AMYLIN PHARMACEUTICALS INC
Form 10-Q
August 13, 2002

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
|X| QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2002

OR

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

Commission File Number: 0-19700

AMYLIN PHARMACEUTICALS, INC.

(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of Incorporation or organization)**	**33-0266089** **(I.R.S. Employer Identification No.)**
9373 Towne Centre Drive, San Diego, California **(Address of principal executive offices)**	**92121** **(Zip code)**

(858) 552-2200
(Registrant s telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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 |X| No |_|

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

Class	Outstanding at August 8, 2002
Common Stock, $.001 par value	80,105,282

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Part I. Financial Information

Item 1. Financial Statements

AMYLIN PHARMACEUTICALS, INC.

Condensed Consolidated Balance Sheets
(in thousands)

	June 30, 2002	December 31, 2001
	(Unaudited)	(Note 1)
Assets		
Current Assets:		
Cash and cash equivalents	$ 27,123	$ 22,395
Short-term investments	68,931	24,179
Inventories	8,742	8,001
Other current assets	2,123	1,550
Total current assets	106,919	56,125

Property and equipment, net	3,790	3,628
Patents and other assets, net	3,834	3,774
	$ 114,543	$ 63,527

Liabilities and Stockholders Equity (Deficit)

Current Liabilities:		
Accounts payable and accrued liabilities	$ 13,537	$ 8,386
Current portion of notes payable and capital lease obligations	550	551
Total current liabilities	14,087	8,937
Note payable and capital lease obligations, net of current portion	317	588
Note payable to Johnson & Johnson	59,905	56,985
Other liabilities	558	500
Stockholders Equity (Deficit):		
Common stock, $.001 par value, 200,000 shares authorized, 80,007 and 67,554 issued and outstanding at June 30, 2002 and December 31, 2001, respectively	80	68
Additional paid-in capital	496,824	404,114
Accumulated deficit	(457,036)	(407,744)
Deferred compensation	(332)	(309)
Accumulated other comprehensive income	140	388
Total stockholders equity (deficit)	39,676	(3,483)
	$ 114,543	$ 63,527

See accompanying notes to condensed consolidated financial statements.

AMYLIN PHARMACEUTICALS, INC.

Condensed Consolidated Statements of Operations
(in thousands, except per share data)
(Unaudited)

	Three months ended June 30,	
	2002	**2001**
Operating expenses:		
Research and development	$ 20,826	$ 12,360
General and administrative	5,500	6,586
	26,326	18,946
Loss from operations	(26,326)	(18,946)
Interest and other income	600	1,047
Interest and other expense	(1,468)	(1,531)
Net loss	$ (27,194)	$ (19,430)

Net loss per share basic and diluted	$ (0.34)	$ (0.30)
Shares used in computing net loss per share basic and diluted	79,981	64,792

See accompanying notes to condensed consolidated financial statements.

AMYLIN PHARMACEUTICALS, INC.

Condensed Consolidated Statements of Operations
(in thousands, except per share data)
(Unaudited)

	Six months ended June 30,	
	2002	**2001**
Operating expenses:		
Research and development	$ 37,349	$ 23,260
General and administrative	10,197	10,483
	47,546	33,743
Loss from operations	(47,546)	(33,743)
Interest and other income	1,203	2,507
Interest and other expense	(2,949)	(3,169)
Net loss	$ (49,292)	$ (34,405)
Net loss per share basic and diluted	$ (0.64)	$ (0.54)
Shares used in computing net loss per share basic and diluted	77,128	64,160

See accompanying notes to condensed consolidated financial statements.

AMYLIN PHARMACEUTICALS, INC.

Condensed Consolidated Statements of Cash Flows
(in thousands)
(Unaudited)

	Six months ended June 30,	
	2002	**2001**
Operating activities:		
Net loss	$ (49,292)	$ (34,405)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	895	557
Inventory reserve	400	

Net book value of abandoned patents	272	
Amortization of deferred compensation	39	141
Stock based compensation	103	417
Issuance of warrants for services		411
Amortization of debt discount	599	599
Accrued interest added to notes payable	2,321	2,502
Changes in operating assets and liabilities:		
Inventories	(1,141)	(3,773)
Other current assets	(515)	308
Accounts payable and accrued liabilities	5,151	2,062
Other assets and liabilities, net	(85)	57
Net cash flows used for operating activities	(41,253)	(31,124)
Investing activities:		
Purchases of short-term investments	(72,859)	(162,392)
Sales and maturities of short-term investments	27,859	198,326
Purchase of fixed assets	(934)	(907)
Increase in patents	(370)	(450)
Net cash flows provided by (used for) investing activities	(46,304)	34,577
Financing activities:		
Principal payments on capital leases and notes payable	(272)	(270)
Issuance of common stock, net	92,557	34,533
Net cash flows provided by financing activities	92,285	34,263
Change in cash and cash equivalents	4,728	37,716
Cash and cash equivalents at beginning of period	22,395	6,265
Cash and cash equivalents at end of period	$ 27,123	$ 43,981

See accompanying notes to condensed consolidated financial statements.

AMYLIN PHARMACEUTICALS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2002
(Unaudited)

1. Summary of Significant Accounting Policies

Basis of Presentation

The information contained herein has been prepared in accordance with instructions for Form 10-Q and Article 10 of Regulation S-X. The information as of June 30, 2002, and for the three and six month periods ended June 30, 2002, and June 30, 2001, are unaudited. In the opinion of management, the information reflects all adjustments necessary to make the results of operations for the interim periods a fair statement of such operations. All such adjustments are of a normal recurring nature. Interim results are not necessarily indicative of results for a full year. The balance sheet at December 31, 2001, has been derived from the audited financial statements at that date but does not include all information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. For more complete financial information, these financial statements should be read in conjunction with the audited financial statements included in the Company s Annual Report on Form 10-K for the year ended December 31, 2001.

Per Share Data

Basic and diluted net loss applicable to common stock per share is computed using the weighted average number of common shares outstanding during the periods. Common stock equivalents from stock options and warrants of 3,153,000 and 3,539,000 for the three and six months ended June 30, 2002, respectively, and common stock equivalents of 3,012,000 and 3,516,000 for the three and six months ended June 30, 2001, respectively, are excluded from the calculation of diluted loss per share because the effect is antidilutive.

Consolidation

The consolidated financial statements include the accounts of Amylin and its wholly owned subsidiary, Amylin Europe Limited. All significant intercompany transactions and balances have been eliminated.

2. Investments

The Company has classified its debt securities as available-for-sale, and accordingly, carries its short-term investments at fair value, and unrealized holding gains or losses on these securities are carried as a separate component of stockholders equity. The amortized cost of debt securities in this category is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization is included in interest and other income or expense as applicable. Realized gains and losses and declines in value judged to be other-than-temporary (of which there have been none to date) on available-for-sale securities are also included in interest and other expense as applicable. The cost of securities sold is based on the specific identification method.

3. Inventories

Inventories are stated at the lower of cost (FIFO) or market and consist primarily of SYMLIN (pramlintide acetate) bulk drug material, which will be used in the manufacture of finished SYMLIN drug product in vials for syringe administration and cartridges for pen administration, pending regulatory approvals. At June 30, 2002, total inventories were approximately $8.7 million, of which approximately $1.4 million, net of a valuation allowance of $0.4 million, was in finished form.

4. Comprehensive Income

Statement of Financial Accounting Standards No. 130, *Reporting Comprehensive Income (SFAS 130),* requires reporting and displaying comprehensive income (loss) and its components which, for the Company, includes net loss and unrealized gains and losses on investments. In accordance with SFAS 130, the accumulated balance of other comprehensive income is disclosed as a separate component of stockholders equity. For the six months ended June 30, 2002 and 2001, the comprehensive loss consisted of:

	Six months ended June 30, 2002	2001
Net loss	$ (49,292)	$ (34,405)
Other comprehensive income (loss):		
Unrealized gain (loss) on investments:	(248)	33
Comprehensive loss	$ (49,540)	$ (34,372)

5. Class Action Lawsuit

On August 9, 2001, plaintiff Eric W. Peters, on behalf of himself and purportedly on behalf of a class of Company stockholders, filed a complaint in the United States District Court for the Southern District of California against the Company and its chief executive officer. Additional similar lawsuits were filed against the Company and certain officers and directors in the same court. The complaint alleges securities fraud in connection with various statements and alleged omissions to the public and to the securities markets related to the development of SYMLIN. All of the existing lawsuits were consolidated into a single action and a consolidated complaint was filed in February 2002. The Company believes that the lawsuit is without merit and intends to defend itself vigorously against the claims, although there are no assurances that the Company will be successful in defending such claims. The lawsuit is at an early stage and the extent or range of possible damages, if any, cannot yet be reasonably estimated.

6. Stockholders Equity

On February 19, 2002, the Company completed a public offering of 12.075 million shares of its common stock at a price of $8.00 per share. This transaction generated net proceeds of approximately $90.7 million for the Company. The Company intends to use the net proceeds for research and development and general corporate purposes.

In June 2002, the Company adopted a Preferred Share Purchase Rights Plan (the Plan). The Plan provides for a dividend distribution of one preferred stock purchase right (a Right) for each outstanding share of the Company s common stock, par value $0.001 per share (the Common Shares), held of record at the close of business on June 28, 2002. The Rights are not currently exercisable. Under certain conditions involving an acquisition or proposed acquisition by any person or group of 15% or more of the Company s common stock the Rights permit the holders (other than the 15% holder) to purchase one one-hundredth of a share of Series A Junior Participating Preferred Stock, par value $0.001 per share (the Preferred Shares), at a price of $100 per one-one hundredth of a Preferred Share, subject to adjustment. Each one one-hundredth of a share of Preferred Shares has designations and powers, preferences and rights, and the qualifications, limitations and restrictions which make its value approximately equal to the value of a Common Share. Under certain conditions, the Rights may be redeemed by the Company s Board of Directors in whole, but not in part, at a price of $0.001 per Right.

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

Except for the historical information contained herein, the discussion in this report contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those discussed in this report due to a number of risks and uncertainties including, among other things, risks and uncertainties in the United States Food and Drug Administration s, or FDA s, review of New Drug Applications, generally, risks and uncertainties regarding the additional ongoing clinical testing of SYMLIN, risks and uncertainties that approvals of SYMLIN, if obtained, may be delayed and/or limited to specific indications, uncertainties in the review of our European Marketing Authorization Applications for SYMLIN, our ability to commercialize SYMLIN, if approved, our ability to enter into sales distribution, marketing and/or corporate partnering agreements with respect to SYMLIN and AC2993 (synthetic exendin-4), the results of our preclinical and clinical studies of our drug candidates, including AC2993, AC2993 LAR, and AC3056, and potential liability and indemnification obligations arising out of ongoing litigation. Additional factors that could cause or contribute to such differences include, without limitation, those discussed in the section entitled Liquidity and Capital Resources herein as well as those discussed in our Annual Report on Form 10-K for the year ended December 31, 2001, under the heading Risk Factors.

Background

Amylin Pharmaceuticals, Inc. is a biopharmaceutical company engaged in the discovery, development and commercialization of drug candidates for the treatment of diabetes and other metabolic disorders. We currently have exclusive rights to two drug candidates in late stage development for the treatment of diabetes, SYMLIN and AC2993.

In December 2000, we submitted a New Drug Application, or NDA, to the FDA for approval to market SYMLIN, our lead diabetes drug candidate, which is targeted for people with diabetes that use insulin. In May 2001, we submitted Marketing Authorization Applications, or MAA, for approval to market SYMLIN to the European Agency for the Evaluation of Medicinal Products, or EMEA, which have since been accepted by the EMEA and Swiss regulatory authorities. In October 2001, the FDA completed its review of our NDA for SYMLIN, indicating that SYMLIN is approvable for both type 1 and insulin-requiring type 2 diabetes. However, the FDA also indicated that approval of SYMLIN will require that we achieve satisfactory results from additional clinical work. In December 2001, we announced our plans to complete the required clinical work, which includes a seven-month, placebo-controlled dose-titration study focused on safety in approximately 250 people with type 1 diabetes and four short-term pharmacokinetic-pharmacology studies to enhance suggested prescribing information. We commenced the dose-titration study in April 2002, with a goal of submitting an NDA amendment before the end of the first quarter of 2003. We do not expect the FDA to require extended trials in type 2 diabetes patients prior to granting marketing approval of SYMLIN in the United States.

Our second drug candidate, AC2993 (synthetic exendin-4) is being developed with an initial target to improve glucose control in people with type 2 diabetes who are not using insulin and are not achieving target blood glucose concentrations with diet and oral medications alone. We commenced Phase 3 evaluation of AC2993 in December 2001, and we are currently conducting three pivotal Phase 3 clinical studies. We are also developing an injectable long acting formulation of AC2993, or AC2993 LAR, with the goal of developing a product that would enable a monthly administration of AC2993. We are funding the development of AC2993 LAR through a collaboration with Alkermes, Inc., a company specializing in the development of products based on proprietary drug delivery technologies. We commenced our first Phase 2 study of AC2993 LAR in June of 2002. Our third drug candidate, AC3056, is a

compound that was in-licensed from Aventis Pharma. AC3056 is in Phase 1 clinical studies and is being evaluated for potential utility in the treatment of artherosclerosis-related cardiovascular disease.

Since our inception in September 1987, we have devoted substantially all of our resources to our research and development programs. Substantially all of our revenues to date have been derived from fees and expense reimbursements under earlier SYMLIN collaborative agreements and from interest income. We currently have no product sales and have not received any revenues from the sale of our drug candidates. We have been unprofitable since inception, and expect to incur additional operating losses for at least the next few years. At June 30, 2002, our accumulated deficit was approximately $457 million.

In February 2002, we completed a public offering of 12.075 million shares common stock, generating net proceeds of approximately $90.7 million.

Results of Operations

Three Months Ended June 30, 2002

Operating Expenses

Our total operating expenses for the three months ended June 30, 2002 increased to $26.3 million from $18.9 million for the same period in 2001. Research and development expenses for the three months ended June 30, 2002 increased to $20.8 million from $12.4 million for the same period in 2001, and general and administrative expenses decreased to $5.5 million from $6.6 million for the same period in 2001.

The $8.4 million increase in research and development expenses in the second quarter of 2002, reflects primarily expenses associated with our AC2993 development program, including costs to conduct the three ongoing Phase 3 clinical trials. Additionally, we incurred increased costs related to SYMLIN, consisting of costs incurred to conduct the additional clinical work required by the FDA, primarily the 250 patient dose-titration study commenced in April 2002. Consistent with the growth in our development programs, we continued to increase our internal headcount in the second quarter of 2002 to support these increased activities. However, the related increases in employee costs were significantly less than the increased costs to conduct the ongoing clinical trials discussed above. Costs associated with our AC2993 LAR development program, consisting primarily of costs incurred in connection with our collaboration with Alkermes, did not change materially in the second quarter of 2002, as compared to the same period in 2001.

The increase in research and development expenses also includes $0.4 million recorded in the current quarter related to an inventory valuation reserve for our finished SYMLIN inventory (Note 3). This valuation reserve reflects the impact on date sensitive inventory of changes in our anticipated regulatory timelines for SYMLIN. The estimated reduction in value is based on a range of possible sales volumes and potential alternative uses of the inventory, primarily marketing and sampling programs. We will continue to evaluate our ability to recover the remaining value of this inventory as the timing of potential regulatory approvals becomes more certain.

We anticipate that our research and development expenses will continue to increase moderately during the remainder of 2002, due primarily to the ongoing Phase 3 studies for AC2993, to a lesser extent costs incurred to complete the required clinical work for SYMLIN, and continued product development costs associated with these programs. We also expect an increase in costs associated with our AC2993 LAR development program, including costs associated with manufacturing scale up and costs to conduct the Phase 2 clinical study initiated in June 2002.

The $1.1 million decrease in general and administrative expenses in the current quarter as compared to the same period in 2001 reflects primarily a reduction in costs due to reduced hiring activities and a reduction in stock based compensation. Partially offsetting these reductions is a charge of approximately $0.3 million associated with patents that were abandoned in the second quarter of 2002. We do not expect that general administrative expenses will change materially until the timing of the potential regulatory approvals for SYMLIN becomes more certain.

Other Income and Expense

Interest and other income was $0.6 million for the three months ended June 30, 2002 compared to $1.0 million for the same period in 2001. The decrease in interest and other income is attributed to lower market interest rates, and a decrease in realized gains, partially offset by higher average cash balances in the current quarter as compared to the same period in 2001.

Interest and other expense was $1.5 million for both the three months ended June 30, 2002 and June 30, 2001. This reflects increases in the principal amounts due to Johnson & Johnson due to accrued interest added to principal, equally offset by lower market interest rates in 2002, as compared to 2001.

Net Loss

The net loss for the quarter ended June 30, 2002, was $27.2 million compared to a net loss of $19.4 million for the same period in 2001. The increase in the net loss reflects the increased operating expenses and the reduction in interest and other income discussed above.

We expect to incur substantial operating losses for the remainder of 2002 and at least the next few years due to continuing expenses associated with the continuation and potential expansion of our research and development programs, including the clinical development of SYMLIN, AC2993, AC2993 LAR and AC3056, preparation for the planned commercialization of SYMLIN, and related general and administrative support. Operating losses may fluctuate from quarter to quarter as a result of differences in the timing of expenses incurred and revenues recognized.

Six Months Ended June 30, 2002

Operating Expenses

Our total operating expenses for the six months ended June 30, 2002 increased to $47.5 million from $33.7 million for the same period in 2001. Research and development expenses for the six months ended June 30, 2002 increased to $37.3 million from $23.3 million for the same period in 2001, and general and administrative expenses decreased to $10.2 million from $10.5 million for the same period in 2001.

The $14.0 million increase in research and development expenses in the current six-month period is due to the same factors that influenced similar fluctuations in the second quarter discussed above, and includes increased costs incurred in connection with the Phase 3 clinical studies for AC2993, increased costs related to the required clinical work for SYMLIN, and to a lesser extent, increased costs attributed to growth in our internal headcount.

The $0.3 million decrease in general and administrative expenses in the current six-month period reflects primarily a reduction in stock based compensation. Expenses related to our internal headcount and pre-marketing expenses related to SYMLIN did not change materially in the six-months ended June 30, 2002 as compared to the same period in 2001.

Other Income and Expense

Interest and other income was $1.2 million for the six-month period ended June 30, 2002, compared to $2.5 million for the same period in 2001. The decrease in interest and other income is attributed to lower market interest rates, and a decrease in realized gains, partially offset by higher average cash balances in the six-months ended June 30, 2002, as compared to the same period in 2001.

Interest and other expense was $2.9 million for the six months ended June 30, 2002, compared to $3.2 million for the same period in 2001. This decrease in interest and other expense is due primarily to lower market interest rates, partially offset by higher principal amounts due to Johnson & Johnson as a result of accrued interest added to principal.

Net Loss

The net loss for the six months ended June 30, 2002 was $49.3 million compared to a net loss of $34.4 million for the same period in 2001. The increase in the net loss reflects primarily the increased operating expenses and the reduction in interest and other income discussed above.

Liquidity and Capital Resources

Since inception, we have financed our operations primarily through private placements of common stock and preferred stock, public offerings of common stock, reimbursement of SYMLIN development expenses through earlier collaboration agreements, and other debt financings.

At June 30, 2002, we had $96.1 million in cash, cash equivalents and short-term investments as compared to $46.6 million at December 31, 2001. The increase reflects the $90.7 million in proceeds from a public offering of common stock completed in February 2002, offset by cash expenditures to fund our operations during the six-months ended June 30, 2002.

As of June 30, 2002, we owed Johnson & Johnson approximately $62.3 million pursuant to debt incurred in connection with a collaboration agreement that terminated in 1998. The amount presented in the condensed consolidated balance sheet at June 30, 2002 of $59.9 million is net of a debt discount of $2.4 million which represents the unamortized portion of the value assigned to warrants issued to Johnson & Johnson, which is being amortized to interest expense over the life of the loan. Repayment obligations on this debt commence in June 2005, however, repayment may be accelerated in the event that we enter into certain specified change in control transactions, specified types of agreements for SMYLIN or certain types of financing arrangements subsequent to approval of the SYMLIN NDA by the FDA. Additionally, we owe $0.8 million pursuant to equipment financing, which is payable in equal monthly installments through December 2003.

We used cash of $41.3 million and $31.1 million for our operating activities in the six months ended June 30, 2002 and 2001, respectively. Investing activities used $46.3 million in the six months ended June 30, 2002 and provided $34.6 million in the six months ended June 30, 2001. Investing activities in both periods consisted primarily of purchases and sales of short-term investments, purchases of laboratory and office equipment and increases in patents. Financing activities provided $92.3 million and $34.3 million in the six months ended June 30, 2002 and 2001, respectively. These amounts consist of proceeds from the sale of common stock, partially offset by payments on capital leases and notes payable. The significant components of the cash provided from financing activities were a public offering of common stock for net proceeds of approximately $90.7 million during the six months ended June 30, 2002 and a private placement of common stock for net proceeds of approximately $33.8 million during the six months ended June 30, 2001.

Our use of cash for our operating activities in the six months ended June 30, 2002 was $41.3 million, and is approximately $8.0 million less than our net loss of $49.3 million. This is due primarily to an increase in our current liabilities of approximately $5.2 million and non-cash expenses of approximately $4.6 million, partially offset by inventory purchases of approximately $1.1 million and net other uses of cash of approximately $0.7 million. The increase in current liabilities reflects the timing of cash payments for services rendered in connection with our ongoing clinical studies, primarily the Phase 3 studies for AC2993.

We expect that our cash expenditures will increase moderately during the remainder of 2002. We anticipate that total cash expenditures for 2002 will be approximately $90 $95 million, including cash expenditures for the six months ended June 30, 2002 of approximately $43 million. The expected increase in cash expenditures in the second half of the year consists principally of AC2993 development costs, including expenditures associated with the completion of enrollment of the three Phase 3 studies for AC2993.

Until the timing of the FDA s determination regarding the approval of SYMLIN becomes more certain, we do not expect cash expenditures for general and administrative expenses to change materially. We do intend to continue with certain pre-marketing activities related to the planned commercialization of SYMLIN, however, the larger cash expenditures associated with the hiring and deployment of a SYMLIN sales force and increased costs for marketing activities are dependent upon the approval of SYMLIN by the FDA. If it appears that FDA approval will be delayed significantly or not received at all, we expect to further re-evaluate our level of activity and cash expenditures associated with the planned commercialization of SYMLIN.

At June 30, 2002, we are committed to purchase approximately $5.0 million of commercial grade bulk drug material in the subsequent twelve-month period. If FDA approval for SYMLIN is received, our expenditures to secure commercial grade bulk drug material will increase substantially, including a commitment to purchase approximately $9.0 million of additional material pursuant to an agreement with Johnson & Johnson. We are also obligated to purchase this material if we enter into a collaboration agreement for SYMLIN or if there is a change in control of the Company. If none of these events occur, we have no obligation to purchase this material from Johnson & Johnson.

In 2001, several class action lawsuits were filed against us and certain of our officers and directors alleging securities fraud in connection with various statements and alleged omissions relating to the development of SYMLIN. These lawsuits were consolidated into a single action. If we are not successful in our defense of this lawsuit, we may be required to make significant payments to our stockholders. The lawsuit is at an early stage and the extent or range of possible damages, if any, cannot yet be reasonably estimated.

We do not expect to generate positive operating cash flow for at least the next few years due to additional research and development costs, including costs related to research, preclinical testing, clinical trials, manufacturing costs, and

general administrative expenses necessary to support such activities.

We intend to use our existing financial resources for continuing costs associated with preparing for the planned commercialization of SYMLIN, the continuation and potential expansion of our other research and development programs, including the clinical development of SYMLIN, AC2993, AC2993 LAR and AC3056, and related general and administrative support. Research and development expenses will include costs of supplying materials for and/or conducting clinical trials. The amounts actually expended for each purpose may vary significantly depending upon numerous factors, including the progress of our research and development programs, the results of preclinical and clinical studies, the timing of regulatory submissions and approvals, and, if approvals are received, time to market thereafter, technological advances, determination as to the commercial potential of our product candidates and other preclinical compounds currently under development, and the status of competitive products. Expenditures will also depend upon the availability of additional sources of funds, the establishment of commercial or collaborative arrangements with other companies, and other factors.

Our future capital requirements will depend on many factors; including the timing and costs involved in obtaining regulatory approvals for SYMLIN, whether regulatory approvals for the marketing of SYMLIN are received, our ability and the extent to which we establish commercialization arrangements for SYMLIN and AC2993, our ability to progress with other ongoing and new preclinical studies and clinical trials, the extent of these preclinical and clinical studies, scientific progress in our other research and development programs, the magnitude of these programs, the costs involved in preparing, filing, prosecuting, maintaining, enforcing or defending ourselves against patents, competing technological and market developments, changes in collaborative relationships, and any costs of manufacturing scale up.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We invest our cash and short-term investments primarily in U.S. government securities and marketable securities of financial institutions and corporations with strong credit ratings. These instruments have various short-term maturities. We do not utilize derivative financial instruments, derivative commodity instruments or other market risk sensitive instruments, positions or transactions in any material fashion. Accordingly, we believe that, while the instruments we hold are subject to changes in the financial standing of the issuer of such securities, we are not subject to any material risks arising from changes in interest rates, foreign currency exchange rates, commodity prices, equity prices or other market changes that affect market risk sensitive investments. Our debt is not subject to significant swings in valuation as interest rates on our debt approximate current market interest rates.

Part II. Other Information

Item 4. Submission of Matter to a Vote of Security Holders

Our Annual Meeting of Stockholders was held on May 15, 2002. At the Annual Meeting, the stockholders of the Company (i) elected each of the persons listed below to serve as a director of Amylin until the next annual meeting or until his/her successor is elected, and (ii) ratified the selection of Ernst & Young LLP as our independent auditors for the fiscal year ending December 31, 2002.

We had 79,933,346 shares of Common Stock outstanding as of March 22, 2002, the record date for the Annual Meeting. At the Annual Meeting, 54,454,722 shares of Common Stock were present in person or represented by proxy for the two proposals indicated above. The following sets forth detailed information regarding the results of the voting at the Annual Meeting:

Proposal 1: Election of Directors

Director	Votes in Favor	Abstentions
Vaughn D. Bryson	54,285,697	169,025
Joseph C. Cook, Jr	54,091,847	362,875
Ginger L. Graham	54,101,527	353,195
Howard E. Greene, Jr	54,082,500	372,222
Terrence H. Gregg	54,263,547	191,175
Jay S. Skyler, M.D	54,239,894	214,828
James N. Wilson	54,268,347	186,375

Proposal 2: Ratification of selection of Ernst & Young LLP as Independent Auditors of the Company

Votes in Favor:	53,275,856
Votes Against:	1,138,853
Abstentions:	40,013

Item 5. ***Other Information***

In May 2002, the Compensation Committee of the Company s Board of Directors approved a loan of $109,395 to Orville G. Kolterman, M.D., the Company s Senior Vice President of Clinical Affairs. The loan is memorialized under a full recourse note from Dr. Kolterman to the Company dated May 17, 2002. The note bears interest at 4.75% per annum and is payable on demand, but not later than December 31, 2002. The note is secured by shares of the Company s common stock held by Dr. Kolterman. A copy of the Promissory Note & Security Agreement pursuant to which the Company made the loan is included as Exhibit 10.46 under this report. A copy of the Stock Pledge Agreement pursuant to which Dr. Kolterman has pledged his shares of common stock as security under the note is included as Exhibit 10.47 under this report.

Item 6. ***Exhibits and Reports on Form 8-K***

(a) The following exhibits are included as part of this report:

Exhibit Number	Description
10.46	Promissory Note & Security Agreement dated May 17, 2002, between the Registrant and Orville G. Kolterman, M.D.
10.47	Stock Pledge Agreement dated May 17, 2002, between the Registrant and Orville G. Kolterman, M.D.
99.1	Certification of Joseph C. Cook, Jr. and Mark G. Foletta

Indicates management or compensatory plan or arrangement required to be identified pursuant to Item 14(c).

(b) Reports on Form 8-K:

1. The Company filed a report on Form 8-K, dated June 18, 2002, announcing the adoption of a Preferred Share Purchase Rights Plan.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Amylin Pharmaceuticals, Inc.

Date: August 12, 2002

By: /s/ MARK G. FOLETTA

Mark G. Foletta,
Vice President Finance and
Chief Financial Officer
(on behalf of the registrant and as the
registrant s principal financial officer)