Registered number: 12453789

Royalty Pharma Holdings Ltd

Annual Report and Financial Statements for the period from 10 February 2020 (date of incorporation) to 31 December 2020

CONTENTS

COMPANY INFORMATION

Directors	Pablo Legorreta	Appointed 10 February 2020
	Terrence Coyne	Appointed 10 June 2020
	George Lloyd	Appointed 10 June 2020
Registered Number	12453789	
Registered Office	The Pavilions, Bridgwater Road, Bristol, England, BS13 8AE	
Company Secretary	Vistra Cosec Limited	Resigned 5 June 2020
Independent Auditors	Ernst & Young Chartered Accountants EY Building, Harcourt Centre, Harcourt Street Dublin 2 Ireland	

STRATEGIC REPORT

The directors present their Strategic Report for Royalty Pharma Holdings Ltd (the "Company") for the period from 10 February 2020 (date of incorporation) to 31 December 2020.

Business Review and Principal Activities

The principal activity of the Company is to carry on business as a holding company. It operates and controls the business affairs of Royalty Pharma Investments 2019 ICAV ("RPI 2019 ICAV"). The Company is operated and its business affairs are controlled by Royalty Pharma plc and the Company forms part of the consolidated financial statements of Royalty Pharma plc (the "Group").

The Group's business is to be a buyer of biopharmaceutical royalties and a leading funder of innovation across the biopharmaceutical industry. The Group has been a pioneer in the royalty market, collaborating with innovators from academic institutions, research hospitals and not-for-profits through small and mid-cap biotechnology companies to leading global pharmaceutical companies. The Group has assembled a portfolio of royalties which entitles it to payments based directly on the top-line sales of many of the industry's leading therapies, which includes royalties on more than 45 commercial products, including AbbVie and J&J's Imbruvica, Astellas and Pfizer's Xtandi, Biogen's Tysabri, Gilead's HIV franchise, Merck's Januvia, Novartis' Promacta, Vertex's Kalydeco, Orkambi, Symdeko and Trikafta, and five development-stage product candidates. The Group funds innovation in the biopharmaceutical industry both directly and indirectly - directly when the Group partners with companies to co-fund late-stage clinical trials and new product launches in exchange for future royalties, and indirectly when the Group acquires existing royalties from the original innovators.

The Group's capital-efficient business model enables it to benefit from many of the most attractive characteristics of the biopharmaceutical industry, including long product life cycles, significant barriers to entry and non-cyclical revenues, but with substantially reduced exposure to many common industry challenges such as early stage development risk, therapeutic area constraints, high research and development costs, and high fixed manufacturing and marketing costs. The Group has a highly flexible approach that is agnostic to both therapeutic area and treatment modality, allowing it to acquire royalties on the most attractive therapies across the biopharmaceutical industry.

Principal Risks and Uncertainties

Biopharmaceutical product sales may be lower than expected due to a number of reasons, including pricing pressures, insufficient demand, product competition, failure of clinical trials, lack of market acceptance, obsolescence, loss of patent protection, the impact of the COVID-19 global pandemic or other factors and development-stage product candidates may fail to reach the market. Unexpected side effects, safety or efficacy concerns can arise with respect to a product, leading to product recalls, withdrawals or declining sales. As a result, payments of the Group's royalties may be reduced or cease. In addition, these payments may be delayed, causing our near-term financial performance to be weaker than expected.

The Group has been able to grow its business over time by acquiring numerous royalties, including those relating to many of the industry's leading therapies. The Group may not be able to identify and acquire a sufficient number of royalties, or royalties of sufficient scale, to invest the full amount of capital that may be available to the Group in the future, which could prevent the Group from executing its growth strategy and negatively impact its results of operations. Changes in the royalty market, including its structure and participants, or a reduction in the growth of the biopharmaceutical industry, could lead to diminished opportunities for the Group to acquire royalties, fewer royalties (or royalties of significant scale) being available, or increased competition for royalties. Even if the Group continues to acquire royalties, they may not generate a meaningful return for a period of several years, if at all, due to the price the Group pays for such royalties or other factors relating to the underlying products. As a result, the Group may not be able to continue to grow as the Group has in the past, or at all.

The Group may continue to and in the future acquire more royalties on development-stage product candidates that have not yet received marketing approval by any regulatory authority. There can be no assurance that the FDA, the EMA or other regulatory authorities will approve such products or that such products will be brought to market timely or at all, or that the market will be receptive to such products.

The Group intends to continue to provide capital to innovators to co-fund clinical development of a product candidate in exchange for a share of the future revenues of that asset and when the Group does so, the Group does not control its clinical development.

The Group may acquire companies with significant royalty assets or where the Group believes it could create significant synthetic royalties. These acquired or created royalty assets may not perform as the Group projects. Moreover, the acquisition of operating biopharmaceutical companies will result in the assumption of, or exposure to, liabilities of the acquired business that are not inherent in the Group's other royalty acquisitions, such as direct exposure to product liability claims, high fixed costs and an expansion of the Group's operations and expense structure, thereby potentially decreasing the Group's profitability.

The Company uses borrowed funds to finance a significant portion of its deployed capital. The use of leverage creates an opportunity for an increased return but also increases the risk of loss if the Company's assets do not generate sufficient income.

Because the Company is "externally managed," the Company does not employ its own personnel but instead depends upon RP Management, LLC, a Delaware limited liability company (the "Manager"), its executive officers and its employees for virtually all of the services it requires. The Manager selects and manages the acquisition of royalties and similar payment streams that meet the Group's investment criteria and provides all other administrative services. Accordingly, the Group's success is largely dependent upon the expertise and services of the executive officers and other personnel provided to the Group through the Manager.

Liquidity Management

The Company believes that its existing capital resources and the Revolving Credit Facility will continue to allow it to meet its operating and working capital requirements, to fund planned strategic acquisitions by the Group, and contractually obligated equity and research and development funding arrangements of the Group, and to meet its debt service obligations for the foreseeable future. The Company has historically operated at a low level of fixed operating costs. The Group has access to substantial sources of funds in the capital markets and the Group may, from time to time, seek additional capital through a combination of additional debt or equity financings.

Brexit

The withdrawal of the United Kingdom from the European Union (commonly referred to as "Brexit") took effect on 31 January 2020 (the "Exit Day"). A post-Brexit transition period started on the Exit Day and expired on 31 December 2020. In December 2020, the United Kingdom and the European Union agreed on a trade and cooperation agreement that will apply provisionally after the end of the transition period until it is ratified by the parties to the agreement. On 31 December 2020, the United Kingdom passed legislation giving effect to the trade and cooperation agreement, with the E.U. expected to formally adopt the agreement in early 2021. The trade and cooperation agreement covers the general objectives and framework of the relationship between the United Kingdom and the European Union, including as it related to trade, transport, visas, judicial, law enforcement and security matters, and provides for continued participation in community programs and mechanisms for dispute resolution. Notably, under the trade and cooperation agreement, U.K. service suppliers no longer benefit from automatic access to the entire EU single market, U.K. goods no longer benefit from the free movement of goods and there is no longer the free movement of people between the United Kingdom and the European Union. Since a significant proportion of the regulatory framework in the United Kingdom is derived from European Union directives and regulations, the impact on the regulatory regime with respect to obtaining marketing approval of our development-stage product candidates in the United Kingdom remains unclear. The United Kingdom will no longer be covered by the centralized procedures for obtaining European Union-wide marketing authorization from the EMA and, unless a specific agreement is entered into, a separate process for authorization of drug products will be required in the United Kingdom. Depending on the outcome of these developments, the Group could face new regulatory costs and challenges and continues to keep this complex matter under review.

COVID-19

The precise extent to which the COVID-19 pandemic will impact the Company's operational and financial performance will depend on various factors. To date, the pandemic has not materially impacted the Company's financial performance and management does not believe it is reasonably likely to in the future. Due to the nature of the Company's business, the effect of the COVID-19 pandemic may not be fully reflected in certain of the Company's results of operations until future periods.

Future Developments

The Group intends to continue capturing a leading share of royalties on approved products, particularly those that are early in their life cycles, so that the Group can participate in the growth that is generated as they penetrate their markets, and enter new indications or geographies. The Group intends to supplement its diverse portfolio of royalties on approved products with acquisitions of royalties on development-stage product candidates that have generated strong clinical proof of concept data, the Group can minimize risk while providing attractive upside potential. The Group also acquires royalties in connection with M&A transactions in a number of ways: by purchasing non-strategic assets following the closing of acquisitions, by partnering with biopharmaceutical companies to acquire other biopharmaceutical companies that own significant royalties, or in select circumstances, by seeking to acquire biopharmaceutical companies on our own that have significant royalties or products that could be out-licensed to create royalties.

Section 172 Statement

Introduction

Section 172(1) of the Companies Act 2006 requires that a director of a company must act in good faith to promote the success of the company for the benefit of the shareholders as a whole.

Section 172(1)(a) - The likely consequences of any decision in the long term

As set out in the Business Review and Principal Activities section earlier in our Strategic Report, the Group is dedicated to being the largest buyer of biopharmaceutical royalties and a leading funder of innovation across the biopharmaceutical industry. The Group intends to grow its business by continuing to partner with constituents across the biopharmaceutical value chain to fund innovation.

Section 172(1)(b) - The interests of the company's employees

As an externally managed company, the Company does not have any employees or maintain any premises, nor does it undertake any manufacturing or other physical operations itself. All its operational functions are outsourced to the Manager. The Manager places considerable value on the involvement of its employees. Meetings are held with employees of the Manager to discuss the operations and progress of the business.

Section 172(1)(c) - The need to foster the company's business relationships with suppliers, customers and others

The Group funds innovation in the biopharmaceutical industry both directly and indirectly - directly when the Group partner with companies to co-fund late-stage clinical trials and new product launches in exchange for future royalties, and indirectly when the Group acquires existing royalties from the original innovators. The Group also partners with academic and non-profit institutions to provided capital which has been used to further scientific research (for example with the Cystic Fibrosis Foundation) or to help fund capital projects. In addition, the Manager's employees work diligently to establish and/or manage relationships with biopharmaceutical companies, academic partners, research organizations and other vendors, which provide a variety of services to the Group. The Company prioritizes its relationships with third parties so that the Group can continue to be the largest buyer of biopharmaceutical royalties and a leading funder of innovation across the biopharmaceutical industry.

Section 172(1)(d) – The impact of the company's operations on the community and the environment

The Group is continually challenging itself to be more transparent in all its business operations and make positive contributions in the communities where stakeholders live and work. The Group does not directly conduct biopharmaceutical research and development or manufacture or market the biopharmaceutical assets in which the Group participates, and thus the Group's environmental impact is minimal. Despite the passive nature of the Group's business, the Group strives to invest in novel therapies that address unmet patient needs and to support ethical business practices that drive innovation, competition and patient choice. The Company believes that these efforts promote the long-term interests of all its stakeholders, including employees of the Manager, shareholders, the community and the pharmaceutical industry at large.

Section 172(1)(e) – The desirability of the company maintaining a reputation for high standards of business conduct

The board of directors of Royalty Pharma plc as the parent entity sets high standards for the Company and the rest of the Group. This philosophy stresses the importance of sound corporate governance. The Group operates a Code of Business Conduct and Ethics and provides mechanisms for whistleblowing and complaints, described in detail on the Group's website under the Corporate Governance tab of the Investors section. All directors, officers and employees of the Company and the Manager are required to read and acknowledge the Code of Business Conduct and ethics and follow it at all times.

Section 172(1)(f) – The need to act fairly as between members of the company

The directors of the Company and the wider Group endeavour to maintain good relationships with its shareholders and treat them equally. The directors value good relations with the Group's shareholders and understand the importance of effectively communicating the Group's operational and financial performance as well as its future strategy. The Company and wider group's website provide financial information as well as news releases and materials relating to corporate governance of the wider group.

The report was approved by the board of directors of the Company and signed on its behalf by:

Pablo Legorreta
Director

Date: 15 April 2021

The directors present their report and the audited financial statements of the Company for the period from 10 February 2020 (date of incorporation) to 31 December 2020.

Statement of directors' responsibilities in respect of financial statements
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland," and applicable law). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Research and development
The Company, through its subsidiaries, is the largest buyer of biopharmaceutical royalties and a leading funder of innovation across the biopharmaceutical industry. The Company however does not directly conduct biopharmaceutical research and development or manufacture or market the biopharmaceutical assets in which it participates.

Results and dividends
The profits after taxation and finance costs for the period from 10 February 2020 (date of incorporation) to 31 December 2020 amounted to $182,880,000.

The directors recommended the payment of a third quarter interim dividend of $0.18 per ordinary share and a fourth quarter interim dividend of $0.18 per ordinary share.

On 26 February 2021, the Board of Directors approved an interim dividend of $0.17 per ordinary share, which was paid on 1 March 2021.

Financial risk management
The principal risks and uncertainties facing the Company and the Group are outlined in the Strategic Report on page 4.

Post balance sheet events
The principal post balance sheet events are outlined in the notes to the financial statements, see Note 17.

Going concern consideration
After reviewing the Company's performance projections, the directors are satisfied that the Company has adequate access to resources to enable it to meet its obligations and to continue in operational existence for the foreseeable future. As a result, they have adopted the going concern basis in preparing the financial statements.

Directors
The directors who served during the period from 10 February 2020 (date of incorporation) to 31 December 2020 and up to the date of signing of the financial statements, except as noted, were as follows:

Pablo Legorreta
Terrence Coyne
George Lloyd

Directors' indemnities
The Company has made qualifying third-party indemnity provisions for the benefit of its directors which were made during the period from 10 February 2020 (date of incorporation) to 31 December 2020 through Director and Officers Insurance and remain in force at the date of this report.

Political Donations
No political donations were made by the Company in the period from 10 February 2020 (date of incorporation) to 31 December 2020.

Directors' confirmations
In the case of each director in office at the date of the Directors' Report is approved:

- so far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent Auditors
The auditors, Ernst & Young Chartered Accountants, have indicated their willingness to continue in office and a resolution confirming their appointment with respect to the Group will be proposed at the Annual General Meeting of Royalty Pharma plc.

The report was approved by the board of directors of the Company and signed on its behalf by:

Pablo Legorreta
Director

Date: 15 April 2021

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROYALTY PHARMA HOLDINGS LTD

Opinion

We have audited the financial statements of Royalty Pharma Holdings Ltd (the 'Company') for the period from 10 February 2020 (date of incorporation) to 31 December 2020 which comprise the Statement of Comprehensive Income, the Statement of Financial Position and the Statement of Changes in Equity and the related notes 1 to 17, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2020 and of its profit for the period from 10 February 2020 (date of incorporation) to 31 December 2020;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- obtaining management's assessment of the going concern status of the Company;
- evaluating management's method of assessing going concern in light of market volatility and the present uncertainties;
- challenging management's assumptions and judgments

- obtaining copies of the debt agreements to identify the covenants in place and assess the likelihood of these being breached based on management forecasts and our sensitivity analysis

- reviewing the Company's going concern disclosures included in the financial statements in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Overview of our audit approach

Key audit matter	• Recoverability of the Company's investment in subsidiary undertaking
Materiality	• Overall materiality of $73 million which represents 1% of net assets

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

Key audit matters

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

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Risk	Our response to the risk	Key observations communicated to the Board of Directors
Recoverability of the Company's investment in subsidiary undertaking The Company's investment in its subsidiary undertaking, Royalty Pharma Investments 2019 ICAV ("RPI 2019 ICAV") was carried at $13,161,487 thousand as of 31 December 2020. Under FRS 102 the investment is carried at cost less impairment. Refer to the summary of significant accounting policies in Note 2 and also to Note 10 of the financial statements. The carrying amount of the Company's investment in RPI 2019 ICAV represents 1.8 times the Company's net assets as at 31 December 2020. The recoverability of this asset is not at a high risk of significant material misstatement or subject to significant judgment. However, due to its materiality in the context of the Company's financial statements, this is considered to be the area that had the greatest effect on our overall audit of the parent company.	We compared the carrying amount of the investment with the balance sheet of RPI 2019 ICAV to identify whether the net assets, being an approximation of the minimum recoverable amount, was in excess of the carrying amount. We also audit the financial statements of RPI 2019 ICAV and we considered the results of our work over profits and net assets.	We concluded that the Company's investment in RPI 2019 ICAV was appropriately recorded in line with its accounting policies.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality
The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be $73 million, which is 1% of net assets. We believe that net assets provides us with an appropriate basis for materiality as it is an important measure of performance for users of the financial statements.

Performance materiality
The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 50% of our planning materiality, namely $36 million. We have set performance materiality at this percentage to ensure that the risk of errors exceeding performance materiality was appropriately managed.

Reporting threshold
An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Board of Directors that we would report to them all uncorrected audit differences in excess of $3.6 million, which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 4 to 11, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

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Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are the Companies Act 2006 and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

- We understood how Royalty Pharma Holdings Ltd is complying with those frameworks by making enquiries of management including with the Chief Compliance Officer, to understand how the Company maintains and communicates its policies and procedures in these areas, and corroborated this by reviewing supporting documentation such as the compliance manual, correspondence with relevant authorities and minutes of meetings of the Board of Directors.

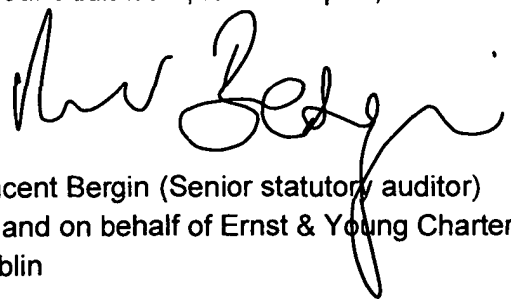
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by discussing with management to understand where they considered there was a susceptibility to fraud; and assessing any whistleblowing incidences for those with a potential financial reporting impact. We considered the internal control environment of the group to address material misstatements, or that otherwise prevent, deter and detect fraud and how management monitors these controls including the risk of management override of controls.

  Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures included enquiries of management, internal and external legal counsel, Chief Compliance Officer and those charged with governance. We also tested journals identified by specific risk criteria.

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

Use of our report

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



Vincent Bergin (Senior statutory auditor)
for and on behalf of Ernst & Young Chartered Accountants, Statutory Auditor
Dublin

22 April 2021

STATEMENT OF COMPREHENSIVE INCOME

For the period from 10 February 2020 (date of incorporation) to 31 December 2020

	Notes	Period ended 31 December 2020 $000
Investment income	4	
Dividend income		237,713
Total income		**237,713**
Expenses		
Expenses		5,653
Finance costs	12	49,180
Total expenses		**54,833**
Profit before taxation		**182,880**
Taxation	14	—
Profit after taxation and finance costs		**182,880**

The accompanying notes on pages 21 to 30 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	As at 31 December 2020 $000
Non-current assets		
Investment in subsidiary undertaking	2 & 10	13,161,487
Prepaid expenses and other deferred costs	8	4,558
		13,166,045
Current assets		
Debtors and prepayments	7	1,277
Cash and cash equivalents		429
		1,706
Current liabilities		
Creditors: Amounts falling due within one year	9	43,580
Net current assets		**(41,874)**
Creditors: Amounts falling due after one year	9	5,816,132
Net assets		**7,308,039**
Capital and reserves		
Share capital	11	61
Share premium	11	733,935
Profit and loss account	11	6,574,043
Total equity		**7,308,039**

The financial statements on pages 18 to 30 were approved and authorised for issue by the Board of Directors of Royalty Pharma Holdings Ltd (Company Number: 12453789) and were signed on its behalf by:

Pablo Legorreta

Pablo Legorreta
Director
Date: 15 April 2021

The accompanying notes on pages 21 to 30 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the period from 10 February 2020 (date of incorporation) to 31 December 2020

	Notes	Share capital	Share premium	Profit and loss account	Total
		$000	$000	$000	$000
Issuance of Class A Ordinary Shares	11	71,724	1,794,780	—	**1,866,504**
Issuance of Class B Ordinary Shares	11	5,473,454	—	—	**5,473,454**
Capital Reduction	11	(5,545,117)	(1,060,845)	6,605,962	—
Profit after taxation		—	—	182,880	**182,880**
Dividends paid	13	—	—	(214,799)	**(214,799)**
Balance as at 31 December 2020		**61**	**733,935**	**6,574,042**	**7,308,038**

The accompanying notes on pages 21 to 30 form an integral part of these financial statements.

1. General information

Royalty Pharma Holdings Ltd (the "Company" or "Royalty Pharma") is a private limited company incorporated and domiciled in England and Wales on 10 February 2020. The Company is operated and its business affairs are controlled by Royalty Pharma plc through Royalty Pharma plc's controlling ownership of the Company's Class A Ordinary Shares and the Company's Class B Ordinary Shares.

The registered office of the Company is The Pavilions, Bridgwater Road, Bristol, England, BS13 8AE. The principal activity of the Company is to carry on business as a holding company. It operates and controls the business affairs of Royalty Pharma Investments 2019 ICAV ("RPI 2019 ICAV").

RP Management, LLC (the "Manager"), a Delaware limited liability company, is an external advisor which provides the Company with all advisory and day-to-day management services.

2. Summary of significant accounting policies

Basis of presentation

These financial statements are prepared in accordance with Financial Reporting Standard 102 ("FRS 102") as issued by the Financial Reporting Council and the Companies Act 2006.

The Company meets the definition of a qualifying entity under FRS 102. It has therefore taken advantage of the disclosure exemptions available to it in respect of presentation of a Statement of Cash Flows (Section 7), Financial Instruments (Section 11), and remuneration of key management personnel (Section 33). This information is included in the consolidated financial statements of Royalty Pharma plc as at 31 December 2020 whose financial statements may be obtained from The Pavilions, Bridgwater Road, Bristol, England, BS13 8AE.

The financial statements have been prepared on a going concern basis, under the historical cost convention. The following accounting policies have been applied consistently with respect to items that are considered material in relation to the initial financial statements.

Consolidation

The financial statements contain information about the Company as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare and deliver consolidated financial statements.

Going concern

After reviewing the Company's performance projections, the directors are satisfied that the Company has adequate access to resources to enable it to meet its obligations and to continue in operational existence for the foreseeable future. As a result, they have adopted the going concern basis in preparing the financial statements. The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes.

The precise extent to which the COVID-19 pandemic will impact the Company's operational and financial performance will depend on various factors. To date, the pandemic has not materially impacted the Company's financial performance and management does not believe it is reasonably likely to in the future. Due to the nature of the Company's business, the effect

of the COVID-19 pandemic may not be fully reflected in certain of the Company's results of operations until future periods.

Expenses
All expenses are accounted for on an accruals basis.

Foreign currency translation
The functional and reporting currency of the Company is the United States Dollar ("USD").

Assets and liabilities denominated in a currency other than the USD are translated into USD at the exchange rate at the date of the Statement of Financial Position. Income and expenses denominated in currencies other than USD are translated at the exchange rate on the respective dates of such transactions.

Cash and cash equivalents
Cash represents cash held at financial institutions.

Investment in subsidiary undertaking
Investments are accounted for when acquired. Investments in subsidiaries are accounted for at cost less accumulated impairment losses. Where at the year-end there is evidence of impairment, the carrying value of the investments are written down to their recoverable amount.

Dividend income
Dividends receivable on shares are recognised on an ex-dividend basis.

Debtors
Debtors are comprised of deferred debt issuance costs, amortised over the terms of the instruments, and prepaid expenses amortised over the period of service.

Creditors: amounts falling due within one year
Creditors are comprised of amounts due to other companies for professional services provided during the ordinary course of business, as well as amounts due to other Group companies for interest on notes payable.

Amounts due to other companies for professional services that are payable upon receipt are recognised at transaction price less amounts settled. Interest is calculated using the straight-line method, which does not materially differ from the effective interest method.

Creditors amounts falling due after more than one year
Notes payable to Group companies are initially measured at transaction price and are subsequently carried at amortised cost.

3. Critical accounting judgements and key sources of uncertainty

The preparation of the financial statements in conformity with FRS 102 requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. FRS 102 requires management to exercise judgement in the process of applying the accounting policies.

The key source of estimation uncertainty is the valuation of unlisted investments. There is no active market for the shares in private companies and as such the holdings are measured at cost less impairment in accordance with FRS 102, section 9.26.

4. Turnover and revenue

The Company earns dividend income on shares of its investment in a private company.

The Company operates as a holding company of subsidiaries whose primary area of activity is that of buying biopharmaceutical royalties. The Company operates within one geographical market, the United Kingdom.

5. Director remuneration

Remuneration in respect of directors, including the value of any share-based payments, paid by the Company were as follows:

	Period ended 31 December 2020
	$000
Emoluments	-
Fees for directors' services	-

The Company is externally managed and does not employ personnel, but instead depends upon the Manager and its executive officers and employees for virtually all of its services. Executive officers and employees of the Manager do not receive any emoluments or fees for service as directors of the Company. No emoluments and fees for directors' services were incurred by the Company for the period ended 31 December 2020. No post-employment benefits are accruing for directors under a defined contribution scheme.

For the period ended 31 December 2020, the Company paid the Manager a management fee of $140,374.

6. Auditor remuneration

The operating profit of the Company is stated after charging/(crediting):

	Period ended 31 December 2020
	$000
Auditor's remuneration – audit services	50

In accordance with SI 2008/489, the Company has not disclosed the fees payable to the Company's auditor for "Other services" as this information is included in the consolidated financial statements of Royalty Pharma plc.

7. Debtors

	31 December 2020
	$000
Deferred loan issuance costs	1,226
Prepayments	51
	1,277

8. Prepaid expenses and other deferred costs

	31 December 2020
	$000
Deferred loan issuance costs	3,739
Prepayments	819
	4,558

9. Creditors

	31 December 2020
	$000
Amounts falling due within one year	
Interest payable to Group companies	42,146
Amounts owed to Group companies	1,182
Trade creditors	252
	43,580
Amounts falling due after one year	
Notes payable to Royalty Pharma plc	3,725,011
Notes payable to RPI US Feeder SPV, LLC	1,864,479
Notes payable to RPI International Feeder SPV, LLC	226,642
	5,816,132

Notes payable to Group companies

On 2 September 2020, Royalty Pharma plc issued $6 billion of senior unsecured notes (the "Notes"). Royalty Pharma plc's obligations under the Notes are fully and unconditionally guaranteed by the Company. Interest on each series of the Notes accrues at the respective rate per annum and is payable semi-annually in arrears on 2 March and 2 September of each year, commencing on 2 March 2021. The Notes consist of the following:

- $1.0 billion principal amount of 0.750% senior notes due 2023, issued at 99.322% of par;
- $1.0 billion principal amount of 1.200% senior notes due 2025, issued at 98.875% of par;
- $1.0 billion principal amount of 1.750% senior notes due 2027, issued at 98.284% of par;
- $1.0 billion principal amount of 2.200% senior notes due 2030, issued at 97.760% of par;
- $1.0 billion principal amount of 3.300% senior notes due 2040, issued at 95.556% of par; and
- $1.0 billion principal amount of 3.550% senior notes due 2050, issued at 95.306% of par.

Royalty Pharma plc advanced the proceeds of the offering of the Notes through a series of intercompany notes to the Company, RPI US Feeder SPV, LLC and RPI International Feeder SPV, LLC. Loan proceeds initially received by RPI US Feeder SPV, LLC and RPI International Feeder SPV, LLC were then loaned on an intercompany basis to the Company. Under the terms of the agreements that govern the intercompany loans, the parties have agreed that the Company will make all payments to the holders of the Notes to satisfy the obligations of Royalty Pharma Plc under the Notes and in satisfaction of the payment obligations under all of the intercompany loans.

The future principal payments for our borrowings as at 31 December 2020 over the next five years and thereafter are as follows (in thousands):

Year	Principal Payments
2021	$ —
2022	—
2023	1,000,000
2024	—
2025	1,000,000
Thereafter	4,000,000
Total (1)	$ 6,000,000

(1) Excludes unamortized discount and loan issuance costs on long-term debt of $183.4 million as at 31 December 2020, which are amortized through interest expense over the remaining life of the underlying debt obligations.

Under the terms of the agreements that govern the intercompany notes, the parties have agreed that the Company will make all payments to the holders of the Notes to satisfy the obligations of Royalty Pharma plc under the Notes and in satisfaction of the payment obligations under all of the intercompany notes.

Revolving Credit Facility

On 18 September 2020, the Company, as borrower, entered into a five-year unsecured revolving credit facility (the "Revolving Credit Facility") which provides for borrowing capacity of up to $1.5 billion for general corporate purposes. In connection with the transaction, $6.1 million in debt issuance costs were capitalized related to the revolving credit facility, which is recorded within Debtors for the current portion and Prepaid expenses and other deferred costs for the non-current portion. As at 31 December 2020, there were no outstanding borrowings under the Revolving Credit Facility.

The Revolving Credit Facility is subject to an interest rate, at the Company's option, of either (a) a base rate determined by reference to the highest of (1) the administrative agent's prime rate, (2) the federal funds effective rate and the overnight bank funding rate, plus 0.5% and (3) the one month adjusted LIBOR, plus 1% per annum ("ABR") or (b) adjusted LIBOR, plus in each case, the applicable margin. The applicable margin for the Revolving Credit Facility varies based on the consolidated leverage ratio of the Company and its consolidated subsidiaries. Accordingly, the interest rates for the Revolving Credit Facility fluctuates during the term of the facility based on changes in the ABR, LIBOR and future changes in the consolidated leverage ratio of the Company and its consolidated subsidiaries.

The revolving credit agreement (the "Credit Agreement") that governs the Revolving Credit Facility contains certain customary covenants, that among other things, require the Company and its consolidated subsidiaries to maintain (i) a consolidated leverage ratio at or below 4.00 to 1.00 (or at or below 4.50 to 1.00 following a qualifying material acquisition) of consolidated funded debt to consolidated EBITDA, each as defined and calculated with the ratio level calculated with further adjustments as set forth in the Credit Agreement and (ii) a consolidated coverage ratio at or above 2.50 to 1.00 of consolidated EBITDA to consolidated charges, each as defined and calculated with further adjustments as set forth in the Credit Agreement. All obligations under the Revolving Credit Facility are unconditionally guaranteed by Royalty Pharma plc. As at 31 December 2020, the Company was in compliance with these covenants.

10. Subsidiary

The Company has one direct subsidiary, Royalty Pharma Investments 2019 ICAV, incorporated on 10 October 2019 and a number of indirect subsidiaries as outlined in the table below.

Name	Principal activity	Equity held	Voting rights held	Country of registration	Registered office
Royalty Pharma Investments 2019 ICAV (1)	Alternative investment fund	63.93%	100%	Ireland	78 Sir John Rogerson's Quay, Dublin 2, Ireland
RPI 2019 Intermediate Finance Trust	Investment trust	63.93%	100%	USA - Delaware	Wilmington Trust, National Association, Rodney Square North, 1100 North Market Street Wilmington, Delaware 19890 (2)
Royalty Pharma Investments	Investment trust	52.69%		Ireland	78 Sir John Rogerson's Quay, Dublin 2, Ireland
RPI Finance Trust	Investment trust	52.69%		USA - Delaware	RP Management, LLC 110 East 59th Street New York, NY 10022 (2)
RPI Acquisitions (Ireland) Limited	Investment company	52.69%		Ireland	70 Sir John Rogerson's Quay, Dublin 2, Ireland

Name	Principal activity	Equity held	Voting rights held	Country of registration	Registered office
Royalty Pharma Collection Trust	Investment trust	42.16%		USA - Delaware	RP Management, LLC 110 East 59th Street New York, NY 10022 (2)
RP IP HoldCo (Ireland) Limited	Investment company	42.16%		Ireland	70 Sir John Rogerson's Quay, Dublin 2, Ireland
RP Delano, LLC	Investment trust	52.69%		USA - Delaware	2711 Centerville Road, Suite 400 Wilmington, Delaware 19808
Royalty Pharma Investments ICAV	Alternative investment fund	52.69%		Ireland	78 Sir John Rogerson's Quay, Dublin 2, Ireland

(1) Held directly by Royalty Pharma Holdings Ltd. All other subsidiaries are indirectly held.
(2) Being the registered office of the Trustee/Administrator

There is no active market and so the valuation of the investment in Royalty Pharma Investments 2019 ICAV is measured at cost less impairment. The holding in Royalty Pharma Investments 2019 ICAV has been reviewed for impairment and management is satisfied that no impairment has occurred.

11. Called-up share capital and reserves

Allotted, issued and fully paid:	Number of shares	$000
Class A Ordinary Shares of $0.0001		
Balance as at 10 February 2020	1	—
Class A Ordinary Shares issued – 16 June 2020	71,723,679	71,724
Capital reduction – 20 July 2020	—	(71,717)
Class A Ordinary Shares issued – 14 September 2020	137	—
Class A Ordinary Shares issued – 13 October 2020	2,433	—
Class A Ordinary Shares issued – 31 December 2020	1,640	—
Balance as at 31 December 2020	**71,727,890**	**7**
Class B Ordinary Shares of $0.000001		
Balance as at 10 February 2020	—	—
Class B Ordinary Shares issued – 16 Jun 2020	535,382,980	5,473,454
Capital reduction – 20 Jul 2020	—	(5,473,400)
Balance as at 31 December 2020	**535,382,980**	**54**
Class C Ordinary Shares of $1.00		
Balance as at 10 Feb 2020	—	—
Class C Ordinary Shares issued – 16 Jun 2020	1	—
Balance as at 31 December 2020	**1**	—

The Company was incorporated with one Class A ordinary share issued at $1.00.
The share capital represents the nominal value of the Company's ordinary shares.

The share premium reserve contains the premium arising on issue of equity shares.

The distributable reserves were created on 20 July 2020 and represent cancelled share premium, which may be used for the purposes of paying dividends in accordance with the Company's dividend policy, and for other corporate purposes.

The profit and loss reserve represents cumulative profits or losses, net of dividends paid.

Royalty Pharma plc owns of 100% of the Class A Ordinary Shares in the Company and it is entitled to 100% of the voting power (subject to certain exceptions as described below) in

the Company. Royalty Pharma plc has the right to appoint the board of directors and control the business and affairs of the Company.

RPI US Partners 2019, LP (the "Continuing US Investors Partnership"), RPI International Holdings 2019, LP (the "Continuing International Investors Partnership" and together with the Continuing US Investors Partnership, the "Continuing Investors Partnerships"), and Royalty Pharma plc own the Company's Class B Ordinary shares. The Company's Class B Ordinary Shares are entitled to dividends and distributions. The Continuing Investors Partnerships will, upon instruction of any of their partners from time to time, distribute the Company's Class B Ordinary Shares held on behalf of such partner that are subject to such instruction which will then be exchanged for Royalty Pharma plc's Class A ordinary shares pursuant to an Exchange Agreement entered into by Royalty Pharma plc, the Company, the Continuing Investors Partnerships, RPI International Partners 2019, LP and RPI EPA Holdings, LP that governs the exchange of the Company's Class B Ordinary Shares held by the Continuing Investors Partnerships for Royalty Pharma plc's Class A ordinary shares.

RPI EPA Holdings, LP, a Delaware limited partnership ("EPA Holdings"), which is an affiliate of the Manager and the general partner of the Continuing Investors Partnerships, holds the Class C Ordinary Share in the Company, which entitles EPA Holdings to certain priority equity performance awards. While the Company's Class B Ordinary Shares and Class C Ordinary Shares are generally non-voting, the Company's articles of association (the "Articles") provide that the amendment of certain provisions of the Articles that would alter or change the powers, preferences or special rights of the Company's Class B Ordinary Shares or the Company's Class C Ordinary Shares so as to affect them adversely must be approved by a majority of the votes entitled to be cast by the holders of the shares affected by the amendment, voting as a single class, or as otherwise required by applicable law.

12. Finance costs

	Period ended 31 December 2020 $000
Interest expense on notes payable to Group companies	47,962
Amortisation of discount on notes	351
Interest expense on revolving credit facility	867
	49,180

13. Dividends

	Period ended 31 December 2020 $000
Amounts recognised as distributions to equity holders in the period:	
Third quarter interim dividend of $0.18 per ordinary share	107,952
Fourth quarter interim dividend of $0.18 per ordinary share	106,928
	214,880

14. Tax

The Company recognized no tax expense for the period.

15. Related party transactions

As at year-end, there were Notes and related interest expense amounts payable to Group companies as further outlined in Notes 9 and 12.

16. Parent undertaking and ultimate controlling party

The immediate parent company and ultimate parent is Royalty Pharma plc, a public limited company incorporated and domiciled in England and Wales. Royalty Pharma plc has included the Company in its group financial statements, copies of which are available from The Pavilions, Bridgwater Road, Bristol, England, BS13 8AE. The smallest and largest undertaking for which the Company is a member and for which consolidated financial statements are prepared is Royalty Pharma plc.

17. Subsequent events

On 26 February 2021, the Board of Directors approved an interim dividend of $0.17 per ordinary share, which was paid on 1 March 2021.