

AMICUS THERAPEUTICS INC

FORM 10-Q (Quarterly Report)

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2017

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 001-33497

Amicus Therapeutics, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of
Incorporation or Organization)

71-0869350

(I.R.S. Employer
Identification Number)

1 Cedar Brook Drive, Cranbury, NJ 08512

(Address of Principal Executive Offices and Zip Code)

Registrant's Telephone Number, Including Area Code: **(609) 662-2000**

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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company)

Accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares outstanding of the registrant's common stock, \$0.01 par value per share, as of October 31, 2017 was 166,269,300 shares.

AMICUS THERAPEUTICS, INC.

Form 10-Q for the Quarterly Period Ended September 30, 2017

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We have filed applications to register certain trademarks in the U.S. and abroad, including Amicus Therapeutics® and designs, At the forefront of therapies for rare and orphan diseases™, Zorblisa™, and Galafold™.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This quarterly report on Form 10-Q contains forward-looking statements that involve substantial risks and uncertainties. All statements, other than statements of historical facts, included in this quarterly report on Form 10-Q regarding our strategy, future operations, future financial position, future revenues, projected costs, prospects, plans and objectives of management are forward-looking statements. The words “anticipate,” “believe,” “estimate,” “expect,” “potential,” “intend,” “may,” “plan,” “predict,” “project,” “will,” “should,” “would” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words.

The forward-looking statements in this quarterly report on Form 10-Q include, among other things, statements about:

- the progress and results of our clinical trials of our drug candidates;
- the cost of manufacturing drug supply for our clinical and preclinical studies, including the significant cost of new Fabry enzyme replacement therapy (“ERT”) cell line development and manufacturing as well as the cost of manufacturing Pompe ERT;
- the scope, progress, results and costs of preclinical development, laboratory testing and clinical trials for our product candidates including those testing the use of pharmacological chaperones co-formulated and co-administered with ERT and for the treatment of lysosomal storage disorders;
- the future results of on-going preclinical research and subsequent clinical trials for cyclin-dependent kinase-like 5 (“CDKL5”), including our ability to obtain regulatory approvals and commercialize CDKL5 and obtain market acceptance for CDKL5;
- the costs, timing and outcome of regulatory review of our product candidates;
- the number and development requirements of other product candidates that we pursue;
- the costs of commercialization activities, including product marketing, sales and distribution;
- the emergence of competing technologies and other adverse market developments;
- our ability to obtain reimbursement for migalastat HCl;
- our ability to obtain market acceptance of migalastat HCl in the European Union;
- the costs of preparing, filing and prosecuting patent applications and maintaining, enforcing and defending intellectual property-related claims;
- the extent to which we acquire or invest in businesses, products and technologies;
- our ability to successfully integrate our acquired products and technologies into our business, including the possibility that the expected benefits of the transactions will not be fully realized by us or may take longer to realize than expected; and
- our ability to establish collaborations and obtain milestone, royalty or other payments from any such collaborators.

We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements we make. We have included important factors in the cautionary statements included in Part I Item 1A — Risk Factors of the Annual Report on Form 10-K, as amended, for the year ended December 31, 2016, that we believe could cause actual results or events to differ materially from the forward-looking statements that we make. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures, collaborations or investments we may make.

You should read this quarterly report on Form 10-Q in conjunction with the document that we reference herein. We do not assume any obligation to update any forward-looking statements.

PART I. FINANCIAL INFORMATION**Item 1. Financial Statements (unaudited)**

Amicus Therapeutics, Inc.
Consolidated Balance Sheets (Unaudited)
(in thousands, except share and per share amounts)

	<u>September 30,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 64,133	\$ 187,026
Investments in marketable securities, current portion	347,388	143,325
Accounts receivable	5,974	1,304
Inventories	7,272	3,416
Prepaid expenses and other current assets	6,246	4,993
Total current assets	<u>431,013</u>	<u>340,064</u>
Investments in marketable securities	15,109	—
Property and equipment, less accumulated depreciation of \$13,273 and \$12,495 at September 30, 2017 and December 31, 2016, respectively	9,641	9,816
In-process research & development	23,000	486,700
Goodwill	197,797	197,797
Other non-current assets	4,219	2,468
Total Assets	<u>\$ 680,779</u>	<u>\$ 1,036,845</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable, accrued expenses, and other current liabilities	\$ 53,709	\$ 41,008
Deferred reimbursements, current portion	6,250	13,850
Contingent consideration payable, current portion	8,200	56,101
Total current liabilities	<u>68,159</u>	<u>110,959</u>
Deferred reimbursements	16,906	21,906
Convertible notes	161,635	154,464
Contingent consideration payable	12,900	213,621
Deferred income taxes	9,186	173,771
Other non-current liability	2,313	1,973
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$0.01 par value, 250,000,000 shares authorized 165,491,141 and 142,691,986 shares issued and outstanding at September 30, 2017 and December 31, 2016, respectively	1,707	1,480
Additional paid-in capital	1,387,767	1,120,156
Accumulated other comprehensive loss:		
Foreign currency translation adjustment	(1,367)	1,945
Unrealized gain on available-for-sale securities	(101)	102
Warrants	16,076	16,076
Accumulated deficit	<u>(994,402)</u>	<u>(779,608)</u>
Total stockholders' equity	<u>409,680</u>	<u>360,151</u>
Total Liabilities and Stockholders' Equity	<u>\$ 680,779</u>	<u>\$ 1,036,845</u>

See accompanying notes to consolidated financial statements

Amicus Therapeutics, Inc.
Consolidated Statements of Operations
(Unaudited)
(in thousands, except share and per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Revenue:				
Net product sales	\$ 10,874	\$ 2,127	\$ 22,201	\$ 2,127
Cost of goods sold	1,790	344	3,626	344
Gross Profit	9,084	1,783	18,575	1,783
Operating Expenses:				
Research and development	40,641	32,457	103,502	74,163
Selling, general and administrative	21,647	17,469	60,090	52,470
Changes in fair value of contingent consideration payable	(244,250)	(4,110)	(238,622)	9,228
Loss on impairment of assets	465,427	—	465,427	—
Restructuring charges	—	11	—	69
Depreciation	851	896	2,486	2,336
Total operating expenses	284,316	46,723	392,883	138,266
Loss from operations	(275,232)	(44,940)	(374,308)	(136,483)
Other income (expenses):				
Interest income	1,190	460	2,702	1,098
Interest expense	(4,351)	(1,517)	(12,820)	(3,517)
Other income (expense)	2,044	(910)	5,054	(3,199)
Loss before income tax benefit	(276,349)	(46,907)	(379,372)	(142,101)
Income tax benefit	164,683	253	164,578	706
Net loss attributable to common stockholders	\$ (111,666)	\$ (46,654)	\$ (214,794)	\$ (141,395)
Net loss attributable to common stockholders per common share — basic and diluted	\$ (0.69)	\$ (0.33)	\$ (1.44)	\$ (1.07)
Weighted-average common shares outstanding — basic and diluted	160,796,841	140,656,109	148,963,864	131,675,690

See accompanying notes to consolidated financial statements

Amicus Therapeutics, Inc.
Consolidated Statements of Comprehensive Loss
(Unaudited)
(in thousands)

	Three Months Ended		Nine Months Ended September 30,	
	September 30,			
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Net loss	\$ (111,666)	\$ (46,654)	\$ (214,794)	\$ (141,395)
Other comprehensive (loss)/ gain:				
Foreign currency translation adjustment (loss)/ gain	(1,176)	220	(3,312)	1,062
Unrealized (loss)/ gain on available-for-sale securities	(131)	86	(203)	402
Other comprehensive (loss)/ income	<u>\$ (1,307)</u>	<u>\$ 306</u>	<u>\$ (3,515)</u>	<u>\$ 1,464</u>
Comprehensive loss	<u>\$ (112,973)</u>	<u>\$ (46,348)</u>	<u>\$ (218,309)</u>	<u>\$ (139,931)</u>

See accompanying notes to consolidated financial statements

Amicus Therapeutics, Inc.
Consolidated Statements of Cash Flows
(Unaudited)
(in thousands)

	Nine Months Ended September 30,	
	2017	2016
Operating activities		
Net loss	\$ (214,794)	(141,395)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of debt discount and deferred financing	7,179	1,744
Depreciation	2,486	2,336
Stock-based compensation	17,067	13,087
Charges to research expense for stock issued in asset acquisition	—	4,607
Restructuring charges	—	69
Loss on impairment	465,427	—
(Gain)/ Loss on disposal of asset	(8)	17
Change in fair value of derivative liability	(265)	324
Non-cash changes in the fair value of contingent consideration payable	(238,622)	9,228
Foreign currency remeasurement (gain)/ loss	(4,932)	2,207
Non-cash deferred taxes and other tax benefits	(164,585)	(706)
Changes in operating assets and liabilities:		
Accounts receivable	(4,288)	(863)
Inventories	(3,386)	(3,505)
Prepaid expenses and other current assets	(3,358)	(2,803)
Other non-current assets	(713)	(660)
Account payable and accrued expenses	13,037	(2,920)
Non-current liabilities	637	684
Deferred Reimbursements	(12,600)	—
Net cash used in operating activities	(141,718)	(118,549)
Investing activities		
Sale and redemption of marketable securities	230,981	165,495
Purchases of marketable securities	(450,358)	(199,829)
Purchases of property and equipment	(3,398)	(5,520)
Net cash used in investing activities	(222,775)	(39,854)
Financing activities		
Proceeds from issuance of common stock, net of issuance costs	243,036	97,068
Proceeds from unsecured loan agreement	—	30,000
Payment of capital leases	(212)	(118)
Payment of contingent consideration	(10,000)	(5,000)
Purchase of vested restricted stock units	(1,067)	(1,010)
Proceeds from exercise of stock options	8,841	1,456
Payment of deferred financing fees	(28)	—
Net cash provided by financing activities	240,570	122,396
Effect of exchange rate changes on cash and cash equivalents	1,030	(363)
Net decrease in cash and cash equivalents	(122,893)	(36,370)
Cash and cash equivalents at beginning of year/ period	187,026	69,485
Cash and cash equivalents at end of year/period	\$ 64,133	\$ 33,115
Supplemental disclosures of cash flow information		
Cash paid during the period for interest	\$ 3,662	\$ 284
Contingent consideration resolution in shares	\$ —	\$ 6,115
Capital expenditures funded by capital lease borrowings	\$ —	\$ 850

See accompanying notes to consolidated financial statements

Amicus Therapeutics, Inc.

Notes to the Consolidated Financial Statements
(Unaudited)

Note 1. Description of Business

Corporate Information, Status of Operations, and Management Plans

Amicus Therapeutics, Inc. (the “Company”) is a global patient-focused biotechnology company engaged in the discovery, development and commercialization of a diverse set of novel treatments for patients living with devastating rare and orphan diseases. The Company’s lead product, migalastat HCl, is a small molecule that can be used as a monotherapy and in combination with enzyme replacement therapy (“ERT”) for Fabry disease. Migalastat was approved for use in the European Union (“EU”) in May 2016 under the brand name Galafold™ as a first-line therapy for long-term treatment of adults and adolescents aged 16 years and older with a confirmed diagnosis of Fabry disease and who have an amenable mutation. Additionally, based on a series of discussions with and written communication received from the U.S. Food and Drug Administration (the “FDA”), the FDA has informed the Company that it may now submit a New Drug Application (“NDA”) for migalastat. An additional Phase 3 study previously requested by the FDA to assess Gastrointestinal (“GI”) symptoms is no longer required before an NDA submission. The Company is preparing the NDA submission under Subpart H, which provides for accelerated approval, and plans to submit an NDA to the FDA for migalastat for Fabry disease in the fourth quarter of 2017.

The Company is also investigating a novel treatment paradigm ATB200/AT2221 in patients with Pompe disease, an inherited lysosomal storage disorder caused by an enzyme deficiency that leads to accumulation of glycogen (disease substrate) in cells. In October 2017, the Company announced additional positive results from our global Phase 1/2 clinical study (ATB200-02) to investigate ATB200/AT2221 in patients with Pompe disease. Consistent with previous results, patients who completed six months of treatment with ATB200/AT2221 showed improvements in six-minute walk test (“6MWT”) distance and other measures of motor function, stability or increases in forced vital capacity (“FVC”), and further reductions in biomarkers of muscle damage and disease substrate, with consistent results reported in initial patients who completed nine months of treatment. On September 21, 2017, the Company announced that the FDA granted orphan drug designation to ATB200/AT2221.

The Company was previously developing SD-101 in late-stage development as a potential first-to-market therapy for the chronic, rare connective tissue disorder Epidermolysis Bullosa (“EB”). On September 13, 2017, the Company reported that top-line data from the randomized, double-blind, placebo-controlled Phase 3 clinical study (“ESSENCE” or “SD-005”) to assess the efficacy and safety of the novel topical wound-healing agent SD-101 did not meet the primary endpoints or secondary endpoints in participants with EB. The Company plans to further analyze and share the Phase 3 ESSENCE results with key stakeholders in the EB community including physicians, patient organizations and regulators. In the interim, in consultation with their physicians, participants in the ongoing extension studies (SD-004 and -006) will have the opportunity to continue being treated with SD-101. Based on the top-line data, the Company has no current plans to invest in any additional clinical studies or commercial preparation activities for SD-101. This event led the Company to assess the carrying amount of the program’s tangible and intangible assets against their respective fair values. Based on the assessment, the Company recognized a loss on impairment of intangible assets in the amount of \$463.7 million and \$1.7 million in fixed assets recorded within Loss on Impairment of Assets within the Consolidated Statements of Operation. Since the study did not meet the primary and secondary endpoints, the Company has concluded that they will not make the potential milestone payments indicated in the Asset Purchase Agreement to the former Scioderm holders. Accordingly, the Company recognized a gain of \$254.7 million in Changes in Fair Value of Contingent Consideration Payable in the Consolidated Statements of Operation for the three months ended September 30, 2017 in order to decrease the liability to zero. The Company also recognized \$0.4 million in selling, general and administrative costs and \$8.1 million in research and development expenses related to the wind-down of operations for the Phase 3 ESSENCE study and ongoing extension studies SD-004 and SD-006 in the third quarter of 2017. See “ — Note 4. Goodwill and IPR&D” for more details.

The Company is also investigating preclinical and discovery programs in other rare and devastating diseases including cyclin-dependent kinase-like 5 (“CDKL5”) deficiency. The Company believes that its platform technologies and its product pipeline uniquely position it at the forefront of advanced therapies to treat a range of devastating rare and orphan diseases.

On July 12, 2017, the Company entered into an underwriting agreement (“the Underwriting Agreement”) with J.P. Morgan Securities LLC and Goldman Sachs & Co. LLC, as representatives of the several underwriters set forth on Schedule 1 thereto, relating to an underwritten public offering of the Company’s common stock (the “Offering”). Under the terms of the Underwriting Agreement, the Company issued and sold 21,122,449 shares at a price to the public of \$12.25 per share, resulting in gross proceeds of \$258.8 million, before deducting underwriting discounts and commissions and offering expenses payable by the Company. The Offering closed on July 18, 2017 and the Company received net proceeds from the Offering, after deducting underwriting discounts and commissions and offering expenses payable by the Company of \$243.0 million. See “ — Note 8. Equity” for more details.

The Company believes that its existing cash and cash equivalents and short-term investments will be sufficient to fund the current operating plan into the second half of 2019.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The Company has prepared the accompanying unaudited consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10-01 of Regulation S-X. Accordingly, they do not include all of the information and disclosures required by U.S. GAAP for complete financial statements. In the opinion of management, the accompanying unaudited financial statements reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the Company's interim financial information.

The accompanying unaudited consolidated financial statements and related notes should be read in conjunction with the Company's financial statements and related notes as contained in the Company's Annual Report on Form 10-K, as amended, for the year ended December 31, 2016. For a complete description of the Company's accounting policies, please refer to the Annual Report on Form 10-K, as amended for the year ended December 31, 2016.

Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. Intercompany accounts and transactions have been eliminated in consolidation.

Foreign Currency Transactions

The functional currency for most of the Company's foreign subsidiaries is their local currency. For non-U.S. subsidiaries that transact in a functional currency other than the U.S. dollar, assets and liabilities are translated at current rates of exchange at the balance sheet date. Income and expense items are translated at the average foreign exchange rates for the period. Adjustments resulting from the translation of the financial statements of the Company's foreign operations into U.S. dollars are excluded from the determination of net income and are recorded in accumulated other comprehensive income, a separate component of stockholders' equity.

The Company transacts business in various foreign countries and therefore, is subject to risk of foreign currency exchange rate fluctuations. As such, in June 2016, the Company entered into a forward contract to economically hedge transactional exposure associated with commitments arising from trade accounts payable denominated in a currency other than the functional currency of the respective operating entity. The Company does not designate this forward contract as a hedging instrument under applicable accounting guidance and, therefore, changes in fair value are recorded as other expense in the Consolidated Statements of Operations. The forward contract expired in June 2017.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Concentration of Credit Risk

The Company's financial instruments that are exposed to concentration of credit risk consist primarily of cash and cash equivalents and marketable securities. The Company maintains its cash and cash equivalents in bank accounts, which, at times, exceed federally insured limits. The Company invests its marketable securities in high-quality commercial financial instruments. The Company has not recognized any losses from credit risks on such accounts during any of the periods presented. The Company believes it is not exposed to significant credit risk on cash and cash equivalents or its marketable securities.

The Company is subject to credit risk from its accounts receivable related to its product sales of Galafold™. The majority of the Company's accounts receivable at September 30, 2017 have arisen from product sales in the EU. The Company will periodically assess the financial strength of its customers to establish allowances for anticipated losses, if any. For accounts receivable that have

arisen from named patient sales, the payment terms are predetermined and the Company evaluates the creditworthiness of each customer on a regular basis. To date, the Company has not incurred any credit losses.

Significant Accounting Policies

There have been no material changes to the Company's significant accounting policies during the nine months ended September 30, 2017, as compared to the significant accounting policies disclosed in Note 2 of the Consolidated Financial Statements in the Company's Annual Report on Form 10-K, as amended, for the year ended December 31, 2016. However, the following accounting policies are the most critical in fully understanding and evaluating the Company's financial condition and results of operations.

Revenue Recognition

The Company recognizes revenue when amounts are realized or realizable and earned. Revenue is considered realizable and earned when persuasive evidence of an arrangement exists, title to product and associated risk of loss has passed to the customer, which is typically upon receipt by the end customer, the price is fixed or determinable, collection of the amounts due are reasonably assured and the Company has no further performance obligations.

The Company's net product sales consist solely of sales of Galafold™ for the treatment of Fabry disease in the EU. The Company has recorded revenue on sales where Galafold™ is available either on a commercial basis or through a reimbursed early access program. Orders for Galafold™ are generally received from pharmacies and the ultimate payor is typically a government authority.

The Company records revenue net of estimated third party discounts and rebates. Allowances are recorded as a reduction of revenue at the time revenues from product sales are recognized. These allowances are adjusted to reflect known changes in factors and may impact such allowances in the quarter those changes are known. Allowances as of September 30, 2017 are immaterial.

Inventories and Cost of Goods Sold

Prior to regulatory approval of Galafold™, the Company expensed all manufacturing costs related to Galafold™ as research and development expense. Upon regulatory approval, the Company began capitalizing costs related to the purchase and manufacture of Galafold™.

Inventories are stated at the lower of cost and net realizable value, determined by the first-in, first-out method. Inventories are reviewed periodically to identify slow-moving or obsolete inventory based on projected sales activity as well as product shelf-life. In evaluating the recoverability of inventories produced, the probability that revenue will be obtained from the future sale of the related inventory is considered and inventory value is written down for inventory quantities in excess of expected requirements. Expired inventory is disposed of and the related costs are recognized as cost of product sales in the consolidated statements of operations.

Cost of goods sold includes the cost of inventory sold, manufacturing and supply chain costs, product shipping and handling costs, provisions for excess and obsolete inventory, as well as royalties payable. A portion of the inventory available for sale was expensed as research and development costs prior to regulatory approval and as such the cost of goods sold and related gross margins are not necessarily indicative of future cost of goods sold and gross margin.

Fair Value Measurements

The Company records certain asset and liability balances under the fair value measurements as defined by the FASB guidance. Current FASB fair value guidance emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, current FASB guidance establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions that market participants assumptions would use in pricing assets or liabilities (unobservable inputs classified within Level 3 of the hierarchy).

Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at measurement date. Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets and liabilities in active

markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability, which is typically based on an entity's own assumptions, as there is little, if any, related market activity. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

Contingent Liabilities

On an ongoing basis, the Company may be involved in various claims, and legal proceedings. On a quarterly basis, the Company reviews the status of each significant matter and assesses its potential financial exposure. If the potential loss from any claim, asserted or unasserted, or legal proceeding is considered probable and the amount can be reasonably estimated, the Company will accrue a liability for the estimated loss. Because of uncertainties related to claims and litigation, accruals will be based on the Company's best estimates based on available information. On a periodic basis, as additional information becomes available, or based on specific events such as the outcome of litigation or settlement of claims, the Company may reassess the potential liability related to these matters and may revise these estimates, which could result in material adverse adjustments to the Company's operating results.

Recent Accounting Pronouncements

In August 2017, the FASB issued ASU 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*. The amendments in this Update better align an entity's risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. To meet that objective, the amendments expand and refine hedge accounting for both nonfinancial and financial risk components and align the recognition and presentation of the effects of the hedging instrument and the hedged item in the financial statements. The amendments in this Update also make certain targeted improvements to simplify the application of hedge accounting guidance and ease the administrative burden of hedge documentation requirements and assessing hedge effectiveness. For public business entities, the amendment is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption, including adoption in an interim period, is permitted. The Company is currently assessing the impact that this standard will have on its consolidated financial statements.

In July 2017, the FASB issued ASU 2017-11, *Earnings Per Share (Topic 260); Distinguishing Liabilities from Equity (Topic 480); Derivatives and Hedging (Topic 815): (Part I) Accounting for Certain Financial Instruments with Down Round Features, (Part II) Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception*. Part I of this Update addresses the complexity of accounting for certain financial instruments with down round features. Down round features are features of certain equity-linked instruments (or embedded features) that result in the strike price being reduced on the basis of the pricing of future equity offerings. When determining whether certain financial instruments should be classified as liabilities or equity instruments, a down round feature no longer precludes equity classification when assessing whether the instrument is indexed to an entity's own stock. Part II of this Update addresses the difficulty of navigating Topic 480, *Distinguishing Liabilities from Equity*, because of the existence of extensive pending content in the FASB Accounting Standards Codification®. For public business entities, the amendments in Part I of this Update are effective for fiscal years, and years, beginning after December 15, 2018. Early adoption is permitted for all entities, including adoption in an interim period. The Company is currently assessing the impact that this standard will have on its consolidated financial statements.

In May 2017, the FASB issued ASU 2017-09, *Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting*. The amendments provide guidance on determining which changes to the terms and conditions of share-based payment awards require an entity to apply modification accounting under Topic 718 *Compensation—Stock Compensation*. An entity should account for the effects of a modification unless all the following are met: 1. The fair value (or calculated value or intrinsic value, if such an alternative measurement method is used) of the modified award is the same as the fair value (or calculated value or intrinsic value, if such an alternative measurement method is used) of the original award immediately before the original award is modified. If the modification does not affect any of the inputs to the valuation technique that the entity uses to value the award, the entity is not required to estimate the value immediately before and after the modification. 2. The vesting conditions of the modified award are the same as the vesting conditions of the original award immediately before the original award is modified. 3. The classification of the modified award as an equity instrument or a liability instrument is the same as the classification of the original award immediately before the original award is modified. The ASU is effective for all entities for annual periods, including interim periods within those annual periods, beginning after December 15, 2017. Early adoption is permitted, including adoption in any interim period. The Company is currently assessing the impact that this standard will have on its consolidated financial statements.

In March 2017, the FASB issued ASU 2017-08, *Receivables—Nonrefundable Fees and Other Costs (Subtopic 310-20), Premium Amortization on Purchased Callable Debt Securities*. The amendments shorten the amortization period for certain callable debt securities held at a premium. Specifically, the amendments require the premium to be amortized to the earliest call date. The amendments do not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. The ASU is effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. For other entities, the amendments are effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted, including adoption in an interim period. If an entity early adopts in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The amendments should be applied on a modified retrospective basis, with a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. The Company is currently assessing the impact that this standard will have on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, *Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. To simplify the subsequent measurement of goodwill, ASU 2017-04 eliminates Step 2 from the goodwill impairment test. The annual, or interim, goodwill impairment test is performed by comparing the fair value of a reporting unit with its carrying amount. An impairment charge should be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. In addition, income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit should be considered when measuring the goodwill impairment loss, if applicable. ASU 2017-04 also eliminates the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails that qualitative test, to perform Step 2 of the goodwill impairment test. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. ASU 2017-04 should be applied on a prospective basis. The nature of and reason for the change in accounting principle should be disclosed upon transition. A public business entity that is a U.S. SEC filer should adopt ASU 2017-04 for its annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company is currently assessing the impact that this standard will have on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*. This Accounting Standards Update clarifies the definition of a business. The amendments affect all companies and other reporting organizations that must determine whether they have acquired or sold a business. The amendments in this update are effective for public companies for annual periods beginning after December 15, 2017, including interim periods within those periods. Early adoption is permitted under certain circumstances. The amendments should be applied prospectively as of the beginning of the period of adoption. The Company is currently assessing the impact that this standard will have on its consolidated financial statements.

In October 2016, the FASB issued ASU 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory*. This Accounting Standards Update requires an entity to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The amendments eliminate the exception for an intra-entity transfer of an asset other than inventory. The amendments in this Update are effective for public business entities for annual periods beginning after December 15, 2017, including interim reporting periods within those annual reporting periods. Early adoption is permitted for all entities in the first interim period if an entity issues interim financial statements. The Company is currently assessing the impact that this standard will have on its consolidated financial statements. The Company has not completed review of the impact of this guidance and does not expect this new guidance to have a material impact on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. The amendments are intended to improve the accounting for employee share-based payments and affect all organizations that issue share-based payment awards to their employees. Several aspects of the accounting for share-based payment award transactions are simplified, including: (a) income tax consequences; (b) classification of awards as either equity or liabilities; and (c) classification on the statement of cash flows. For public companies, the amendments are effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. The Company adopted ASU 2016-09 on January 1, 2017. Due to the Company's history of operating losses, the adoption did not result in changes to the Company's Net loss or Retained earnings and the classification of excess tax benefits on the statement of cash flows for prior periods have not been adjusted. In connection with the adoption of ASU 2016-9, the Company made a policy election to continue its methodology for the development and application of its forfeiture rate.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This update requires the recognition of lease assets and lease liabilities on the balance sheet for all lease obligations and disclosing key information about leasing arrangements. This update requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous generally accepted accounting principles. This update will be effective for the Company for all annual and interim periods

beginning after December 15, 2018, including interim periods within those fiscal years. Early application is permitted for all public business entities and all nonpublic business entities upon issuance. The Company is currently assessing the impact that this standard will have on its consolidated financial statements.

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers* which along with amendments issued in 2015 and 2016, will replace substantially all current US GAAP guidance on this topic and eliminate industry-specific guidance. ASU 2014-09 also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The guidance permits two methods of adoption: full retrospective method (retrospective application to each prior reporting period presented) or modified retrospective method (retrospective application with the cumulative effect of initially applying the guidance recognized at the date of initial application and providing certain additional disclosures). The Company has elected to adopt the new standard using the modified retrospective approach. ASU 2014-09 will become effective for the Company during the first quarter of 2018.

The Company continues to assess the impact of ASU 2014-09 on its business and financial statements and expects the adoption of ASU 2014-09 to have an impact to its financial reporting disclosures and internal controls over financial reporting (“ICFR”). The Company has developed implementation controls that allow the Company to properly and timely adopt the new revenue accounting standard on its effective date. The Company will make continuous updates to the quarterly and year-end disclosures, with a focus on both status and internal controls over financial reporting.

The Company’s implementation plan includes a phased project plan, an understanding of the new standard and its requirements, assessment of the Company’s revenue streams and specific contracts in the streams. Additionally, the Company continues to monitor modifications, clarifications and interpretations issued by the FASB that may impact its assessment. Upon completion of the Company’s implementation plan and evaluation of the remaining revenue contracts, the Company plans to adopt additional internal controls over financial reporting for any new revenue arrangements. The Company is performing a detailed review of representative contracts and assessing the potential impacts the standard may have on previously reported revenues and future revenues. The Company is also evaluating the potential impact of costs related to obtaining and fulfilling the contracts. The Company is completing its analysis and is on target to complete its assessment of ASU 2014-09 and the impact on the Company’s consolidated financial statements and related disclosures as of January 1, 2018.

Note 3. Acquisitions

Asset Acquisition of MiaMed, Inc.

In July 2016, the Company entered into an Agreement and Plan of Merger (the “MiaMed Agreement”) with MiaMed, Inc., (“MiaMed”). MiaMed is a pre-clinical biotechnology company focused on developing protein replacement therapy for CDKL5 and related diseases. Under the terms of the MiaMed Agreement, the former holders of MiaMed’s capital stock received an aggregate of \$6.5 million, comprised of (i) approximately \$1.8 million in cash (plus MiaMed’s cash and cash equivalents at closing and less any of MiaMed’s unpaid third-party fees and expenses related to the transaction), and (ii) 825,603 shares of the Company’s common stock, par value \$0.01 per share (“Common Stock”). In addition, the Company also agreed to pay up to an additional \$83.0 million in connection with the achievement of certain clinical, regulatory and commercial milestones, for a potential aggregate deal value of \$89.5 million. The Company evaluated the transaction based on the guidance of Accounting Standard Codification (“ASC”) 805, *Business Combinations* and concluded that it only acquired inputs and did not acquire any processes. The Company will need to develop its own processes in order to produce an output. Therefore, the Company accounted for the transaction as an asset acquisition and accordingly \$6.5 million was expensed to research and development.

Acquisition of Scioderm, Inc.

In September 2015, the Company acquired Scioderm Inc., (“Scioderm”), a privately-held biopharmaceutical company focused on developing innovative therapies for treating the rare disease EB. The acquisition potentially leveraged the Scioderm development team’s EB expertise with the Company’s global clinical infrastructure to advance SD-101 toward regulatory approvals and the Company’s commercial, patient advocacy, and medical affairs infrastructure to support a successful global launch. The acquisition of Scioderm was accounted for as a purchase of a business in accordance with ASC 805 *Business Combinations*.

On September 13, 2017, the Company reported that top-line data from the randomized, double-blind, placebo-controlled Phase 3 clinical study (ESSENCE, SD-005) to assess the efficacy and safety of the novel topical wound-healing agent SD-101 did not meet the primary endpoints or secondary endpoints in participants with EB. Based on these top-line data, the Company has no current plans to invest in any additional clinical studies or commercial preparation activities for SD-101. For additional information, see “— Note 1. Description of Business.” The associated impairment of Scioderm IPR&D is discussed in “— Note 4. Goodwill and

Intangible Assets.”

Acquisition of Callidus Biopharma, Inc.

In November 2013, the Company acquired Callidus Biopharma, Inc. (“Callidus”), a privately-held biologics company focused on developing best-in-class ERTs for lysosomal storage disorders (“LSDs”) with its lead ERT ATB200 for Pompe disease in late preclinical development. The acquisition of the Callidus assets and technology complements Amicus’ CHART™ platform for the development of next-generation ERTs.

For additional information, see “— Note 4. Goodwill and Intangible Assets.”

Note 4. Goodwill and IPR&D

In connection with the acquisitions, the Company recognized IPR&D of \$486.7 million and goodwill of \$197.8 million. Intangible assets related to IPR&D assets are considered to be indefinite-lived until the completion or abandonment of the associated research and development efforts. During the period the assets are considered indefinite-lived, they will not be amortized but will be tested for impairment on an annual basis and between annual tests if the Company becomes aware of any events occurring or changes in circumstances that would indicate a reduction in the fair value of the IPR&D assets below their respective carrying amounts.

Goodwill and intangible assets are assessed annually for impairment on October 1 and whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. If it is determined that the full carrying amount of an asset is not recoverable, an impairment loss is recorded in the amount by which the carrying amount of the asset exceeds its fair value. As discussed in “— Note 1. Description of Business”, in September 2017, the Company reported that top-line data from the randomized, double-blind, placebo-controlled Phase 3 clinical study (ESSENCE, SD-005) to assess the efficacy and safety of the novel topical wound-healing agent SD-101 did not meet the primary endpoints or secondary endpoints in participants with EB. This event led to an assessment to determine if an impairment had occurred for goodwill and IPR&D. Based on tests for impairment, the Company determined that IPR&D had been impaired, however goodwill was not impaired based on qualitative and market capitalization tests performed.

The following table represents the changes in IPR&D for the nine months ended September 30, 2017:

	(in millions)
Balance at December 31, 2016	\$ 486.7
Impairment in IPR&D related to Scioderm	(463.7)
Balance September 30, 2017	\$ 23.0

The following table represents the changes in Goodwill for the nine months ended September 30, 2017:

	(in millions)
Balance at December 31, 2016	\$ 197.8
Change in goodwill	—
Balance at September 30, 2017	\$ 197.8

Note 5. Cash, Money Market Funds and Marketable Securities

As of September 30, 2017, the Company held \$64.1 million in cash and cash equivalents and \$362.5 million of available-for-sale securities which are reported at fair value on the Company’s Consolidated Balance Sheets. Unrealized holding gains and losses are reported within accumulated other comprehensive income/ (loss) in the statements of comprehensive loss. If a decline in the fair value of a marketable security below the Company’s cost basis is determined to be other than temporary, such marketable security is written down to its estimated fair value as a new cost basis and the amount of the write-down is included in earnings as an impairment charge. To date, only temporary impairment adjustments have been recorded.

The Company regularly invests excess operating cash in deposits with major financial institutions, money market funds, notes issued by the U.S. government, as well as fixed income investments and U.S. bond funds both of which can be readily purchased

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and sold using established markets. The Company believes that the market risk arising from its holdings of these financial instruments is mitigated as many of these securities are either government backed or of the highest credit rating. Investments that have original maturities greater than 3 months but less than 1 year are classified as short-term, while investments that have maturities greater than 1 year are classified as long-term.

For the nine months ended September 30, 2017, the Company recognized a loss of \$0.2 million, related to derivative instruments not designated as hedging instruments in other expense in the Consolidated Statements of Operations. As the forward contract expired in June 2017, there was no liability in the Consolidated Balance Sheets as of September 30, 2017.

Cash and available-for-sale securities are all current unless mentioned otherwise and consisted of the following as of September 30, 2017 and December 31, 2016 (in thousands):

	As of September 30, 2017			
	Cost	Gross unrealized Gain	Gross unrealized Loss	Fair Value
Cash balances	\$ 64,133	\$ —	\$ —	\$ 64,133
Corporate debt securities, current portion	192,851	5	(75)	192,781
Corporate debt securities, non-current portion	15,121	—	(12)	15,109
Commercial paper	123,880	11	(10)	123,881
Asset backed securities	30,346	—	(20)	30,326
Money market	350	—	—	350
Certificate of deposit	50	—	—	50
	<u>\$ 426,731</u>	<u>\$ 16</u>	<u>\$ (117)</u>	<u>\$ 426,630</u>
Included in cash and cash equivalents	\$ 64,133	\$ —	\$ —	\$ 64,133
Included in marketable securities	362,598	16	(117)	362,497
Total cash and marketable securities	<u>\$ 426,731</u>	<u>16</u>	<u>\$ (117)</u>	<u>\$ 426,630</u>

	As of December 31, 2016			
	Cost	Unrealized Gain	Unrealized Loss	Fair Value
Cash balances	\$ 187,026	\$ —	\$ —	\$ 187,026
Corporate debt securities, current portion	74,564	2	(31)	74,535
Commercial paper	68,258	132	—	68,390
Money market	350	—	—	350
Certificate of deposit	50	—	—	50
	<u>\$ 330,248</u>	<u>\$ 134</u>	<u>\$ (31)</u>	<u>\$ 330,351</u>
Included in cash and cash equivalents	\$ 187,026	\$ —	\$ —	\$ 187,026
Included in marketable securities	143,222	134	(31)	143,325
Total cash and marketable securities	<u>\$ 330,248</u>	<u>134</u>	<u>\$ (31)</u>	<u>\$ 330,351</u>

For the nine months ended September 30, 2017 and the year ended December 31, 2016, there were no realized gains or losses. The cost of securities sold is based on the specific identification method.

Unrealized loss positions in the available for sale securities as of September 30, 2017 and December 31, 2016 reflect temporary impairments that have been in a loss position for less than twelve months and as such are recognized in other comprehensive gain/ (loss). The fair value of these available for sale securities in unrealized loss positions was \$241.5 million and \$58.7 million as of September 30, 2017 and December 31, 2016, respectively.

The Company holds available-for-sale investment securities which are reported at fair value on the Company's balance sheet. Unrealized holding gains and losses are reported within accumulated other comprehensive income ("AOCI") in the statements of comprehensive loss.

Note 6. Inventories

Inventories consist of work in process and finished goods related to the manufacture of Galafold™. The following table summarizes the components of inventories at September 30, 2017 (in thousands):

	September 30, 2017	December 31, 2016
Work-in-process	\$ 6,937	\$ 3,308
Finished goods	335	108
Total inventories	\$ 7,272	\$ 3,416

Inventory manufactured prior to commercialization was expensed to research and development. Inventories are reviewed periodically to identify slow-moving or obsolete inventory based on projected sales activity, as well as product shelf-life. In evaluating the recoverability of inventories produced, the Company considers the probability that revenue will be obtained from the future sale of the related inventory. Inventory becomes obsolete when it has aged past its shelf-life, cannot be recertified and is no longer usable or able to be sold, or the inventory has been damaged. In such instances, a full reserve is taken against such inventory. Expired inventory is disposed of and the related costs are recognized as cost of product sales in the consolidated statement of operations. There have been no write-downs of inventory from the time inventory was first capitalized nor have any inventory reserves been recorded to date.

Note 7. Debt Instruments*2016 Convertible Debt*

On December 21, 2016, the Company issued at par value \$250 million aggregate principal amount of unsecured Convertible Senior Notes due 2023 (the “Convertible Notes”), which included the exercise in full of the \$25 million over-allotment option granted to the initial purchasers of the Notes, in a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act (the “Note Offering”). Interest is payable semiannually on June 15 and December 15 of each year, beginning on June 15, 2017. The Notes will mature on December 15, 2023, unless earlier repurchased, redeemed, or converted in accordance with their terms. The Notes are convertible at the option of the holders, under certain circumstances and during certain periods, into cash, shares of the Company’s Common Stock or a combination thereof and may be settled as described below. The net proceeds from the Note Offering were \$243.0 million, after deducting fees and estimated expenses payable by the Company. In addition, the Company used approximately \$13.5 million of the net proceeds from the issuance of the Convertible Notes to pay the cost of the capped call transactions (“Capped Call Confirmations”) that the Company entered into in connection with the issuance of the Convertible Notes.

The Convertible Notes are governed by an indenture dated December 21, 2016 (the “Indenture”) by and between the Company and Wilmington Trust, National Association, as trustee.

The Convertible Notes are initially convertible into approximately 40,849,675 shares of the Company’s Common Stock under certain circumstances prior to maturity at a conversion rate of 163.3987 shares per \$1,000 principal amount of Convertible Notes, which represents a conversion price of approximately \$6.12 per share of Common Stock, subject to adjustment under certain conditions. Holders may convert their Convertible Notes at their option at specified times prior to the maturity date of December 15, 2023, only if:

- during any fiscal quarter commencing after March 31, 2017, the last reported sale price of the Company’s Common Stock for at least 20 trading days in the period of 30 consecutive trading days ending on the last trading day of the immediately preceding fiscal quarter is equal to or more than 130% of the conversion price of the Convertible Notes on the last day of such preceding fiscal quarter;
- a Holder submits its Convertible Notes for conversion during the five business day period following any five consecutive trading day period in which the trading price for the Convertible Notes, per \$1,000 principal amount of the Convertible Notes, for each such trading day was less than 98% of the product of the last reported sale price of the Company’s Common Stock and the conversion rate of the Convertible Notes on such date;
- the Company issues to all or substantially all of the holders of Common Stock rights options or warrants entitling them for a period of not more than 60 calendar days after the date of such issuance to subscribe for or purchase shares of the Common Stock, at a price per share less than the average of the Last Reported Sale Prices of the Common Stock for the 10 consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the date of announcement of such issuance or distributes to all or substantially all holders of the Common Stock the Company’s assets, debt securities or rights to purchase the Company’s

securities which distribution has a per share value of exceeding 10% of the Last Reported Sale Price of the Common Stock on the Trading Day immediately preceding the date of announcement of such distribution

- the Company enters into specified corporate transactions; or
- the Company has had a call for redemption, the holder can convert up until the second trading day immediately preceding the redemption date

The Convertible Notes will be convertible, at the option of the note holders, regardless of whether any of the foregoing conditions have been satisfied, on or after September 15, 2023 at any time prior to the close of business on the second scheduled trading day immediately preceding the stated maturity date of December 15, 2023.

The last reported sale price of the Company's Common Stock was equal to or more than 130% of the conversion price of the Convertible Notes for at least 20 trading days of the 30 consecutive trading days ending on the last day of the second quarter. As a result, the Convertible Notes are currently convertible into the Company's Common stock as discussed above.

Upon the occurrence of a make-whole fundamental change or if the Company call all or any portion of the Convertible Notes for redemption prior to July 1, 2020, the Company will, in certain circumstances, increase the conversion rate by a number of additional shares for a holder that elects to convert its Convertible Notes in connection with such make-whole fundamental change or during the related redemption period.

Upon conversion, the Company may pay cash, shares of the Company's Common Stock or a combination of cash and stock, as determined by the Company in its discretion.

The Company accounts for the Convertible Notes as a liability and equity component where the carrying value of the liability component will be valued based on a similar instrument. In accounting for the issuance of the Convertible Notes, the Company separated the Convertible Notes into liability and equity components. The equity component is not re-measured as long as it continues to meet the conditions for equity classification.

In accounting for the issuance of the Convertible Notes, the Company separated the Convertible Notes into liability and equity components based on their relative values. The carrying amount of the liability component was calculated by measuring the fair value of a similar liability that does not have an associated convertible feature. The carrying amount of the equity component, representing the conversion option, was determined by deducting the fair value of the liability component from the par value of the Convertible Notes. The difference between the principal amount of the Convertible Notes and the liability component represents the debt discount, which is recorded as a direct deduction from the related debt liability in the Consolidated Balance Sheets and amortized to interest expense using the effective interest method over the seven-year term of the Convertible Notes. The equity component of the Convertible Notes of approximately \$88.3 million is included in additional paid-in capital in the Consolidated Balance Sheets and is not remeasured as long as it continues to meet the conditions for equity classification. Additionally, the Company recorded a deferred tax liability of \$29.8 million in relation to the Convertible Notes.

The Company incurred transaction costs of approximately \$7.5 million, including approximately \$6.9 million that was paid from the gross proceeds of the Convertible Notes offering. In accounting for the transaction costs, the Company allocated the total amount incurred to the liability and equity components using the same proportions as the proceeds from the Convertible Notes. Transaction costs attributable to the liability component were recorded as a direct deduction from the related debt liability in the Consolidated Balance Sheets and amortized to interest expense over the seven-year term of the Convertible Notes. Transaction costs attributable to the equity component were netted with the equity component in additional-paid-in-capital.

The Convertible Notes consist of the following (in thousands): as of September 30, 2017 and December 31, 2016:

Liability component	September 30, 2017	December 31, 2016
Principal	\$ 250,000	\$ 250,000
Less: debt discount (1)	(83,972)	(90,807)
Less: deferred financing(1)	(4,393)	(4,729)
Net carrying value of the debt	<u>\$ 161,635</u>	<u>\$ 154,464</u>

(1) Included in the Consolidated Balance Sheets within Convertible Senior Notes (due 2023) and amortized to interest expense over the remaining life of the Convertible Senior Notes using the effective interest rate method.

The fair value of the debt at September 30, 2017 was approximately \$644.0 million.

The following table sets forth total interest expense recognized related to the Convertible Notes for the three and nine months ended September 30, 2017:

Components (In thousands)	Three Months ended September 30, 2017	Nine Months ended September 30, 2017
Contractual interest expense	\$ 1,887	\$ 5,641
Amortization of debt discount	2,342	6,835
Amortization of deferred financing	122	344
Total	\$ 4,351	\$ 12,820

Effective interest rate of the liability component was 10.85%.

The Capped Call Confirmations of \$13.5 million are expected generally to reduce the potential dilution to the Common Stock upon any conversion of the Convertible Notes and/or offset the cash payments the Company is required to make in excess of the principal amount upon conversion of the Notes in the event that the market price of the Common Stock is greater than the strike price of the Capped Call Confirmations (which initially corresponds to the initial conversion price of the Convertible Notes and is subject to certain adjustments under the terms of the Capped Call Confirmations), with such reduction and/or offset subject to a cap based on the cap price of the Capped Call Confirmations. The Capped Call Confirmations have an initial cap price of \$7.20 per share, which represents a premium of approximately 50% over the closing price of the Company's Common Stock on the NASDAQ Global Market on December 15, 2016, and is subject to certain adjustments under the terms of the Capped Call Confirmations. The Capped Call Confirmations will cover, subject to anti-dilution adjustments substantially similar to those applicable to the Convertible Notes, the number of shares of Common Stock that will underlie the Convertible Notes. The Capped Call Confirmations do not meet the criteria for separate accounting as a derivative as they are indexed to the Company's Common Stock. The premiums paid for the Capped Call Confirmations have been included as a net reduction to additional paid-in capital.

Note 8. Stockholders' Equity

Common Stock and Warrants

As of September 30, 2017, the Company was authorized to issue 250 million shares of Common Stock. Dividends on Common Stock will be paid when, and if, declared by the board of directors. Each stockholder is entitled to vote on all matters that are appropriate for stockholder voting and is entitled to one vote for each share held.

As discussed in "—Note 1. Business," in July 2017, the Company entered into the Underwriting Agreement with J.P. Morgan Securities LLC and Goldman Sachs & Co. LLC, as representatives of the several underwriters set forth on Schedule 1 thereto, relating to the Offering. Under the terms of the Underwriting Agreement, the Company issued and sold 21,122,449 shares at a price to the public of \$12.25 per share, resulting in gross proceeds of \$258.8 million, before deducting underwriting discounts and commissions and offering expenses payable by the Company. The Offering closed on July 18, 2017 and the Company received net proceeds from the Offering, after deducting underwriting discounts and commissions and offering expenses payable by the Company of \$243.0 million.

As discussed in "—Note 7. Debt Instruments," on December 21, 2016, the Company issued \$250 million aggregate principal amount of Convertible Notes in a private offering. The Notes will mature on December 15, 2023, unless earlier repurchased, redeemed, or converted in accordance with their terms. The Notes are convertible at the option of the holders, under certain circumstances and during certain periods, into cash, shares of the Company's Common Stock or a combination thereof. Prior to the close of business on the business day immediately preceding September 15, 2023, the Notes are convertible at the option of the holders of the Notes only under certain conditions. On or after September 15, 2023, until the close of business on the second business day immediately preceding the maturity date, holders of the Notes may convert their Notes at their option at the conversion rate then in effect, irrespective of these conditions. The Company will settle conversions of the Notes by paying or delivering, as the case may be, cash, shares of Common Stock, or a combination of cash and shares of Common Stock, at the Company's election. The conversion rate will initially be 163.3987 shares of Common Stock per \$1,000 principal amount of Notes (equivalent to an initial conversion price of approximately \$6.12 per share of Common Stock). The conversion rate is subject to customary adjustments upon the occurrence of certain events.

Equity Incentive Plan

The Company’s Equity Incentive Plans consist of the Amended and Restated 2007 Equity Incentive Plan (the “Plan”) and the 2007 Director Option Plan (the “2007 Director Plan”). The Plan provides for the granting of restricted stock and options to purchase common stock in the Company to employees, advisors and consultants at a price to be determined by the Company’s board of directors. The Plan is intended to encourage ownership of stock by employees and consultants of the Company and to provide additional incentives for them to promote the success of the Company’s business. The 2007 Director Plan is intended to promote the recruiting and retention of highly qualified eligible directors and strengthen the commonality of interest between directors and stockholders by encouraging ownership of common stock of the Company. The Board of Directors, or its committee, is responsible for determining the individuals to be granted options, the number of options each individual will receive, the option price per share, and the exercise period of each option.

Stock Option Grants

The fair value of the stock options granted is estimated on the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Expected stock price volatility	82.5%	81.6%	83.1%	81.3%
Risk free interest rate	1.8%	1.2%	2.0%	1.5%
Expected life of options (years)	5.89	6.25	6.21	6.25
Expected annual dividend per share	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

Beginning in the third quarter of 2017, the average expected life was determined using our actual historical data versus a “simplified” method used in prior quarters. The “simplified” method of estimating the expected exercise term uses the mid-point between the vesting date and the end of the contractual term. In earlier quarters, we did not have sufficient reliable exercise data to justify a change from the use of the “simplified” method of estimating the expected exercise term of employee stock option grants. The impact from this change was not material.

A summary of the Company’s stock options for the nine months ended September 30, 2017 is as follows:

	Number of Shares (in thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value (in millions)
Options outstanding, December 31, 2016	15,497.5	\$ 7.37		
Granted	3,279.5	\$ 6.37		
Exercised	(1,451.2)	\$ 6.10		
Forfeited	(1,113.8)	\$ 9.59		
Options outstanding, September 30, 2017	16,212.0	\$ 7.13	7.2 years	\$ 129.5
Vested and unvested expected to vest, September 30, 2017	15,338.3	\$ 7.1	7.1 years	\$ 122.9
Exercisable at September 30, 2017	8,679.2	\$ 6.7	6.0 years	\$ 73.0

As of September 30, 2017, the total unrecognized compensation cost related to non-vested stock options granted was \$32.4 million and is expected to be recognized over a weighted average period of three years.

Restricted Stock Units (“RSUs”) and Performance-Based Restricted Stock Units

RSUs awarded under the Plan are generally subject to graded vesting and are contingent on an employee’s continued service. RSUs are generally subject to forfeiture if employment terminates prior to the release of vesting restrictions. The Company expenses the cost of the RSUs, which is determined to be the fair market value of the shares of Common Stock underlying the RSUs at the date of grant, ratably over the period during which the vesting restrictions lapse.

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A summary of non-vested RSU activity under the Plan for the nine months ended September 30, 2017 is as follows:

	Number of Share (in thousands)	Weighted Average Grant Date Fair Value	Weighted Average Remaining Years	Aggregate Intrinsic Value (in millions)
Non-vested units as of December 31, 2016	744.4	\$ 7.86		
Granted	2,348.7	\$ 5.69		
Vested	(210.9)	\$ 8.57		
Forfeited	(191.9)	\$ 6.27		
Non-vested units as of September 30, 2017	<u>2,690.3</u>	\$ 6.03	2.68 years	\$ 40.6

On December 30, 2016, the Compensation Committee approved a form of Performance-Based Restricted Stock Unit Award Agreement (the “Performance-Based RSU Agreement”), to be used for performance-based RSUs granted to participants under the Amended and Restated Amicus Therapeutics, Inc. 2007 Equity Incentive Plan, including named executive officers. Certain awards under the form of Performance-Based RSU Agreement were granted in January 2017. The table above includes 401,413 market performance-based restricted stock units (“MPRSUs”) granted to executives. Vesting of these awards is contingent upon the Company meeting certain total shareholder return (“TSR”) levels as compared to a select peer group over the next three years. The MPRSUs cliff vest at the end of the three-year period and have a maximum potential to vest at 200% (802,826 shares) based on TSR performance. The related share-based compensation expense is determined based on the estimated fair value of the underlying shares on the date of grant and is recognized straight-line over the vesting term. The estimated fair value per share of the MPRSUs was \$8.08 and was calculated using a Monte Carlo simulation model. The table above also includes 401,413 performance based awards that will vest over the next three years based on the Company achieving certain clinical milestones.

For the nine months ended September 30, 2017, 210,911 of the RSUs vested and all non-vested units are expected to vest over their normal term. As of September 30, 2017, there was \$12.4 million of total unrecognized compensation cost related to unvested RSUs with service-based vesting conditions. These costs are expected to be recognized over a weighted average period of three years.

Compensation Expense Related to Equity Awards

The following table summarizes information related to compensation expense recognized in the statements of operations related to the equity awards (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Equity compensation expense recognized in:				
Research and development expense	\$ 2,390	\$ 2,109	\$ 7,456	\$ 6,011
Selling, general and administrative expense	3,110	2,229	9,611	7,076
Total equity compensation expense	<u>\$ 5,500</u>	<u>\$ 4,338</u>	<u>\$ 17,067</u>	<u>\$ 13,087</u>

Note 9. Assets and Liabilities Measured at Fair Value

The Company’s financial assets and liabilities are measured at fair value and classified within the fair value hierarchy, which is defined as follows:

Level 1 — Quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2 — Inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly.

Level 3 — Inputs that are unobservable for the asset or liability.

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A summary of the fair value of the Company’s recurring assets and liabilities aggregated by the level in the fair value hierarchy within which those measurements fall as of September 30, 2017 are identified in the following table (in thousands):

	Level 2	Total
Assets:		
Commercial paper	\$ 123,881	\$ 123,881
Asset-backed securities	30,326	30,326
Corporate debt securities	207,890	207,890
Money market funds	2,464	2,464
	\$ 364,561	\$ 364,561

	Level 2	Level 3	Total
Liabilities:			
Contingent consideration payable	\$ —	\$ 21,100	\$ 21,100
Derivative liability	—	—	—
Deferred compensation plan liability	2,134	—	2,134
	\$ 2,134	\$ 21,100	\$ 23,234

A summary of the fair value of the Company’s recurring assets and liabilities aggregated by the level in the fair value hierarchy within which those measurements fall as of December 31, 2016 are identified in the following table (in thousands):

	Level 2	Total
Assets:		
Commercial paper	\$ 68,390	\$ 68,390
Corporate debt securities	74,535	74,535
Money market funds	1,829	1,829
	\$ 144,754	\$ 144,754

	Level 2	Level 3	Total
Liabilities:			
Contingent consideration payable	\$ —	\$ 269,722	\$ 269,722
Derivative liability	265	—	265
Deferred compensation plan liability	1,479	—	1,479
	\$ 1,744	\$ 269,722	\$ 271,466

See “—Note 7. Debt Instruments” for the carrying amount and estimated fair value of the Company’s Convertible Notes due in 2023, that falls into Level 2 category within the fair value level hierarchy. The fair value was determined using broker quotes in a non-active market for valuation.

The Company did not have any Level 3 assets as of September 30, 2017 or as of December 31, 2016.

Cash, Money Market Funds and Marketable Securities

The Company classifies its cash within the fair value hierarchy as Level 1 as these assets are valued using quoted prices in active market for identical assets at the measurement date. The Company considers its investments in marketable securities as available for sale and classifies these assets and the money market funds within the fair value hierarchy as Level 2 primarily utilizing broker quotes in a non-active market for valuation of these securities. No changes in valuation techniques or inputs occurred during the nine months ended September 30, 2017. No transfers of assets between Level 1 and Level 2 of the fair value measurement hierarchy occurred during the nine months ended September 30, 2017.

Contingent Consideration Payable

The contingent consideration payable resulted from the acquisition of Callidus. The most recent valuation was determined using a probability weighted discounted cash flow valuation approach. Using this approach, expected future cash flows are calculated over the expected life of the agreement, are discounted, and then exercise scenario probabilities are applied. The valuation is performed quarterly. Gains and losses are included in the statement of operations.

As discussed in “—Note 3. Acquisitions,” on July 5, 2016, the Company entered into the MiaMed Agreement with MiaMed. MiaMed is a pre-clinical biotechnology company focused on developing protein replacement for CDKL5 and related diseases. Under the terms of the MiaMed Agreement, the Company agreed to pay up to an additional \$83.0 million in connection with the achievement of certain clinical, regulatory and commercial milestones, for a potential aggregate deal value of \$89.5 million. The MiaMed Agreement was accounted for as an asset acquisition and as such the Company determined that a liability for future milestone payments is not required to be recorded until the actual contingencies are met and will be recorded to research and development expenses when the contingency is resolved.

The contingent consideration payable for Callidus has been classified as a Level 3 recurring liability as its valuation requires substantial judgment and estimation of factors that are not currently observable in the market. If different assumptions were used for the various inputs to the valuation approach the estimated fair value could be significantly higher or lower than the fair value the Company determined. The Company may be required to record losses in future periods, including expenses related to CDKL5.

As discussed in “—Note 1. Business,” on September 13, 2017, the Company reported that top-line data from the randomized, double-blind, placebo-controlled Phase 3 clinical study (ESSENCE, SD-005) to assess the efficacy and safety of the novel topical wound-healing agent SD-101 did not meet the primary endpoints or secondary endpoints in participants with EB. Based on these top-line data, the Company has no current plans to invest in any additional clinical studies or commercial preparation activities for SD-101. As such, the contingent consideration related to Scioderm is no longer payable as of September 30, 2017.

On October 4, 2017, the Company announced positive results from the global Phase 1/2 clinical study (ATB200-02) to investigate ATB200/AT2221 in patients with Pompe disease. As a result of these positive results, the probability of success of ATB200 was increased from 32.0%-45.0% at June 30, 2017 to 58.0%-100.0% at September 2017, which drove the increase in fair value of the liability. With these data, the Company plans to continue a series of collaborative discussions with regulators in the US and EU, and expects to provide an update in the first half of 2018. This event was considered in the calculation of the Contingent Consideration as of September 30, 2017.

The following significant unobservable inputs were used in the valuation of the contingent consideration payable of Callidus for the ATB200 Pompe program:

Contingent Consideration Liability	Fair value as of September 30, 2017	Valuation Technique	Unobservable Input	Range
			Discount rate	12.5%
Clinical and regulatory milestones	\$ 20.7 million	Probability weighted discounted cash flow	Probability of achievement of milestones	58.0%-100.0%
			Projected year of payments	2018-2022

Contingent consideration liabilities are remeasured to fair value each reporting period using discount rates, probabilities of payment and projected payment dates. Projected contingent payment amounts related to clinical and regulatory based milestones are discounted back to the current period using a discounted cash flow model. Increases in discount rates and the time to payment may result in lower fair value measurements. Increases or decreases in any of those inputs together, or in isolation, may result in a significantly lower or higher fair value measurement. There is no assurance that any of the conditions for the milestone payments will be met.

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The following table shows the change in the balance of contingent consideration payable for the three and nine months ended September 30, 2017 and 2016, respectively (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Balance, beginning of the period	\$ 265,350	\$ 276,300	269,722	274,077
Payment of contingent consideration in cash	—	—	(10,000)	(5,000)
Payment of contingent consideration in stock	—	—	—	(6,115)
Changes in fair value during the period, included in Statement of Operations	(244,250)	(4,110)	(238,622)	9,228
Balance, end of the period	\$ 21,100	\$ 272,190	21,100	\$ 272,190

Deferred Compensation Plan- Investment and Liability

The Deferral Plan provides certain key employees and members of the Board of Directors with an opportunity to defer the receipt of such participant's base salary, bonus and director's fees, as applicable. Deferral Plan assets are classified as trading securities and recorded at fair value with changes in the investments' fair value recognized in the period they occur. The asset investments consist of market exchanged mutual funds. The Company considers its investments in marketable securities, as available-for-sale and classifies these assets and related liability within the fair value hierarchy as Level 2 primarily utilizing broker quotes in a non-active market for valuation of these securities.

Foreign Currency Exchange Rate Exposure

In June 2016, the Company entered into a forward contract to economically hedge transactional exposure associated with commitments arising from trade accounts payable denominated in a currency other than the functional currency of the respective operating entity. The Company did not designate this forward contract as a hedging instrument and carried the liability of \$0.3 million as other current liability in the Consolidated Balance Sheet as of December 31, 2016. The forward contract settled in June 2017. Accordingly, there is no liability as of September 30, 2017.

Note 10. Basic and Diluted Net Loss per Common Share

The following table provides a reconciliation of the numerator and denominator used in computing basic and diluted net loss attributable to common stockholders per common share (in thousands except share amounts):

(In thousands, except per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Numerator:				
Net loss attributable to common stockholders	\$ (111,666)	\$ (46,654)	\$ (214,794)	\$ (141,395)
Denominator:				
Weighted average common shares outstanding — basic and diluted	160,796,841	140,656,109	148,963,864	131,675,690

Dilutive Common Stock equivalents would include the dilutive effect of Common Stock options, convertible debt units, RSUs and warrants for Common Stock equivalents. Potentially dilutive Common Stock equivalents were excluded from the diluted earnings per share denominator for all periods because of their anti-dilutive effect.

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The table below presents potential shares of Common Stock that were excluded from the computation as they were anti-dilutive using the treasury stock method (in thousands):

	As of September 30,	
	2017	2016
Options to purchase common stock	16,212	15,773
Convertible debt	40,850	—
Outstanding warrants, convertible to common stock	3,110	3,110
Unvested restricted stock units	2,690	839
Vested restricted stock units, unissued	50	—
Total number of potentially issuable shares	62,912	19,722

Note 11. Commitments and Contingencies

Since October 1, 2015, three purported securities class action lawsuits have been commenced in the United States District Court for New Jersey, naming as defendants the Company, its Chairman and Chief Executive Officer, and in one of the actions, its Chief Medical Officer. The lawsuits allege violations of the Securities Exchange Act of 1934 in connection with allegedly false and misleading statements made by the Company related to the regulatory approval path for migalastat. The plaintiffs seek, among other things, damages for purchasers of the Company's Common Stock during different periods, all of which fall between March 19, 2015 and October 1, 2015. It is possible that additional suits will be filed, or allegations received from stockholders, with respect to similar matters and also naming the Company and/or its officers and directors as defendants. On May 26, 2016, the Court consolidated these lawsuits into a single action and appointed a lead plaintiff. The lead plaintiff filed a Consolidated Amended Class Action Complaint on July 11, 2016. On August 25, 2016, the defendants filed a motion to dismiss in response to the Consolidated Amended Class Action Complaint. This motion to dismiss was fully briefed on October 28, 2016 but has not been decided. Lead plaintiff and defendants have reached an agreement in principal to fully and finally settle all claims asserted in the Consolidated Amended Class Action Complaint. On June 29, 2017, the Court granted preliminary approval to the settlement. In connection with the Court's preliminary approval, the settlement amount was paid into the plaintiff's fund. The settlement is immaterial to the Company's consolidated financial statements and is subject to final court approval. A fairness hearing to determine whether the settlement will be approved is now scheduled to occur on November 9, 2017. The settlement amount was covered under insurance.

On or about March 3, 2016, a derivative lawsuit was filed by an Amicus shareholder purportedly on Amicus' behalf in the Superior Court of New Jersey, Middlesex County, Chancery Division, against various officers and directors of the Company. Amicus itself is named as a nominal defendant. The derivative lawsuit alleges similar facts and circumstances as the three purported securities class action lawsuits described above and further alleges claims for breach of state law fiduciary duties, waste of corporate assets, unjust enrichment, abuse of control, and gross mismanagement based on allegedly false and misleading statements made by Amicus related to the regulatory approval path for migalastat HCl. The plaintiff seeks, among other things, to require the Amicus Board to take certain actions to reform its corporate governance procedures, including greater shareholder input and a provision to permit shareholders to nominate candidates for election to the Board, along with restitution, costs of suit and attorney's fees. On February 7, 2017, the complaint was dismissed by the Court without prejudice.

These lawsuits and any other related lawsuits are subject to inherent uncertainties and the actual cost will depend upon many unknown factors. The outcome of the litigation is necessarily uncertain and we could be forced to expend significant resources in the defense of these suits, and we may not prevail.

Note 12. Subsequent Events

On October 4, 2017 the Company announced positive results from the global Phase 1/2 clinical study (ATB200-02) to investigate ATB200/AT2221 in patients with Pompe disease. These clinical results were featured at the 22nd International Congress of the World Muscle Society in a late-breaker poster. With these data, the Company plans to continue a series of collaborative discussions with regulators in the US and EU, and expects to provide an update in the first half of 2018. This event was considered into the calculation of the Contingent Consideration as of September 30, 2017, as discussed in "—Note 9. Assets and Liabilities at Fair Value."

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

We are a global patient-focused biotechnology company engaged in the discovery, development and commercialization of a diverse set of novel treatments for patients living with devastating rare and orphan diseases. Our lead product, migalastat HCl is a small molecule that can be used as a monotherapy and in combination with enzyme replacement therapy ("ERT") for Fabry disease. Migalastat was approved for use in the European Union ("EU") in May 2016 under the brand name Galafold™ as a first-line therapy for long-term treatment of adults and adolescents aged 16 years and older with a confirmed diagnosis of Fabry disease and who have an amenable mutation. The approved label includes 331 Fabry-causing mutations, which represent up to half of all patients with Fabry disease. As of September 30, 2017, we have been authorized to commercialize Galafold™ in 33 countries and over 260 Fabry patients are receiving Galafold™ compared to approximately over 150 Fabry patients in June 2017. We remain confident in our guidance to achieve over 300 patients on Galafold™ therapy by the end of 2017. Additionally, we are preparing a New Drug Application ("NDA") submission for migalastat under Subpart H, which provides for accelerated approval. We plan to submit an NDA to the FDA for migalastat for Fabry disease in the fourth quarter of 2017.

We are also investigating a novel treatment paradigm ATB200/AT2221 in patients with Pompe disease, an inherited lysosomal storage disorder caused by an enzyme deficiency that leads to accumulation of glycogen (disease substrate) in cells. In October 2017, we announced additional positive results from our global Phase 1/2 clinical study (ATB200-02) to investigate ATB200/AT2221 in patients with Pompe disease. Consistent with previous results, patients who completed six months of treatment with ATB200/AT2221 showed improvements in six-minute walk test ("6MWT") distance and other measures of motor function, stability or increases in forced vital capacity ("FVC"), and further reductions in biomarkers of muscle damage and disease substrate, with consistent results reported in initial patients who completed nine months of treatment. On September 21, 2017, the Company announced that the FDA granted orphan drug designation to ATB200/AT2221.

We were previously developing SD-101 in late-stage development as a potential first-to-market therapy for the chronic, rare connective tissue disorder Epidermolysis Bullosa ("EB"). On September 13, 2017, we reported that top-line data from a randomized, double-blind, placebo-controlled Phase 3 clinical study ("ESSENCE" or "SD-005") to assess the efficacy and safety of the novel topical wound-healing agent SD-101 did not meet the primary endpoints or secondary endpoints in participants with EB. We plan to further analyze and share the Phase 3 ESSENCE results with key stakeholders in the EB community including physicians, patient organizations and regulators. In the interim, in consultation with their physicians, participants in the ongoing extension studies (SD-004 and -006) will have the opportunity to continue being treated with SD-101. Based on the top-line data, we have no current plans to invest in any additional clinical studies or commercial preparation activities for SD-101. This event led to the need to assess the carrying amount of the program's tangible and intangible assets against their respective fair values. Based on the assessment, we recognized in the Consolidated Statements of Operations, a loss on impairment of intangible assets in the amount of \$463.7 million and \$1.7 million in fixed assets recorded within Loss on Impairment of Assets. Since the study did not meet the primary and secondary endpoints, we concluded that we will not make the potential milestone payments indicated in the Asset Purchase Agreement to the former Scioderm holders. Accordingly, we recognized a gain of \$254.7 million in Changes in Fair Value of Contingent Consideration Payable in the Consolidated Statements of Operations for the three months ended September 30, 2017. We also recognized \$0.4 million in selling, general and administrative costs and \$8.1 million in research and development expenses related to the wind-down of operations for the Phase 3 ESSENCE study and ongoing extension studies SD-004 and SD-006 in the third quarter of 2017.

On July 12, 2017, we entered into an underwriting agreement (the "Underwriting Agreement") with J.P. Morgan Securities LLC and Goldman Sachs & Co. LLC, as representatives of the several underwriters set forth on Schedule 1 thereto, relating to an underwritten public offering of the our common stock (the "Offering"). Under the terms of this agreement, we issued and sold 21,122,449 shares at a price to the public of \$12.25 per share, resulting in gross proceeds of \$258.8 million, before deducting underwriting discounts and commissions and offering expenses payable by the Company. The Offering closed on July 18, 2017 and we received net proceeds from the Offering, after deducting underwriting discounts and commissions and offering expenses payable by us, of \$243.0 million.

Our Strategy

Our strategy is to internally develop or acquire first-in-class or potentially best-in-class therapies that have the potential to provide significant benefits for individuals living with rare and devastating diseases. We intend to leverage our global capabilities to develop and commercialize our robust pipeline. Since the beginning of our last fiscal year, we made significant progress toward

fulfilling our vision to build a leading global biotechnology company focused on rare and devastating diseases. Highlights of our programs include:

- *Global capabilities* . We have established a world-class international commercial infrastructure, with key leadership in place to execute the international launch of migalastat HCl that is currently underway.
- *Commercial success* . We received full approval in the EU of migalastat HCl under the brand name Galafold™ and commenced the first commercial launch in Germany on May 30, 2016. We have achieved success with reimbursement in 12 EU member states and other parts of the world on a commercial basis or through our expanded access programs (“EAPs”). We continue to advance additional regulatory submissions in multiple countries around the world.
- *NDA Submission under Subpart H* . We are preparing an NDA submission under Subpart H, which provides for accelerated approval by the FDA, for migalastat HCl for Fabry Disease. We intend to base our NDA on existing data, including reduction in disease-causing substrate (GL-3), as well as the totality of data from completed clinical studies. We plan to submit our NDA in the fourth quarter of 2017 and will begin initial commercial planning efforts to support a potential US commercial launch.
- *Pompe clinical study* . We have reported a positive cascade of data from a clinical study to evaluate Pompe disease patients treated with our novel treatment paradigm ATB200/AT2221.
- *Patient-centricity* . We continue to focus on improving the lives of patients living with rare and devastating diseases, which has always been a critical component of the values of our corporate culture. The needs of patients in the rare disease community are at the center of our innovative science, our commercial organization, and our clinical programs.

Our Commercial Product and Product Candidates

Migalastat for Fabry Disease

Migalastat HCl (which we may refer to as “migalastat”) is in development for all patients with Fabry disease as a monotherapy for patients with amenable mutations and in combination with ERT for all other patients. Migalastat was approved for use in the EU in May 2016 under the brand name Galafold™ as a first-line therapy for long-term treatment of adults and adolescents aged 16 years and older with a confirmed diagnosis of Fabry disease and who have an amenable mutation. The approved label includes 331 Fabry-causing mutations, which represent up to half of all patients with Fabry disease. Outside of the EU, Israel, Canada and Switzerland, migalastat is an investigational product.

We have launched Galafold™ in several European markets, including countries such as France, Germany, Italy, Switzerland and the UK, on a commercial basis, as well as in select other European markets through reimbursed EAPs, and recognized net product sales of \$10.9 million in the three months ended September 30, 2017 as compared to \$7.2 million in the second quarter of 2017. We are currently pursuing the country-by-country pricing and reimbursement process in the EU member states. We have received marketing approval in Israel, Canada and Australia, and we have regulatory submissions under review in additional countries, including Japan.

Based on a series of discussions with and written communication received from the FDA, the FDA has informed us that we may now submit an NDA for migalastat. We plan to submit an NDA to the FDA for migalastat for Fabry disease in the fourth quarter of 2017. An additional Phase 3 study previously requested by the FDA to assess GI symptoms is no longer required before an NDA submission. We are preparing the NDA submission under Subpart H, which provides for accelerated approval. We intend to base our NDA on existing data, including reduction in disease-causing substrate (GL-3), as well as the totality of data from completed clinical studies. Progressive accumulation of GL-3 is believed to lead to the morbidity and mortality of Fabry disease, including pain, kidney failure, heart disease and stroke.

For patients with non-amenable mutations, we are leveraging our CHART™ technology and advanced biologics capabilities to develop a proprietary Fabry ERT for co-formulation with migalastat. Master cell banking has been completed and process development work has commenced. Migalastat is an oral precision medicine intended to treat Fabry disease in patients who have amenable genetic mutations, and at this time, it is not intended for concomitant use with ERT.

Novel ERT for Pompe Disease

We are leveraging our biologics capabilities and CHART™ platform to develop a novel treatment paradigm, ATB200/AT2221, for Pompe disease. This ERT consists of a uniquely engineered recombinant human acid alpha-glucosidase enzyme, ATB200, with an optimized carbohydrate structure to enhance uptake, administered in combination with a

pharmacological chaperone (AT2221) to improve activity and stability. We acquired ATB200 as well as our enzyme targeting technology through our purchase of Callidus Biopharma, Inc. (“Callidus”).

The small molecule pharmacological chaperone AT2221 is not an active ingredient that contributes directly to GAA substrate reduction but instead acts to stabilize ATB200. AT2221 binds and stabilizes ATB200 in the circulation to improve the uptake of active enzyme into key disease-relevant tissues. The novel combination has been patented for method of use, and ATB200, following significant manufacturing scale-up, is our first biologic to enter clinical development. In preclinical studies, administration of ATB200/AT2221 resulted in increased tissue GAA enzyme levels and decreased substrate reduction, as compared to the standard of care.

Throughout 2017 we have reported a cascade of data from a Phase 1/2 clinical study, ATB200-02, to investigate our novel Pompe treatment paradigm in Pompe patients. The primary objective is to evaluate the safety, tolerability, pharmacokinetics (“PK”), and pharmacodynamics (“PD”) of ATB200/AT2221 for an 18-week primary treatment period followed by a long-term extension. The three patient cohorts, enrolling up to ~20 total patients across all cohorts, are ambulatory ERT-switch patients (Cohort 1), non-ambulatory ERT-switch patients (Cohort 2), and ERT-naïve patients (Cohort 3).

As of our latest interim analysis reported in October 2017, patients who completed six months of treatment with ATB200/AT2221 showed improvements in the 6MWT distance and other measures of motor function, stability or increases in FVC, and further reductions in biomarkers of muscle damage and disease substrate, with consistent results reported in initial patients who completed nine months of treatment.

On October 4, 2017 we reported additional interim data from our clinical study ATB200-02 at the 22nd International Congress of the World Muscle Society. Highlights included safety and tolerability data in all 20 patients (maximum of 72 weeks) as well as PD (muscle damage biomarker and disease substrate biomarker) data for 20 patients (15 ERT-switch patients and five ERT-naïve patients). To date, adverse events have been generally mild and transient. Importantly, ATB200/AT2221 has resulted in a low rate of infusion-associated reactions (IARs) following 400+ infusions (three events of IARs in two patients; < 1% of all 400+ infusions with an IAR). As previously reported, the clinical PK profile has been consistent with previously reported preclinical data. Reductions were observed in biomarkers of muscle damage (creatinine kinase (CK) enzyme, alanine aminotransferase (ALT), and aspartate aminotransferase (AST)) in a majority of ERT-switch patients and ERT-naïve patients, and across the three biomarkers, mean reductions from baseline were approximately 25-35%, 5-25% and 40-55% for the ambulatory ERT-switch (n=11), non-ambulatory ERT-switch (n=4) and ERT-naïve (n=5) patients, respectively. Reduction was also observed after up to 58 weeks in a biomarker of glycogen substrate - urine hexose tetrasaccharide (Hex4) - in a majority of ERT-switch patients and all ERT-naïve patients, with mean reductions from baseline of approximately 40%, 35% and 55% for the ambulatory ERT-switch (n=11), non-ambulatory ERT-switch (n=4) and ERT-naïve (n=5) patients, respectively.

As of the last interim analysis in October 2017, functional outcomes data from baseline to month 6 were also available for 18 of the 20 patients enrolled (one patient dropped out of the extension study due to travel burden and family considerations, while month 6 assessments are pending in one patient due to an incomplete visit). Muscle function improved in 16 patients and was stable in two patients at month 6. Muscle function improved in 10 out of 10 patients with available data at month 9. Mean 6MWT distance improved in both ERT-naïve (+42 Meters at Month 6 (n=5) and +75 Meters at Month 9 (n=2)) and ERT-switch (+35 Meters at Month 6 (n=9) and +37 Meters at Month 9 (n=8)). Other motor function tests showed mean improvements consistent with 6MWT distance. All four non-ambulatory ERT-switch patients showed improvements in upper extremity strength (elbow and shoulder) from baseline to Month 6 as measured by quantitative muscle testing and manual muscle testing. Pulmonary function at Month 6 showed FVC improved in ERT-naïve patients with a mean absolute change in percent predicted FVC of +4.2% at month 6 (n=5) and +5.0% at month 9 (n=2) and was generally stable in ERT-switch patients with mean absolute change in percent predicted FVC of -1.0% at month 6 (n=8) and -2.0% at month 9 (n=7). Maximal inspiratory pressure (MIP) and maximal expiratory pressure (MEP) were generally stable or increased in both ERT-naïve and ERT-switch patients.

CDKL5

We are researching a potential first-in-class protein replacement therapy approach for CDKL5 deficiency in preclinical studies. CDKL5 is a gene on the X-chromosome encoding the CDKL5 protein that regulates the expression of several essential proteins for normal brain development. Genetic mutations in the CDKL5 gene result in CDKL5 protein deficiency and the disorder manifests clinically as persistent seizures starting in infancy, followed by severe impairment in neurological development. Most children affected by CDKL5 deficiency cannot walk or care for themselves and may also suffer from scoliosis, visual impairment, sensory issues, and gastrointestinal complications.

Strategic Alliances and Arrangements

We will continue to evaluate business development opportunities as appropriate that build stockholder value and provide us

with access to the financial, technical, clinical, and commercial resources necessary to develop and market pharmacological chaperone therapeutics, ERTs, and other technologies or products. We are exploring potential collaborations, alliances, and other business development opportunities on a regular basis. These opportunities may include the acquisition of preclinical-stage, clinical-stage or marketed products so long as such transactions are consistent with our strategic plan to develop and provide therapies to patients living with rare and orphan diseases, and support our continued transformation from a development-stage company into a commercial biotechnology company.

Critical Accounting Policies, Significant Judgments and Estimates and Business Combinations

The discussion and analysis of our financial condition and results of operations are based on our financial statements, which we have prepared in accordance with U.S. GAAP. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported revenues and expenses during the reporting periods. On an ongoing basis, we evaluate our estimates and judgments, including those described in greater detail below. We base our estimates on historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

There were no significant changes during the quarter ended September 30, 2017 to the items that we disclosed as our significant accounting policies and estimates described in “—Note 2. Summary of Significant Accounting Policies” to the Company’s financial statements as contained in the Company’s Annual Report on Form 10-K, as amended, for the year ended December 31, 2016. However, we believe that the following accounting policies are the most critical to aid you in fully understanding and evaluating our financial condition and results of operations.

Revenue Recognition

The Company recognizes revenue when amounts are realized or realizable and earned. Revenue is considered realizable and earned when persuasive evidence of an arrangement exists, title to product and associated risk of loss has passed to the customer, which is typically upon receipt by the end customer, the price is fixed or determinable, collection of the amounts due are reasonably assured and the Company has no further performance obligations.

The Company’s net product sales consist solely of sales of Galafold™ for the treatment of Fabry disease in the EU. The Company has recorded revenue on sales where Galafold™ is available either on a commercial basis or through a reimbursed early access program. Orders for Galafold™ are generally received from pharmacies and the ultimate payor is typically a government authority.

The Company records revenue net of estimated third party discounts and rebates. Allowances are recorded as a reduction of revenue at the time revenues from product sales are recognized. These allowances are adjusted to reflect known changes in factors and may impact such allowances in the quarter those changes are known. Allowances as of September 30, 2017 are immaterial.

Inventories and Cost of Goods Sold

Prior to regulatory approval of Galafold™, the Company expensed all manufacturing costs of Galafold™ as research and development expense. Upon regulatory approval, the Company began capitalizing costs related to the purchase and manufacture of Galafold™.

Inventories are stated at the lower of cost and net realizable value determined by the first-in, first-out method. Inventories are reviewed periodically to identify slow-moving or obsolete inventory based on projected sales activity as well as product shelf-life. In evaluating the recoverability of inventories produced, the probability that revenue will be obtained from the future sale of the related inventory is considered and inventory value is written down for inventory quantities in excess of expected requirements. Expired inventory is disposed of and the related costs are recognized as cost of product sales in the consolidated statements of operations.

Cost of goods sold includes the cost of inventory sold, manufacturing and supply chain costs, product shipping and handling costs, and provisions for excess and obsolete inventory, as well as royalties payable. A portion of the inventory available for sale was expensed as research and development costs prior to regulatory approval and as such the cost of goods sold and related gross margins are not necessarily indicative of future cost of goods sold and gross margin.

Research and Development Expenses

We expect to continue to incur substantial research and development expenses as we continue to develop our product candidates and explore new uses for our pharmacological chaperone technology. Research and development expense consists of:

- internal costs associated with our research and clinical development activities;
- payments we make to third party contract research organizations, contract manufacturers, investigative sites, and consultants;
- technology license costs;
- manufacturing development costs;
- personnel-related expenses, including salaries, benefits, travel, and related costs for the personnel involved in drug discovery and development;
- activities relating to regulatory filings and the advancement of our product candidates through preclinical studies and clinical trials; and
- facilities and other allocated expenses, which include direct and allocated expenses for rent, facility maintenance, as well as laboratory and other supplies.

We have multiple research and development projects ongoing at any one time. We utilize our internal resources, employees and infrastructure across multiple projects. We record and maintain information regarding external, out-of-pocket research and development expenses on a project-specific basis.

We expense research and development costs as incurred, including payments made to date under our license agreements. We believe that significant investment in product development is a competitive necessity and plan to continue these investments in order to realize the potential of our product candidates.

The following table summarizes our principal product development programs, including the related stages of development for each product candidate in development, and the out-of-pocket, third party expenses incurred with respect to each product candidate (in thousands):

Projects	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
<i>Third party direct project expenses</i>				
Migalastat (Fabry)	\$ 3,265	\$ 2,726	\$ 8,644	\$ 9,503
SD-101 (EB-Epidermolysis Bullosa)	9,660	3,503	15,424	6,979
ATB200 + AT2221 (Pompe Disease)	10,456	5,946	29,594	12,535
Fabry CHART (Fabry Disease)	14	91	143	282
CDKL5	178	6,490	287	6,490
<i>Total third party direct project expenses</i>	<u>\$ 23,573</u>	<u>\$ 18,756</u>	<u>\$ 54,092</u>	<u>\$ 35,789</u>
<i>Other project costs (1)</i>				
Personnel costs	11,410	9,782	34,162	27,349
Other costs (2)	5,658	3,919	15,248	11,025
<i>Total other project costs</i>	<u>\$ 17,068</u>	<u>\$ 13,701</u>	<u>\$ 49,410</u>	<u>\$ 38,374</u>
<i>Total research and development costs</i>	<u>\$ 40,641</u>	<u>\$ 32,457</u>	<u>\$ 103,502</u>	<u>\$ 74,163</u>

(1) Other project costs are leveraged across multiple projects.

(2) Other costs include facility, supply, overhead, and licensing costs that support multiple projects.

Stock Option Grants

In accordance with the applicable guidance, we estimate the fair value of each equity award granted. We chose the “straight-line” attribution method for allocating compensation costs and recognized the fair value of each stock option on a straight-line basis over the vesting period of the related awards.

We use the Black-Scholes option pricing model when estimating the grant date fair value for stock-based awards. Use of a valuation model requires management to make certain assumptions with respect to selected model inputs. Expected volatility was based on our historical volatility since our initial public offering in May 2007. We will continue to use a blended weighted average approach using our own historical volatility and other similar public entity volatility information until our historical volatility is relevant to measure expected volatility for future option grants. Beginning in the third quarter of 2017, the average expected life was determined using our actual historical data versus a “simplified” method used in prior quarters. The “simplified” method of

estimating the expected exercise term uses the mid-point between the vesting date and the end of the contractual term. In earlier quarters, we did not have sufficient reliable exercise data to justify a change from the use of the “simplified” method of estimating the expected exercise term of employee stock option grants. The impact from this change was not material. The risk-free interest rate is based on U.S. Treasury, zero-coupon issues with a remaining term equal to the expected life assumed at the date of grant. Forfeitures are estimated based on expected turnover as well as a historical analysis of actual option forfeitures.

The weighted average assumptions used in the Black-Scholes option pricing model are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Expected stock price volatility	82.5%	81.6%	83.1%	81.3%
Risk free interest rate	1.8%	1.2%	2.0%	1.5%
Expected life of options (years)	5.89	6.25	6.21	6.25
Expected annual dividend per share	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

Restricted Stock Units (“RSUs”) and Performance-Based Restricted Stock Units

The RSUs awarded are generally subject to graded vesting and are contingent on an employee’s continued service on such date. RSUs are generally subject to forfeiture if employment terminates prior to the release of vesting restrictions. We expense the cost of the RSUs, which is determined to be the fair market value of the shares of our common stock, par value \$0.01 per share (“Common Stock”) underlying the RSUs at the date of grant, ratably over the period during which the vesting restrictions lapse.

On December 30, 2016, the Compensation Committee approved a form of Performance-Based Restricted Stock Unit Award Agreement (the “Performance-Based RSU Agreement”), to be used for performance-based RSUs granted to participants under the Amended and Restated Amicus Therapeutics, Inc. 2007 Equity Incentive Plan, including named executive officers. Certain awards under the form of Performance-Based RSU Agreement were granted in January 2017. The table above includes 401,413 market performance-based restricted stock units (“MPRSUs”) granted to executives. Vesting of these awards is contingent upon the Company meeting certain total shareholder return (TSR) levels as compared to a select peer group over the next three years. The MPRSUs cliff vest at the end of the three-year period and have a maximum potential to vest at 200% (802,826 shares) based on TSR performance. The related share-based compensation expense is determined based on the estimated fair value of the underlying shares on the date of grant and is recognized straight-line over the vesting term. The estimated fair value per share of the MPRSUs was \$8.08 and was calculated using a Monte Carlo simulation model. The table above also includes 401,413 performance based awards that will vest over the next three years based on the Company achieving certain clinical milestones.

Results of Operations

Three Months Ended September 30, 2017 versus September 30, 2016

Net Product Sales. Net product sales were \$10.9 million for Galafold™ for the three months ended September 30, 2017 as compared to \$2.1 million for the three months ended September 30, 2016. Galafold™ was approved for sale in the EU in May 2016 and has been launched in over than ten European markets, as well as in select other European markets through reimbursed EAPs. We began to recognize revenue in the third quarter of 2016.

Cost of Goods Sold. Cost of goods sold includes manufacturing costs as well as royalties associated with sales of our product. Cost of goods sold as a percentage of net sales was 16.5% for the three months ended September 30, 2017 as compared to 16.2% for the three months ended September 30, 2016.

Research and Development Expense. Research and development expense was \$40.6 million during the three months ended September 30, 2017, representing an increase of \$8.1 million or 24.9% from \$32.5 million for the three months ended September 30, 2016. The increase in research and development costs was driven primarily by a \$6.2 million increase in costs related to the EB program and \$4.5 million related to increase in the Pompe program. The increase in EB program includes accelerated clinical research costs related to the wind-down of operations for the Phase 3 ESSENCE study and ongoing extension studies SD-004 and SD-006. The increase in Pompe program costs was related to expenses associated with product manufacturing as well as expenses related to the ongoing Phase 1/2 clinical trial. The overall increase in research and development expense related to EB and Pompe programs was partially offset by the one-time expense recorded in the third quarter of 2016 of \$6.5 million associated with the acquisition of the CDKL5 asset.

Selling, General and Administrative Expense. Selling, general and administrative expense was \$21.6 million during the three months ended September 30, 2017, representing an increase of \$4.1 million or 23.4% from \$17.5 million for the three months ended September 30, 2016. The increase was primarily due to efforts to support the ongoing commercial launch of Galafold™.

Changes in Fair Value of Contingent Consideration Payable. For the three months ended September 30, 2017, we recorded gain of \$244.3 million representing a change of \$240.2 million from the \$4.1 million of gain for the three months ended September 30, 2016. The change in the fair value from the three months ended September 30, 2016 to the three months ended September 30, 2017 resulted primarily from a decrease in the change attributable to the Scioderm, Inc. (“Scioderm”) contingent consideration of \$251.1 million and an increase in the change attributable to the Callidus contingent consideration of \$10.9 million. The fair value and change in fair value are impacted by updates to the estimated probability of achievement, assumed timing of milestones and adjustments to the discount periods and rates. The decrease in Scioderm contingent consideration was due to the results announced in September 2017 that the study did not meet the primary endpoints or secondary endpoints in participants, and, as a result, the contingent consideration is no longer payable.

Loss on Impairment of Assets. For the three months ended September 30, 2017, we recorded \$465.4 million as impairment charges to assets, which primarily included \$463.7 million in IPR&D. The impairment was assessed after the announcement of the results from the Phase 3 ESSENCE study.

Depreciation Expense . Depreciation expense was \$0.9 million for the three months ended September 30, 2017 and ended September 30, 2016.

Interest Income. Interest income was \$1.2 million for the three months ended September 30, 2017, representing an increase of \$0.7 million from \$0.5 million for the three months ended September 30, 2016. The increase in interest income was due to the overall higher average cash and investment balances as a result of our financing transactions.

Interest Expense. Interest expense was approximately \$4.4 million for three months ended September 30, 2017, representing an increase of \$2.9 million from \$1.5 million for the three months ended September 30, 2016. Interest expense was higher due to the \$250 million convertible debt offering completed in December 2016.

Other Income/ Expense. Other income for the three months ended September 30, 2017 was \$2.0 million, as compared to expense of \$0.9 million for the three months ended September 30, 2016. The increase was primarily due to unrealized gain on foreign exchange transactions.

Income Tax Benefit. Income tax benefit for the three months ended September 30, 2017 was \$164.7 million, as compared to \$0.3 million for the three months ended September 30, 2016. The increase was primarily due to the reduction of the deferred tax liability of \$164.7 million related to Scioderm IPR&D as a result of the announcement of the Phase 3 ESSENCE study.

Nine Months Ended September 30, 2017 versus September 30, 2016

Net Product Sales. Net product sales were \$22.2 million for Galafold™ for the nine months ended September 30, 2017 as compared to \$2.1 million for the nine months ended September 30, 2016. Galafold™ was approved for sale in the EU in May 2016 and has been launched in over than ten European markets as well as in select other European markets through reimbursed EAPs. We began to recognize revenue in the third quarter of 2016.

Cost of Goods Sold. Cost of goods sold includes manufacturing costs as well as royalties associated with sales of our product. Cost of goods sold as a percentage of net sales was 16.3% for the nine months ended September 30, 2017 as compared to 16.2% for the nine months ended September 30, 2016.

Research and Development Expense. Research and development expense was \$103.5 million during the nine months ended September 30, 2017, representing an increase of \$29.3 million or 39.5% from \$74.2 million for the nine months ended September 30, 2016. The increase in research and development costs was driven primarily by \$17.1 million increase in costs related to the Pompe program and \$8.4 million increase in costs associated with the EB program. The increase in EB program includes accelerated clinical research costs related to the wind-down of operations for the Phase 3 ESSENCE study and ongoing extension studies SD-004 and SD-006. The increase in Pompe program costs was related to expenses associated with product manufacturing as well as expenses related to the Phase 1/2 clinical trial. In addition to program costs, personnel costs increased by approximately \$6.8 million in support of our programs. The overall increase in research and development expenses related to EB and Pompe programs was partially offset by the one-time expense recorded in the third quarter of 2016 of \$6.5 million associated with the acquisition of the CDKL5 asset.

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Selling, General and Administrative Expense. Selling, general and administrative expense was \$60.1 million for the nine months ended September 30, 2017, representing an increase of \$7.6 million or 14.5% from \$52.5 million for the nine months ended September 30, 2016. The increase was due to efforts to support the ongoing commercial launch of Galafold™.

Changes in Fair Value of Contingent Consideration Payable. For the nine months ended September 30, 2017, we recorded gain of \$238.6 million representing a change of \$247.8 million from the \$9.2 million of expense for the nine months ended September 30, 2016. The change in the fair value from the nine months ended September 30, 2016 to the nine months ended September 30, 2017 resulted primarily from a decrease in the change attributable to the Scioderm contingent consideration of \$259.4 million and an increase in the change attributable to the Callidus contingent consideration of \$11.6 million. The fair value is impacted by updates to the estimated probability of achievement, assumed timing of milestones and adjustments to the discount periods and rates. The decrease in Scioderm contingent consideration was due to the results announced in September 2017 that the study did not meet the primary endpoints or secondary endpoints in participants, and, as a result, of which the contingent consideration is no longer payable.

Loss on Impairment of Assets. For the three months ended September 30, 2017, we recorded \$465.4 million as impairment charges to assets, which primarily included \$463.7 million in IPR&D. The impairment was assessed after the announcement of the results from the Phase 3 ESSENCE study.

Depreciation Expense. Depreciation expense was \$2.5 million for the nine months ended September 30, 2017, representing an increase of \$0.2 million as compared to \$2.3 million for the nine months ended September 30, 2016. Depreciation was higher due to increased asset acquisitions, resulting in a higher depreciation base in 2017.

Interest Income. Interest income was \$2.7 million for the nine months ended September 30, 2017, representing an increase of \$1.6 million from \$1.1 million for the nine months ended September 30, 2016. The increase in interest income was due to the overall higher average cash and investment balances as a result of our financing transactions.

Interest Expense. Interest expense was approximately \$12.8 million for nine months ended September 30, 2017, representing an increase of \$9.3 million from \$3.5 million for the nine months ended September 30, 2016. Interest expense was higher due to the \$250 million convertible debt offering completed in December 2016.

Other Income/Expense. Other income for the nine months ended September 30, 2017 was \$5.1 million, as compared to expense of \$3.2 million for the nine months ended September 30, 2016. The increase was primarily due to unrealized gain on foreign exchange transactions.

Income Tax Benefit. Income tax benefit for the nine months ended September 30, 2017 was \$164.6 million, as compared to \$0.7 million for the nine months ended September 30, 2016. The increase was primarily due to the reduction of the deferred tax liability of \$164.7 million related to Scioderm IPR&D as a result of the announcement of the Phase 3 ESSENCE study.

Liquidity and Capital Resources

Source of Liquidity

As a result of our significant research and development expenditures as well as expenditures to build a commercial organization to support the launch of Galafold™, we have not been profitable and have generated operating losses since we were incorporated in 2002. We have historically funded our operations principally through the issuance and sale of stock, collaborations, debt financings, grants and non-refundable license fees.

Cash flows

As of September 30, 2017, we had cash and cash equivalents and marketable securities of \$426.6 million. We invest cash in excess of our immediate requirements with regard to liquidity and capital preservation in a variety of interest-bearing instruments, including obligations of U.S. government agencies and money market accounts. Wherever possible, we seek to minimize the potential effects of concentration and degrees of risk. Although we maintain cash balances with financial institutions in excess of insured limits, we do not anticipate any losses with respect to such cash balances. For more details on the cash, cash equivalents and marketable securities, refer to “—Note 5. Cash, Money Market Funds and Marketable Securities,” in our Notes to Consolidated Financial Statements.

Net Cash Used in Operating Activities

Net cash used in operations for the nine months ended September 30, 2017 was \$141.7 million due primarily to the net loss for the nine months ended September 30, 2017 of \$214.8 million, and a decrease in deferred reimbursements of \$12.6 million, resulting from the milestone payments to GSK. The net cash used in operations was offset by an increase in accounts payable and accrued expenses of \$13.0 million related to program expenses and support for the commercial launch of Galafold™.

Net cash used in operations for the nine months ended September 30, 2016 was \$118.5 million, due primarily to the net loss for the nine months ended September 30, 2016 of \$141.4 million and the change in operating assets and liabilities of \$10.1 million. The change in operating assets and liabilities was primarily due to a decrease in accounts payable and accrued expenses of \$2.9 million, partially offset by increases in inventory of \$3.5 million, prepaid assets of \$2.8 million and other non-current assets of \$0.7 million.

Net Cash Used in Investing Activities

Net cash used in investing activities for the nine months ended September 30, 2017 was \$222.8 million. Our investing activities have consisted primarily of purchases and sales and maturities of investments and capital expenditures. Net cash used in investing activities reflects \$450.4 million for the purchase of marketable securities, \$3.4 million for the acquisition of property and equipment, partially offset by \$231.0 million for the sale and redemption of marketable securities.

Net cash used in investing activities for the nine months ended September 30, 2016 was \$39.9 million and reflects \$199.8 million for the purchase of marketable securities, \$5.5 million for the acquisition of property and equipment, partially offset by \$165.5 million for the sale and redemption of marketable securities.

Net Cash Provided by Financing Activities

Net cash provided by financing activities for the nine months ended September 30, 2017 was \$240.6 million. Net cash provided by financing activities reflects \$243.0 million from issuance of Common Stock from the July 2017 equity financing, \$8.8 million from exercise of stock options, partially offset by \$10.0 million paid to Scioderm as contingent consideration and \$1.1 million from vesting of RSUs.

Net cash provided by financing activities for the nine months ended September 30, 2016 was \$122.4 million. Net cash provided by financing activities reflects \$97.1 million from issuance of Common Stock under the ATM program, \$30.0 million as proceeds from the notes sold to Redmile Capital Fund, LP and certain of its affiliates and Grosvenor Special Opportunities Master Fund, Ltd., and \$1.5 million from exercise of stock options, partially offset by \$5.0 million paid to Scioderm as contingent consideration and \$1.0 million from vesting of RSUs.

Funding Requirements

We expect to incur losses from operations for the foreseeable future primarily due to research and development expenses, including expenses related to conducting clinical trials. Our future capital requirements will depend on a number of factors, including:

- the progress and results of our clinical trials of our drug candidates;
- the cost of manufacturing drug supply for our clinical and preclinical studies, including the significant cost of new Fabry ERT cell line development and manufacturing as well as the cost of manufacturing Pompe ERT;
- the scope, progress, results and costs of preclinical development, laboratory testing and clinical trials for our product candidates including those testing the use of pharmacological chaperones co-formulated and co-administered with ERT and for the treatment of LSDs;
- the future results of on-going preclinical research and subsequent clinical trials for CDKL5, including our ability to obtain regulatory approvals and commercialize CDKL5 and obtain market acceptance for CDKL5;
- the costs, timing and outcome of regulatory review of our product candidates;
- the number and development requirements of other product candidates that we pursue;
- the costs of commercialization activities, including product marketing, sales and distribution;
- the emergence of competing technologies and other adverse market developments;
- our ability to obtain reimbursement for migalastat HCl;
- our ability to obtain market acceptance of migalastat HCl in the EU;
- the costs of preparing, filing and prosecuting patent applications and maintaining, enforcing and defending intellectual property-related claims;

- the extent to which we acquire or invest in businesses, products and technologies;
- our ability to successfully integrate our acquired products and technologies into our business, including the possibility that the expected benefits of the transactions will not be fully realized by us or may take longer to realize than expected; and
- our ability to establish collaborations and obtain milestone, royalty or other payments from any such collaborators.

While we generated revenue from product sales since the second half of 2016, in the absence of additional funding, we expect our continuing operating losses to result in increases in our cash used in operations over the next several quarters and years. We may seek additional funding through public or private financings of debt or equity. We believe that our existing cash and cash equivalents and short-term investments will be sufficient to fund the current operating plan into the second half of 2019.

Financial Uncertainties Related to Potential Future Payments

Milestone Payments / Royalties

We acquired exclusive worldwide patent rights to develop and commercialize migalastat and other pharmacological chaperones for the prevention or treatment of human diseases or clinical conditions by increasing the activity of wild-type and mutant enzymes pursuant to a license agreement with MSSM. This agreement expires upon expiration of the last of the licensed patent rights, which will be in 2018 in the U.S. and 2019 in Europe and Japan for monotherapy. If we develop a product for combination therapy of specific pharmacological chaperone such as migalastat plus an ERT for certain LSDs such as Fabry disease and a patent issues from the pending MSSM applications covering such a combination therapy(ies), expiration for the combination product(s) will be 2024.

Under our license agreements, if we owe royalties on net sales for one of our products to more than one of the above licensors, then we have the right to reduce the royalties owed to one licensor for royalties paid to another. The amount of royalties to be offset is generally limited in each license and can vary under each agreement. For migalastat, we incurred \$0.7 million of royalty expense under the agreement with MSSM for the nine months ended September 30, 2017.

In November 2013, we entered into the Revised Agreement with GlaxoSmithKline (“GSK”), pursuant to which we have obtained global rights to develop and commercialize migalastat as a monotherapy and in combination with ERT for Fabry disease. The Revised Agreement amends and replaces in its entirety the prior agreement entered into between us and GSK in July 2012. Under the terms of the Revised Agreement, there was no upfront payment from us to GSK. For migalastat monotherapy, GSK is eligible to receive post-approval and sales-based milestones up to \$40 million, as well as tiered royalties in the mid-teens in eight major markets outside the U.S. In addition, because we reacquired worldwide rights to migalastat, we are no longer eligible to receive any milestones or royalties we would have been eligible to receive under the Original Collaboration Agreement. In the nine months ended September 30, 2017, we incurred approximately \$2.2 million of royalty expense under the agreement with GSK.

As part of the acquisition of Callidus, we will be obligated to make additional payments to the former stockholders of Callidus upon the achievement by the Company of certain clinical milestones of up to \$35 million and regulatory approval milestones of up to \$105 million as set forth in the merger agreement, provided that the aggregate consideration shall not exceed \$130 million. We may, at our election, satisfy certain milestone payments identified in the merger agreement aggregating \$40 million in shares of our Common Stock (calculated based on a price per share equal to the average of the last closing bid price per share for the Common Stock on The NASDAQ Global Select Market for the ten trading days immediately preceding the date of payment). The milestone payments not permitted to be satisfied in Common Stock (as well as any payments that we are permitted to, but choose not to, satisfy in Common Stock), as a result of the terms of the merger agreement, the rules of The NASDAQ Global Select Market, or otherwise, will be paid in cash. During the second quarter of 2016, we reached the first clinical milestone for Callidus, which was the dosing of the first patient in a Phase 1 or 2 study. The milestone payment for this event was \$6.0 million which was paid in the Company’s stock during the second quarter of 2016.

As part of the acquisition of MiaMed, we will be obligated to make additional payments to the former stockholders of MiaMed upon the achievement by the Company of certain clinical milestones of up to \$8 million, regulatory approval milestones of up to \$10 million, and commercial milestones up to \$65 million. Any milestone payment may be satisfied in cash, shares of Common Stock, or a combination of both. The milestone payments not permitted to be satisfied in Common Stock (as well as any payments that we are permitted to, but choose not to, satisfy in Common Stock), as a result of the terms of the merger agreement, the rules of The NASDAQ Global Select Market, or otherwise, will be paid in cash. No milestone payments in connection with the acquisition of MiaMed have been paid.

Recent Accounting Pronouncements

Please refer to “—Note 2. Summary of Significant Accounting Policies,” in our Notes to Consolidated Financial Statements.

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

Market risk is the risk of change in fair value of a financial instrument due to changes in interest rates, equity prices, creditworthiness, financing, exchange rates or other factors. Our primary market risk exposure relates to changes in interest rates in our cash, cash equivalents and marketable securities. We place our investments in high-quality financial instruments, primarily money market funds, corporate debt securities, asset backed securities and U.S. government agency notes with maturities of less than one year, which we believe are subject to limited interest rate and credit risk. The securities in our investment portfolio are not leveraged, are classified as available-for-sale and, due to the short-term nature, are subject to minimal interest rate risk. We believe that a 1% (100 basis points) change in average interest rates would either increase or decrease the market value of our investment portfolio by \$1.8 million. At September 30, 2017, we held \$426.6 million in cash, cash equivalents and available for sale securities and they are all due on demand or within one year. We currently do not hedge interest rate exposure and consistent with our investment policy, we do not use derivative financial instruments in our investment portfolio. Our outstanding debt has a fixed interest rate and therefore, we have no exposure to interest rate fluctuations.

We have operated primarily in the U.S. with international operations increasing since the last quarter of 2015. We do conduct some clinical activities with vendors outside the U.S. While most expenses are paid in U.S. dollars, we now have increased transactions of expenses and cash flows in foreign currencies that are exposed to changes in foreign currency rates.

ITEM 4. CONTROLS AND PROCEDURES

As of the end of the period covered by this Quarterly Report on Form 10-Q, an evaluation of the effectiveness of our disclosure controls and procedures (pursuant to Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") was carried out under the supervision of our Principal Executive Officer and Principal Financial Officer, with the participation of our management. Based on that evaluation, the Principal Executive Officer and the Principal Financial Officer concluded that, as of the end of such period, our disclosure controls and procedures are effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by us in the reports that we file or submit under the Exchange Act and are effective in ensuring that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Principal Executive Officer and Principal Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

During the fiscal quarter covered by this report, there has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Since October 1, 2015, three purported securities class action lawsuits have been commenced in the United States District Court for New Jersey, naming as defendants the Company, its Chairman and Chief Executive Officer, and in one of the actions, its Chief Medical Officer. The lawsuits allege violations of the Securities Exchange Act of 1934 in connection with allegedly false and misleading statements made by the Company related to the regulatory approval path for migalastat. The plaintiffs seek, among other things, damages for purchasers of the Company's Common Stock during different periods, all of which fall between March 19, 2015 and October 1, 2015. It is possible that additional suits will be filed, or allegations received from stockholders, with respect to similar matters and also naming the Company and/or its officers and directors as defendants. On May 26, 2016, the Court consolidated these lawsuits into a single action and appointed a lead plaintiff. The lead plaintiff filed a Consolidated Amended Class Action Complaint on July 11, 2016. On August 25, 2016, the defendants filed a motion to dismiss in response to the Consolidated Amended Class Action Complaint. This motion to dismiss was fully briefed on October 28, 2016 but has not been decided. Lead plaintiff and defendants have reached an agreement in principal to fully and finally settle all claims asserted in the Consolidated Amended Class Action Complaint. On June 29, 2017, the Court granted preliminary approval to the settlement. In connection with the Court's preliminary approval, the settlement amount was paid into the plaintiff's fund. The settlement is immaterial to the Company's consolidated financial statements and is subject to final court approval. A fairness hearing to determine whether the settlement will be approved is now scheduled to occur on November 9, 2017. The settlement amount was covered under insurance.

On or about March 3, 2016, a derivative lawsuit was filed by an Amicus shareholder purportedly on Amicus' behalf in the Superior Court of New Jersey, Middlesex County, Chancery Division, against various officers and directors of the Company. Amicus itself is named as a nominal defendant. The derivative lawsuit alleges similar facts and circumstances as the three purported securities class action lawsuits described above and further alleges claims for breach of state law fiduciary duties, waste

of corporate assets, unjust enrichment, abuse of control, and gross mismanagement based on allegedly false and misleading statements made by Amicus related to the regulatory approval path for migalastat HCl. The plaintiff seeks, among other things, to require the Amicus Board to take certain actions to reform its corporate governance procedures, including greater shareholder input and a provision to permit shareholders to nominate candidates for election to the Board, along with restitution, costs of suit and attorney's fees. On February 7, 2017, the complaint was dismissed by the Court without prejudice.

These lawsuits and any other related lawsuits are subject to inherent uncertainties and the actual cost will depend upon many unknown factors. The outcome of the litigation is necessarily uncertain and we could be forced to expend significant resources in the defense of these suits, and we may not prevail.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016, as amended.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Recent Sales of Unregistered Securities

None.

Issuer Purchases of Equity Securities

We did not repurchase any shares of our Common Stock during the three months ended September 30, 2017. We have not announced any plans or programs for the repurchase of our Common Stock. However, employees surrendered 3,368 shares to the Company, during the three months ended September 30, 2017 at a weighted average price of \$13.53 per share for the payment of the minimum tax liability withholding obligations upon the vesting of RSUs. We do not consider this a share buyback program.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	Description
3.1(1)	Restated Certificate of Incorporation
3.2(2)	Certificate of Amendment to the Company's Restated Certificate of Incorporation, as amended
3.3(3)	Amended and Restated By-laws
31.1	Certification of Principal Executive Officer pursuant to Rules 13a-14 and 15d-14 promulgated pursuant to the Securities Exchange Act of 1934, as amended
31.2	Certification of Principal Financial Officer pursuant to Rules 13a-14 and 15d-14 promulgated pursuant to the Securities Exchange Act of 1934, as amended
32.1	Certification of Principal Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following financial information from this Quarterly Report on Form 10-Q for the nine months ended September 30, 2017, formatted in XBRL (Extensible Business Reporting Language) and filed electronically herewith: (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Operations; (iii) the Consolidated Statements of Comprehensive Loss; (iv) the Consolidated Statements of Cash Flows; (v) and the Notes to the Consolidated Financial Statements

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- (1) Incorporated by reference to Exhibit 3.1 to our Quarterly Report on Form 10-Q filed on August 5, 2015.
 - (2) Incorporated by reference to Exhibit 3.2 to our Quarterly Report on Form 10-Q filed on August 5, 2015.
 - (3) Incorporated by reference to Exhibit 3.4 to our Registration Statement on Form S-1.

**CERTIFICATIONS PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002
CERTIFICATION BY PRINCIPAL EXECUTIVE OFFICER**

I, John F. Crowley, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Amicus Therapeutics, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2017

/s/ John F. Crowley

John F. Crowley

Chairman and Chief Executive Officer

**CERTIFICATIONS PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002
CERTIFICATION BY PRINCIPAL FINANCIAL OFFICER**

I, William D. Baird III, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Amicus Therapeutics, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2017

/s/ William D. Baird III

William D. Baird III
Chief Financial Officer
