-F
March 30, 2006

Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 20-F

o **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE TRANSITION PERIOD FROM TO

OR

o **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
DATE OF EVENT REQUIRING THIS SHELL COMPANY REPORT
Commission file number 0-21392

AMARIN CORPORATION PLC
(Exact Name of Registrant as Specified in Its Charter)

England and Wales
(Jurisdiction of Incorporation or Organization)

7 Curzon Street
London W1J 5HG
England
(Address of Principal Executive Offices)

SECURITIES REGISTERED OR TO BE REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of Each Class	Name of Each Exchange on Which Registered
None	None

SECURITIES REGISTERED OR TO BE REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

American Depositary Shares, each representing one Ordinary Share
Ordinary Shares, 5 pence par value per share
(Title of Class)

SECURITIES FOR WHICH THERE IS A REPORTING OBLIGATION PURSUANT TO SECTION 15(d) OF THE ACT: None.

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report.

77,548,908 Ordinary Shares, 5 pence par value per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

YES o NO þ

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

YES o NO þ

Note Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES þ NO o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o Accelerated filer o Non-accelerated filer þ

Indicate by check mark which financial statement item the registrant has elected to follow.

ITEM 17 o ITEM 18 þ

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES o NO þ

TABLE OF CONTENTS

Table of Contents

INTRODUCTION

This report comprises the annual report to shareholders of Amarin Corporation plc (NASDAQCM: AMRN) and its annual report on Form 20-F in accordance with the requirements of the United States Securities and Exchange Commission, or SEC, for the year ended December 31, 2005.

As used in this annual report, unless the context otherwise indicates, the terms Company , Amarin , we , us and our to Amarin Corporation plc and its wholly owned subsidiary companies. Additionally, Amarin Pharmaceuticals, Inc., our former US subsidiary may be referred to in this annual report as API , and Amarin Development (Sweden) AB, our former Swedish subsidiary may be referred to in this annual report as Amarin Development AB or ADAB . Elan Corporation plc or its affiliates, a former related party, may be referred to in this annual report as Elan . Laxdale Limited, a company which we acquired in October 2004 and is now known as Amarin Neuroscience Limited, may be referred to herein as Amarin Neuroscience or Laxdale.

Also, as used in this annual report, unless the context otherwise indicates, the term Ordinary Shares refers to our Ordinary Shares, par value per share, and the term Preference Shares refers to our authorised preference shares, par value 5 pence per share. There are currently no Preference Shares outstanding. Unless otherwise specified, all shares and share related information (such as per share information and share price information) in this annual report have been adjusted to give effect, retroactively, to our ten-for-one Ordinary Share consolidation effective on July 17, 2002 whereby ten ordinary shares of 10p each became one Ordinary Share of £1.00 each and to the subsequent sub-division and conversion of each issued and outstanding Ordinary Share of £1.00 each on June 21, 2004 into one ordinary share of 5 pence and one deferred share of 95 pence (and the subsequent purchase by the Company and cancellation of all such deferred shares) and each of the authorized but unissued ordinary shares of £1 each in the capital of the Company into 20 ordinary shares of 5 pence each.

In this annual report, references to pounds sterling, £ or GBP£ are to UK currency and references to US dollars , $ US$ are to US currency.

This annual report contains trademarks, tradenames or registered marks owned by Amarin or by other entities, including:

Miraxion™ which is registered in the name of our subsidiary Amarin Neuroscience Limited;

Phrenilin®, Bontril™ and Motofen®, which were registered in or used by us or our former affiliates;

Permax®, which during the fiscal year covered by this report was registered in Eli Lilly and Company or its affiliates, which we may refer to in this annual report as Lilly ;

Zelapar™, which is registered in Valeant Pharmaceuticals International which we may refer to in this annual report as Valeant ; and

Moraxen™, which is registered in CeNeS Limited or its affiliates which we may refer to in this annual report as CeNeS .

Table of Contents

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements about our financial condition, results of operations, business prospects and products in research and involve substantial risks and uncertainties. You can identify these statements by the fact that they use words such as will , anticipate , estimate , project , forecast , intend , plan , believe words and terms of similar meaning in connection with any discussion of future operating or financial performance or events. Among the factors that could cause actual results to differ materially from those described or projected herein are the following;

The success of our research and development activities, including the phase III trials with Miraxion in Huntington s disease;

Decisions by regulatory authorities regarding whether and when to approve our drug applications, as well as their decisions regarding labeling and other matters that could affect the commercial potential of our products;

The speed with which regulatory authorizations, pricing approvals and product launches may be achieved;

The success with which developed products may be commercialized;

Competitive developments affecting our products under development;

The effect of possible domestic and foreign legislation or regulatory action affecting, among other things, pharmaceutical pricing and reimbursement, including under Medicaid and Medicare in the United States, and involuntary approval of prescription medicines for over-the-counter use;

Claims and concerns that may arise regarding the safety or efficacy of our product candidates;

Governmental laws and regulations affecting our operations, including those affecting taxation;

Our ability to maintain sufficient cash and other liquid resources to meet operating requirements; general changes in U.K. and U.S. generally accepted accounting principles;

Patent positions can be highly uncertain and patent disputes are not unusual. An adverse result in a patent dispute can hamper commercialization of products or negatively impact sales of future products or result in injunctive relief and payment of financial remedies;

Uncertainties of the FDA approval process and the regulatory approval processes in other countries, including, without limitation, delays in approval of new products;

Difficulties in product development. Pharmaceutical product development is highly uncertain. Products that appear promising in development may fail to reach market for numerous reasons. They may be found to be ineffective or to have harmful side effects in clinical or pre-clinical testing, they may fail to receive the necessary regulatory approvals, they may turn out not to be economically feasible because of manufacturing costs or other factors or they may be precluded from commercialization by the proprietary rights of others; and

Growth in costs and expenses; and the impact of acquisitions, divestitures and other unusual items, including our ability to integrate our acquisition of Amarin Neuroscience Limited.

Table of Contents

PART I

Item 1 Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2 Offer Statistics and Expected Timetable

Not applicable.

Item 3 Key Information

A. Selected Financial Data

General

The following table presents selected historical consolidated financial data. The selected historical consolidated financial data as of December 31, 2003, 2004 and 2005 and for each of the three years ended December 31, 2003, 2004 and 2005 have been derived from our audited consolidated financial statements beginning on page F-1 of this annual report, which have been audited by PricewaterhouseCoopers LLP, an independent registered public accountant firm, for the years ended December 31, 2003, 2004 and 2005. The selected historical consolidated financial data as of December 31, 2002 and 2001 and for the years then ended has been derived from our audited historical financial statements which are not included in these financial statements.

Unless otherwise specified, all references in this annual report to fiscal year or year of Amarin refer to a twelve-month financial period ended December 31. We prepare our consolidated financial statements in accordance with generally accepted accounting principles in the UK, which we refer to as UK GAAP and which differ in certain significant aspects from generally accepted accounting principles in the US, which we refer to as US GAAP . These differences have a material effect on net income/ (loss) and the composition of shareholders equity. A detailed analysis of these differences can be found in Note 42 to the consolidated financial statements beginning on page F-1 of this annual report. Note 42 to our consolidated financial statements also provides a reconciliation of our consolidated financial statements to US GAAP.

During 2002 our Ordinary Shares were consolidated on a ten-for-one basis. Concurrently, we amended the terms of our American Depositary Shares, or ADSs, to provide that each ADS would represent one Ordinary Share. Previously each ADS had represented ten ordinary shares of 10p each. The new conversion ratio has been reflected in all years in the weighted average share numbers shown in the consolidated statement of operations data below. In June 2004 we converted each of our £1 Ordinary Shares into one Ordinary Share of 5 pence and one deferred share of 95 pence (with such deferred shares having been subsequently cancelled). This share conversion in 2004 did not affect the ratio as between our Ordinary Shares and our ADSs but is recorded below in the year 2004.

Table of Contents

Selected Consolidated Financial Data
(In US $, thousands, except for per share and number of shares information)

	Years Ended December 31				
	2001	**2002**	**2003**	**2004**	**2005**
	(In US $, thousands except per share data and number of shares information)				
Statement of Operations Data UK GAAP					
Net sales revenues	63,031	65,441	7,365	1,017	500
Total (loss) from operations	(4,876)	(32,630)	(38,821)	(11,092)	(18,908)
(Loss) from continuing operations	(4,358)	(6,130)	(6,200)	(9,927)	(18,908)
Net (loss)/income	(5,264)	(37,047)	(19,224)	4,012	(18,707)
(Loss) from continuing operations per Ordinary Share (basic)	(0.60)	(0.66)	(0.36)	(0.44)	(0.41)
Net income/(loss) per Ordinary Share (basic)	(0.74)	(4.00)	(1.13)	0.21	(0.40)
Net income/(loss) per Ordinary Share (diluted)	(0.74)	(4.00)	(1.13)	0.21	(0.40)
Amounts in accordance with US GAAP					
Net sales revenues	63,031	65,441	7,365	1,017	
Operating (loss)	(3,230)	(28,571)	(25,841)	(67,182)	(19,527)
Net (loss)	(5,444)	(31,014)	(28,436)	(67,202)	(19,630)
Net (loss) per Ordinary Share (basic)	(0.76)	(3.34)	(1.66)	(2.99)	(0.42)
Net (loss) per Ordinary Share (diluted)	(0.76)	(3.34)	(1.66)	(2.99)	(0.42)
Weighted average shares (basic) (thousands)	7,125	9,297	17,093	22,511	46,590
Weighted average shares (diluted) (thousands)	12,035	11,896	17,440	22,511	46,590
Consolidated balance sheet data					
Amounts in accordance with UK GAAP					
Working capital (liabilities)/assets	(13,400)	(19,306)	(39,128)	8,651	28,673
Total assets	100,597	97,438	47,377	23,721	46,760
Long term obligations	(8,391)	(36,743)		(2,687)	(180)
Capital stock (ordinary shares)	12,354	15,838	29,088	3,206	6,778
Total shareholders equity/(deficit)	32,797	(6,208)	(6,348)	16,693	38,580
Number of ordinary shares in issue (thousands)	76,764	9,838	17,940	37,632	77,549
Denomination of each ordinary share	£0.10	£1.00	£1.00	£0.05	£0.05
Number of £ 13% cumulative preference shares in issue (thousands)	4,130	2,000			
Amounts in accordance with US GAAP					
Working capital (liabilities)/assets	(12,082)	(19,742)	(39,183)	8,637	28,386
Total assets	85,688	91,755	43,173	13,423	36,650
Long term obligations/deferred credit	(6,559)	(39,388)		(43,640)	(41,519)
Capital stock (ordinary shares)	11,139	15,838	29,088	3,206	6,778
Total shareholders equity/(deficit)	25,090	(8,724)	(10,552)	(34,593)	(12,680)

Number of ordinary shares in issue (thousands)	76,764	9,838	17,940	37,632	77,549
Denomination of each ordinary share	£0.10	£1.00	£1.00	£0.05	£0.05
Number of £ 13% cumulative preference shares in issue (thousands)	4,130	2,000			

Table of Contents

Exchange Rates

We changed our functional currency on January 1, 2003 to US dollars to reflect the fact that the majority of our transactions, assets and liabilities were denominated in that currency. Consequently, all data provided in this annual report is in US dollars from 2003 and comparative information for prior years has been restated into US dollars. Under UK GAAP this restatement of all historical pound sterling amounts has been at an exchange rate of £1 to $1.6099, being the mid point rate on December 31, 2002. Under US GAAP the historical pound sterling amounts have been restated using the weighted average rate for the income statement and applicable closing rate for the balance sheet, including in the table above.

As some assets, liabilities and transactions are still denominated in pounds sterling the rate of exchange between pounds sterling and the US dollar, which is determined by supply and demand in the foreign exchange markets and affected by numerous factors, continues to impact our financial results. Fluctuations in the exchange rate between the US dollar and the pound sterling may affect any earnings or losses reported by us and the book value of our shareholders equity as expressed in US dollars and pounds sterling, and consequently may affect the market price for our ADSs.

The following table sets forth, for the periods indicated, the average of the noon buying rate on the last day of each month during the relevant period as announced by the Federal Reserve Bank of New York for pounds sterling expressed in US dollars per pound sterling:

Fiscal Period	Average Noon Buying Rate (US dollars/pound sterling)
12 months ended December 31, 2001	1.4543
12 months ended December 31, 2002	1.5093
12 months ended December 31, 2003	1.6450
12 months ended December 31, 2004	1.8356
12 months ended December 31, 2005	1.8204

The following table sets forth, for each of the last six months, the high and low noon buying rate during each month as announced by the Federal Reserve Bank of New York for pounds sterling expressed in US dollars per pound sterling:

Month	High Noon Buying Rate (US dollars/pound sterling)	Low Noon Buying Rate (US dollars/pound sterling)
September 2005	1.842	1.762
October 2005	1.7855	1.7484
November 2005	1.7755	1.7138
December 2005	1.774	1.7188
January 2006	1.7885	1.7404
February 2006	1.7807	1.7343

The noon buying rate as of March 29, 2006 was 1.7356 US dollars per pound sterling.

B. Capitalization And Indebtedness

Not applicable.

C. Reasons For The Offer And Use Of Proceeds

Not applicable.

Table of Contents

D. Risk Factors

RISK FACTORS

You should carefully consider the risks and the information about our business described below, together with all of the other information included in this annual report. You should not interpret the order in which these considerations are presented as an indication of their relative importance to you. The risks and uncertainties described below are not the only ones that we face. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also adversely affect our business. If any of the following risks and uncertainties develops into actual events, our business, financial condition and results of operations could be materially and adversely affected, and the trading price of our ADSs could decline.

We have a history of losses, and we may not be able to attain profitability in the foreseeable future.

We have not been profitable in four of the last five fiscal years. For the fiscal years ended December 31, 2001, 2002, 2003, 2004, and 2005 we reported (losses)/profits of approximately $(5.3) million, $(37.0) million, $(19.2) million, $4.0 million and ($18.7) million respectively under UK GAAP. Unless and until marketing approval is obtained from either the U.S. Food and Drug Administration (FDA) or European Medicines Evaluation Agency (EMEA) for our principal product, Miraxion[tm], or we are otherwise able to acquire rights to products that have received regulatory approval or are at an advanced stage of development and can be readily commercialized, we may not be able to generate revenues in future periods and we may not be able to attain profitability.

By February 2004, we had divested a majority of our assets. Although we subsequently acquired Amarin Neuroscience Limited (formerly Laxdale Limited) and its leased facility in Stirling, Scotland on October 8, 2004, we continue to have limited operations, assets and financial resources. As a result, we currently have no marketable products or other source of revenues. All of our current products, including Miraxion, our principal product, are in the development stage. The development of pharmaceutical products is a capital intensive business. Therefore, we expect to incur expenses without corresponding revenues at least until we are able to obtain regulatory approval and sell our future products in significant quantities. This may result in net operating losses, which will increase continuously until we can generate an acceptable level of revenues, which we may not be able to attain. Further, even if we do achieve operating revenues, there can be no assurance that such revenues will be sufficient to fund continuing operations. Therefore, we cannot predict with certainty whether we will ever be able to achieve profitability.

In addition to advancing our existing development pipeline, we also intend to acquire rights to additional products. However, we may not be successful in doing so. We may need to raise additional capital before we can acquire any products. There is also a risk that Miraxion or any other development stage products we may acquire will not be approved by the FDA or regulatory authorities in other countries on a timely basis or at all. The inability to obtain such approvals would adversely affect our ability to generate revenues.

The likelihood of success of our business plan must be considered in light of the problems, expenses, difficulties, complications and delays frequently encountered in connection with developing and expanding early stage businesses and the regulatory and competitive environment in which we operate.

Our historical financial results do not form an accurate basis for assessing our current business.

As a consequence of the divestiture of a majority of our business and assets during 2003 and early 2004 and our acquisition of Amarin Neuroscience in October 2004, our historical financial results do not form an accurate basis upon which investors should base an assessment of our business and prospects. Prior to such divestiture, our business was primarily the sale of marketable products in the United States, the out-licensing of our proprietary technologies,

and research and development activities. Following the acquisition of Amarin Neuroscience, we are now focused on the research, development and commercialization of novel drugs for the central nervous system (CNS). Accordingly, our historical financial results reflect a substantially different business from that currently being conducted.

Table of Contents

We may have to issue additional equity leading to shareholder dilution.

We are committed to issue equity to the former shareholders of Amarin Neuroscience upon the successful achievement of specified milestones for the Miraxion development program (subject to such shareholders right to choose cash payment in lieu of equity). Pursuant to the Amarin Neuroscience share purchase agreement, further success-related milestones will be payable as follows:

On receipt of marketing approval in the United States and Europe for the first indication of any product containing Amarin Neuroscience intellectual property, we must make an aggregate stock or cash payment (at the sole option of each of the sellers) of £7.5 million for each of the two potential market approvals (i.e., £15.0 million maximum); and

On receipt of a marketing approval in the United States and Europe for any other product using Amarin Neuroscience intellectual property or for a different indication of a previously approved product, we must make an aggregate stock or cash payment (at the sole option of each of the sellers) of GBP£5 million for each of the two potential market approvals (i.e., GBP£10 million maximum).

In connection with the completion of our May 2005 registered direct offering of Ordinary Shares, represented by American Depositary Shares, evidenced by American Depositary Receipts (ADRs), which raised gross proceeds of $17.78 million, investors in the offering were given the future investment right described below.

If, by March 15, 2006, the Company has not raised gross proceeds of at least $10.0 million (the Future Financing Amount) from (i) revenues from the licensing or partnering of the Company s intellectual property or proprietary information that are receivable prior to March 15, 2006, (ii) the issuance of Ordinary Shares at a price per Ordinary Share of at least $2.50 and/or (iii) funds received by the Company in connection with the exercise of outstanding warrants, then, at any time between March 15, 2006 and March 31, 2006, the original investors in the offering will have a pro rata right to make an equity investment in the Company at a price per Ordinary Share equal to the lower of (a) $1.75 and (b) 84% of the volume weighted average of closing prices of the ADRs on the Nasdaq Stock Market over the thirty trading days ending on March 15, 2006, in an amount up to the Future Financing Amount, less any amounts actually raised pursuant to clauses (i), (ii) and (iii) above. To the extent that any investor elects not to take part in such financing, the unallocated portion of the Future Financing Amount will be allocated on a pro rata basis among those investors who have elected to take part in the financings, until all of the Future Financing Amount has been allocated to investors that wish to take part in the financing. The Future Financing Amount shall be reduced on a dollar-for-dollar basis to the extent that the gross amount raised in the May Offering exceeds $15 million.

As the gross proceeds in the offering were $17.78 million, or $2.78 million in excess of $15 million, the Future Financing Amount of $10 million is reduced by $2.78 million to $7.22 million. As set out above, the $7.22 million can be reduced by earning fees from out licensing, issuing shares at a price of at least $2.50 and/or warrants exercises. In December 2005, Amarin closed a license agreement with Multicell generating an initial fee of $0.5m. In January 2006, Amarin issued shares at $2.50 generating proceeds of $2.1 million. In January and February 2006, Amarin issued 153,000 shares at an average price of $2.88 on the exercise of options generating proceeds of $441,000. These transactions reduce the Future Financing Amount to $4.18 million. Given that 84% of the volume weighted average of closing prices of the ADRs on the Nasdaq Stock Market over the thirty trading days ending on March 15, 2006 is greater than $1.75, the future investment right was priced at $1.75. As a result, it is expected that approximately 2,387,850 shares will be issued by March 31, 2006 on the exercise by investors of the future investment right

In connection with the completion of our December 2005 private placement of Ordinary Shares which raised gross proceeds of $26.4 million, investors in the offering were issued with 5-year warrants to purchase 9,135,034 at an exercise price of $1.43 per Ordinary Share.

We also have outstanding warrants to purchase 500,000 ordinary shares at an exercise price of $1.90 per share, which were originally acquired by Elan Corporation plc as part of a debt re-negotiation and were subsequently sold by Elan to Amarin Investment Holding Limited, an entity controlled by Mr. Thomas G. Lynch, our Chairman. We also have outstanding warrants to purchase 313,234 Ordinary Shares at an exercise price of $3.48 per share. As at 31 December 2005, we also have outstanding employee options to purchase 4,821,952 Ordinary Shares at an

Table of Contents

average price of $3.63 per share. Additionally, in pursuing our growth strategy we will either need to issue new equity as consideration for the acquisition of products, or to otherwise raise additional capital, in which case equity, convertible equity or debt instruments may be issued. The creation of new shares would lead to dilution of the value of the shares held by our current shareholder base.

If we cannot find additional capital resources, we will have difficulty in operating as a going concern and growing our business.

The Company forecasts having sufficient cash to fund our group operating activities into the fourth quarter of 2007. In addition, we intend to obtain additional funding through earning license fees from partnering our drug development pipeline and/or completing further equity-based financings. There is no assurance, however, that our efforts to obtain additional funding from these sources will be successful. If efforts are unsuccessful, there is substantial uncertainty as to whether we will be able to fund our operations on an ongoing basis. We may also require further funds in the future to implement our long-term growth strategy of acquiring additional development stage and/or marketable products, recruiting clinical, regulatory and sales and marketing personnel, and growing our business. Our ability to execute our business strategy and sustain our infrastructure at our current level will be impacted by whether or not we have sufficient funds. Depending on market conditions and our ability to maintain financial stability, we may not have access to additional funds on reasonable terms or at all. Any inability to obtain additional funds when needed would have a material adverse effect on our business and on our ability to operate on an ongoing basis.

We may be dependent upon the success of a limited range of products.

At present we are substantially reliant upon the success of our principal product, Miraxion. If development efforts for this product are not successful in either Huntington s disease (HD), depression, or any other indication or if approved by the FDA, if adequate demand for this product is not generated, our business will be materially and adversely affected. Although we intend to bring additional products forward from our research and development efforts and to acquire additional products, even if we are successful in doing so the range of products we will be able to commercialize may be limited. This could restrict our ability to respond to adverse business conditions. If we are not successful in developing Miraxion for HD, depression, or any other indication, or any future product, or if there is not adequate demand for any such product or the market for such product develops less rapidly than we anticipate, we may not have the ability to shift our resources to the development of alternative products. As a result, the limited range of products we intend to develop could constrain our ability to generate revenues and achieve profitability.

Our ability to generate revenues depends on obtaining regulatory approvals for Miraxion.

Miraxion, which is in phase III clinical development for HD, phase II clinical development for depressive disorders, and preclinical development for Parkinson s disease is currently our only product in late-stage development. In order to successfully commercialize Miraxion, we will be required to conduct all tests and clinical trials needed in order to meet regulatory requirements, to obtain applicable regulatory approvals, and to prosecute patent applications. The costs of developing and obtaining regulatory approvals for pharmaceutical products can be substantial. We are conducting two phase III clinical studies to support a possible new drug application, or NDA , for Miraxion for the treatment of HD. Statistical significance was not achieved in the entire study patient population in the first phase III study, however, a trend to significance was observed in the group that adhered to the protocol and significant results were observed in the sub-group of patients that had a genetic CAG number of less than 45. Our ability to commercialize Miraxion for this indication is dependent upon the success of these development efforts. If such clinical trials fail to produce satisfactory results, or if we are unable to maintain the financial and operational capability to complete these development efforts, we may be unable to generate revenues from Miraxion. Even if we obtain regulatory approvals, the timing or scope of any approvals may prohibit or reduce our ability to commercialize Miraxion successfully. For example, if the approval process takes too long we may miss market opportunities and give

other companies the ability to develop competing products. Additionally, the terms of any approvals may not have the scope or breadth needed for us to commercialize Miraxion successfully.

Table of Contents

We may not be successful in developing or marketing future products if we cannot meet extensive regulatory requirements of the FDA and other regulatory agencies for quality, safety and efficacy.

Our long-term strategy involves the development of products we may acquire from third parties. The success of these efforts is dependent in part upon the ability of the Company, its contractors, and its products to meet and to continue to meet regulatory requirements in the jurisdictions where we ultimately intend to sell such products. The development, manufacture and marketing of pharmaceutical products are subject to extensive regulation by governmental authorities in the United States, the European Union, Japan and elsewhere. In the United States, the FDA generally requires pre-clinical testing and clinical trials of each drug to establish its safety and efficacy and extensive pharmaceutical development to ensure its quality before its introduction into the market. Regulatory authorities in other jurisdictions impose similar requirements. The process of obtaining regulatory approvals is lengthy and expensive and the issuance of such approvals is uncertain. The commencement and rate of completion of clinical trials may be delayed by many factors, including:

- the inability to manufacture sufficient quantities of qualified materials under current good manufacturing practices for use in clinical trials;
- slower than expected rates of patient recruitment;
- the inability to observe patients adequately after treatment;
- changes in regulatory requirements for clinical trials;
- the lack of effectiveness during clinical trials;
- unforeseen safety issues;
- delay, suspension, or termination of a trial by the institutional review board responsible for overseeing the study at a particular study site; and
- government or regulatory delays or clinical holds requiring suspension or termination of a trial.

Even if we obtain positive results from early stage pre-clinical or clinical trials, we may not achieve the same success in future trials. Clinical trials that we conduct may not provide sufficient safety and effectiveness data to obtain the requisite regulatory approvals for product candidates. The failure of clinical trials to demonstrate safety and effectiveness for our desired indications could harm the development of that product candidate as well as other product candidates, and our business and results of operations would suffer.

Any approvals that are obtained may be limited in scope, or may be accompanied by burdensome post-approval study or other requirements. This could adversely affect our ability to earn revenues from the sale of such products. Even in circumstances where products are approved by a regulatory body for sale, the regulatory or legal requirements may change over time, or new safety or efficacy information may be identified concerning a product, which may lead to the withdrawal of a product from the market. Additionally, even after approval, a marketed drug and its manufacturer are subject to continual review. The discovery of previously unknown problems with a product or manufacturer may result in restrictions on such product or manufacturer, including withdrawal of the product from the market, which would have a negative impact on our potential revenue stream.

After approval, our products will be subject to extensive government regulation.

Once a product is approved, numerous post-approval requirements apply. Among other things, the holder of an approved NDA or other license is subject to periodic and other monitoring and reporting obligations enforced by the FDA and other regulatory bodies, including obligations to monitor and report adverse events and instances of the failure of a product to meet the specifications in the approved application. Application holders must also submit advertising and other promotional material to regulatory authorities and report on ongoing clinical trials.

Advertising and promotional materials must comply with FDA rules in addition to other potentially applicable federal and local laws in the United States and in other countries. In the United States, the distribution of product samples to physicians must comply with the requirements of the U.S. Prescription Drug Marketing Act. Manufacturing facilities remain subject to FDA inspection and must continue to adhere to the FDA s current good

Table of Contents

manufacturing practice requirements. Application holders must obtain FDA approval for product and manufacturing changes, depending on the nature of the change. Sales, marketing, and scientific/educational grant programs must also comply with the U.S.Medicare-Medicaid Anti-Fraud and Abuse Act, as amended, the U.S. False Claims Act, as amended and similar state laws. Pricing and rebate programs must comply with the U.S. Medicaid rebate requirements of the Omnibus Budget Reconciliation Act of 1990, as amended. If products are made available to authorized users of the U.S. Federal Supply Schedule of the General Services Administration, additional laws and requirements apply. All of these activities are also potentially subject to U.S. federal and state consumer protection and unfair competition laws. Similar requirements exist in all of these areas in other countries.

Depending on the circumstances, failure to meet these post-approval requirements can result in criminal prosecution, fines or other penalties, injunctions, recall or seizure of products, total or partial suspension of production, denial or withdrawal of pre-marketing product approvals, or refusal to allow us to enter into supply contracts, including government contracts. In addition, even if we comply with FDA and other requirements, new information regarding the safety or effectiveness of a product could lead the FDA to modify or withdraw a product approval. Adverse regulatory action, whether pre- or post-approval, can potentially lead to product liability claims and increase our product liability exposure. We must also compete against other products in qualifying for reimbursement under applicable third party payment and insurance programs.

Our future products may not be able to compete effectively against those of our competitors.

Competition in the pharmaceutical industry is intense and is expected to increase. If we are successful in completing the development of Miraxion, we may face competition to the extent other pharmaceutical companies are able to develop products for the treatment of Huntington s disease, depression or Parkinson s disease. Potential competitors in this market may include companies with greater resources and name recognition than us. Furthermore, to the extent we are able to acquire or develop additional marketable products in the future; such products will compete with a variety of other products within the United States or elsewhere, possibly including established drugs and major brand names. Competitive factors, including generic competition, could force us to lower prices or could result in reduced sales. In addition, new products developed by others could emerge as competitors to our future products. Products based on new technologies or new drugs could render our products obsolete or uneconomical.

Our potential competitors both in the United States and Europe may include large, well-established pharmaceutical companies, specialty pharmaceutical sales and marketing companies, and specialized neurology companies. In addition, we may compete with universities and other institutions involved in the development of technologies and products that may be competitive with ours. Many of our competitors will likely have greater resources than us, including financial, product development, marketing, personnel and other resources. Should a competitive product obtain marketing approval prior to Miraxion, this would significantly erode the projected revenue streams for such product.

The success of our future products will also depend in large part on the willingness of physicians to prescribe these products to their patients. Our future products may compete against products that have achieved broad recognition and acceptance among medical professionals. In order to achieve an acceptable level of subscriptions for our future products, we must be able to meet the needs of both the medical community and end users with respect to cost, efficacy and other factors.

Our supply of future products could be dependent upon relationships with manufacturers and key suppliers.

We have no in-house manufacturing capacity and, to the extent we are successful in completing the development of Miraxion and/or acquiring or developing other marketable products in the future, we will be obliged to rely upon contract manufacturers to produce our products. We may not be able to enter into manufacturing arrangements on

terms that are favorable to us. Moreover, if any future manufacturers should cease doing business with us or experience delays, shortages of supply or excessive demands on their capacity, we may not be able to obtain adequate quantities of product in a timely manner, or at all. Manufacturers are required to comply with current NDA commitments and Good Manufacturing Practices requirements enforced by the FDA, and similar

Table of Contents

requirements of other countries. The failure by a future manufacturer to comply with these requirements could affect its ability to provide us with product. Any manufacturing problem or the loss of a contract manufacturer could be disruptive to our operations and result in lost sales.

Additionally, we will be reliant on third parties to supply the raw materials needed to manufacture Miraxion and other potential products. Any reliance on suppliers may involve several risks, including a potential inability to obtain critical materials and reduced control over production costs, delivery schedules, reliability and quality. Any unanticipated disruption to future contract manufacture caused by problems at suppliers could delay shipment of products, increase our cost of goods sold and result in lost sales.

We may not be able to grow our business unless we can acquire and market or in-license new products.

We are pursuing a strategy of product acquisitions and in-licensing in order to supplement our own research and development activity. Our success in this regard will be dependent on our ability to identify other companies that are willing to sell or license product lines to us. We will be competing for these products with other parties, many of whom have substantially greater financial, marketing and sales resources. Even if suitable products are available, depending on competitive conditions we may not be able to acquire rights to additional products on acceptable terms, or at all. Our inability to acquire additional products or successfully introduce new products could have a material adverse effect on our business.

In order to commercialize our future products, we will need to establish a sales and marketing capability.

At present, we do not have any sales or marketing capability since all of our products are currently in the development stage. However, if we are successful in obtaining regulatory approval for Miraxion, we intend to directly commercialize this product in the U.S. market. Similarly, to the extent we execute our long-term strategy of expanding our portfolio by developing or acquiring additional marketable products, we intend to directly sell our neurology products in the United States. In order to market Miraxion and any other new products, we will need to add marketing and sales personnel who have expertise in the pharmaceuticals business. We must also develop the necessary supporting distribution channels. Although we believe we can build the required infrastructure, we may not be successful in doing so if we cannot attract personnel or generate sufficient capital to fund these efforts. Failure to establish a sales force and distribution network in the United States would have a material adverse effect on our ability to grow our business.

The planned expansion of our business may strain our resources.

Our strategy for growth includes potential acquisitions of new products for development and the introduction of these products to the market. Since we currently operate with limited resources, the addition of such new products could require a significant expansion of our operations, including the recruitment, hiring and training of additional personnel, particularly those with a clinical or regulatory background. Any failure to recruit necessary personnel could have a material adverse effect on our business. Additionally, the expansion of our operations and work force could create a strain on our financial and management resources and it may require us to add management personnel.

We may incur potential liabilities relating to discontinued operations or products.

In October 2003, we sold Gacell Holdings AB, the Swedish holding company of Amarin Development AB (ADAB), our Swedish drug development subsidiary, to Watson Pharmaceuticals, Inc. In February 2004, we sold our U.S. subsidiary, Amarin Pharmaceuticals Inc., and certain assets, to Valeant. In connection with these transactions, we provided a number of representations and warranties to Valeant and Watson regarding the respective businesses sold to them, and other matters, and we undertook to indemnify Valeant and Watson under certain circumstances for

breaches of such representations and warranties. We are not aware of any circumstances which could reasonably be expected to give rise to an indemnification obligation under our agreements with either

Table of Contents

Valeant or Watson. However, we cannot predict whether matters may arise in the future which were not known to us and which, under the terms of the relevant agreements, could give rise to a claim against us.

We will be dependent on patents, proprietary rights and confidentiality.

Because of the significant time and expense involved in developing new products and obtaining regulatory approvals, it is very important to obtain patent and trade secret protection for new technologies, products and processes. Our ability to successfully implement our business plan will depend in large part on our ability to:

acquire patented or patentable products and technologies;

obtain and maintain patent protection for our current and acquired products;

preserve any trade secrets relating to our current and future products; and

operate without infringing the proprietary rights of third parties.

Although we intend to make reasonable efforts to protect our current and future intellectual property rights and to ensure that any proprietary technology we acquire does not infringe the rights of other parties, we may not be able to ascertain the existence of all potentially conflicting claims. Therefore, there is a risk that third parties may make claims of infringement against our current or future products or technologies. In addition, third parties may be able to obtain patents that prevent the sale of our current or future products or require us to obtain a license and pay significant fees or royalties in order to continue selling such products.

We may in the future discover the existence of products that infringe upon patents that we own or that have been licensed to us. Although we intend to protect our trade secrets and proprietary know-how through confidentiality agreements with our manufacturers, employees and consultants, we may not be able to prevent our competitors from breaching these agreements or third parties from independently developing or learning of our trade secrets.

We anticipate that competitors may from time to time oppose our efforts to obtain patent protection for new technologies or to submit patented technologies for regulatory approvals. Competitors may seek to challenge patent applications or existing patents to delay the approval process, even if the challenge has little or no merit. Patent challenges are generally highly technical, time consuming and expensive to pursue. Were we to be subject to one or more patent challenges, that effort could consume substantial time and resources, with no assurances of success, even when holding an issued patent.

The loss of any key management or qualified personnel could disrupt our business.

We are highly dependent upon the efforts of our senior management. The loss of the services of one or more members of senior management could have a material adverse effect on us. As a small company with a streamlined management structure, the departure of any key person could have a significant impact and would be potentially disruptive to our business until such time as a suitable replacement is hired. Furthermore, because of the specialized nature of our business, as our business plan progresses we will be highly dependent upon our ability to attract and retain qualified scientific, technical and key management personnel. There is intense competition for qualified personnel in the areas of our activities. In this environment we may not be able to attract and retain the personnel necessary for the development of our business, particularly if we do not achieve profitability. The failure to recruit key scientific and technical personnel would be detrimental to our ability to implement our business plan.

We have entered into an employment agreement with our chief executive officer. The term of this agreement continues in full force and effect, subject to either party s right to terminate upon twelve months notice. Our officers and key employees, other than our chief executive officer, are not employed for any specified period and are not restricted from seeking employment elsewhere, subject only to giving appropriate notice to us.

We are subject to continuing potential product liability.

Although we disposed of the majority of our former products during 2003 and 2004, we remain subject to the potential risk of product liability claims relating to the manufacturing and marketing of our former products during

Table of Contents

the period prior to their divestiture. Any person who is injured as a result of using one of our former products during our period of ownership may have a product liability claim against us without having to prove that we were at fault. The potential for liability exists despite the fact that our former subsidiary, Amarin Pharmaceuticals Inc. (API), conducted all sales and marketing activities with respect to such product. Although we have not retained any liabilities of API in this regard, as the prior holder of ownership rights to such former products, third parties could seek to assert potential claims against us. Since we distributed and sold our products to a wide number of end users, the risk of such claims could be material. Product liability claims could also be brought by persons who took part in clinical trials involving our current or former development stage products. A successful claim brought against us could have a material adverse effect on our business.

We do not at present carry product liability insurance to cover any such risks. If we were to seek insurance coverage, we may not be able to maintain product liability coverage on acceptable terms if our claims experience results in high rates, or if product liability insurance otherwise becomes costlier or unavailable because of general economic, market or industry conditions. If we add significant products to our portfolio, we will require product liability coverage and may not be able to secure such coverage at reasonable rates or at all.

Amarin was responsible for the sales and marketing of Permax from May 2001 until February 2004. On May 17, 2001, Amarin acquired the U.S. sales and marketing rights to Permax from Elan. An affiliate of Elan had previously obtained the licensing rights to Permax from Eli Lilly and Company in 1993. Eli Lilly originally obtained approval for Permax on December 30, 1988 and has been responsible for the manufacture and supply of Permax since that date. On February 25, 2004 Amarin sold its U.S. subsidiary, Amarin Pharmaceuticals, Inc., including the rights to Permax, to Valeant Pharmaceuticals International.

In late 2002, Eli Lilly, as the holder of the NDA for Permax, received a recommendation from the FDA to consider making a change to the package insert for Permax based upon the very rare observation of cardiac valvulopathy in patients taking Permax. While Permax has not been definitely proven as the cause of this condition, similar reports have been notified in patients taking other ergot- derived pharmaceutical products, of which Permax is an example. In early 2003, Eli Lilly amended the package insert for Permax to reflect the risk of cardiac valvulopathy in patients taking Permax and also sent a letter to a number of doctors in the United States describing this potential risk. Causation is not established, but is thought to be consistent with other fibrotic side effects observed in Permax.

During 2005, five lawsuits alleging claims related to cardiac valvulopathy and Permax were pending in the United States. Eli Lilly, Elan, Valeant, and/or Amarin were defendants in these lawsuits. As of the present date, each of these cases has settled. Most of the details of these settlements are confidential.

One other lawsuit, which alleges claims related to compulsive gambling and Permax, remains pending in the United States. Amarin, Eli Lilly, Elan, and Valeant are defendants in this lawsuit, and are defending against the claims and allegations. This case is currently in the early stages of discovery. A similar lawsuit related to compulsive gambling and Permax is being threatened against Eli Lilly, Elan, and/or Valeant, and could possibly implicate Amarin.

The Company has reviewed the position and having taken external legal advice considers the potential risk of significant liability arising for Amarin from these legal actions to be remote. No provision is booked in the accounts at December 2005.

The price of our ADSs may be volatile.

The stock market has from time to time experienced significant price and volume fluctuations that may be unrelated to the operating performance of particular companies. In addition, the market prices of the securities of many pharmaceutical and medical technology companies have been especially volatile in the past, and this trend is expected

to continue in the future. Our ADSs may also be subject to volatility as a result of their limited trading market. We currently have approximately 78,935,000 ADSs outstanding. There is a risk that there may not be sufficient liquidity in the market to accommodate significant increases in selling activity or the sale of a large block of securities. Our ADSs have historically had limited trading volume, which may also result in volatility. During the twelve-month period ending February 28, 2006 the average daily trading volume for our ADSs was 135,847 shares.

Table of Contents

If our public float and the level of trading remain at limited levels over the long term, this could result in volatility and increase the risk that the market price of our ADSs may be affected by factors such as:

- the announcement of new products or technologies;
- innovation by us or our future competitors;
- developments or disputes concerning any future patent or proprietary rights;
- actual or potential medical results relating to our products or our competitors products;
- interim failures or setbacks in product development;
- regulatory developments in the United States, the European Union or other countries;
- currency exchange rate fluctuations; and
- period-to-period variations in our results of operations.

The rights of our shareholders may differ from the rights typically afforded to shareholders of a U.S. corporation.

We are incorporated under English law. The rights of holders of Ordinary Shares and, therefore, certain of the rights of holders of ADSs, are governed by English law, including the Companies Act 1985, (as amended), and by our memorandum and articles of association. These rights differ in certain respects from the rights of shareholders in typical U.S. corporations. The principal differences include the following:

- Under English law, each shareholder present at a meeting has only one vote unless a valid demand is made for a vote on a poll, in which each holder gets one vote per share owned. Under U.S. law, each shareholder typically is entitled to one vote per share at all meetings. Under English law, it is only on a poll that the number of shares determines the number of votes a holder may cast. You should be aware, however, that the voting rights of ADSs are also governed by the provisions of a deposit agreement with our depositary bank.

- Under English law, each shareholder generally has pre-emptive rights to subscribe on a proportionate basis to any issuance of shares. Under U.S. law, shareholders generally do not have pre-emptive rights unless specifically granted in the certificate of incorporation or otherwise.

- Under English law, certain matters require the approval of 75% of the shareholders, including amendments to the memorandum and articles of association. This may make it more difficult for us to complete corporate transactions deemed advisable by our board of directors. Under U.S. law, generally only majority shareholder approval is required to amend the certificate of incorporation or to approve other significant transactions.

- Under English law, shareholders may be required to disclose information regarding their equity interests upon our request, and the failure to provide the required information could result in the loss or restriction of rights attaching to the shares, including prohibitions on the transfer of the shares, as well as restrictions on dividends and other payments. Comparable provisions generally do not exist under U.S. law.

The quorum requirements for a shareholders meeting is a minimum of two persons present in person or by proxy. Under U.S. law, a majority of the shares eligible to vote must generally be present (in person or by proxy) at a shareholders meeting in order to constitute a quorum. The minimum number of shares required for a quorum can be reduced pursuant to a provision in a company s certificate of incorporation or bylaws, but typically not below one-third of the shares entitled to vote at the meeting.

U.S. shareholders may not be able to enforce civil liabilities against us.

A number of our directors and executive officers are non-residents of the United States, and all or a substantial portion of the assets of such persons are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or to enforce against them judgments obtained in U.S. courts predicated upon the civil liability provisions of the federal securities laws of the United States. We have been advised by our English solicitors that there is doubt as to the enforceability in England

Table of Contents

in original actions, or in actions for enforcement of judgments of U.S. courts, of civil liabilities to the extent predicated upon the federal securities laws of the United States.

Foreign currency fluctuations may affect our future financial results or cause us to incur losses.

We record our transactions and prepare our financial statements in U.S. dollars. Since our strategy involves the development of products for the U.S. market, a significant part of our clinical trial expenditures are denominated in U.S. dollars and we anticipate that the majority of our future revenues will be denominated in U.S. dollars. However, a significant portion of our costs are denominated in pounds sterling and euro as a result of our being engaged in activities in the United Kingdom and the European Union. As a consequence, the results reported in our financial statements are potentially subject to the impact of currency fluctuations between the U.S. dollar on the one hand, and pounds sterling and euro on the other hand. We are focused on development activities and do not anticipate generating on-going revenues in the short-term. Accordingly, we do not engage in significant currency hedging activities in order to restrict the risk of exchange rate fluctuations. However, if we should commence commercializing any products in the United States, changes in the relation of the U.S. dollar to the pound sterling and/or the euro may affect our revenues and operating margins. In general, we could incur losses if the U.S. dollar should become devalued relative to the pound sterling and/or the euro.

U.S. Holders of our Ordinary Shares or ADSs could be subject to material adverse tax consequences if we are considered a PFIC for U.S. federal income tax purposes.

There is a risk that we will be classified as a passive foreign investment company or PFIC for U.S. federal income tax purposes. Our status as a PFIC could result in a reduction in the after-tax return to U.S. Holders of our Ordinary Shares or ADSs and may cause a reduction in the value of such shares. We will be classified as a PFIC for any taxable year in which (i) 75% or more of our gross income is passive income or (ii) at least 50% of the average value of all our assets produce or are held for the production of passive income. For this purpose, passive income includes interest, gains from the sale of stock, and royalties that are not derived in the active conduct of a trade or business. Because we receive interest and may recognize gains from the sale of appreciated stock, there is a risk that we will be considered a PFIC under the income test described above. In addition, because of our cash position, there is a risk that we will be considered a PFIC under the asset test described above. While we believe that the PFIC rules were not intended to apply to companies such as us that focus on research, development and commercialization of drugs, no assurance can be given that the U.S. Internal Revenue Service or a U.S. court would determine that, based on the composition of our income and assets, we are not a PFIC currently or in the future. If we were classified as a PFIC, U.S. Holders of our Ordinary Shares or ADSs could be subject to greater U.S. income tax liability than might otherwise apply, imposition of U.S. income tax in advance of when tax would otherwise apply, and detailed tax filing requirements that would not otherwise apply. The PFIC rules are complex and you are urged to consult your own tax advisors regarding the possible application of the PFIC rules to you in your particular circumstances.

If we fail to comply with the terms of our licensing agreement with Scarista Limited, our licensor may terminate certain licenses to patent rights, causing us to lose valuable intellectual property assets.

Under the terms of a licensing agreement between Scarista Limited and Amarin Neuroscience, our exclusive license to certain valuable patent rights covering certain of our technologies may be terminated if we fail to meet various obligations to Scarista. Under the terms of this agreement we are obligated to meet certain performance obligations in respect of the clinical development and commercialization of Miraxion, payment of royalties, and filing, maintenance and prosecution of the covered patent rights. In particular, we are obligated to use our reasonable commercial efforts to pursue the completion of the Miraxion trials with a view to applying for an FDA approval for the indication of Huntington s disease in the USA. Under the terms of this agreement Scarista is entitled to terminate this agreement forthwith by notice in writing to the other if we commit a material breach of this Agreement and fail to remedy the

same within ninety (90) days after receipt of a written notice of the breach requiring remedy of the same. The performance of our obligations to Scarista will require increasing expenditures as the development of Miraxion continues. We cannot guarantee that we will be capable of raising the funds necessary to meet our obligations under this agreement to fulfill these licensing obligations.

Table of Contents

We do not currently have the capability to undertake manufacturing of any potential products.

We have not invested in manufacturing and have no manufacturing experience. We cannot assure you that we will successfully manufacture any product we may develop, either independently or under manufacturing arrangements, if any, with third party manufacturers. To the extent that we enter into contractual relationships with other companies to manufacture our products, if any, the success of those products may depend on the success of securing and maintaining contractual relationships with third party manufacturers (and any sub-contractors they engage).

We have secured supply of Miraxion through the expected launch period of the product. Our ability to meet commercial demand for Miraxion beyond this quantity would depend on our successfully obtaining a commitment for such supplies. We are currently in discussion with the existing and other manufacturers to meet this requirement. We cannot guarantee that we will be able to obtain a commitment from the existing contract manufacturer and/or to negotiate a second supply agreement with an alternate contract manufacturer to manufacture additional commercial supplies of Miraxion. If we were unable to do so, we would be unable to successfully commercialize Miraxion and our results of operations and prospects would be materially adversely affected.

We do not currently have the capability to undertake marketing, or sales of any potential products.

We have not invested in marketing or product sales resources. We cannot assure you that we will be able to acquire such resources. We cannot assure you that we will successfully market any product we may develop, either independently or under marketing arrangements, if any, with other companies. To the extent that we enter into contractual relationships with other companies to market our products, if any, the success of such products may depend on the success of securing and maintaining such contractual relationships the efforts of those other companies (and any sub-contractors they engage).

We have limited personnel to oversee out-sourced clinical testing and the regulatory approval process.

It is likely that we will also need to hire additional personnel skilled in the clinical testing and regulatory compliance process if we develop additional product candidates with commercial potential. We do not currently have the capability to conduct clinical testing in-house and do not currently have plans to develop such a capability. We out-source our clinical testing to contract research organizations. We currently have a limited number of employees and certain other outside consultants who oversee the contract research organizations involved in clinical testing of our compounds.

We cannot assure you that our limited oversight of the contract research organizations will suffice to avoid significant problems with the protocols and conduct of the clinical trials.

We depend on contract research organizations to conduct our pre-clinical and our clinical testing. We have engaged and intend to continue to engage third party contract research organizations, or CROs , and other third parties to help us develop our drug candidates. Although we have designed the clinical trials for drug candidates, the CROs will be conducting all of our clinical trials. As a result, many important aspects of our drug development programs have been and will continue to be outside of our direct control. In addition, the CROs may not perform all of their obligations under arrangements with us. If the CROs do not perform clinical trials in a satisfactory manner or breach their obligations to us, the development and commercialization of any drug candidate may be delayed or precluded. We cannot control the amount and timing of resources these CROs devote to our programs or product candidates. The failure of any of these CROs to comply with any governmental regulations would substantially harm our development and marketing efforts and delay or prevent regulatory approval of our drug candidates. If we are unable to rely on clinical data collected by others, we could be required to repeat, extend the duration of, or increase the size of our clinical trials and this could significantly delay commercialization and require significantly greater expenditures.

Table of Contents

Despite the use of confidentiality agreements and/or proprietary rights agreements, which themselves may be of limited effectiveness, it may be difficult for us to protect our trade secrets.

We rely on trade secrets to protect technology in cases when we believe patent protection is not appropriate or obtainable. However, trade secrets are difficult to protect. While we require certain of our academic collaborators, contractors and consultants to enter into confidentiality agreements, we may not be able to adequately protect our trade secrets or other proprietary information.

Potential technological changes in our field of business create considerable uncertainty.

We are engaged in the biopharmaceutical field, which is characterized by extensive research efforts and rapid technological progress. New developments in research are expected to continue at a rapid pace in both industry and academia. We cannot assure you that research and discoveries by others will not render some or all of our programs or product candidates uncompetitive or obsolete.

Our business strategy is based in part upon new and unproven technologies to the development of biopharmaceutical products for the treatment of Huntington s disease and other neurological disorders. We cannot assure you that unforeseen problems will not develop with these technologies or applications or that commercially feasible products will ultimately be developed by us.

Third-Party Reimbursement and Health Care Cost Containment Initiatives and Treatment Guidelines May Constrain Our Future Revenues.

Our ability to market successfully our existing and future new products will depend in part on the level of reimbursement that government health administration authorities, private health coverage insurers and other organizations provide for the cost of our products and related treatments. Countries in which our products are sold through reimbursement schemes under national health insurance programs frequently require that manufacturers and sellers of pharmaceutical products obtain governmental approval of initial prices and any subsequent price increases. In certain countries, including the United States, government-funded and private medical care plans can exert significant indirect pressure on prices. We may not be able to sell our products profitably if adequate prices are not approved or reimbursement is unavailable or limited in scope. Increasingly, third-party payers attempt to contain health care costs in ways that are likely to impact our development of products including:

- failing to approve or challenging the prices charged for health care products;
- introducing reimportation schemes from lower priced jurisdictions;
- limiting both coverage and the amount of reimbursement for new therapeutic products;
- denying or limiting coverage for products that are approved by the regulatory agencies but are considered to be experimental or investigational by third-party payers;
- refusing to provide coverage when an approved product is used in a way that has not received regulatory marketing approval; and
- refusing to provide coverage when an approved product is not appraised favorably by the National Institute for Clinical Excellence in the UK, or similar agencies in other countries.

We are undergoing significant reorganizational change. Failure to manage disruption to the business or the loss of key personnel could have an adverse effect on our business.

As part of our reorganization, we are making significant changes to both our management structure and the locations from which we operate. As a result of this, in the short term, morale may be lowered and key employees may decide to leave, or may be distracted from their usual role. This could result in delays in development projects, failure to achieve managerial targets or other disruption to the business. The benefits of the reorganisation are expected to be a significant improvement in operating effectiveness and substantial cost savings.

Table of Contents

Item 4 Information on the Company

A. History and Development of the Company

Amarin Corporation plc (formerly Ethical Holdings plc) was incorporated in England as a private limited company on March 1, 1989 under the Companies Act 1985, a statute governing companies in Great Britain, (the Companies Act), and re-registered in England as a public limited company on March 19, 1993. Our registered office and our principal executive offices are located at 7 Curzon Street, London W1J 5HG, England, and our telephone number is +44-20-7499-9009.

During the period from May 2001 up to February 2004 we had a U.S sales and marketing subsidiary, Amarin Pharmaceuticals, Inc. (API), that generated revenues though the sale of a number of FDA approved pharmaceutical products. Following, the sale of API and a majority of our U.S products to Valeant in February, 2004 and the acquisition of the entire issued share capital of Laxdale Limited in October 2004, the Company is now a neuroscience company focused on the research, development and commercialization of novel drugs for the treatment of central nervous system disorders.

Principal Divestments Sale of API and Settlement of Obligations to Elan, Sale of ADAB

In 2003 and early 2004, our former US operations were incurring substantial operating losses due to the introduction of generic competition to Permax in December 2002. Also, in early 2004, we were faced with debt of $31.5 million due on demand to Elan. In February 2004 we sold our U.S. based subsidiary, Amarin Pharmaceuticals, Inc. and a majority of our U.S. products for a purchase price of approximately $46 million, including $8 million in milestone payments, to Valeant Pharmaceuticals International (Valeant). In addition, Valeant assumed certain other outstanding liabilities, including Amarin s obligation to make a milestone payment to Elan of $10 million, if sales of Zelapar reach a certain level. Under the terms of the transaction, Valeant made an initial payment of $38 million to us for our interest in Amarin Pharmaceuticals Inc. along with the rights to Amarin s product portfolio, which included Permax®, a product indicated for the adjunct treatment of Parkinson s disease; a primary care product portfolio with a broad range of indications and Zelapar™, an in-licensed, late-stage development product for the adjunct treatment of Parkinson s disease, which had received an approvable letter from the FDA.

Simultaneously with the sale to Valeant we reached a full and final agreement with Elan regarding the settlement of our renegotiated outstanding financial obligations. Under the terms of this agreement we paid Elan approximately $17.2 million in cash on closing of the Valeant transaction, plus a further payment of $1 million on the successful completion of the Zelapar safety trials. We also issued a $5 million 5-year loan note to Elan with capital repayment of $1.5 million in January 2006, $1.5 million in July 2007 and $2 million in January 2009. The loan note was also pre-payable by us at any time, subject to a prepayment fee of $250,000, and carried an interest rate of 8% per annum. Additionally we issued 500,000 warrants to Elan priced at the average market closing price for our Ordinary Shares for the 30-day period prior to closing, being $1.90.

We closed the Valeant transaction on February 25, 2004. As a result of the asset sale to Valeant, we realized net proceeds of approximately $6 million after accounting for financial obligations to Valeant in connection with the sale transaction, payments to Elan in connection with the debt settlement, and professional fees and other third party costs relating to the transaction.

In October 2003, we sold Gacell Holdings AB, the Swedish holding company of Amarin Development AB (ADAB), our Swedish drug development subsidiary, to Watson Pharmaceuticals, Inc., for approximately $15 million in cash.

Purchase of Debt and Equity Interest in Amarin by Chairman

On September 30, 2004 Amarin Investment Holding Limited (AIHL), an entity controlled by our Chairman, Mr. Thomas Lynch, declared an interest to Amarin in the following securities in Amarin following their purchase from Elan Corporation plc and its affiliated companies:

4,653,819 ADSs;

Warrants to subscribe for 500,000 Ordinary Shares at an exercise price of US$1.90 per share; and

Table of Contents

US$5 million in aggregate principal amount of Secured Loan Notes due 2009, issued pursuant to a loan note instrument dated February 25, 2004.

2004 Equity Financing

On October 7, 2004:

we completed a private placement of 13,474,945 ordinary shares to accredited investors consisting of new and existing shareholders and management. Gross proceeds to the Company were $12.775 million. The purchase price was $0.947 per share based on the average closing price of our ADSs on the Nasdaq SmallCap Market for the ten trading days ended October 6, 2004; however, management investors paid a purchase price of $1.104 per share based on the average closing price of our ADSs on the Nasdaq SmallCap Market for the five trading days ended October 6, 2004. All of the shares issued in such private placement have been registered pursuant to a Registration Statement on Form F-3 that was declared effective by the Securities and Exchange Commission in January 2005; and

AIHL redeemed $3 million of the $5 million in principal amount of loan notes acquired by it and subscribed for ordinary shares of Amarin at a price of $1.104 per share. The remaining $2 million in principal amount of the loan notes was payable in January 2009, and interest thereon accrued at the rate of 8% per annum and payable on a semi-annual basis. However, this remaining $2 million was redeemed in May 2005 see 2005 Equity Financings below.

Principal Capital Investments Laxdale Acquisition

Having completed the sale of API and retained the U.S. sales and marketing rights to Miraxion for Huntington s disease, we were still dependent on our research and development partner, Laxdale, to successfully manage the development and regulatory processes for Miraxion. In addition, in the event of Miraxion s approval in the U.S. for Huntington s disease we would have been obliged to pay Laxdale a royalty of 40-45% of net sales.

Thus, in October 2004, we acquired Laxdale, our neuroscience research and development partner and the originator of Miraxion. The purchase price for the acquisition of Laxdale comprised an initial consideration of 3.5 million ADSs representing 3.5 million ordinary shares of 5p each in the capital of Amarin and certain success based milestone payments described below, payable on a pro rata basis to the shareholders of Laxdale. As a result of this transaction Laxdale has become a wholly owned subsidiary of Amarin. Accordingly, Amarin assumed Laxdale s outstanding net liabilities in the amount of approximately GBP£1.2 million ($2.2 million), which included debt obligations in the amount of GBP£1 million ($1.8 million) to Amarin. We changed the corporate name of Laxdale to Amarin Neuroscience Limited on December 24, 2004.

Pursuant to the Laxdale share purchase agreement further success-related milestones are payable as follows:

On receipt of a marketing approval in each of the U.S. and/or Europe for the first indication of any product containing Laxdale intellectual property, we must make a stock or cash payment (at the sole option of each of the sellers) of GBP£7.5 million for each of such two potential market approvals (i.e. GBP£15.0 million maximum); and

On receipt of a marketing approval in each of the U.S. and/or Europe for any other product using Laxdale intellectual property or for a different indication of a previously approved product, we must make a stock or

cash payment (at the sole option of each of the sellers) of GBP£5 million for each of such two potential market approvals (i.e. GBP£10 million maximum);

We believe the acquisition of Laxdale had a number of significant benefits to Amarin including:

Expanding Amarin s rights to Miraxion. Previously, Amarin had an exclusive licence from Laxdale for the U.S rights to Miraxion for Huntington s disease only. The acquisition gives Amarin North American, European Union and Japanese rights to Miraxion for Huntington s disease and a number of other CNS indications (including depression and Parkinson s disease);

Table of Contents

Eliminating a 40-45% royalty on US sales of Miraxion for Huntington s disease previously payable to Laxdale as licensor. Total third party royalties now payable by Amarin on Miraxion for Huntington s disease were reduced to 6% (consisting of 5% payable to Scarista Limited and 0.5% payable to each of Dr. Malcolm Peet and Dr. Krishna Vaddadi);

Providing Amarin with control of the clinical development and regulatory process in the U.S and European Union for Miraxion, rather than being dependent on Laxdale as an independent partner;

Adding a pipeline of CNS research and development programs and an extensive lipophillic and combinatorial lipid technology platform;

Providing Amarin with an extensive portfolio of intellectual property covering both its development pipeline and its technology platform; and

Bringing Amarin sales and marketing partners for HD in each of the major European markets and a partner for the Japanese market.

Pursuant to the Laxdale share purchase agreement, we have agreed to use reasonable commercial efforts to (i) continue the phase III trials for Miraxion in Huntington s disease and, upon successful completion thereof, pursue FDA approval for such indication, (ii) pursue approval of Miraxion in Europe for the treatment of Huntington s disease, and (iii) conduct development activities and pursue U.S. and European approvals for indications other than Huntington s disease. Reasonable commercial efforts are defined in the share purchase agreement as efforts consistent with industry practice for the development of products of similar performance and potential. However, we are not required to pursue development efforts for Huntington s disease or other indications if our board of directors reasonably determines in good faith that it is not commercially or scientifically viable to do so or that it is not appropriate to continue development due to patient safety concerns.

In conjunction with our acquisition of Laxdale, Laxdale has entered into re-negotiated cross-licensing agreements with Scarista Limited which provide Laxdale with rights to specified intellectual property covering the United States, Canada, the European Union and Japan. Scarista has granted a license to Laxdale pursuant to which Laxdale has the exclusive right to market, sell and distribute products utilizing certain of Scarista s intellectual property (including intellectual property for the use of Miraxion in depressive disorders) within a field of use encompassing all psychiatric and central nervous system disorders, and within the territories of the United States, Canada, the European Union and Japan. As part of such re-negotiation Scarista is entitled to receive reduced royalty payments of 5% on all net sales by Laxdale of products utilizing such Scarista intellectual property and certain of Laxdale s intellectual property (which intellectual property had been transferred to Laxdale by Scarista in March, 2000). In consideration of Scarista entering into these agreements and the reduction of Scarista s royalty from 15% to 5%, Laxdale has paid a signing fee of £500,000 ($891,000) to Scarista. The Scarista intellectual property licensed to Laxdale is material to our development efforts with respect to Miraxion.

In addition, Laxdale has granted a license to Scarista pursuant to which Scarista has the exclusive right to market, sell and distribute products utilizing certain of Laxdale s intellectual property (including intellectual property for the use of Miraxion in Huntington s disease) within a field of use encompassing all psychiatric and central nervous system disorders, and on a worldwide basis in all territories other than the United States, Canada, the European Union and Japan. Laxdale is entitled to receive royalty payments of 5% on all net sales by Scarista or its licensees of products utilizing such Laxdale intellectual property. Under each of these license agreements royalties are payable until the latest to occur of (i) the expiration of the last patent relating to any product using the licensed technology, (ii) the

expiration of regulatory exclusivity with respect to any product using the licensed technology; or (iii) the date on which the licensed technology ceases to be secret and substantial in a given territory. Upon the termination of royalty payment obligations with respect to any product, the licensee will thereafter have a fully paid up, royalty free, non-exclusive license to continue using the licensed technology in respect of such product.

Miraxion has been partnered for Huntington s disease in the majority of the major European Union markets. Additionally, Laxdale has licensed out the right to develop, use and sell products incorporating certain of its intellectual property in Japan for the treatment of certain central nervous system disorders (including Huntington s disease, schizophrenia and depression).

Table of Contents

Current Business

The sale of our U.S.-based subsidiary, Amarin Pharmaceuticals, Inc. and a majority of our U.S products to Valeant in February, 2004 and the acquisition of the entire issued share capital of Laxdale Limited in October 2004 have refocused the nature of the Company s business to a neuroscience company focused on the research, development and commercialization of novel drugs for the treatment of central nervous system disorders.

Development Pipeline

During 2005, Amarin made significant progress with its development pipeline. In the first quarter, we announced positive data analysis from three clinical studies that indicated that Miraxion showed a significant benefit for those depression patients with melancholic features. As a result of this data, Amarin intends to further evaluate Miraxion in depression and is seeking a development and marketing partner to accelerate this program. See Item 4B Business Overview Miraxion for Depressive Disorders.

In September, 2005 Amarin reached an agreement with the U.S. Food and Drug Administration (FDA) under the Special Protocol Assessment (SPA) procedure for the design of two pivotal phase III clinical trials of Miraxion in Huntington s disease. The Special Protocol Assessment (SPA) is a process under which the FDA provides evaluation and guidance on clinical trial protocols for phase III trials. The US phase III trial commenced recruitment in September and the EU phase III trial in December 2005. See Item 4B Business Overview Miraxion for Huntington s disease.

Shortly after the year end, Amarin also announced preliminary results from pre-clinical studies indicating that Miraxion has neuroprotective effects in Parkinson s disease. See Item 4B Business Overview Miraxion for Parkinson s Disease.

In addition, in December, Amarin licensed exclusive worldwide rights to MCT-125 (formerly LAX 202), our phase II program in Multiple Sclerosis, to Multicell Technologies, Inc (Multicell). See Item 4B Business Overview MCT 125.

2005 Equity Financings

In May, 2005, we accepted subscriptions of $17.8 million from institutional and other accredited investors, including certain directors and executive officers of Amarin, for 13.7 million American Depositary Shares in a registered direct offering at a purchase price of $1.30 per share. Directors and executive officers of Amarin purchased an aggregate of 3.5 million shares in the offering, inclusive of the 1.5 million shares issued on redemption of the loan notes, representing a total investment of approximately $4.5 million. On closing of this transaction AIHL redeemed the remaining $2 million in principal amount of its 8% loan notes issued by Amarin and used the proceeds of the redemption together with a further $250,000 to subscribe for shares in this offering. At closing of this offering, following the redemption of the $2 million in aggregate principal of loan notes, Amarin had no debt other than working capital liabilities.

In December, 2005, Amarin entered into definitive purchase agreements for a private equity placement, consisting of ordinary share and warrants, resulting in gross proceeds of $26.4 million. In accordance with the terms of the financing, Amarin sold approximately 26.1 million Ordinary Shares at $1.01 per share and issued warrants to purchase approximately 9.1 million ADSs at an exercise price of $1.43 per share. Investors in this private placement included Southpoint Capital Advisors LP, Biotechnology Value Fund LP, Fort Mason Capital LP, Domain Public Equity Partners LP and other new and existing institutional and accredited investors, including certain directors and executive officers of Amarin. This successful financing provides Amarin with sufficient funding to complete the US and

European Huntington s disease phase III trials currently in progress with our lead product Miraxion, which are due to complete in late 2006 or early 2007.

Table of Contents

B. Business Overview

Our Business

Amarin is a neuroscience company focused on the research, development and commercialization of novel drugs for the treatment of central nervous system disorders. Amarin s leading pipeline product, Miraxion is in phase III development for Huntington s disease (HD), in phase II development for depressive disorders and preclinical development for Parkinson s disease. Miraxion has been granted fast track designation by the U.S Food and Drug Administration (FDA) for HD and has received orphan drug designation in the U.S and Europe. Amarin is listed on the Nasdaq Capital Market (ticker: AMRN) and has headquarters in London.

Amarin s goal is to capitalize on its reputation in neurology and to become a leader in the development and commercialization of novel drugs which address unmet medical needs. We intend to directly commercialize our neurology products in the U.S. and out-license or partner our product rights in Europe and Japan. We also intend to out-license or partner our pipeline globally for indications outside neurology, including depressive disorders.

Amarin anticipates that future revenues will comprise (i) direct product sales in the U.S. from self-marketed neurology products; and (ii) milestones and royalty income from its development and marketing partners for markets outside the U.S. and for indications other than in the field of neurology.

Amarin also intends to leverage its development capabilities by supplementing its internal development pipeline through acquiring and/or in-licensing products that it can develop or market directly itself in the U.S.

Therapeutic Focus

Neurology is a therapeutic area with significant unmet needs, comprising diseases and disorders such as HD, Parkinson s disease, ALS, ataxias, dystonias, Alzheimer s, impaired cognition, epilepsy and multiple sclerosis. With approximately 7,200 neurologists across the U.S., one thousand of whom are movement disorder specialists, effective marketing can be conducted with a sales force of modest size. Amarin has been focused in neurology for over five years and, having previously operated a neurology sales and marketing infrastructure in the U.S., we believe has an established presence and reputation in this field.

Lipophilic Technology Platform

Amarin is using a novel, proprietary technology platform based on an understanding of the chemical nature of the brain. Unlike most organs, the brain is 60% fat (phospholipid) and only 30% protein. In general, just as oil and water do not mix, most drugs which easily dissolve in water do not readily penetrate the brain. Amarin s lipophilic drugs are predominantly fat-soluble and may therefore more easily cross the blood brain barrier.

Most current drugs for treating neurological and psychiatric disorders have mechanisms of action targeting receptors (surface proteins embedded in the phospholipid membranes) or neurotransmitters in the brain. Amarin s novel proprietary technology targets the bio-chemical imbalances in the phospholipids themselves and also influences other fatty acid and eicosanoid pathways. Amarin s first lipophilic product, Miraxion, is in clinical development for Huntington s disease and depressive disorders and is in preclinical development for Parkinson s disease.

Combinatorial Lipid Technology Platform

Combinatorial lipid chemistry offers a novel approach to improving the therapeutic effects and delivery characteristics of both known and novel compounds. Amarin studies the use of different types of chemical linkage to attach a range

of bioactive lipids either to other lipids or other drugs. The results are novel single chemical entities with predictable properties, potentially offering substantial and clinically relevant advantages over either compound alone. Amarin intends to select at least one lead candidate for further pre-clinical testing in 2006.

Table of Contents

Development Pipeline

The following table summarizes the status of our development pipeline:

Program	Indication	Status	Partners
Lipophilic Platform			
Miraxion	Huntington s Disease	phase III	Scil Biomedical GmbH (Germany, Austria, France, Benelux) Juste S.A.Q.F. (Spain, Portugal) Link Pharmaceuticals Ltd (UK, Ireland)
Miraxion	Depressive Disorders	phase II	Partner discussions on-going
Miraxion	Parkinson s Disease	pre-clinical	
Combinatorial Lipid Platform			
Various	CNS Disorders	pre-clinical	
LAX-200 Series			
LAX-201	Major Depression in Women	phase II	Seeking Partner
MCT-125	Multiple Sclerosis Fatigue	phase II	Multicell Technologies, Inc.(worldwide)

Additionally, we have assumed from Laxdale a license agreement with a marketing partner in Japan to develop, use, offer to sell, sell and distribute products in Japan utilizing certain of our intellectual property in the pharmaceutical fields of Huntington s disease, depression, schizophrenia, dementia and other CNS indications.

Miraxion

Miraxion is a semi-synthetic, highly purified derivative of (all-cis)-5,8,11,14,17-eicosapentaenoic acid (Ethyl-EPA). The mechanism of action of Miraxion and its metabolites is believed to involve stabilization of cell membranes and of mitochondrial integrity of suffering neurons, thereby preventing or slowing progression from neuronal dysfunction to apoptosis. It is also known to have neuro-anti-inflammatory effects.

Miraxion for Huntington s disease

Miraxion has been granted fast track designation by the FDA for HD and has received orphan drug designation in the U.S. and Europe. Fast track status generally sets the FDA s review-time goal for the filed New Drug Application (NDA) at six months, which is faster than the typical review period for most non-fast track drugs. Fast track status does not however guarantee a specific review time or a pre-determined outcome. Orphan drugs are those that treat rare diseases or conditions, and if approved receive marketing exclusivity of seven years in the U.S. and up to ten years in Europe. However, orphan drug exclusivity does not bar competitors from developing products containing the same active molecule for different applications or other active molecules for the same indication. In addition, the same molecule can be separately developed and approved within such special exclusivity period for the same indication if it is offered in a form that is shown to be clinically superior to Miraxion or if the Company is unable to supply sufficient quantities of Miraxion. Orphan drug status does not confer patent rights upon the holder, nor does it provide an

exemption from claims of infringement of patents which may be held by third parties.

HD is a genetic neurodegenerative disease characterized by movement disorder, dementia and psychiatric disturbance. It has been diagnosed in approximately 30,000 patients in the U.S. and a similar number in Europe. Additionally, over 200,000 people in the U.S. alone are genetically at risk of developing the disease. Onset of symptoms is typically between 30-50 years of age with a typical life expectancy from diagnosis of 10-25 years. Patients with late stage disease require continuous nursing care, often in nursing homes, with an estimated annual cost to the U.S. economy of up to $2.5 billion. Presently, there is no effective treatment or cure. The potential HD market for a therapeutic in North America and Europe is estimated to be greater than $500 million per year.

Table of Contents

Following positive results in phase II studies for Miraxion, Laxdale conducted a 135 patient phase III double-blind placebo-controlled study. Statistical significance was not achieved in the entire patient population in this study. However, in those patients that complied with the protocol (per protocol), a trend to statistical significance was observed.

Amarin had pre-specified in the protocol of the phase III trial that it would examine the response of HD patients to Miraxion based on their genetic makeup. Huntington s disease is believed to be caused by a genetic mutation of cytosine, adenosine and guanine (CAG) polymorphic trinucleotide repeats. It is believed that there is a direct link between CAG repeat length and age of onset, disease progression and the clinical symptoms of Huntington s disease. CAG repeat length can be measured by a genetic blood test. The further analysis of the clinical data from the phase III study found that the group of patients with a CAG repeat length of less than or equal to 44 receiving Miraxion showed a statistically significant improvement over those patients receiving placebo.

The trial was conducted across six centres. An analysis of the data on a centre by centre basis illustrated that Miraxion s effectiveness in the group of patients with a CAG repeat length less than or equal to 44 was consistent across centres, i.e. Miraxion worked better in patients with a CAG repeat length less than or equal to 44 than in patients with a CAG repeat length greater than 44 and that Miraxion worked better than placebo in patients with CAG repeat length less than or equal to 44. In total, 67 of the 135 patients in the initial phase III study had this specific gene variant. It is estimated that patients with a CAG repeat length of less than or equal to 44 represent approximately 70% of all Huntington s disease patients.

Based on the data in this genetic sub-group Amarin planned further phase III clinical trials in the U.S. and Europe and these have now commenced. The U.S. and European trials are multi-centre, randomized, double blind, placebo controlled studies at 43 sites in the U.S. and up to 33 sites in Europe. The trials are expected to involve a total of up to 540 Huntington s disease patients with approximately 300 in the U.S. phase III clinical trial and approximately 240 in the European phase III clinical trial over a 6 month period. The clinical trials are being conducted under a Special Protocol Assessment (SPA) procedure that was granted by the FDA in September 2005. The SPA is a process under which the FDA evaluates and provides specific guidance on pivotal clinical trial protocols for phase III trials.

The Huntington Study Group (HSG), based at the University of Rochester, is conducting the U.S. clinical trial on behalf of Amarin. The HSG is a non-profit group of physicians and other health care providers from medical centres in the U.S., Canada, Europe and Australia, experienced in the care of Huntington s disease patients and dedicated to clinical research of Huntington s disease. The European clinical trial is being conducted in collaboration with EURO-HD and Icon, a leading contract research organization (CRO). EURO-HD is a non-profit group of physicians and other healthcare professionals dedicated to the research and care of Huntington s disease patients.

The important lessons learned from the initial phase III trial all have been incorporated into the design and conduct of the two phase III trials currently underway, including:

Sub-group of potential responders to Miraxion identified; i.e. those patients with a CAG repeat length of less than or equal to 44 (representing approximately 70% of the HD patient population). Patient entry criteria are designed to ensure the vast majority of patients in the trial will be those previously identified as potential responders.

The importance of protocol compliance:

The two studies underway will be conducted across over 70 centres compared to only 6 centres in the initial study. This will make it easier for patients to make their monitoring meetings within the timeframe set out in

the protocol and significantly reduces the number of patients per centre for the trials;

Patients will be evaluated and monitored more frequently in the current trial; and

In the U.S. study, patients who complete the 6-month blinded phase will have the opportunity to enter a 6 month extension of the study where all patients will take Miraxion and be assessed further at the 12-month time-point. In addition to providing further data, the 6-month extension is aimed to improve the speed of recruitment and to encourage those in the trial who feel they may be on placebo to complete the initial 6 month trial period.

Table of Contents

The size of the studies has been substantially increased. The initial phase III trial had an ITT group of 135 patients and a per protocol group of 83. The current trials plan to recruit 300 patients in the U.S. and 240 patients in Europe.

Extensive feedback obtained from FDA and EMEA.

The importance of engaging the world leaders in treating and studying HD by contracting with HSG to conduct the U.S. phase III trial and by collaborating with EURO-HD in conducting the European phase III trial.

Miraxion has a strong safety profile. Over the course of the initial one year phase III trial, only one patient of 135 dropped out because of a treatment related side effect (gastrointestinal upset) and all but one patient who completed the trial opted to continue in an open label study for a second year.

Miraxion for Depressive Disorders

Clinical depression is one of the most common mental illnesses, affecting more than 19 million people in the U.S. alone each year. U.S. sales of antidepressants approximate $14 billion annually. However, about one third of patients with depression still fail to respond to standard drugs and another third show only partial response. More than half of Americans affected by a depressive disorder suffer from major depressive disorder (MDD), with the remainder suffering from dysthymic disorder (chronic mild depression).

Melancholic depression represents one of two subtypes of MDD recognized by the *Diagnostic and Statistical Manual of Mental Disorders (DSM-IV)*, the main diagnostic reference of mental health professionals in the U.S. (published by the American Psychiatric Association, Washington D.C.). While considered one of the most severe forms of the disease, it is by no means uncommon and is a widely accepted diagnosis. In fact, nearly one-quarter of patients with MDD exhibit melancholic features. Melancholic depression is currently treated similarly to MDD.

In total six phase IIa placebo-controlled studies have been conducted with Miraxion in depressive disorders, with each showing a benefit in favor of Miraxion. Three of the studies were investigator-lead with each showing a statistically significant benefit for Miraxion in the primary outcome. Two published phase IIa placebo controlled clinical trials have been conducted with Miraxion in treatment-unresponsive depression that concluded with statistical significance that Miraxion was effective in treating depression in patients who remained depressed despite receiving standard therapy. The results of these trials were published in the Archives of General Psychiatry in October 2002 (volume 59, Peet & Horrobin) and the American Journal of Psychiatry in March 2002 (volume 159, Belmaker).

A further program of data analysis was carried out on three Laxdale led studies. The data analysis indicated that Miraxion showed a significant clinical benefit in each of the three studies for those depression patients with melancholic characteristics. This sub-group of melancholic depression patients was defined by using select criteria from DSM-IV. As a result of these data, Amarin intends to further evaluate the clinical benefits of Miraxion in depression and intends to seek a development and marketing partner to accelerate this program.

There is currently no approved treatment specifically indicated for melancholic depression and nothing as far advanced in clinical studies as Miraxion, so far as the Company is aware. Thus, should Miraxion receive approval, it could become the first and only treatment for specifically melancholic depression. Given its favorable safety profile and potential efficacy in the most severe patient population, Miraxion may also be appropriate for study outside the melancholic subset of the broader MDD population.

Miraxion for Parkinson s Disease

Parkinson s disease (PD) is a progressive neurodegenerative disorder affecting approximately 1 million patients in the U.S. where the market for PD drug treatments in 2004 was approximately $600 million. The main pathological characteristic of PD is the loss of pigmented dopamine-containing neurons of the substantia nigra associated with the presence of cytoplasmic a-synuclein- positive inclusions, the so-called Lewy bodies.

Table of Contents

Therapeutics that slow or stop the neurodegenerative processes of PD are expected to have a major impact for the treatment of PD.

Recently announced preliminary results from pre-clinical studies indicate that Miraxion has neuroprotective effects in PD. The first study showed Miraxion s neuroprotective effects in cell lines associated with PD. SH-SY5Y cells, derived from human neuroblastoma, with many properties similar to dopaminergic neurons, are widely utilized as an in vitro model to study effects and mode of action of drugs on PD.

Brain-derived neurotrophic factor (BDNF) and its receptor transmembrane tyrosine-specific protein kinase (TrkB) are linked to the etiology of neurodegenerative and mood disorders. The study of fully differentiated SH-SY5Y cells revealed that Miraxion increased the activation of TrkB and truncated TrkB messenger RNA (mRNA) expressions which are critical functions for increasing dopamine (DA) levels in PD patients. The data showed that Miraxion demonstrated neuroprotective effects by interacting with BDNF, leading to improved cell viability and the slowing of the neuronal apoptosis (cell death) associated with the symptoms of PD.

The second study demonstrated that Miraxion modulated cellular function in MPP+ treated SH-SY5Y cells in an in vitro PD model and behavior in an MPTP-induced PD model. MPTP is a neurotoxin commonly used to investigate PD in pre-clinical models. MPP+ is a metabolite of MPTP. In this study, treatment with Miraxion enhanced learning performance, improved motor function and reduced bradykinesia in such animal models. Amarin is currently continuing preclinical studies in PD and plan to commence human studies in 2006.

LAX-201

LAX-201 is a patent-protected combination of folic acid and either of two leading classes of anti-depressant drugs (i.e. Selective Serotonin Reuptake Inhibitors (SSRIs) and Serotonin Norepinephrine Reuptake Inhibitors (SNRIs). A phase II study showed LAX-201 increased the response rate in depressed women from 50%-60% to approximately 90%. Amarin is currently seeking a development partner for this product.

MCT-125 (formerly LAX- 202)

MCT-125 is a patent-protected combination of an atypical antidepressant and an amino acid. In a 138-patient, multi-centre, double-blind placebo controlled phase IIb trial MCT-125 was effective in significantly reducing the levels of fatigue in multiple sclerosis patients. Amarin has licensed world wide rights to MCT-125 to Multicell in return for a series of development based milestones and a royalty on net sales. Multicell renamed LAX-202 as MCT-125.

Amarin s Marketing Partners

Miraxion for Huntington s disease has been partnered in the major EU markets. Our marketing partners are identified in the development pipeline table as above. Our EU partnering agreements take the form of a license and distribution agreement. This provides for the grant of a license to market, distribute and sell products in the partner s territory in the pharmaceutical field of Huntington s disease and certain smaller CNS indications utilizing certain of our intellectual property for a period of 10 years from signing or, if later, until the expiration of patent or orphan drug protection for the product. The grant of such license is in return for the commercial partner paying to Amarin Neuroscience (i) fixed milestone payments; and/or (ii) an exclusive supply arrangement; and/or (iii) a royalty on net sales made by the commercial partner.

Additionally, we are party to a license agreement dated July 21, 2003 with a marketing partner in Japan to develop, use, offer to sell, sell and distribute products in Japan utilizing certain of our intellectual property in the

pharmaceutical fields of Huntington s disease, depression, schizophrenia, dementia and certain smaller indications (by patient population) including the ataxias, for a period of 10 years from the date of first commercial sale or, if later, until patent protection expires.

In December 2005 Amarin Neuroscience entered into a worldwide exclusive license with Multicell Technologies, Inc. (Multicell) pursuant to which Amarin Neuroscience licensed the worldwide rights for MCT-125 to Multicell in return for a series of development based milestones and a royalty on net sales. Multicell is obliged to use good faith reasonable efforts to develop and commercialize MCT-125.

Table of Contents

Amarin s short-term objectives

To file an NDA for Miraxion in Huntington s disease in the first half of 2007;

To obtain a U.S. and EU partner on depressive disorders in 2006; and

To commence additional clinical programs for another indication from internal pipeline or in-licensing/acquisition in 2006.

The Financial Year

Our consolidated revenues in 2005 were derived from the licensing of exclusive, worldwide rights to LAX-202 for the treatment of fatigue in patients suffering from multiple sclerosis (MS).

Broken down by geographic markets, for the year ended December 31, 2005 all revenues originated in the United Kingdom. Our consolidated revenues in 2004 were derived from two principal sources relating to discontinued activities. For the year ended December 31, 2004, sales of our products through our former sales and marketing operations accounted for approximately 91% of total revenues and royalties on third party product sales accounted for approximately 9% of total revenues. No revenues were generated from licensing, development or contract manufacturing fees.

Our consolidated revenues in 2003 were derived from four principal sources, all discontinued as at 31 December 2005. For the year ended December 31, 2003, sales of our products through our own sales and marketing operations accounted for approximately 36% of total revenues; licensing and development fees accounted for approximately 24% of total revenues; contract manufacturing fees accounted for approximately 20% of total revenues; and royalties on third party product sales accounted for approximately 20% of total revenues. Although some of the products marketed in the US showed seasonal market trends, our consolidated group did not experience any material revenue seasonality. Broken down by geographic markets, for the year ended December 31, 2003 approximately 36% of total consolidated revenues were generated in the US, representing sales of our pharmaceutical products; approximately 1% of total consolidated revenues were generated in the UK, representing our royalty income; and approximately 63% of total consolidated revenues were generated in the European market, representing our drug delivery and contract manufacture business.

During 2003 and 2004, all of our revenue-producing products and services were divested. At present all of our products are in the development stage and we therefore have no products that can be marketed.

Competition

In pursuing our strategy of acquiring marketable and/or development stage neurology products, we expect to compete with other pharmaceutical companies for product and product line acquisitions, and more broadly for the distribution and marketing of pharmaceutical and consumer products. These anticipated competitors include companies which may also seek to acquire branded or development stage pharmaceutical products and product lines from other pharmaceutical companies. Most of our potential competitors will likely possess substantially greater financial, technical, marketing and other resources. In addition, we will compete for supplier manufacturing capacity with other companies, including those whose products are competitive with ours. Additionally, our future products may be subject to competition from products with similar qualities. See Item 3 Key Information Risk Factors our future products may not be able to compete effectively against those of our competitors.

Government Regulation

Any product development activities relative to Miraxion or products that we may develop or acquire in the future will be subject to extensive regulation by various government authorities, including the FDA and comparable regulatory authorities in other countries, which regulate the design, research, clinical and non-clinical development, testing, manufacturing, storage, distribution, import, export, labeling, advertising and marketing of pharmaceutical products and devices. Generally, before a new drug can be sold, considerable data demonstrating its quality, safety and efficacy must be obtained, organized into a format specific to each regulatory authority, submitted for review and approved by the regulatory authority. The data are generated in two distinct development stages: pre-clinical

and clinical. For new chemical entities, the pre-clinical development stage generally involves synthesizing the active component, developing the formulation and determining the manufacturing process, as well as carrying out non-human toxicology, pharmacology and drug metabolism studies which support subsequent clinical testing. Good laboratory practice requirements must be followed in order for the resulting data to be considered valid and reliable. For established molecules this stage can be limited to formulation and manufacturing process development and in vitro studies to support subsequent clinical evaluation.

The clinical stage of development can generally be divided into phase I, phase II and phase III clinical trials. In phase I, generally, a small number of healthy human volunteers are initially exposed to a single dose and then multiple doses of the product candidate. The primary purpose of these studies is to assess the metabolism, pharmacologic action, side effect tolerability and safety of the drug. Studies in volunteers are also undertaken to begin assessing the pharmacokinetics of the drug (e.g. the way in which the body deals with the compound from absorption, to distribution in tissues, to elimination).

Phase II trials typically involve studies in disease-affected patients to determine the dose required to produce the desired benefits. At the same time, safety and further pharmacokinetic and pharmacodynamic information is collected. Phase III trials generally involve large numbers of patients from a number of different sites, which may be in one country or in several different countries or continents. Such trials are designed to provide the pivotal data necessary to establish the effectiveness of the product for its intended use, and its safety in use, and typically include comparisons with placebo and/or other comparator treatments. The duration of treatment is often extended to mimic the actual use of a product during marketing.

Prior to the start of human clinical studies of a new drug in the United States or, generally, for submission in support of a US marketing application, an investigational new drug application, or IND, is filed with the FDA. Similar notifications are required in other countries. The amount of data that must be supplied in the IND application depends on the phase of the study. Earlier investigations, such as phase I studies, typically require less data than the larger and longer-term studies in phase III. A clinical plan must be submitted to the FDA prior to commencement of a clinical trial. In general, studies may begin in the US without specific approval by the FDA 30-days after submission of the IND. However, the FDA may prevent studies from moving forward, and may suspend or terminate studies once initiated. Regular reporting of study progress and adverse experiences is required. During the testing phases, meetings can be held with the FDA to discuss progress and future requirements for the NDA. Studies are also subject to review by independent institutional review boards responsible for overseeing studies at particular sites and protecting human research study subjects. An independent institutional review board may prevent a study from beginning or suspend or terminate a study once initiated. Studies must also be conducted and monitored in accordance with good clinical practice and other requirements.

Following the completion of clinical trials, the data must be thoroughly analyzed to determine if the clinical trials successfully demonstrate safety and efficacy. If they do, is the data can be filed with the FDA in an NDA along with proposed labeling for the product and information about the manufacturing and testing processes and facilities that will be used to ensure product quality. In the US, FDA approval of an NDA must be obtained before marketing a developed product. The NDA must contain proof of safety, purity, potency and efficacy, which entails extensive pre-clinical and clinical testing.

Although the type of testing and studies required by the FDA do not differ significantly from those of other countries, the amount of detail required by the FDA can be more extensive. In addition, it is likely that the FDA will re-analyze the clinical data, which could result in extensive discussions between us and the licensing authority during the review process. The processing of applications by the FDA is extensive and time consuming and may take several years to complete. The FDA s goal generally is to review and make a recommendation for approval of a new drug within ten months, and of a new priority drug within six months, although final FDA action on the NDA can take substantially

longer, may entail requests for new data and/or data analysis, and may involve review and recommendations by an independent FDA advisory committee. The FDA may conduct a pre-approval inspection of the manufacturing facilities for the new product to determine whether they comply with current good manufacturing practice requirements, and may also audit data from clinical and pre-clinical trials.

There is no assurance that the FDA will act favorably or quickly in making such reviews and significant difficulties or costs may be encountered by a company in its efforts to obtain FDA approvals. The FDA may also

Table of Contents

require post-marketing testing and surveillance to monitor the effects of approved products or it may place conditions on approvals including potential requirements or risk management plans that could restrict the commercial promotion, distribution, prescription or dispensing of products. Product approvals may be withdrawn if compliance with regulatory standards is not maintained or if problems occur following initial marketing.

In the European Union, our future products may also be subject to extensive regulatory requirements. As in the US, the marketing of medicinal products has for many years been subject to the granting of marketing authorizations by regulatory agencies. Particular emphasis is also being placed on more sophisticated and faster procedures for reporting of adverse events to the competent authorities.

In common with the US, the various phases of pre-clinical and clinical research are subject to significant regulatory controls. Although the regulatory controls on clinical research are currently undergoing a harmonization process following the adoption of the Clinical Trials Directive 2001/20/EC, there are currently significant variations in the member state regimes. However, all member states currently require independent institutional review board approval of interventional clinical trials. With the exception of UK phase 1 studies in healthy volunteers, all clinical trials require either prior governmental notification or approval. Most regulators also require the submission of adverse event reports during a study and a copy of the final study report.

In the European Union, approval of new medicinal products can be obtained only through one of two processes. The first such process is known as the mutual recognition procedure. An applicant submits an application in one European Union member state, known as the reference member state. Once the reference member state has granted the marketing authorization, the applicant may choose to submit applications in other concerned member states, requesting them to mutually recognize the marketing authorizations already granted. Under this mutual recognition process, authorities in other concerned member states have 55 days to raise objections, which must then be resolved by discussions among the concerned member states, the reference member state and the applicant within 90 days of the commencement of the mutual recognition procedure. If any disagreement remains, all considerations by authorities in the concerned member states are suspended and the disagreement is resolved through an arbitration process. The mutual recognition procedure results in separate national marketing authorizations in the reference member state and each concerned member state.

The second procedure in the European Union for obtaining approval of new medicinal products is known as the centralized procedure. This procedure is currently mandatory for products developed by means of a biotechnological process and optional for new active substances and other innovative medicinal products with novel characteristics. Under this procedure, an application is submitted to the European Agency for the Evaluation of Medical Products. Two European Union member states are appointed to conduct an initial evaluation of each application. These countries each prepare an assessment report, which reports are then used as the basis of a scientific opinion of the Committee on Proprietary Medical Products. If this opinion is favorable, it is sent to the European Commission which drafts a decision. After consulting with the member states, the European Commission adopts a decision and grants a marketing authorization, which is valid throughout the European Union and confers the same rights and obligations in each of the member states as a marketing authorization granted by that member state.

The European Union is currently expanding, with a number of Eastern European countries joining recently and expected to join over the coming years. Several other European countries outside the European Union, particularly those intending to accede to the Union, accept European Union review and approval as a basis for their own national approval.

Following approval of a new product, a pharmaceutical company generally must engage in various monitoring activities and continue to submit periodic and other reports to the applicable regulatory agencies, including any cases of adverse events and appropriate quality control records. Modifications or enhancements to the products or labeling,

or changes of site of manufacture are often subject to the approval of the FDA and other regulators, which may or may not be received or may result in a lengthy review process.

Prescription drug advertising and promotion is subject to federal, state and foreign regulations. In the US, the FDA regulates all company and prescription drug product promotion, including direct-to-consumer advertising. Promotional materials for prescription drug products must be submitted to the FDA in conjunction with their first

Table of Contents

use. Use of volatile materials may lead to FDA enforcement actions. Any distribution of prescription drug products and pharmaceutical samples must comply with the US Prescription Drug Marketing Act, or the PDMA, a part of the US Federal Food, Drug, and Cosmetic Act.

In the US, once a product is approved its manufacture is subject to comprehensive and continuing regulation by the FDA. The FDA regulations require that products be manufactured in specific approved facilities and in accordance with current good manufacturing practices, and NDA holders must list their products and register their manufacturing establishments with the FDA. These regulations also impose certain organizational, procedural and documentation requirements with respect to manufacturing and quality assurance activities. NDA holders using contract manufacturers, laboratories or packagers are responsible for the selection and monitoring of qualified firms. These firms are subject to inspections by the FDA at any time, and the discovery of violative conditions could result in enforcement actions that interrupt the operation if any such facilities or the ability to distribute products manufactured, processed or tested by them.

The distribution of pharmaceutical products is subject to additional requirements under the PDMA and equivalent laws and regulations in other jurisdictions. For instance, states are permitted to require registration of distributors who provide products within their state despite having no place of business within the state. The PDMA also imposes extensive record-keeping, licensing, storage and security requirements intended to prevent the unauthorized sale of pharmaceutical products.

Manufacturing, sales, promotion, and other activities following product approval are also subject to regulation by numerous regulatory authorities in addition to the FDA, including, in the US, the Centers for Medicare & Medicaid Services, other divisions of the Department of Health and Human Services, the Drug Enforcement Administration, the Consumer Product Safety Commission, the Federal Trade Commission, and state and local governments. Sales, marketing and scientific/educational programs must also comply with the US Medicare-Medicaid Anti-Fraud and Abuse Act and similar state laws. Pricing and rebate programs must comply with the Medicaid rebate requirements of the US Omnibus Budget Reconciliation Act of 1990. If products are made available to authorized users of the Federal Supply Schedule of the General Services Administration, additional laws and requirements apply. The handling of any controlled substances must comply with the US Controlled Substances Act and Controlled Substances Import and Export Act. Products must meet applicable child-resistant packaging requirements under the US Poison Prevention Packaging Act. Manufacturing, sales, promotion and other activities are also potentially subject to federal and state consumer protection and unfair competition laws.

The failure to comply with regulatory requirements subjects firms to possible legal or regulatory action. Depending on the circumstances, failure to meet applicable regulatory requirements can result in criminal prosecution, fines or other penalties, injunctions, recall or seizure of products, total or partial suspension of production, denial or withdrawal of product approvals, or refusal to allow a firm to enter into supply contracts, including government contracts. In addition, even if a firm complies with FDA and other requirements, new information regarding the safety or effectiveness of a product could lead the FDA to modify or withdraw a product approval. Prohibitions or restrictions on sales or withdrawal of future products marketed by us could materially affect our business in an adverse way.

Changes in regulations or statutes or the interpretation of existing regulations could impact our business in the future by requiring, for example:

- changes to our manufacturing arrangements;
- additions or modifications to product labeling;

the recall or discontinuation of our products; or

additional record-keeping.

If any such changes were to be imposed, they could adversely affect the operation of our business.

Table of Contents

Manufacturing and Supply

Amarin Neuroscience Limited is currently responsible for the supply of the clinical supplies of Miraxion, through its sub-contractors, and will be responsible for the commercial manufacturing and supply of Miraxion should the FDA approve this compound. All supplies of the bulk compound (ethyl-eicosapentaenoate (ethyl-EPA)) which constitutes the only pharmaceutically active ingredient of Miraxion are currently purchased exclusively from Nisshin Pharma, Inc., a currently qualified manufacturer, pursuant to a supply agreement whereby the supply is at a fixed price. The main raw material that constitutes Ethyl- EPA is a naturally occurring substance which is sourced from marine life. The manufacturing processes that are applied by Nisshin to such raw material are proprietary to Nisshin and produce a pharmaceutical grade compound at a level of purity of at least 95%. We are aware that certain other manufacturers have the ability to produce Ethyl-EPA to a similar pharmaceutical standard and level of purity. Once approved, use of bulk compound produced by a different manufacturer than that specified and qualified in the NDA may require extensive additional testing and supplemental approval by the FDA.

Patents and Proprietary Technology

We firmly believe that patent protection of our technologies, processes and products is important to our future operations. The success of our products may depend, in part, upon our ability to obtain strong patent protection. There can however be no assurance that:

- any patents will be issued for Miraxion or any future products in any or all appropriate jurisdictions;
- any patents that we or our licensees may obtain will not be successfully challenged in the future;
- our technologies, processes or products will not infringe upon the patents of third parties; or
- the scope of any patents will be sufficient to prevent third parties from developing similar products.

When deemed appropriate, we intend to vigorously enforce our patent protection and intellectual property rights.

Our strategy is to file patent applications where we think it is appropriate to protect and preserve the proprietary technology and inventions considered significant to our business. Currently, Amarin has applied for 321 patents worldwide and has 115 issued patents covering various of our compounds and their uses. These include use patents issued for the method of treating a number of CNS and cardiovascular disorders with Ethyl-EPA and composition of matter patents relating to potential second generation technology platforms. We will also rely upon trade secrets and know-how to retain our competitive position. We will file patent applications either on a country-by-country basis or by using the European or international patent cooperation treaty systems. The existence of a patent in a country may provide competitive advantages to us when seeking licensees in that country. In general, patents granted in most European countries have a twenty-year term, although in certain circumstances the term can be extended by supplementary protection certificates. We may be dependent in some cases upon third party licensors to pursue filing, prosecution and maintenance of patent rights or applications owned or controlled by those parties.

It is possible that third parties will obtain patents or other proprietary rights that might be necessary or useful to us. In cases where third parties are first to invent a particular product or technology, it is possible that those parties will obtain patents that will be sufficiently broad so as to prevent us from utilizing such technology. In addition, we may use unpatented proprietary technology, in which case there would be no assurance that others would not develop similar technology. See Item 3 Key Information Risk Factors we will be dependent on patents, proprietary rights and confidentiality.

C. Organizational Structure

Following the sale of Gacell Holdings AB and its wholly owned subsidiary Amarin Development AB on October 28, 2003, the sale of API on February 25, 2004 and the acquisition of Laxdale Limited on October 8, 2004, all of our commercial activities are carried out through Amarin Corporation plc and our subsidiaries Amarin Neuroscience Limited (formerly known as Laxdale Limited), and Amarin Pharmaceuticals Ireland Limited.

Table of Contents

Details of all of our significant subsidiaries are summarized below:

Subsidiary Name	Country of Incorporation or Registration	Proportion of Ownership Interest and Voting Power Held
Amarin Neuroscience Limited	Scotland	100%
Amarin Pharmaceuticals Company Limited	England and Wales	100%
Amarin Pharmaceuticals Ireland Limited	Ireland	100%

D. Property, Plant and Equipment

The following table lists the location, use and ownership interest of our principal properties as of March 31, 2006:

Location	Use	Ownership	Size (sq. ft.)
Ely, Cambridgeshire, England			
Ground Floor	Offices	Leased and sub-let	7,135
First Floor	Offices	Leased and sub-let	2,800
Godmanchester, Cambridgeshire, England	Offices	Leased and sub-let	7,000
London, England	Offices	Leased	2,830
Stirling, Scotland	Offices	Leased	7,544
Dublin, Ireland	Offices	Leased	1,130

We vacated the premises in Ely, Cambridgeshire in July 2001 and have sub-let the lease for this space. We have sub-let the lease in Godmanchester to Phytopharm plc who occupy the premises on a held over basis under the terms of a lease, the term of which expired in January 2002.

On April 27, 2001, we signed a lease covering 2,830 square feet of office space located at 7 Curzon Street, London, Mayfair, W1J 5HG, England, to serve as our corporate head office. This lease expires in March 2010.

We occupy office space of approximately 1,130 square feet at 50 Pembroke Road, Ballsbridge, Dublin 4, Ireland. The draft lease, awaiting signature, expires in June 2007.

On June 1, 1998, Laxdale signed a lease covering 7,544 square feet of office space located at Units 1 and 3, Laurelhill Park, King s Park, Stirling, Scotland. The lease term expires in April, 2013 although there is a break clause which permits Laxdale to terminate the lease in January, 2007 without compensation payable for early termination for the lease should it so wish. Following the decision to relocate our research and development function from Stirling to Oxfordshire and to close our research facility in Stirling, Scotland we gave nine months written notice to the landlords of the Stirling premises and this lease will therefore terminate as at December 31, 2006.

We believe that our facilities are sufficient to meet our current and immediate future requirements. We have no manufacturing capacity at any of the above properties.

Item 4A Unresolved Staff Comments

Not Applicable

Item 5 Operating and Financial Review and Prospects

A. Operating Results

The following discussion of operating results should be read in conjunction with our selected financial information set forth in Item 3 Key Information Selected Financial Data and our consolidated financial statements and notes thereto beginning on page F-1 of this annual report.

Table of Contents

Comparison of Fiscal Years Ended December 31, 2005 and December 31, 2004

Overview

While 2004 was a year of transformation for Amarin with the sale of our US business, the settlement of all outstanding obligations to Elan and the acquisition of Laxdale 2005 was a year of consolidation. The Company achieved its critical objectives of advancing its development pipeline and securing adequate funding to bring Miraxion through its two phase III trials in Huntington s disease.

Key Highlights

Equity Financing gross proceeds raised of $46.3 million during the nine-month period ending January 31, 2006, including directors and officers of Amarin investing approximately $7.0 million;

SPA for Huntington s disease agreement reached with the US Food and Drug Administration (FDA) in September under the Special Protocol Assessment (SPA) procedure for the design of the phase III clinical trials in Huntington s disease (HD) with Miraxion; an SPA is a process under which the FDA provides evaluation and guidance on clinical trial protocols;

Miraxion in HD patient enrolment commenced for the Phase III clinical trials of Miraxion in HD in the US in September and in the EU in December;

Miraxion in depressive disorders positive data analysis announced from the phase II program with Miraxion in depressive disorders in January and March; Amarin is currently making good progress in discussions with several potential development and marketing partners for the US and EU markets;

Neuroprotective Effects of Miraxion Miraxion demonstrated in preclinical models effects that may protect the brain from inflammation (which is often associated with a number of neurodegenerative diseases, including Alzheimer s, Parkinson s, and HD) and showed a decrease in the age-related learning and memory decline accompanied by the inflammatory changes associated with neurodegenerative diseases; the full results of the preclinical studies were presented in November at the 35th Annual Society for Neuroscience meeting;

Miraxion in Parkinson s disease Miraxion demonstrated as having potential neuroprotective effects and the ability to modulate cellular function in cell lines and preclinical models of Parkinson s disease;

Outlicensing of LAX-202 exclusive worldwide rights of LAX-202 licensed for the treatment of fatigue in patients suffering from multiple sclerosis (MS) to Multicell Technologies Inc. (Multicell) in December for an initial access fee, future development milestones and sales royalties; Multicell will rename LAX-202 to MCT-125, and will further evaluate MCT-125 in a pivotal Phase IIb/III clinical trial which is expected to begin during 2006;

Management Appointments four senior management and board appointments made in the last 9 months, further strengthened the Amarin management team; Dr. Anthony Clarke as Vice President of Clinical Development; Dr. Prem Lachman and Dr. John Climax as non-executive director; and Tom Maher as General Counsel and Company Secretary with effect from February 2006; and

For the year ended December 31, 2005, Amarin reported a net loss of $18.7 million or 40 cents per ADS, compared with net income of $4.7 million or 21 cents per ADS for the year ended December 31, 2004. The

results for the year ended December 31, 2005 entirely represent continuing activities. The results for the year ended December 31, 2004 represent both continuing and discontinued activities.

Continuing Operations

For the year ended December 31, 2005, the operating loss was $18.9 million, compared with an operating loss of $9.9 million from continuing activities for the same period in 2004. The increase is primarily due to the inclusion of Amarin Neuroscience s operating expenses of $6.8 million ($5.9 million of which relates to research and development, including the costs of conducting Miraxion s phase III trials in HD) in the nine month period to

Table of Contents

September 30, 2005. Amarin Neuroscience was acquired in October 2004 so the first three quarters expenses are not included in the 2004 comparative figures.

During 2005, we commenced US and EU Phase III trials for Miraxion in HD. These trials will continue through 2006 and we expect this expense to account for a significant portion of our total expenditure in 2006.

The results for the comparative year ended December 31, 2004 for continuing activities represent Amarin s head office operating expenses, including the cost of business and corporate development activities and Amarin Neuroscience s results for the period from October 9, 2004 to December 31, 2004.

Revenue

We had no marketable products during 2005, all of the Company s marketable products having been divested as part of the sale of our US business in February 2004. In 2005, Amarin licensed the exclusive, worldwide rights to LAX-202 for the treatment of fatigue in patients suffering from multiple sclerosis and received an initial access fee of $0.5 million. Revenues in 2004 and 2003 entirely relate to our two divested businesses, API and ADAB, and have been classified as discontinued activities.

At December 2005, our business consisted of corporate offices in London, a subsidiary in Dublin, Ireland and a neuroscience research and development subsidiary based in Stirling, Scotland (shortly to be relocated to Oxfordshire in England). In 2006, Amarin should continue to receive milestone payments from the Multicell agreement. In 2006, Amarin s only additional revenue from its existing activities, if any, will be from earning up front license fees from partnering its development pipeline, such as a license of Miraxion for depression.

Operating Expenses

Total operating expenses for the continuing business were $19.4 million compared to $9.9 million in 2004 and $6.2 million in 2003, an increase of approximately 95.96% and 59.68% respectively.

Research and Development. Research and development expenses consist primarily of external clinical trial costs and salaries and benefits of research and development personnel. Research and development expenses were $8.3 million compared to $1.0 million in 2004. The increase was primarily due to the inclusion of Laxdale s expenses for the full year to December 31, 2005 compared to only for the post-acquisition period from October 9, 2004 to December 31, 2004 in the comparative period. In addition, we commenced two phase III trials with Miraxion in Huntington s disease, the US trial in September 2005 and the EU trial in December 2005.

Selling, General and Administrative. Selling, general and administrative expenses consist primarily of salaries and benefits earned by selling, general and administrative personnel, personnel-related overhead allocation, professional fees and facility costs. Selling, general and administrative expenses were $9.8 million in 2005 compared to $7.5 million in 2004. The increase was primarily due to increased intellectual property, additional staff costs and facility costs of vacant property.

Restructuring Charge

During 2005, we recorded restructuring charges to align our business for maximum efficiency. Our restructuring plan, once completed, will result in a reduction in headcount and the relocation of research and development function to Oxfordshire in England. In determining the charges to record, we made certain estimates and judgments surrounding the amounts ultimately to be paid for the actions we have taken or are committed to take. At December 31, 2005, there were various accruals recorded for the costs to terminate employees contracts and exit certain facilities and lease

obligations, which may be adjusted periodically for either resolution of certain contractual commitments or changes in estimates.

Amortization

Amortization attributable to continuing operations relates to Miraxion and is included in selling, general and administrative expenses. During November 2000, Amarin acquired limited rights to Miraxion as a licensee. On the date of acquiring Laxdale, the intangible fixed asset had a net book value of approximately $3.6 million. The

Table of Contents

Laxdale acquisition gave rise to the recognition of a further intangible fixed asset, representing intellectual property rights, relating to Miraxion (formerly known as Lax-101) and other intellectual property valued at $6.9 million. At the time of the Laxdale acquisition the useful economic life remaining for the November 2000 intangible fixed asset and the intangible acquired on purchase of Laxdale was determined as 15.5 years, representing the time to patent expiry.

Foreign exchange

Amarin holds cash in pounds sterling, US dollars and Euro. In 2005, continuing operations incurred a loss of $0.8 million arising from holding pounds sterling as the US dollar strengthened. Offsetting this loss was a $0.9 million gain arising on the translation into US dollars of the operating results of our research and development subsidiary, Laxdale, whose functional currency is pounds sterling.

Discontinued Operations

There were no discontinued activities in 2005. For the year ended December 31, 2004, the Company earned an operating loss of $1.2 million on discontinued activities. The operating loss from discontinued activities for 2004 reflects:

- the results of Amarin s former U.S. operations that were sold to Valeant in February 2004 as described above;
- the research and development costs incurred by Amarin in 2004 relating to the completion of safety studies on Zelapar (the rights to which are owned by Valeant). Following the sale of the majority of Amarin s U.S. operations to Valeant in the first quarter of 2004, Amarin remained responsible for the cost undertaking safety studies on Zelapar and was liable for up to $2.5 million of development costs. That obligation has been fulfilled and Amarin will not incur any more costs relating to the development of Zelapar; and
- the settlement of an outstanding dispute with Valeant. In September 2004, Amarin reached agreement with Valeant to settle a dispute following the disposal of our US operations and certain product rights. It was agreed that a $3 million payment (which was contingent upon completion of the Zelapar safety studies) would be reduced to $2 million and paid to Amarin, unconditionally on November 30, 2004 of which $1 million was paid to Elan. Amarin also agreed to waive rights to future milestone payments from Valeant of $3,000,000 (due on successful completion of Zelapar safety studies) and $5,000,000 (due on approval by the US Food and Drug Administration).

In addition, three exceptional items relating to discontinued activities arose in 2004 as follows:

- an exceptional loss of $3.1 million on disposal of the majority of the U.S. operations and certain products to Valeant;
- an exceptional gain of $0.75 million, representing receipt of the final installments of the sale proceeds from the disposal of Amarin s Swedish drug delivery business to Watson in October 2003; and
- an exceptional gain of $24.6 million on the settlement of debt obligations to Elan.

Revenue

Discontinued Revenues in 2004 were $1.0 million arising from API being included from January 1 to February 25 2004, being the date of its disposal. In 2004, all of our revenue was attributable to discontinued operations.

Gross Margin

The gross margin for 2004 from discontinued business was a profit of $0.9 million from revenues derived from API for the period January 1 to February 25 2004, its disposal date. The Company is now focused on research and development and has divested itself of all its revenue generating products.

Table of Contents

Operating Expenses

In 2004, expenses for discontinued operations included selling, general and administrative expenses of $1.6 million which were costs that originated at API prior to its divesture, research and development expenses of $2.5 million representing our obligations to fund Zelapar safety studies as part of the disposal of API to Valeant, and $2 million of other income associated with the settlement of our dispute with Valeant. The $2.5 million in 2004 reflects the costs incurred by Amarin on Zelapar as explained above.

Amortization

Amortization of Permax and the Primary Care Portfolio is included in selling, general and administrative expenses. Amortization expenditure was $nil in 2004, as both Permax and the Primary Care Portfolio were impaired down to their net realized values, at 31 December 2003, using the disposal proceeds values arising from the 25 February 2004 disposal to Valeant.

Interest and Similar Income and Interest and Similar Expense

Net interest expense for 2005 was $0.5 million compared to net interest income of $0.22 million for 2004. The 2005 net income comprises interest and similar income of $0.4 million compared to $0.55 million in 2004 which was earned from cash balances held on deposit and on the loan made to Laxdale prior to its acquisition, and interest expense and similar charges of $0.89 million compared to $0.33 million in 2004. The interest expense arises on the loan from Elan (which was subsequently assigned to Mr. Thomas Lynch), as explained in more detail below in Liquidity and Capital Resources. Net interest expense is a loss in 2005 of $0.5 million primarily due to holding cash balances in Sterling. A significant portion of our expenditure is denominated in Sterling and we thus hold some cash in Sterling to meet the cash flow requirements. However the dollar strengthened against Sterling in the year, leaving a book loss of $0.8 million.

Taxation

A non-cash deferred tax accounting charge of $7.5 million on the exceptional gain on the settlement of debt obligations to Elan is included in the tax charge for the year ended December 31, 2004. This offsets a deferred tax credit of an equivalent amount included in the income statement of the fourth quarter of 2003.

Preference Share Dividend

During 2003, the last remaining 2,000,000 3% convertible preference shares held by Elan were converted into 2,000,000 ordinary shares and non-equity dividends of $24,000 were accrued. On conversion, Elan gave up their preferential rights, including rights to an accrued dividend, in exchange for the new ordinary shares allocated. In February 2004, Amarin settled its debt obligations with Elan by the payment of cash and the issue of a $5 million loan note. As a result, with there being no longer a need to maintain an accrual for a preference dividend in 2004, Amarin released the accrued preference share dividends of $643,000.

Comparison of Fiscal Years Ended December 31, 2004 and December 31, 2003

Overview

In 2004, we saw significant change to the business with the sale of our US sales and marketing operations, the settlement of outstanding debt obligations and the acquisition of Laxdale, our former research partner. In addition, a private placement of equity was competed raising $12.775 million. In 2003 we saw strong competition to Permax, our

leading product at the time, from both other dopamine agonists and generic competition that entered the market in December 2002. In addition, as disclosed in our annual report on Form 20-F for the year ended December 31, 2002, we ended 2002 with high wholesaler inventory levels for all of our US products and experienced low revenues during 2003 as in-market inventory levels at the end of 2003 declined. These factors resulted in significant losses in 2003 and significant net cash outflow.

This deterioration in our trading during 2003 meant that we were unable to generate sufficient cash flows from operations to meet our debt obligations. To address our debt obligations we divested most of our operations through

Table of Contents

two transactions, one in 2003 and the other shortly after the year-end. The first of these transactions was the sale of Amarin Development AB (ADAB) on October 28, 2003. The second was the sale of API on February 25, 2004.