



## PRESS RELEASE

### **Hikma delivers solid H1 performance in line with expectations and excellent strategic progress**

#### ***Group on track to achieve guidance for 2015***

#### ***Strategic acquisition and strong recovery in MENA create momentum for future growth***

**London, 19 August 2015** – Hikma Pharmaceuticals PLC (“Hikma”) (LSE: HIK) (NASDAQ Dubai: HIK) (OTC: HKMPY), the fast growing multinational pharmaceutical group, today reports its interim results for the six months ended 30 June 2015.

#### **H1 2015 financial highlights**

- Group revenue of \$709 million, in line with H1 2014 in constant currency,<sup>1</sup> or down 4% on a reported basis, with good performances from Branded and Injectables, offset by the expected decline in specific market opportunities in Generics
- Full year Group revenue guidance maintained at around 6% growth in constant currency, or 2% on a reported basis
- Group adjusted operating profit of \$204 million, compared with \$244 million in H1 2014,
- Basic EPS of 67.3 cents per share, down 21%
- Interim dividend of 11.0 cents per share, in line with total dividend paid in H1 2014

#### **H1 2015 strategic highlights**

- Roxane acquisition will transform Hikma’s US business, establishing Hikma as the sixth<sup>2</sup> largest US generics company
- Successful integration of Bedford is delivering new approvals for US Injectables
- Inaugural bond issue raised \$500 million, providing financial flexibility to support future growth
- Partnership with Vitabiotics, announced today, broadens Hikma’s MENA portfolio with leading OTC brands
- New product introductions across all countries and markets – launched 40 products and received 118 product approvals, expanding and enhancing Hikma’s global product portfolio

#### **H1 2015 business segment highlights**

##### **Branded**

- Branded revenue of \$282 million, up 16% in constant currency, or 9% on a reported basis, with a good performance in most markets and a strong recovery in Algeria
- Branded adjusted operating profit of \$58 million, up 24% in constant currency, or 7% on a reported basis
- On track to deliver full year guidance of high single digit revenue growth, or low-teens in constant currency, and an improvement in adjusted operating margin

##### **Injectables**

- Global Injectables revenue of \$344 million, in line with H1 2014, as expected, due to continued success in capturing specific market opportunities
- Injectables adjusted operating margin remains extremely strong at 42.4%, compared with 41.0% in H1 2014
- Continue to expect full year revenue in line with 2014 and a robust adjusted operating margin of around 35%

##### **Generics**

- Generics revenue of \$79 million, down 38%, reflects the expected decline in specific market opportunities
- Generics adjusted operating profit of \$33 million, with an adjusted operating margin of 41.8%
- Expect full year revenue to be in the range of \$175 million to \$200 million depending on the growth of colchicine sales over the second half of the year

Said Darwazah, Chief Executive Officer of Hikma, said:

“We have had an excellent start to the year. Our financial results are in line with expectations and we are making strong strategic progress across the Group.

The acquisition of Roxane, agreed in July, will transform our business in the US, adding complementary and well differentiated products, an attractive pipeline, proven R&D capabilities and greater overall scale. It also provides an excellent opportunity to expand our product portfolio in other markets, particularly the MENA region.

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<sup>1</sup> Constant currency numbers in H1 2015 represent reported H1 2015 numbers re-stated using average exchange rates in H1 2014

<sup>2</sup> IMS Healthcare, MAT sales value May 2015, adjusted to reflect recent M&A activity

Bedford is now well integrated, we have launched the first of their generic injectable products and we are confident that we will continue to bring a steady stream of these products back to the market. The addition of Bedford and Roxane to our US businesses will enable us to capture growth opportunities in more specialised segments of the US generics market.

Our businesses in MENA are performing very well and we are strongly positioned for continued growth. Our partnership with Vitabiotics, announced today, will leverage our marketing and sales capabilities in MENA and broaden our product portfolio, and is a great example of how we are implementing our growth strategy in the region.

We have taken important strategic steps this year and we are very excited about the opportunities these bring to the Group. Across our geographies, we have strong market positions, we are executing well and we are very confident in the outlook for 2015 and beyond.”

## Group financial highlights

Summary P&L \$ million	H1 2015	H1 2014	Change
Revenue	709	738	-4%
Gross profit	400	441	-9%
<i>Gross margin</i>	<b>56.4%</b>	59.8%	-3.4pp
Operating profit	194	236	-18%
Adjusted operating profit <sup>3</sup>	204	244	-16%
<i>Adjusted operating margin</i>	<b>28.8%</b>	33.1%	-4.3pp
EBITDA <sup>4</sup>	227	269	-16%
Profit attributable to shareholders	134	169	-21%
Adjusted profit attributable to shareholders <sup>3</sup>	142	176	-19%
Basic earnings per share (cents)	67.3	85.4	-21%
Adjusted basic earnings per share (cents) <sup>3</sup>	71.4	88.9	-20%
Dividend per share (cents)	11.0	7.0	+57%
Special dividend per share (cents)	--	4.0	-100%
Total dividend per share (cents)	11.0	11.0	--
Net cash flow from operating activities	125	200	-38%

## Enquiries

### Hikma Pharmaceuticals PLC

Susan Ringdal, VP Corporate Strategy and Director of Investor Relations

+44 (0)20 7399 2760/ +44 7776 477050

Lucinda Henderson, Deputy Director of Investor Relations

+44 (0)20 7399 2765/ +44 7818 060211

Zeena Murad, Investor Relations Manger

+44 (0)20 7399 2768/ +44 7771 665277

### FTI Consulting

Ben Atwell/ Matthew Cole

+44 (0)20 3727 1000

A presentation for analysts and investors will be held today at 09:30 at FTI Consulting, 200 Aldersgate, Aldersgate Street London EC1A 4HD. To join via conference call please dial: +44 (0) 20 3003 2666 or 0808 109 0700 (UK toll free). Alternatively you can listen live via our website at [www.hikma.com](http://www.hikma.com). A recording of both the meeting and the call will be available on the Hikma website. The contents of this website do not form part of this interim management report.

<sup>3</sup> Before the amortisation of intangible assets (excluding software) and exceptional items, as set out in note 4 to the condensed set of financial statements

<sup>4</sup> Earnings before interest, tax, depreciation and amortisation. EBITDA is stated before impairment charges and share of results from associated companies

## Interim management report

The interim management report set out below summarises the performance of Hikma's three main business segments, Branded, Injectables and Generics, for the six months ended 30 June 2015.

### Group revenue by business segment

\$ million	H1 2015		H1 2014	
Branded	282	40%	259	35%
Injectables	344	48%	346	47%
Generics	79	11%	128	17%
Others	4	1%	5	1%

### Group revenue by region

\$ million	H1 2015		H1 2014	
MENA	322	45%	296	40%
US	344	49%	396	54%
Europe and ROW	43	6%	46	6%

### Constant currency impact

Summary P&L \$ million	H1 2015 Actual	H1 2015 Constant currency	H1 2014 Actual	Actual change	Constant currency change
<b>Group</b>					
Revenue	709	739	738	-4%	0%
Adjusted operating profit	204	213	244	-16%	-15%
<i>Adjusted operating margin</i>	<b>28.8%</b>	<b>28.8%</b>	33.1%	-4.3pp	-4.3pp
<b>Branded</b>					
Revenue	282	301	259	+9%	+16%
Adjusted operating profit	58	67	54	+7%	+24%
<i>Adjusted operating margin</i>	<b>20.6%</b>	<b>22.3%</b>	20.8%	-0.2pp	+1.5pp
<b>Injectables</b>					
Revenue	344	355	346	-1%	+3%
Adjusted operating profit	146	146	142	+3%	+3%
<i>Adjusted operating margin</i>	<b>42.4%</b>	<b>41.1%</b>	41.0%	+1.4pp	+0.1pp
<b>Generics</b>					
Revenue	79	79	128	-38%	-38%
Adjusted operating profit	33	33	78	-58%	-58%
<i>Adjusted operating margin</i>	<b>41.8%</b>	<b>41.8%</b>	60.9%	-19.1pp	-19.1pp

## **Branded**

### Highlights:

- Branded revenue up 9%, or 16% in constant currency, reflecting a strong recovery in Algeria
- Adjusted operating profit up 7%, or 24% in constant currency
- Partnership with Vitabiotics broadens Hikma's MENA portfolio with leading OTC brands

Branded revenue increased 9% to \$282 million in H1 2015. On a constant currency basis, Branded revenue increased 16%, before the impact of adverse movements in the Algerian dinar, Moroccan dirham, Tunisian dinar, Egyptian pound and Sudanese pound against the US dollar.

During the period, we achieved good growth across most markets through our strategic focus on higher value products, continued new product launches and focused sales and promotion strategies. This more than offset lower sales in Iraq and Libya, which continue to be impacted by political disruptions.

We performed very well in the Gulf Cooperation Council ("GCC") and Algeria, our two largest MENA markets. In the GCC, revenue grew in the high teens, driven by stronger distribution capabilities, the broadening of our customer base with increased focus on institutions and the prioritisation of strategic products. In Algeria we had a strong recovery, growing revenue by over 30%. We are benefitting from the successful restructuring implemented in 2014 and recent product launches.

During H1 2015, the Branded business launched a total of 23 products across all markets, including one new compound and two new dosage forms and strengths. The Branded business also received 70 regulatory approvals across the MENA region.

Revenue from in-licensed products increased from \$106 million to \$112 million in H1 2015, representing 40% of Branded revenue, compared with 41% in H1 2014. We signed two new licensing agreements during H1 2015, which will support our continued focus on higher value products in growing therapeutic areas. One of these agreements, announced today, is with Vitabiotics, the UK's largest nutraceutical and vitamin company. Under the terms of the agreement, Hikma has the exclusive rights to register, market, distribute, and sell five of Vitabiotics' leading specialist products in 15 of its MENA markets. In addition, Hikma will have the exclusive rights to market, distribute and sell the full Vitabiotics product range in five of these markets. Hikma's large sales and marketing teams are well positioned to drive strong demand for Vitabiotics' rich portfolio of products, which include some of the fastest growing supplements in the UK and eight brand leaders.

Branded gross profit increased 5% to \$136 million. Gross margin was 48.2%, compared with 49.8% in H1 2014. Adverse currency movements, slightly higher tender sales and a small increase in overhead costs impacted gross profit and margin during the period.

Adjusted operating profit increased 7% to \$58 million in H1 2015, after excluding amortisation of intangibles of \$4 million and one-off severance costs of \$5 million. In constant currency, adjusted operating profit increased 24% to \$67 million. Adjusted operating margin was 20.6%, or 22.3% in constant currency, compared with 20.8% in H1 2014. This margin improvement primarily reflects the significant growth in revenue achieved in H1 2015.

For the full year, we continue to expect reported Branded revenue growth in the high single digits and a slight improvement in adjusted operating margin. On a constant currency basis, we continue to expect Branded revenue growth in the low-teens and adjusted operating margin to improve by around 200 basis points.

## **Injectables**

### Highlights:

- Global Injectables revenue of \$344 million and an extremely strong adjusted operating margin of 42.4%
- Maintained good performance in the US and achieved good growth in MENA and Europe in constant currency
- Received approvals for the first two Bedford products, ahead of schedule

## Injectables revenue by region

\$ million	H1 2015		H1 2014	
US	266	77%	268	77%
MENA	43	13%	40	12%
Europe and ROW	35	10%	38	11%
Total	344		346	

Global Injectables revenue was \$344 million in H1 2015, in line with \$346 million in H1 2014 and our expectations, following the extremely strong performance in the prior year. On a constant currency basis, global Injectables revenue increased 3%.

US Injectables revenue was \$266 million, in line with \$268 million in H1 2014. Despite increased competition on certain higher value products, we have been able to sustain strong sales across our broad portfolio and have continued to be successful in capturing specific market opportunities.

In MENA, Injectables revenue grew 8% to \$43 million. In constant currency, revenue grew by 15%. We have enhanced our focus on sales and marketing for injectable products in MENA and expanded our dedicated Injectables team.

In Europe, revenue decreased 8% to \$35 million, but increased 13% in constant currency, reflecting strong growth in both own drug and contract manufacturing sales. During the period, we expanded our EU registration teams and sales and marketing capabilities in order to cover new European markets. These efforts are expected to start generating sales from 2016.

Injectables gross profit was \$215 million, in line with H1 2014, and gross margin was 62.5%, compared with 62.1% in H1 2014. The benefit of favourable currency movements was partially offset by a slight change in the mix of sales in the US.

Operating profit increased 4% and adjusted operating profit increased 3% to \$146 million. We maintained good control of operating costs, even after absorbing the increase in R&D investment related to the transfer of the Bedford products and the additional costs of maintaining the Ben Venue manufacturing site, which remains dormant. Adjusted operating margin increased to 42.4%, up from 41.0% in H1 2014.

During H1 2015, the Injectables business launched a total of 16 products across all markets, including three new compounds and three new dosage forms and strengths. The Injectables business also received a total of 46 regulatory approvals across all regions and markets, namely 23 in MENA, 19 in Europe, and four in the US.

Bedford is now well integrated into our global Injectables business and we are ahead of schedule with the transfer of the Bedford products to our manufacturing sites. We received approvals for the first two Bedford products in May and July, demonstrating the strength of our R&D and regulatory capabilities, and we are confident that we will achieve our target of 20 Bedford product launches by 2017.

In October 2014 we received a warning letter from the US Food and Drug Administration ("US FDA") relating to an inspection of our Portuguese facility in March 2014. This has not impacted the manufacture or distribution of products from this facility and we have not incurred any material remediation costs. The facility was re-inspected by the US FDA in June 2015 and we are awaiting further communication from the US FDA regarding the status of the facility.

Following the extremely strong performance in 2014, which included the benefit from a number of high value products, we continue to expect global Injectables revenue to be maintained at the same level in 2015. Although we expect a shift in product mix in the second half, with lower revenue from specific market opportunities, we continue to expect a robust adjusted operating margin of around 35%, even after including the Bedford R&D costs and the costs of maintaining the manufacturing site.

## Generics

### Highlights:

- Agreed to acquire Roxane Laboratories, which will transform our position in the US generics market
- Generics revenue of \$79 million and adjusted operating profit of \$33 million, with an adjusted operating margin of 41.8%

Generics revenue was \$79 million, compared with \$128 million in H1 2014. As expected, revenue from the specific market opportunities that drove the exceptionally strong performance in H1 2014 declined substantially in H1 2015, due to greater competition in the market. Across the rest of the Generics business, revenue from legacy products grew strongly, reflecting good demand and the benefit of products launched later in 2014.

In January 2015, we re-launched colchicine 0.6mg capsules under the brand name Mitigare™ alongside an authorised generic of Mitigare™. As we anticipated, sales of these products were limited in H1 2015. In July 2015, we established a nationwide salesforce who are now actively promoting these products to doctors and pharmacists.

Generics gross profit was \$48 million in H1 2015, compared with \$95 million in H1 2014, and gross margin was 60.8%, compared with 74.2% in H1 2014. Operating profit was \$33 million, compared with \$78 million in H1 2014. Adjusted operating margin was 41.8%, compared with 60.9% in H1 2014 due to the significant decline in revenue from specific market opportunities.

In the second half of 2015, we expect a strong performance in the legacy portfolio and the continued decline of specific market opportunities. Depending on how quickly sales of colchicine ramp up in the second half, we expect the Generics business to deliver revenue in the range of \$175 million to \$200 million for the full year in 2015.

In July 2015, we agreed to acquire<sup>5</sup> Roxane Laboratories Inc. and Boehringer Ingelheim Roxane Inc. (together, "Roxane"), from Boehringer Ingelheim ("Boehringer").<sup>6</sup> Under the terms of the acquisition, on closing of the transaction Hikma will pay \$1.18 billion in cash and will issue 40 million new Hikma shares to Boehringer (representing 16.71% of Hikma's issued share capital immediately following closing and admission). Based on an agreed issue price for the new Hikma shares of £23.50 per share and a US:GBP exchange rate of 1.56:1, the aggregate value of the gross consideration payable on closing will be approximately \$2.65 billion. Hikma has also agreed to make contingent cash payments of up to \$125 million, subject to the achievement of certain performance milestones.

The acquisition of Roxane will transform Hikma's position and scale in the US generics market, establishing Hikma as the sixth largest company by revenue<sup>7</sup>. It adds significant breadth to our US portfolio, bringing 88 highly differentiated products in specialised and niche segments of the market, including oncology, respiratory, extended release and controlled substances and enhances our pipeline, adding 89 R&D projects, including 57 Paragraph IV products, 13 of which are first-to-file opportunities. The acquisition will strengthen our platform for sustainable long-term growth, adding Roxane's highly experienced R&D team with a successful track record of bringing new and differentiated products to market as well as a best-in-class manufacturing facility and technological capabilities. We expect Roxane to deliver revenue of \$725 million to \$775 million in 2017 and an EBITDA margin of around 35% over the medium-term. We expect the acquisition to be accretive to adjusted earnings per share ("EPS") in 2016 and very strongly accretive to adjusted EPS thereafter.

## Other businesses

Other businesses, which primarily comprise Arab Medical Containers, a manufacturer of plastic specialised medicinal sterile containers, International Pharmaceuticals Research Centre, which conducts bio-equivalency studies, and the API manufacturing division of Hikma Pharmaceuticals Limited Jordan, contributed revenue of \$4 million, compared with \$5 million in H1 2014. These other businesses delivered an operating loss of \$3 million in H1 2015, in line with H1 2014.

## Group

Group revenue decreased 4% to \$709 million, compared with \$738 million in H1 2014. Group gross profit decreased 9% to \$400 million and Group gross margin was 56.4%, compared with 59.8% in H1 2014.

Group operating expenses were \$206 million, in line with H1 2014. Excluding the amortisation of intangible assets (excluding software) and exceptional items,<sup>8</sup> adjusted Group operating expenses were \$196 million, in line with \$197 million in H1 2014. The paragraphs below address the Group's main operating expenses in turn.

Sales and marketing expenses were \$81 million, down 11% compared with H1 2014. The reduction in sales and marketing expenses is due primarily to the timing of sales and marketing activities in the MENA region and lower employee benefits

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<sup>5</sup> The acquisition is subject to shareholder and regulatory approval

<sup>6</sup> Further details regarding the acquisition terms are provided in Hikma's announcement dated 28 July 2015

<sup>7</sup> IMS Healthcare, MAT May 2015, adjusted to reflect recent M&A activity

<sup>8</sup> In H1 2015, amortisation of intangible assets (excluding software) was \$6 million compared with \$7 million in H1 2014. In H1 2015, exceptional items included within operating expenses were \$4 million compared with \$1 million in H1 2014

and other sales expenses in the US compared to H1 2014. We expect Group sales and marketing expenses to be higher in the second half of 2015.

General and administrative expenses were \$86 million, up 12% compared with H1 2014. Excluding one-off severance costs in MENA and acquisition related expenses, G&A expenses increased by \$4 million, or 5%, primarily due to higher corporate costs.

Group R&D expenditure was \$20 million, compared with \$19 million in H1 2014. We continue to invest in R&D across our three businesses to drive future growth. In addition, we are supplementing our internal R&D efforts with other product-related investments. In H1 2015, these investments amounted to \$11 million and were capitalised on the balance sheet. In total, R&D and product-related investment represented \$31 million (4% of Group revenue) during the period, in line with H1 2014. We expect this to increase in H2 2015, as we continue to transfer the Bedford products and focus on continued new product development across the Group.

Other net operating expenses increased by \$1 million to \$19 million. Excluding exceptional items, these expenses increased by \$3 million, primarily reflecting the additional costs of maintaining the Ben Venue manufacturing facility that was acquired in H2 2014, partially offset by a reduction in slow moving inventory provisions.

Operating profit for the Group decreased 18% to \$194 million in H1 2015. Group operating margin decreased to 27.4%, compared with 32.0% in H1 2014. On an adjusted basis, Group operating profit decreased by \$40 million, or 16%, to \$204 million and operating margin decreased to 28.8%, down from 33.1% in H1 2014. Good growth in the profitability of the Branded business and a slight increase in the profitability of the Injectables business was offset by the lower contribution from specific market opportunities for the Generics business, as expected.

## Research & Development<sup>9</sup>

The Group's product portfolio continues to grow as a result of our in-house product development efforts. During the H1 2015, we launched five new compounds, expanding the Group portfolio to 587 compounds in 1,678 dosage forms and strengths.<sup>10</sup> We manufacture and/or sell 76 of these compounds under license from the originator.

Across all businesses and markets, a total of 40 products were launched during H1 2015. In addition, the Group received 118 approvals.

	Total marketed products		Products launched in H1 2015			Products approved in H1 2015	Products pending approval as at 30 June 2015
	Compounds	Dosage forms and strengths	New compounds	New dosage forms and strengths	Total launches across all countries <sup>11</sup>	Total approvals across all countries <sup>11</sup>	Total pending approvals across all countries <sup>11</sup>
Branded	377 <sup>10</sup>	1,125	1	2	23	70	388
Injectables	184	485	3	3	16	46	443
Generics	26	68	1	1	1	2	62
<b>Group</b>	<b>587</b>	<b>1,678</b>	<b>5</b>	<b>6</b>	<b>40</b>	<b>118</b>	<b>893</b>

<sup>9</sup> Products are defined as pharmaceutical compounds sold by the Group. New compounds are defined as pharmaceutical compounds not yet launched by the Group and existing compounds being introduced into a new segment

<sup>10</sup> Totals include 71 dermatological and cosmetic compounds in 282 dosage forms and strengths that are only sold in Morocco

<sup>11</sup> Totals include all compounds and formulations that are either launched or approved or pending approval across all markets, as relevant

To ensure the continuous development of our product pipeline, we submitted 126 regulatory filings in H1 2015 across all regions and markets. As of 30 June 2015, we had a total of 893 pending approvals across all regions and markets and a total of 147 products under development.

### **Results from associated companies**

During the H1 2015, we recognised a loss from associated companies of \$2 million related to our minority interest in Unimark Remedies Limited (“Unimark”). This compared with a loss of \$2 million in H1 2014.

### **Net finance expense**

Net finance expense during the period was \$22 million, up from \$15 million in H1 2014. The increase is due to higher borrowings in H1 2015 compared with H1 2014, principally the bridge loan entered into in July 2014 to provide the initial financing for the Bedford acquisition and the issuance of the \$500 million, 4.25% eurobond in April 2015. We continue to expect net finance expense in 2015 to be around \$54 million.

### **Profit before tax**

Profit before tax for the Group decreased by 22% to \$170 million, compared with \$219 million in H1 2014. Adjusted profit before tax decreased by 21% to \$180 million.

### **Tax**

The Group incurred a tax expense of \$35 million, compared with \$48 million in H1 2014. The effective tax rate was 20.6%, compared with 21.9% H1 2014. We continue to expect the full year effective tax rate to be between 21% and 23%.

### **Profit attributable to equity holders of the parent**

The Group’s profit attributable to equity holders of the parent decreased by 21% to \$134 million in H1 2015. Adjusted profit attributable to equity holders of the parent decreased by 19% to \$142 million.

### **Earnings per share**

Basic earnings per share decreased by 21% to 67.3 cents, compared with 85.4 cents in H1 2014. Diluted earnings per share decreased by 21% to 67.0 cents, compared with 84.5 cents in H1 2014. Adjusted diluted earnings per share was 71.0 cents, a decrease of 19% over H1 2014.

### **Dividend**

The Board has declared an interim dividend of 11.0 cents per share (approximately 7.0 pence per share), in line with the total dividend per share for H1 2014.<sup>12</sup> The interim dividend will be paid on 25 September 2015 to eligible shareholders on the register at the close of business on 28 August 2015. The ex-dividend date is 27 August 2015 and the final date for currency elections is 11 September 2015.

### **Net cash flow, working capital and net debt**

The Group generated operating cash flow of \$125 million in H1 2015, down \$75 million from \$200 million in H1 2014. This reflects the lower contribution from specific market opportunities for the Generics business this year. Working capital days improved by 8 days to 192 days in H1 2015, compared with 200 days in H1 2014, primarily due to lower inventory days in MENA.

Capital expenditure was \$31 million, compared with \$31 million in H1 2014. In MENA, \$20 million was spent on maintaining and upgrading our equipment and facilities across a number of markets. The remaining \$11 million was spent in the US and Europe, primarily to expand our Injectables manufacturing capacity and capabilities.

Group net debt was \$283 million at 30 June 2015, broadly in line with \$274 million at 31 December 2014. In April 2015 we strengthened our financing capabilities with the issuance of a \$500 million, 4.25% eurobond due in April 2020. The proceeds were used in part to refinance existing debt facilities, including the bridge loan of \$225 million that was used to finance the Bedford acquisition in 2014.

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<sup>12</sup> The total dividend in H1 2014 comprised an interim dividend of 7.0 cents per share and a special dividend of 4.0 cents per share to reflect the exceptionally strong market opportunities captured by the US businesses in H1 2014



In July 2015, the Group agreed to acquire Roxane for a gross cash consideration of \$1.2 billion and the issuance of 40 million new Hikma shares to Boehringer, such that the aggregate value of the gross consideration is \$2.65 billion.<sup>13</sup> The cash consideration is being funded through a combination of cash and the utilisation of new and existing bank facilities. The acquisition is expected to close in the fourth quarter of 2015.

### **Balance sheet**

During the period, shareholder equity was negatively impacted by an unrealised foreign exchange loss of \$40 million, primarily reflecting adverse movements in the adverse movements in the Euro, Algerian dinar, Moroccan dirham, Tunisian dinar and Egyptian pound against the US dollar and the revaluation of net assets denominated in these currencies.

### **Summary and outlook**

We delivered a good performance in H1 2015, with a strong recovery in our Branded business and stable sales and profitability in our Injectables business. This was offset by a lower contribution from the Generics business due to the decline in specific market opportunities, as expected.

We continue to expect the Group to grow full year revenue by around 6% in constant currency, or around 2% reported, assuming the high end of our guidance range for the Generics business.

For the full year, we continue to expect reported Branded revenue growth in the high single digits and a slight improvement in adjusted operating margin. On a constant currency basis, we continue to expect Branded revenue growth in the low-teens and adjusted operating margin to improve by around 200 basis points.

Following the extremely strong performance in 2014, which included the benefit from a number of high value products, we continue to expect global Injectables revenue to be maintained at the same level in 2015. We expect a robust adjusted operating margin of around 35%, even after including the Bedford R&D costs and the costs of maintaining the Ben Venue manufacturing site.

In the second half of 2015 we expect the Generics business to deliver a strong performance from the legacy portfolio, with a continued decline of specific market opportunities. Depending on how quickly sales of colchicine ramp up in the second half, we expect the Generics business to deliver revenue in the range of \$175 million to \$200 million for the full year in 2015.

Overall, we are pleased with the performance of the Group in H1 2015 and we are confident in the outlook for the remainder of the year, as well as the Group's medium and long term growth prospects.

### **Going concern statement**

As set out in note 2 to the condensed financial statements, the Directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than twelve months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the condensed financial statements.

### **Responsibility statement**

The Board confirms that to the best of its knowledge:

- a) The condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting' gives a true and fair view of the assets and liabilities, financial position and profit or loss of the issuer, or the undertakings included in the consolidation as a whole as required by DTR 4.2.4R;
- b) The interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months including their impact on the financial statements and description of principal risks and uncertainties for the remaining six months of the year); and
- c) The interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein which have had or could have a material financial effect on the financial position of the Group during the period).

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<sup>13</sup> Based on an agreed issue price for the new Hikma shares of £23.50 per share and the US:GBP exchange rate of 1.56:1

By order of the Board

Said Darwazah  
Chief Executive Officer

Khalid Nabils  
Chief Financial Officer

18 August 2015

### **Cautionary statement**

This interim management report has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. It should not be relied on by any other party or for any other purpose.

### **Forward looking statements**

This announcement may contain statements which are, or may be deemed to be, "forward looking statements" which are prospective in nature. All statements other than statements of historical fact may be forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of forward looking words such as "intends", "believes", "anticipates", "expects", "estimates", "forecasts", "targets", "aims", "budget", "scheduled" or words or terms of similar substance or the negative thereof, as well as variations of such words and phrases or statements that certain actions, events or results "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved.

Where included, such statements have been made by Hikma in good faith based on the information available to it up to the time of the approval of this announcement. By their nature, forward looking statements are based on current expectations, assumptions and projections about future events and therefore involve inherent risks and uncertainties that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements, and should be treated with caution. These risks, uncertainties or assumptions could adversely affect the outcome and financial effects of the plans and events described in this announcement. Forward looking statements contained in this announcement regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future and a variety of factors, many of which are beyond Hikma's control, could cause actual results to differ materially from those projected or implied in any forward-looking statements. You should not place undue reliance on forward-looking statements, which speak as only of the date of the approval of this announcement.

Except as required by law, Hikma is under no obligation to update or keep current the forward looking statements contained in this announcement or to correct any inaccuracies which may become apparent in such forward looking statements. Except as expressly provided in this announcement, no forward looking or other statements have been reviewed by the auditors of Hikma. All subsequent oral or written forward looking statements attributable to the Hikma or any of its members, directors, officers or employees or any person acting on their behalf are expressly qualified in their entirety by the cautionary statement above.

## **INDEPENDENT REVIEW REPORT TO HIKMA PHARMACEUTICALS PLC**

We have been engaged by Hikma Pharmaceuticals PLC (the 'Company') to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2015 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement and related notes 1 to 20. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

### **Directors' responsibilities**

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

### **Our responsibility**

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

### **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2015 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

### **Deloitte LLP**

Chartered Accountants and Statutory Auditor  
London, United Kingdom

18 August 2015

Hikma Pharmaceuticals PLC  
Condensed consolidated income statement

	Note	H1 2015 \$m (Unaudited)	H1 2014 \$m (Unaudited)	FY 2014 \$m (Audited)
<b>Continuing operations</b>				
Revenue	3	709	738	1,489
Cost of sales	3	(309)	(297)	(638)
<b>Gross profit</b>	3	<b>400</b>	<b>441</b>	<b>851</b>
Sales and marketing expenses		(81)	(91)	(171)
General and administrative expenses		(86)	(77)	(185)
Research and development expenses		(20)	(19)	(55)
Other operating expenses (net)		(19)	(18)	(38)
<b>Total operating expenses</b>		<b>(206)</b>	<b>(205)</b>	<b>(449)</b>
<b>Adjusted operating profit</b>		<b>204</b>	<b>244</b>	<b>427</b>
Exceptional items				
- Severance costs	4	(5)	-	-
- Proceeds from legal claims	4	2	-	-
- Acquisition related expenses	4	(1)	(1)	(11)
Other adjustments:				
Intangible amortisation*	4	(6)	(7)	(14)
<b>Operating profit</b>	3	<b>194</b>	<b>236</b>	<b>402</b>
Share of results of associated companies	8	(2)	(2)	(6)
Finance income		1	1	4
Finance expense		(23)	(16)	(38)
<b>Profit before tax</b>		<b>170</b>	<b>219</b>	<b>362</b>
Tax	5	(35)	(48)	(80)
<b>Profit for the period/year</b>		<b>135</b>	<b>171</b>	<b>282</b>
Attributable to:				
Non-controlling interests		1	2	4
<b>Equity holders of the parent</b>		<b>134</b>	<b>169</b>	<b>278</b>
		<b>135</b>	<b>171</b>	<b>282</b>
<b>Earnings per share (cents)</b>				
Basic	7	67.3	85.4	140.4
Diluted	7	67.0	84.5	139.0
Adjusted basic	7	71.4	88.9	151.0
Adjusted diluted	7	71.0	88.0	149.5

On this page and throughout this interim financial information "H1 2015" refers to the six months ended 30 June 2015, "H1 2014" refers to the six months ended 30 June 2014 and "FY 2014" refers to the year ended 31 December 2014.

\* Intangible amortisation comprises the amortisation of intangible assets other than software.

# Hikma Pharmaceuticals PLC

## Condensed consolidated statement of comprehensive income

	H1 2015 \$m (Unaudited)	H1 2014 \$m (Unaudited)	FY 2014 \$m (Audited)
<b>Profit for the period/year</b>	<b>135</b>	<b>171</b>	<b>282</b>
Items that may be reclassified subsequently to profit or loss:			
-Cumulative effect of change in fair value of financial derivatives	-	-	1
-Exchange difference on translation of foreign operations	(40)	(7)	(53)
<b>Total comprehensive income for the period/year</b>	<b>95</b>	<b>164</b>	<b>230</b>
Attributable to:			
Non-controlling interests	1	2	3
<b>Equity holders of the parent</b>	<b>94</b>	<b>162</b>	<b>227</b>
	<b>95</b>	<b>164</b>	<b>230</b>

Hikma Pharmaceuticals PLC  
Condensed consolidated balance sheet

	Note	30 June 2015 \$m (Unaudited)	30 June 2014 \$m (Unaudited)	31 December 2014 \$m (Audited)
<b>Non-current assets</b>				
Intangible assets		585	444	602
Property, plant and equipment		504	447	514
Investment in associates and joint ventures	8	14	20	16
Deferred tax assets		64	92	67
Financial and other non-current assets		43	38	39
		<b>1,210</b>	<b>1,041</b>	<b>1,238</b>
<b>Current assets</b>				
Inventories	9	280	309	273
Income tax asset		16	3	10
Trade and other receivables	10	484	418	439
Collateralised and restricted cash		5	7	8
Cash and cash equivalents		490	282	280
Other current assets	11	22	3	3
		<b>1,297</b>	<b>1,022</b>	<b>1,013</b>
<b>Total assets</b>		<b>2,507</b>	<b>2,063</b>	<b>2,251</b>
<b>Current liabilities</b>				
Bank overdrafts and loans	14	165	203	393
Obligations under finance leases		1	1	1
Trade and other payables	12	234	219	248
Income tax provision		64	58	65
Other provisions		25	20	25
Other current liabilities	13	107	109	109
		<b>596</b>	<b>610</b>	<b>841</b>
<b>Net current assets</b>		<b>701</b>	<b>412</b>	<b>172</b>
<b>Non-current liabilities</b>				
Long-term financial debts	14	589	237	145
Obligations under finance leases		23	23	23
Deferred tax liabilities		23	25	25
Derivative financial instruments		1	1	-
Other non-current liabilities		1	-	1
		<b>637</b>	<b>286</b>	<b>194</b>
<b>Total liabilities</b>		<b>1,233</b>	<b>896</b>	<b>1,035</b>
<b>Net assets</b>		<b>1,274</b>	<b>1,167</b>	<b>1,216</b>
<b>Equity</b>				
Share capital		35	35	35
Share premium		281	281	281
Own shares		(1)	(3)	(1)
Other reserves		941	836	882
<b>Equity attributable to equity holders of the parent</b>		<b>1,256</b>	<b>1,149</b>	<b>1,197</b>
Non-controlling interests		18	18	19
<b>Total equity</b>		<b>1,274</b>	<b>1,167</b>	<b>1,216</b>

The financial statements of Hikma Pharmaceuticals PLC, registered number 5557934, were approved by the Board of Directors and signed on its behalf by:

Said Darwazah  
Director

Mazen Darwazah  
Director

18 August 2015

# Hikma Pharmaceuticals PLC

## Condensed consolidated statement of changes in equity

	Merger and Revaluation reserves \$m	Translation reserves \$m	Retained earnings \$m	Total reserves \$m	Share capital \$m	Share premium \$m	Own shares \$m	Total equity attributable to equity shareholders of the parent \$m	Non- controlling interests \$m	Total equity \$m
<b>Balance at 1 January 2014 (Audited)</b>	<b>38</b>	<b>(46)</b>	<b>712</b>	<b>704</b>	<b>35</b>	<b>281</b>	<b>(3)</b>	<b>1,017</b>	<b>17</b>	<b>1,034</b>
Profit for the period	-	-	169	169	-	-	-	169	2	171
Currency translation loss	-	(7)	-	(7)	-	-	-	(7)	-	(7)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>(7)</b>	<b>169</b>	<b>162</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>162</b>	<b>2</b>	<b>164</b>
Cost of equity settled employee share schemes	-	-	4	4	-	-	-	4	-	4
Dividends on ordinary shares (note 6)	-	-	(34)	(34)	-	-	-	(34)	(1)	(35)
<b>Balance at 30 June 2014 (Unaudited)</b>	<b>38</b>	<b>(53)</b>	<b>851</b>	<b>836</b>	<b>35</b>	<b>281</b>	<b>(3)</b>	<b>1,149</b>	<b>18</b>	<b>1,167</b>
<b>Balance at 1 January 2014 (Audited)</b>	<b>38</b>	<b>(46)</b>	<b>712</b>	<b>704</b>	<b>35</b>	<b>281</b>	<b>(3)</b>	<b>1,017</b>	<b>17</b>	<b>1,034</b>
Profit for the year	-	-	278	278	-	-	-	278	4	282
Cumulative effect of change in fair value of financial derivatives	-	-	1	1	-	-	-	1	-	1
Currency translation loss	-	(52)	-	(52)	-	-	-	(52)	(1)	(53)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>(52)</b>	<b>279</b>	<b>227</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>227</b>	<b>3</b>	<b>230</b>
Cost of equity settled employee share schemes	-	-	8	8	-	-	-	8	-	8
Exercise of equity-settled employee share scheme	-	-	(2)	(2)	-	-	2	-	-	-
Dividends on ordinary shares (note 6)	-	-	(55)	(55)	-	-	-	(55)	(1)	(56)
<b>Balance at 31 December 2014 (Audited)</b>	<b>38</b>	<b>(98)</b>	<b>942</b>	<b>882</b>	<b>35</b>	<b>281</b>	<b>(1)</b>	<b>1,197</b>	<b>19</b>	<b>1,216</b>
Profit for the period	-	-	134	134	-	-	-	134	1	135
Currency translation loss	-	(40)	-	(40)	-	-	-	(40)	-	(40)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>(40)</b>	<b>134</b>	<b>94</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>94</b>	<b>1</b>	<b>95</b>
Cost of equity settled employee share schemes	-	-	7	7	-	-	-	7	-	7
Dividends on ordinary shares (note 6)	-	-	(42)	(42)	-	-	-	(42)	(2)	(44)
<b>Balance at 30 June 2015 (Unaudited)</b>	<b>38</b>	<b>(138)</b>	<b>1,041</b>	<b>941</b>	<b>35</b>	<b>281</b>	<b>(1)</b>	<b>1,256</b>	<b>18</b>	<b>1,274</b>

Hikma Pharmaceuticals PLC  
Condensed consolidated cash flow statement

	Note	H1 2015 \$m (Unaudited)	H1 2014 \$m (Unaudited)	FY 2014 \$m (Audited)
<b>Net cash from operating activities</b>	15	<b>125</b>	<b>200</b>	<b>425</b>
<b>Investing activities</b>				
Purchases of property, plant and equipment		(37)	(43)	(91)
Proceeds from disposal of property, plant and equipment		2	-	1
Purchase of intangible assets		(16)	(13)	(27)
Proceeds from disposal of intangible assets		-	-	1
Investment in financial and other non-current assets		-	(4)	(5)
Investments designated at fair value		(20)	-	-
Acquisition of subsidiary undertakings, net of cash acquired		-	-	(225)
Finance income		1	1	4
<b>Net cash used in investing activities</b>		<b>(70)</b>	<b>(59)</b>	<b>(342)</b>
<b>Financing activities</b>				
Increase/(decrease) in collateralised and restricted cash		3	-	(1)
Increase in long-term financial debts		505	5	5
Repayment of long-term financial debts		(65)	(31)	(121)
(Decrease)/increase in short-term borrowings		(222)	45	241
Increase in obligations under finance leases		-	4	-
Dividends paid		(42)	(34)	(55)
Dividends paid to non-controlling shareholders of subsidiaries		(2)	(1)	(1)
Interest paid		(18)	(16)	(38)
<b>Net cash generated from/(used in) financing activities</b>		<b>159</b>	<b>(28)</b>	<b>30</b>
<b>Net increase in cash and cash equivalents</b>		<b>214</b>	<b>113</b>	<b>113</b>
<b>Cash and cash equivalents at beginning of period/year</b>		<b>280</b>	<b>168</b>	<b>168</b>
Foreign exchange translation movements		(4)	1	(1)
<b>Cash and cash equivalents at end of period/year</b>		<b>490</b>	<b>282</b>	<b>280</b>



# Hikma Pharmaceuticals PLC

## Notes to the condensed set of financial statements

### 1. General information

The financial information for the year ended 31 December 2014 does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2014, which were prepared under International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board, have been filed with the Registrar of Companies. The auditor's report on those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain any statement under Section 498 (2) or (3) of the Companies Act 2006.

### 2. Accounting policies

The unaudited condensed set of financial statements for the six months ended 30 June 2015 has been prepared using the same accounting policies and on a basis consistent with the audited financial statements of Hikma Pharmaceuticals PLC (the 'Group') for the year ended 31 December 2014 which are prepared in accordance with IFRSs as adopted by the European Union.

#### Basis of preparation

The currency used in the preparation of the accompanying condensed set of financial statements is the US Dollar (\$) as the majority of the Group's business is conducted in US Dollars.

The Group's condensed set of financial statements included in this half-yearly financial report have been prepared in accordance with International Accounting Standards 34 'Interim Financial Reporting' as adopted by the European Union. They were approved by the Board on 18 August 2015.

Taxes on income for interim periods are accrued using the effective tax rate that would be applicable to expected total annual earnings.

#### Going concern

The Directors believe that the Group is well diversified due to its geographic spread, product diversity and large customer and supplier base. The Group operates in the generic pharmaceuticals industry which the Directors expect to be insulated from wider economic conditions.

The \$500 million bond issuance was utilised to repay the Bedford acquisition bridge loan of \$225 million and the remaining \$58 million of the \$180 million syndicate facility. The Group net debt position was \$283 million (30 June 2014: \$175 million and 31 December 2014: \$274 million). Operating cash flow in 2015 was \$125 million (30 June 2014: \$200 million and 31 December 2014: \$425 million). The Group has \$824 million (30 June 2014: \$330 million and 31 December 2014: \$839 million) of undrawn short term and long term banking facilities, in addition to \$170 million (30 June 2014: \$143 million and 31 December 2014: \$180 million) of unutilised import and export financing limits. These facilities are diversified across the subsidiaries of the Group and are with a number of financial institutions. The Group's forecasts, taking into account reasonable possible changes in trading performance, facility renewal sensitivities, maturities of long-term debt and the acquisition of Roxane, show that the Group should be able to operate within the levels of its available facilities. The acquisition of Roxane will be financed through a combination of cash reserves, existing and additional bank financing. After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Directors therefore continue to adopt the going concern basis in preparing the financial statements.

#### Changes in accounting policies

The same accounting policies, presentation and method of computation are followed in the condensed set of financial statements as has been applied in the Group's latest annual audited financial statements.

There have been no changes to the accounting standards in the current year that have materially impacted the Group financial statements.

# Hikma Pharmaceuticals PLC

## Notes to the condensed set of financial statements - continued

### 3. Business and geographical segments

For management purposes, the Group is organised into three principal operating divisions – Branded, Injectables and Generics. These divisions are the basis on which the Group reports its segmental information.

The Group discloses underlying operating profit as the measure of segmental result, as this is the measure used in the decision-making and resource allocation process of the chief operating decision maker, who is the Group's Chief Executive Officer.

Information regarding the Group's operating segments is reported below.

The following is an analysis of the Group's revenue and results by reportable segment for the period ended June 30 2015:

#### Six months ended

30 June 2015 (Unaudited)

	Branded \$m	Injectables \$m	Generics \$m	Others \$m	Group \$m
Revenue	282	344	79	4	709
Cost of sales	(146)	(129)	(31)	(3)	(309)
Gross profit	136	215	48	1	400
<b>Adjusted segment result</b>	<b>58</b>	<b>146</b>	<b>33</b>	<b>(3)</b>	<b>234</b>
Exceptional items :					
- Severance costs	(5)	-	-	-	(5)
- Proceeds from legal claims	-	2	-	-	2
Intangible amortisation*	(4)	(2)	-	-	(6)
Segment result	49	146	33	(3)	225
<b>Adjusted Unallocated corporate expenses</b>					<b>(30)</b>
Exceptional items :					
- Acquisition related expenses					(1)
Unallocated corporate expenses					(31)
<b>Adjusted operating profit</b>					<b>204</b>
Operating profit					194
Share of results of associated companies					(2)
Finance income					1
Finance expense					(23)
Profit before tax					170
Tax					(35)
<b>Profit for the period</b>					<b>135</b>
Attributable to:					
Non-controlling interest					1
<b>Equity holders of the parent</b>					<b>134</b>
					<b>135</b>

Segment result is defined as operating profit for each segment.

\*Intangible amortisation comprises the amortisation of intangible assets other than software.

"Others" mainly comprise Arab Medical Containers Ltd, International Pharmaceutical Research Center Ltd and the chemicals division of Hikma Pharmaceuticals Ltd (Jordan).

Unallocated corporate expenses are primarily made up of employee costs, professional fees and travel expenses.

# Hikma Pharmaceuticals PLC

## Notes to the condensed set of financial statements - continued

### 3. Business and geographical segments (continued)

#### Segment assets and Liabilities

30 June 2015 (Unaudited)

	Branded \$m	Injectables \$m	Generics \$m	Corporate and Others \$m	Group \$m
Additions to property, plant and equipment (cost)	15	11	5	-	31
Subsequent re-measurement of acquired property, plant and equipment (net book value)	-	(1)	-	-	(1)
Additions to intangible assets (cost)	2	9	3	2	16
Subsequent re-measurement of acquired intangible assets	-	(8)	-	-	(8)
Total property, plant and equipment and intangible assets (net book value)	491	511	80	7	1,089
Depreciation	12	8	4	1	25
Amortisation (including software)	4	4	-	-	8
Investment in associates and joint ventures	-	-	-	14	14
<b>Balance sheet</b>					
Total assets	<u>1,173</u>	<u>832</u>	<u>159</u>	<u>343</u>	<u>2,507</u>
Total liabilities	<u>494</u>	<u>389</u>	<u>79</u>	<u>271</u>	<u>1,233</u>

Hikma Pharmaceuticals PLC  
Notes to the condensed set of financial statements - continued

3. Business and geographical segments (continued)

Six months ended  
30 June 2014 (Unaudited)

	Branded \$m	Injectables \$m	Generics \$m	Others \$m	Group \$m
Revenue	259	346	128	5	738
Cost of sales	(130)	(131)	(33)	(3)	(297)
Gross profit	129	215	95	2	441
<b>Adjusted segment result</b>	<b>54</b>	<b>142</b>	<b>78</b>	<b>(3)</b>	<b>271</b>
Intangible amortisation*	(5)	(2)	-	-	(7)
Segment result	49	140	78	(3)	264
<b>Adjusted Unallocated corporate expenses</b>					<b>(27)</b>
Exceptional items :					
- Acquisition related expenses					(1)
Unallocated corporate expenses					(28)
<b>Adjusted operating profit</b>					<b>244</b>
Operating profit					236
Share of results of associated companies					(2)
Finance income					1
Finance expense					(16)
Profit before tax					219
Tax					(48)
<b>Profit for the period</b>					<b>171</b>
Attributable to:					
Non-controlling interest					2
<b>Equity holders of the parent</b>					<b>169</b>
					<b>171</b>

Segment result is defined as operating profit for each segment.

\*Intangible amortisation comprises the amortisation of intangible assets other than software.

“Others” mainly comprise Arab Medical Containers Ltd, International Pharmaceutical Research Center Ltd and the chemicals division of Hikma Pharmaceuticals Ltd (Jordan).

Unallocated corporate expenses are primarily made up of employee costs, office costs, professional fees, donations and travel expenses.

# Hikma Pharmaceuticals PLC

## Notes to the condensed set of financial statements - continued

### 3. Business and geographical segments (continued)

#### Segment assets and Liabilities 30 June 2014 (Unaudited)

	<b>Branded \$m</b>	<b>Injectables \$m</b>	<b>Generics \$m</b>	<b>Corporate and Others \$m</b>	<b>Group \$m</b>
Additions to property, plant and equipment (cost)	19	10	2	-	31
Additions to intangible assets (cost)	3	6	1	-	10
Total property, plant and equipment and intangible assets (net book value)	519	314	52	6	891
Depreciation	12	7	4	1	24
Amortisation (including software)	5	4	-	-	9
Investment in associates and joint ventures	-	-	-	20	20
<b>Balance sheet</b>					
Total assets	<u>1,266</u>	<u>583</u>	<u>136</u>	<u>78</u>	<u>2,063</u>
Total liabilities	<u>567</u>	<u>202</u>	<u>47</u>	<u>80</u>	<u>896</u>

Hikma Pharmaceuticals PLC  
Notes to the condensed set of financial statements - continued

3. Business and geographical segments (continued)

Year ended  
31 December 2014 (Audited)

	Branded \$m	Injectables \$m	Generics \$m	Others \$m	Group \$m
Revenue	551	713	216	9	1,489
Cost of sales	(284)	(282)	(66)	(6)	(638)
Gross profit	267	431	150	3	851
<b>Adjusted segment result</b>	<b>111</b>	<b>265</b>	<b>113</b>	<b>(5)</b>	<b>484</b>
Intangible amortisation*	(9)	(5)	-	-	(14)
Segment result	102	260	113	(5)	470
<b>Adjusted Unallocated corporate expenses</b>					<b>(57)</b>
Exceptional items :					
- Acquisition related expenses					(11)
Unallocated corporate expenses					(68)
<b>Adjusted operating profit</b>					<b>427</b>
Operating profit					402
Share of results of associated companies					(6)
Finance income					4
Finance expense					(38)
Profit before tax					362
Tax					(80)
<b>Profit for the year</b>					<b>282</b>
Attributable to:					
Non-controlling interest					4
<b>Equity holders of the parent</b>					<b>278</b>
					<b>282</b>

Segment result is defined as operating profit for each segment.

\*Intangible amortisation comprises the amortisation of intangible assets other than software.

“Others” mainly comprise Arab Medical Containers Ltd, International Pharmaceutical Research Center Ltd and the chemicals division of Hikma Pharmaceuticals Ltd (Jordan).

Unallocated corporate expenses are primarily made up of employee costs, professional fees, travel expenses and donations.

Hikma Pharmaceuticals PLC  
Notes to the condensed set of financial statements - continued

3. Business and geographical segments (continued)

Segment assets and Liabilities  
31 December 2014 (Audited)

	Branded \$m	Injectables \$m	Generics \$m	Corporate and Others \$m	Group \$m
Additions to property, plant and equipment (cost)	48	31	8	2	89
Acquisition of subsidiaries' property, plant and equipment (net book value)	-	53	-	-	53
Additions to intangible assets	4	16	4	1	25
Intangible assets arising on acquisition	-	174	-	-	174
Total property, plant and equipment and intangible assets (net book value)	511	528	70	7	1,116
Depreciation and impairment	22	18	7	2	49
Amortisation and impairment (including software)	10	13	-	-	23
Investment in associates and joint ventures	-	-	-	16	16
<b>Balance sheet</b>					
Total assets	<u>1,123</u>	<u>770</u>	<u>175</u>	<u>183</u>	<u>2,251</u>
Total liabilities	<u>481</u>	<u>405</u>	<u>92</u>	<u>57</u>	<u>1,035</u>

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services:

	H1 2015 \$m (Unaudited)	H1 2014 \$m (Unaudited)	FY 2014 \$m (Audited)
Middle East and North Africa	322	296	633
United States	344	396	763
Europe and Rest of the World	40	45	89
United Kingdom	3	1	4
	<u>709</u>	<u>738</u>	<u>1,489</u>

The top selling markets were as below:

	H1 2015 \$m (Unaudited)	H1 2014 \$m (Unaudited)	FY 2014 \$m (Audited)
United States	344	396	763
Saudi Arabia	80	68	146
Algeria	58	40	86
	<u>482</u>	<u>504</u>	<u>995</u>

Included in revenues arising from the Generics and Injectables segments are revenues of approximately \$86 million (H1 2014: \$121 million and FY 2014: \$221 million) which arose from the Group's largest customer which is located in the United States.

# Hikma Pharmaceuticals PLC

## Notes to the condensed set of financial statements - continued

### 4. Exceptional items and intangible amortisation

Exceptional items are disclosed separately in the condensed consolidated income statement to assist in the understanding of the Group's underlying performance.

	H1 2015 \$m	H1 2014 \$m	FY 2014 \$m
Severance costs	(5)	-	-
Proceeds from legal claims	2	-	-
Acquisition related expenses	(1)	(1)	(11)
<b>Exceptional items included in operating profit</b>	<b>(4)</b>	<b>(1)</b>	<b>(11)</b>
Intangible amortisation*	(6)	(7)	(14)
<b>Exceptional items and intangible amortisation</b>	<b>(10)</b>	<b>(8)</b>	<b>(25)</b>
Tax effect	2	1	4
<b>Impact on profit for the period/ year</b>	<b>(8)</b>	<b>(7)</b>	<b>(21)</b>

\*Intangible amortisation comprises the amortisation of intangible assets other than software.

- Severance expenses in 2015 related to restructuring of management teams in MENA.
- Legal claims refers to proceeds received in settlement of an indemnification claim in the US.
- Acquisition related expenses are costs incurred in relation to the acquisition of Roxane laboratories Inc. and Boehringer Ingelheim "Roxane Inc.", the process of which is ongoing.

#### *In previous periods exceptional items relate to the following:*

Acquisition related expenses were costs incurred from acquiring Bedford Laboratories, these expenses were included in the unallocated corporate expenses and mainly comprise third party consulting services, legal and professional fees.

### 5. Tax

	H1 2015 \$m <u>(Unaudited)</u>	H1 2014 \$m <u>(Unaudited)</u>	FY 2014 \$m <u>(Audited)</u>
Current tax:			
Foreign tax	28	54	82
Prior year adjustments	3	-	(9)
Deferred tax	4	(6)	7
	<u>35</u>	<u>48</u>	<u>80</u>

Tax for the six month period is charged at 20.6% (H1 2014: 21.9%; FY 2014: 22.1%).

The application of tax law and practice is subject to some uncertainty and amounts are provided where the likelihood of a cash outflow is probable.



# Hikma Pharmaceuticals PLC

## Notes to the condensed set of financial statements - continued

### 6. Dividends

	<u>H1 2015</u> \$m <u>(Unaudited)</u>	<u>H1 2014</u> \$m <u>(Unaudited)</u>	<u>FY 2014</u> \$m <u>(Audited)</u>
Amounts recognised as distributions to equity holders in the period:			
Final dividend for the year ended 31 December 2014 of 15.0 cents (2013: 13.0 cents) per share	30	26	26
Interim dividend for the year ended 31 December 2014 of 7.0 cents per share	-	-	14
Special final dividend for the year ended 31 December 2014 of 6.0 cents (2013: 4.0 cents) per share	12	8	8
Special interim dividend for the year ended 31 December 2014 of 4.0 cents (2013: 3.0 cents) per share	-	-	7
	<u>42</u>	<u>34</u>	<u>55</u>

The proposed interim dividend for the period ended 30 June 2015 is 11.0 cents (30 June 2014: 7.0 cents plus 4.0 cents as a special dividend, and 31 December 2014: 15.0 cents plus 6.0 cents as a special dividend) per share.

Based on the number of shares in issue at 30 June 2015 (199,343,000), the unrecognised liability is \$21,928,000.

# Hikma Pharmaceuticals PLC

## Notes to the condensed set of financial statements - continued

### 7. Earnings per share

Earnings per share is calculated by dividing the profit attributable to equity holders of the parent by the weighted average number of ordinary shares. The number of ordinary shares used for the basic and diluted calculations is shown in the table below. Adjusted basic earnings per share and adjusted diluted earnings per share are intended to highlight the adjusted results of the Group before exceptional items, intangible amortisation\* and the tax effect of these adjustments. A reconciliation of the basic and adjusted earnings used is also set out below:

	<b>H1 2015</b> <b>\$m</b>	<b>H1 2014</b> <b>\$m</b>	<b>FY 2014</b> <b>\$m</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Audited)</b>
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent	134	169	278
Exceptional items	4	1	11
Intangible amortisation*	6	7	14
Tax effect of adjustments	(2)	(1)	(4)
Adjusted earnings for the purposes of adjusted basic and diluted earnings per share being adjusted net profit attributable to equity holders of the parent	142	176	299
	<b>Number</b>	<b>Number</b>	<b>Number</b>
	<b>m</b>	<b>m</b>	<b>m</b>
<b>Number of shares:</b>			
Weighted average number of Ordinary Shares for the purposes of basic earnings per share	199	198	198
Effect of dilutive potential Ordinary Shares :			
Share-based awards	1	2	2
Weighted average number of Ordinary Shares for the purposes of diluted earnings per share	200	200	200
	<b>H1 2015</b>	<b>H1 2014</b>	<b>FY 2014</b>
	<b>Earnings</b>	<b>Earnings</b>	<b>Earnings</b>
	<b>per share</b>	<b>per share</b>	<b>per share</b>
	<b>Cents</b>	<b>Cents</b>	<b>Cents</b>
Basic	67.3	85.4	140.4
Diluted	67.0	84.5	139.0
Adjusted basic	71.4	88.9	151.0
Adjusted diluted	71.0	88.0	149.5

\*Intangible amortisation comprises the amortisation of intangible assets other than software.

# Hikma Pharmaceuticals PLC

## Notes to the condensed set of financial statements - continued

### 8. Investments in associates and joint ventures

A loss of \$2 million, representing the Group's share of the result of Unimark Remedies Limited and Hubei Haosun Pharmaceutical Co., Ltd, is included in the condensed consolidated income statement.

	For the period ended 30 June 2015			For the period ended 30 June 2014			For the year ended 31 December 2014		
	Joint Ventures \$m	Associates \$m	Total \$m	Joint Ventures \$m	Associates \$m	Total \$m	Joint Ventures \$m	Associates \$m	Total \$m
Balance at 1 January	3	13	16	3	19	22	3	19	22
Share of loss	-	(2)	(2)	-	(2)	(2)	-	(6)	(6)
Balance at end of period/year	<u>3</u>	<u>11</u>	<u>14</u>	<u>3</u>	<u>17</u>	<u>20</u>	<u>3</u>	<u>13</u>	<u>16</u>

### 9. Inventories

	30 June 2015 \$m (Unaudited)	30 June 2014 \$m (Unaudited)	31 December 2014 \$m (Audited)
Finished goods	50	87	60
Work-in-progress	36	38	33
Raw and packing materials	158	169	159
Goods in transit	36	15	21
	<u>280</u>	<u>309</u>	<u>273</u>

Goods in transit include inventory held at third parties whilst in transit between Group companies.

### 10. Trade and other receivables

	30 June 2015 \$m (Unaudited)	30 June 2014 \$m (Unaudited)	31 December 2014 \$m (Audited)
Trade receivables	421	358	384
Prepayments	46	47	42
VAT and sales tax recoverable	14	9	12
Employee advances	3	4	1
	<u>484</u>	<u>418</u>	<u>439</u>

# Hikma Pharmaceuticals PLC

## Notes to the condensed set of financial statements - continued

### 11. Other current assets

The Group entered into an agreement with an asset management firm to manage a \$20 million portfolio. This investment is measured at fair value through Other Comprehensive Income.

The fair value of financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Management classifies items that are recognised at fair value based on the level of inputs used in their fair value determination.

This asset is classified as level 1 “quoted prices in active markets”.

### 12. Trade and other payables

	<b>30 June 2015 \$m (Unaudited)</b>	<b>30 June 2014 \$m (Unaudited)</b>	<b>31 December 2014 \$m (Audited)</b>
Trade payables	126	122	129
Accrued expenses	94	82	105
Other payables	14	15	14
	<u>234</u>	<u>219</u>	<u>248</u>

### 13. Other current liabilities

	<b>30 June 2015 \$m (Unaudited)</b>	<b>30 June 2014 \$m (Unaudited)</b>	<b>31 December 2014 \$m (Audited)</b>
Deferred revenue	26	56	46
Return and free goods provision	50	28	35
Other provisions	31	25	28
	<u>107</u>	<u>109</u>	<u>109</u>

# Hikma Pharmaceuticals PLC

## Notes to the condensed set of financial statements - continued

### 14. Current and Non-current financial debts

#### Short-term financial debts

	30 June 2015 \$m	30 June 2014 \$m	31 December 2014 \$m
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Audited)</u>
Bank overdrafts	12	25	19
Import and export financing	110	114	83
Short-term loans	3	3	227
Current portion of long-term loans	40	61	64
	<u>165</u>	<u>203</u>	<u>393</u>

#### Long-term financial debts

	30 June 2015 \$m	30 June 2014 \$m	31 December 2014 \$m
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Audited)</u>
Long-term loans	135	298	209
Long-term borrowings (Bonds)	494	-	-
Less: current portion of loans	(40)	(61)	(64)
Long-term financial loans	<u>589</u>	<u>237</u>	<u>145</u>
Breakdown by maturity:			
Within one year	40	61	64
In the second year	39	63	65
In the third year	22	61	51
In the fourth year	13	41	13
In the fifth year	511	62	9
Thereafter	4	10	7
	<u>629</u>	<u>298</u>	<u>209</u>

On the first of April 2015, Hikma Pharmaceutical PLC issued a \$500 million 4.25% bond due in April 2020, traded on the GEM Market of the Irish Stock Exchange.

# Hikma Pharmaceuticals PLC

## Notes to the condensed set of financial statements - continued

### 15. Net cash from operating activities

	H1 2015 \$m <u>(Unaudited)</u>	H1 2014 \$m <u>(Unaudited)</u>	FY 2014 \$m <u>(Audited)</u>
<b>Profit before tax</b>	170	219	362
Adjustments for:			
Depreciation, amortisation and impairment of:			
Property, plant and equipment	25	24	49
Intangible assets	8	9	23
Loss on disposal of property, plant and equipment	-	1	1
Gain on disposal of intangible assets	-	-	(1)
Movement on provisions	1	-	5
Cost of equity-settled employee share schemes	7	4	8
Finance income	(1)	(1)	(4)
Interest and bank charges	23	16	38
Results from associates	2	2	6
<b>Cash flow before working capital</b>	<b>235</b>	<b>274</b>	<b>487</b>
Change in trade and other receivables	(57)	19	(16)
Change in other current assets	1	-	-
Change in inventories	(12)	(35)	2
Change in trade and other payables	(6)	(6)	24
Change in other current liabilities	2	8	7
<b>Cash generated by operations</b>	<b>163</b>	<b>260</b>	<b>504</b>
Income tax paid	(38)	(60)	(79)
<b>Net cash generated from operating activities</b>	<b>125</b>	<b>200</b>	<b>425</b>

# Hikma Pharmaceuticals PLC

## Notes to the condensed set of financial statements - continued

### 16. Related party balances

Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its associate and other related parties are disclosed below.

#### Trading transactions:

During the period, Group companies entered into the following transactions with related parties:

Darhold Limited: is a related party of the Group because it is considered one of the major shareholders of Hikma Pharmaceuticals PLC with an ownership percentage of 28.7% at 30 June 2015 (30 June 2014: 28.8% and 31 December 2014: 28.8%). Other than dividends (as paid to all shareholders), there were no transactions between the Group and Darhold Limited during the period.

Capital Bank - Jordan: is a related party of the Group because one Hikma Pharmaceuticals PLC board member is also a board member of Capital Bank - Jordan. Total cash balances at Capital Bank – Jordan were \$4.4 million (30 June 2014: \$22.3 million and 31 December 2014: \$5.7 million). Facilities granted by Capital Bank to the Group amounted to \$nil at 30 June 2015 (30 June 2014: \$4.6 million and 31 December 2014: \$nil). Interest income and expense are at market rates.

Jordan International Insurance Company: is a related party of the Group because one board member of the Company is also a board member of Hikma Pharmaceuticals PLC. The Group's insurance expense for Jordan International Insurance Company contracts in the period was \$0.2 million (H1 2014: \$0.2 million and FY 2014: \$0.2 million). The amounts due to Jordan International Insurance Company at 30 June 2015 were \$0.1 million (30 June 2014: \$0.1 million and 31 December 2014: \$nil).

Labatec Pharma: is a related party of the Group because it is owned by the estate of Mr. Samih Darwazah. During the period, the Group total sales to Labatec Pharma amounted to \$0.3 million (H1 2014: \$0.2 million and FY 2014: \$0.5 million). At 30 June 2015, the amount owed from Labatec Pharma to the Group was \$nil (30 June 2014: \$0.1 million and 31 December 2014: \$0.1 million).

Jordan Resources & Investments Company: is a related party of the Group because three Board members of the Group are shareholders in the firm. During the period, fees of \$nil (H1 2014: \$nil and FY 2014: \$nil) were paid for training services provided.

Arab Bank: is a related party of the Group because one senior management member in Hikma Pharmaceuticals PLC is also a board member of Arab Bank PLC. Total cash balances at Arab Bank were \$95 million (30 June 2014: \$76 million and 31 December 2014: \$90.4 million). Facilities granted by Arab Bank to the Group amounted to \$80.5 million (30 June 2014: \$161 million and 31 December 2014: \$115 million). Interest expense/income is at market rates.

American University of Beirut: is a related party of the Group because one Board member of the Group is also a trustee of the University. During the period, fees of \$0.1 million (H1 2014: \$nil and FY 2014: \$0.1 million) were paid. At 30 June 2015, the amount owed to the American University of Beirut from the Group amounted to \$nil (30 June 2014: \$nil and 31 December 2014: \$0.1 million).

HikmaCure: The Group holds a 50:50 joint venture ("JV") agreement with MIDROC Pharmaceuticals Limited. The JV is called HikmaCure. Hikma and MIDROC invested in HikmaCure in equal proportions and have committed to provide up to \$22 million each in cash of which \$2.5 million has been paid in previous periods.

Unimark: The Group held a non-controlling interest of 23.1% in the Indian company Unimark Remedies Limited ("Unimark") at 30 June 2015 (30 June 2014: 23.1% and 31 December 2014: 23.1%). During the period, the Group paid an amount of \$nil in relation to a products development agreement (H1 2014: \$0.1 million and FY 2014: \$2.5 million).

# Hikma Pharmaceuticals PLC

## Notes to the condensed set of financial statements - continued

### 16. Related party balances - continued

*Haosun*: The Group held a non-controlling interest of 30.1% in Hubei Haosun Pharmaceutical Co., Ltd (“Haosun”) at 30 June 2015 (30 June 2014: 30.1% and 31 December 2014: 30.1%). During the period total purchases from Haosun were \$0.6 million (H1 2014: \$nil and FY 2014: \$1.0 million). At 30 June 2015 the amount owed from (“Housen”) amounted to \$nil (30 June 2014: \$0.1 million and 31 December 2014: \$nil).

### 17. Acquisition of a business

On 15 July 2014 Hikma completed its acquisition of the US generic injectables business, Bedford Laboratories (“Bedford”) from Ben Venue Laboratories, Inc. (“Ben Venue”), a member of the Boehringer Ingelheim Group of Companies. The consideration for the acquisition comprised of an upfront cash payment of \$225 million which was paid on 15 July 2014 and contingent cash payments which are, subject to the achievement of performance-related milestones over a period of five years from closing the transaction.

Hikma acquired Bedford’s product portfolio of 82 products, intellectual property rights, inventories, a strong R&D and business development pipeline and a number of employees across key business functions. On 17 September 2014 Hikma completed the acquisition of all the assets of Ben Venue generics injectables manufacturing site in Bedford, Ohio, pursuant to the exclusivity arrangement entered into with Ben Venue on 28 May 2014. No incremental consideration was payable for the Ben Venue manufacturing site.

A reduction of \$8 million was made to the provisional goodwill recognised on the acquisition of Bedford as a result of the adjustments to inventory, property plant and equipment and deferred tax made prior to the end of the measurement period on 15 July 2015.

### 18. Contingent Liabilities

A contingent liability existed at the balance sheet date in respect of external guarantees and letter of credits totalling \$131 million (30 June 2014: \$132 million, 31 December 2014: \$45 million).

The integrated nature of the Group’s worldwide operations, involving significant investment in research and strategic manufacturing at a limited number of locations, with consequential cross-border supply routes into numerous end-markets, gives rise to complexity and delay in negotiations with revenue authorities as to the profits on which individual Group companies are liable to tax.

Disagreements with, and between, revenue authorities as to intra-Group transactions, in particular the price at which goods and services should be transferred between Group companies in different tax jurisdictions, have the potential to produce conflicting claims from revenue authorities as to the profits to be taxed in individual territories.

The promotion, marketing and sale of pharmaceutical products and medical devices is highly regulated and the operations of market participants, such as Hikma, are closely supervised by regulatory authorities and law enforcement agencies, including the FDA and the US Department of Justice. As a result the Group is subject to certain investigations by governmental agencies as well as other various legal proceedings considered typical to its business relating to employment, product liability and commercial disputes.



# Hikma Pharmaceuticals PLC

## Notes to the condensed set of financial statements - continued

### 19. Subsequent events

On 28 July 2015 Hikma announced that it has agreed to acquire Roxane Laboratories Inc. and Boehringer Ingelheim Roxane Inc. (together, "Roxane"), from Boehringer Ingelheim ("Boehringer"). Roxane is a well-established US specialty generics company with a highly differentiated product portfolio and best-in-class R&D capabilities.

Under the terms of the acquisition, on closing of the transaction Hikma will pay cash consideration of \$1.18 billion and will issue 40 million new Hikma shares to Boehringer (representing an estimated 16.71 per cent. of Hikma's issued share capital immediately following closing and admission). Based on an agreed issue price for the new Hikma shares of £23.50 per share and the US:GBP exchange rate of 1.56:1, the total consideration payable on closing will be approximately \$2.65 billion. Hikma has also agreed to make further cash payments of up to \$125 million, contingent to the achievement of certain performance milestones.

### 20. Foreign exchange rates

	Period end rates			Average rates		
	30 June 2015	30 June 2014	31 December 2014	H1 2015	H1 2014	FY 2014
USD/EUR	0.9011	0.7325	0.8226	0.8949	0.7293	0.7523
USD/Sudanese Pound	6.3171	5.9666	6.2696	6.3171	5.9666	6.0277
USD/Algerian Dinar	98.9472	79.2555	87.9245	95.7360	78.5767	80.6145
USD/Saudi Riyal	3.7495	3.7495	3.7495	3.7495	3.7495	3.7495
USD/British Pound	0.6361	0.5866	0.6437	0.6562	0.5991	0.6068
USD/Jordanian Dinar	0.7090	0.7090	0.7090	0.7090	0.7090	0.7090
USD/Egyptian Pound	7.6278	7.1633	7.1582	7.5700	7.0274	7.0972
USD/Japanese Yen	122.7400	101.5480	119.9500	120.2700	102.5001	105.8700
USD/Moroccan Dirham	9.7228	8.1805	9.0154	9.3910	8.4116	9.0155
USD/Tunisian Dinar	1.9406	1.6866	1.8612	1.9380	1.6126	1.7001

## Principal risks and uncertainties

The Group's business faces risks and uncertainties which could have a significant effect on its financial condition, results of operation or future performance and could cause actual results to differ materially from expected and historical results.

Risk	Description	Mitigation and control
<ul style="list-style-type: none"> <li>Manufacturing quality</li> </ul>	<ul style="list-style-type: none"> <li>Situations resulting in poor manufacturing quality of products have the potential to lead to:               <ul style="list-style-type: none"> <li>Harm to end users resulting in liability and reputational issues</li> <li>Regulatory action that could result in the closure of facilities and consequential loss of opportunity and potential failure to supply obligations</li> <li>Delayed or denied approvals for new products</li> <li>Product recalls</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Global quality programme which leads the manufacturing processes in all sites</li> <li>The 11 FDA approved facilities are regularly assessed by the regulator</li> <li>Documented procedures are continuously improved and staff receive training on those procedures on a regular basis</li> <li>Global quality issues team with extensive experience of implementing corrective action when issues arise</li> <li>Global product liability insurance and crisis management team</li> <li>Adopt a "quality by design" approach for all of our manufacturing facilities</li> </ul>
<ul style="list-style-type: none"> <li>API sourcing</li> </ul>	<ul style="list-style-type: none"> <li>API and raw materials represent one of the Group's largest cost components</li> <li>As is typical in the pharmaceuticals industry, a significant proportion of the Group's API requirements is provided by a small number of API suppliers</li> <li>There is a risk that it will not be possible to secure or maintain adequate levels of API supplies in the future</li> <li>Regulatory approval of a new supplier can be lengthy and supplies may be disrupted if the Group is forced to replace a supplier which failed to meet applicable regulatory standards or terminated its arrangements with the Group</li> </ul>	<ul style="list-style-type: none"> <li>Maintaining alternative API suppliers for each of the Group's products, where possible</li> <li>API suppliers are carefully selected and the Group endeavours to build long-term partnerships with exclusive supply</li> <li>The Group has a dedicated plant in Jordan which can synthesise API, where appropriate</li> </ul>
<ul style="list-style-type: none"> <li>Political and social</li> </ul>	<ul style="list-style-type: none"> <li>Hikma operates in MENA and emerging markets which have historically higher levels of political and social instability which can result in an inability to conduct business in those markets for a substantial period of time</li> </ul>	<ul style="list-style-type: none"> <li>Geographic diversity reduces the impact of issues arising in one jurisdiction</li> <li>Extensive experience of operating in these environments and developing opportunities from change</li> <li>Contingency plans in place to transfer manufacture if key sites are affected</li> </ul>

<ul style="list-style-type: none"> <li>Product concentration</li> </ul>	<ul style="list-style-type: none"> <li>A significant proportion of Group profits derive from a relatively small portfolio of higher margin products</li> <li>Prices of these products are subject to market and regulatory forces, which are often difficult to predict</li> <li>Prices can change suddenly, which could lead to significant fluctuations in profitability and uncertainty about the level of rebates to suppliers</li> </ul>	<ul style="list-style-type: none"> <li>Internal marketing and business development departments monitor and assess the market for arising opportunities</li> <li>Expansive product portfolio</li> <li>Experienced internal regulatory teams developing products and overseeing joint venture activities</li> <li>Product related acquisitions (e.g. Bedford laboratories in 2014)</li> <li>Third party pharmaceutical product specialists are assisting in the development of manufacturing processes for new generic products where the patent has recently expired</li> </ul>
<ul style="list-style-type: none"> <li>Acquisitions</li> </ul>	<ul style="list-style-type: none"> <li>The Group strategy is to pursue value adding acquisitions to expand the product portfolio, acquire manufacturing capabilities and expand in existing and emerging markets. There is risk of misjudging key elements of an acquisition or failing to integrate the assets, particularly where they are distressed</li> <li>An acquisition of a large-scale may entail financing-related risks and operating expenses and significantly increase the Group's leverage if financed with debt</li> </ul>	<ul style="list-style-type: none"> <li>The mergers and acquisitions team undertake extensive due diligence of each acquisition, including legal, financial and compliance</li> <li>Executive Committee reviews and tests major acquisitions before they are considered by the Board</li> <li>The Board is willing and has demonstrated its ability to refuse acquisitions where it considers the price is too high</li> <li>Dedicated integration project teams are assigned for the acquisition, which are led by the business head responsible for proposing the opportunity</li> <li>Following the acquisition of a target, the finance team, the management team and the Audit Committee closely monitor its financial and non-financial performance</li> <li>A variety of funding options are available to the Group to finance acquisitions</li> </ul>
<ul style="list-style-type: none"> <li>Conduct</li> </ul>	<ul style="list-style-type: none"> <li>The pharmaceutical industry and certain MENA markets are considered to be higher risk in relation to sales practices. Improper conduct by employees could seriously damage the reputation and licence to do business</li> </ul>	<ul style="list-style-type: none"> <li>Code of Conduct approved by the Board, translated into 7 languages and signed by all employees</li> <li>ABC compliance programme monitored by the CREC</li> <li>2,200 employees received ABC compliance training in 2014</li> <li>Sales and marketing and other ABC compliance policies and procedures are created, updated and rolled out</li> </ul>

<ul style="list-style-type: none"> <li>Financial</li> </ul>	<ul style="list-style-type: none"> <li>The Group is exposed to a variety of financial risks similar to most major international manufacturers such as liquidity, exchange rates, tax uncertainty and debtor default</li> </ul>	<ul style="list-style-type: none"> <li>Extensive financial control procedures have been implemented and are assessed annually as part of the internal audit programme</li> <li>A network of banking partners is maintained for lending and deposits</li> <li>Management monitors debtor payments and takes action where necessary</li> <li>Expert external advice is procured to test and enhance processes and ensure compliance</li> <li>Where it is economic and possible to do so, the Group hedges its exchange rate and interest rate exposure</li> </ul>
<ul style="list-style-type: none"> <li>Legal, intellectual property and regulatory</li> </ul>	<ul style="list-style-type: none"> <li>The Group is exposed to a variety of legal, IP and regulatory risks similar to most relevant major international industries such as litigation, investigations, sanctions and potential business disruptions</li> </ul>	<ul style="list-style-type: none"> <li>Expert internal departments that enhance policies, processes, embed compliance culture, raise awareness and train staff</li> <li>First class expert external advice is procured to provide independent services and ensure highest standards</li> <li>Board of Directors and management provide leadership and take action as necessary</li> </ul>
<ul style="list-style-type: none"> <li>Information technology</li> </ul>	<ul style="list-style-type: none"> <li>If information and data are not adequately secured and protected (data security, access controls), this could result in: <ul style="list-style-type: none"> <li>Increased internal/ external security threats</li> <li>Compliance and reputational damages</li> <li>Regulatory and legal litigation in case of failure to manage personal data</li> <li>Reduced information accountability due to limited sensitive data access controls</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Utilise appropriate levels of industry-standard information security solutions for critical systems</li> <li>Continue to stay abreast of cyber-risk activity and where necessary, implement changes to combat this</li> </ul>