PRESS RELEASE

Hikma delivers a solid financial performance in 2016 and makes significant strategic progress
Strong growth in revenue and core operating profit in constant currency

London, 15 March 2017 – Hikma Pharmaceuticals PLC (Hikma, Group) (LSE: HIK) (NASDAQ Dubai: HIK) (OTC: HKMPY) (rated Ba1 Moody's / BB+ S&P, both stable), the fast-growing multinational pharmaceutical group, today reports its preliminary results for the year ended 31 December 2016. The financial results include the consolidation of ten months of Roxane Laboratories (now West-Ward Columbus).

2016 financial highlights

- Group revenue of $1,950 million, up 35% and up 39% in constant currency[1]
- Group core[2] operating profit of $419 million, up 2% and up 14% in constant currency, reflecting strong growth in Injectables and Branded profitability, partially offset by a lower contribution from the Generics business and a step-up in R&D investment across the Group to support sustainable growth
- Group reported operating profit of $302 million, down 21% and down 9% in constant currency, reflecting a significant increase in intangible amortisation and exceptional items in 2016
- Group core basic earnings per share of 118.5 cents, down 18% and down 5% in constant currency following the issuance of 40 million additional shares in February 2016 in relation to the West-Ward Columbus acquisition
- Proposed final dividend of 22 cents per share, and full year dividend of 33 cents per share, up from 32 cents per share for the full year in 2015
- Group revenue in 2017 expected to be around $2.2 billion in constant currency

2016 strategic highlights

- Completed West-Ward Columbus acquisition, making significant progress with integration and cost synergies
- Completed acquisition of EUP, strengthening our position in the fast-growing Egyptian market
- Launched 206 products in different dosages and strengths and received 343 approvals for products in different dosage forms and strengths, expanding and enhancing our global product portfolio
- Launched 9 Bedford products by the end of 2016 and on track to achieve our target of 20 Bedford launches by the end of 2017

Said Darwazah, Chairman and Chief Executive Officer of Hikma, said:

"We made significant strategic progress in 2016. The acquisition of West-Ward Columbus is transforming our Generics business and the Group as a whole. This is our largest acquisition to date and the integration process has been both challenging and exciting. We expect the Generics business to achieve significant growth in revenue and profitability in the coming years as we focus on pipeline execution and portfolio optimisation.

Our global Injectables business delivered excellent growth in revenue and operating profit in 2016, at the same time as we more than doubled our R&D investment to underpin the long-term growth potential for this business. In the MENA, our reported results were impacted by the devaluation of the Egyptian pound in November 2016. However, our strategic focus on higher value products, combined with tight cost control, drove significant growth in operating profit in constant currency and a meaningful margin expansion.

Our business today is stronger than ever. We are well positioned across our markets, with a large and differentiated portfolio and pipeline and we are confident in the future prospects of the Group."

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[1] Constant currency numbers in 2016 represent reported 2016 numbers re-stated using average exchange rates in 2015

[2] Core results are presented to show the underlying performance of the Group, excluding amortisation of intangible assets other than software and the exceptional items set out in note 5

Summary financials

Core results	**2016 $million**	Growth Constant currency	$	2015 $million
Core revenue	**1,950**	+39%	+35%	1,440
Core operating profit	**419**	+14%	+2%	409
Core EBITDA[3]	**493**	+16%	+6%	466
Core profit attributable to shareholders	**276**	+11%	-3%	286
Core basic earnings per share (cents)	**118.5**	-5%	-18%	143.7

Reported results	**2016 $million**	Growth Constant currency	$	2015 $million
Revenue	**1,950**	+39%	+35%	1,440
Operating profit	**302**	-9%	-21%	381
EBITDA	**473**	+15%	+4%	454
Profit attributable to shareholders	**155**	-22%	-38%	252
Basic earnings per share (cents)	**66.5**	-34%	-47%	126.6

Enquiries

Hikma Pharmaceuticals PLC
Susan Ringdal, VP Corporate Strategy and Director of Investor Relations +44 (0)20 7399 2760/ +44 7776 477050
Lucinda Baker, Deputy Director of Investor Relations +44 (0)20 7399 2765/ +44 7818 060211

FTI Consulting
Ben Atwell/ Matthew Cole +44 (0)20 3727 1000

About Hikma

Hikma Pharmaceuticals PLC is a fast growing pharmaceutical group focused on developing, manufacturing and marketing a broad range of both branded and non-branded generic and in-licensed products. Hikma's operations are conducted through three businesses: "Injectables", "Generics" and "Branded", based primarily in the Middle East and North Africa ("MENA") region, the United States and Europe. In 2016, Hikma achieved revenue of $1,950 million and profit attributable to shareholders of $155 million.

A presentation for analysts and investors will be held today at 09:30 UK time at Etc. Venues, 155 Bishopsgate, Liverpool St, London EC2M 3YD. 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. A recording of both the meeting and the call will be available on the Hikma website. The contents of the website do not form part of this preliminary results announcement.

[3] Earnings before interest, tax, depreciation and amortisation and other exceptional items set out in note 5

Business and financial review

The business and financial review set out below summarises the performance of Hikma's three main business segments, Injectables, Generics and Branded, for the year ended 31 December 2016.

Group revenue by business segment

$ million	**2016**		2015	
Injectables	**781**	**40%**	710	49%
Generics	**604**	**31%**	151	10%
Branded	**556**	**29%**	570	40%
Others	**9**	**-**	9	1%

Group revenue by region

$ million	**2016**		2015	
MENA	**641**	**33%**	656	46%
US	**1,211**	**62%**	697	48%
Europe and ROW	**98**	**5%**	87	6%

Injectables

2016 highlights:

- Global Injectables revenue of $781 million, up 10% from 2015 and up 11% in constant currency
- Strong core operating margin of 43.5%, even with a significant increase in R&D spend
- Launched 9 Bedford products by the end of 2016 and on target to launch a total of 20 Bedford products by the end of 2017
- Expect Injectables revenue to be in the range of $800 million to $825 million in 2017 and core operating margin to be in the high 30s after a further step-up in R&D investment

$ million	**2016**	2015	Change	Constant currency change
Revenue	**781**	710	+10%	+11%
Gross profit	**505**	449	+12%	+14%
Gross margin	***64.7%***	*63.2%*	*+1.5pp*	*+1.5pp*
Core operating profit	**340**	312	+9%	11%
Core operating margin	***43.5%***	*43.9%*	*-0.4pp*	-

Injectables revenue by region

$ million	**2016**		2015	
US	**607**	**78%**	546	77%
MENA	**91**	**12%**	92	13%
Europe and ROW	**83**	**10%**	72	10%
Total	**781**		710	

In 2016, global Injectables revenue grew by 10% to $781 million. In constant currency, global Injectables revenue increased by 11%.

Of this total, US Injectables revenue was $607 million, up 11% from $546 million in 2015. This strong growth reflected good demand across our broad product portfolio and new product launches, including former Bedford products, which more than offset increased competition on other products.

During 2016, MENA Injectables revenue was $91 million, compared with $92 million in 2015. In constant currency, revenue increased by 5%, reflecting good growth in most markets, which more than compensated for lower revenue in Algeria. In February 2016, we completed the acquisition of EIMC United Pharmaceuticals (EUP) in Egypt, adding a local injectables manufacturing facility and significantly enhancing our oncology business.

European Injectables revenue was $83 million in 2016, up 15% and up 17% in constant currency, reflecting strong growth in sales of our own products and good demand for our contract manufacturing services.

Injectables gross profit increased to $505 million in 2016, compared with $449 million in 2015. Gross margin increased to 64.7%, compared with 63.2% in 2015. The continued strong gross margin reflects a favourable product mix in the US due to the contribution from higher value products, an improvement in the sales mix in the MENA and operating efficiencies in Europe.

Core operating profit, which excludes the amortisation of intangible assets other than software and exceptional items, was $340 million in 2016, up from $312 million in 2015. Core operating margin was 43.5%, compared with 43.9% in 2015. The continued strength of the core operating margin is a result of the strong gross margin and operational efficiencies across the business. This margin was achieved even with a significant increase in R&D expense in 2016 as we invest in building our global injectables pipeline.

During 2016, the Injectables business launched a total of 79 products in different dosages and strengths across all markets, including 13 new products. The Injectables business also received a total of 127 regulatory approvals for products in different dosages and strengths across all regions and markets, 52 in the MENA, 54 in Europe and 21 in the US.

We expect the Injectables business to deliver continued growth in 2017, with strong demand across our global portfolio and new product launches more than offsetting the impact of increased competition. We expect Injectables revenue to be in the range of $800 million to $825 million. We expect core operating margin to be in the high 30s in 2017, which assumes a further step-up in R&D investment.

Generics

2016 highlights:

- Generics revenue of $604 million, up from $151 million in 2015, primarily reflecting the consolidation of ten months of West-Ward Columbus
- Core operating profit of $35 million, in line with the most recent guidance, compared with $46 million in 2015, due to an anticipated reduction in the contribution from the legacy business and higher sales and marketing costs
- Good progress with the West-Ward Columbus integration, achieving cost savings of over $35 million
- Continue to expect Generics revenue of around $800 million in 2017 and a significant improvement in core operating profit

$ million	**2016**	2015	Change
Revenue	**604**	151	+300%
Core Gross profit	**228**	89	+156%
Core gross margin	***37.7%***	*58.9%*	*-21.2pp*
Core operating profit	**35**	46	-24%
Core operating margin	***5.8%***	*30.5%*	*-24.7pp*

Generics revenue was $604 million in 2016. Our legacy Generics business contributed revenue of $130 million compared with $151 million in 2015. As expected, this was due to lower revenue from certain products and the required divestment of products in connection with the West-Ward Columbus acquisition, partially offset by steady growth in colchicine sales.

Following completion of the acquisition on 29 February 2016, West-Ward Columbus contributed revenue of $474 million. This was below our expectations at the start of year, primarily due to delays in new product launches. It also reflects slower than expected volume growth from marketed products.

Generics gross profit was $196 million in 2016, compared with $89 million in 2015. Excluding the impact of exceptional items, core gross profit was $228 million. Gross margin was 32.5%, and core gross margin was 37.7%, compared with 58.9% in 2015. The margin decline reflects the less favourable sales mix of the legacy business in 2016 and the high overhead costs of West-Ward Columbus.

Core Generics operating profit was $35 million in 2016, compared with $46 million in 2015, in line with our most recent guidance and after achieving over $35 million of cost savings. Core operating margin was 5.8%, compared with 30.5% in 2015, reflecting the lower gross margin, increased sales and marketing expenses and the high operating costs of the West-Ward Columbus business.

The Generics business reported an operating loss of $14 million in 2016 after the amortisation of intangible assets of $16 million and exceptional items of $33 million. The exceptional items primarily related to the West-Ward Columbus acquisition, comprising inventory-related adjustments of $27 million, integration and other costs of $9 million and the net gain from the divestment of certain legacy Generics products of $18 million. In addition, it reflects an adjustment of $15 million associated with the impairment and write-down of intangible assets related to co-development agreements entered into by our legacy business.

During 2016, the Generics business launched 18 new products in different dosages and strengths and received 18 approvals for products in different dosages and strengths. The Generics business also signed new licensing agreements for 4 new products.

We continue to expect revenue for the Generics business to be around $800 million in 2017, with an improvement in the mix of sales and new product launches more than offsetting the impact of increased competition on the marketed portfolio and a reduction in contract manufacturing revenue. Certain new launches are expected to contribute around 15% of Generics revenue in 2017, primarily generic Advair, which is assumed to be launched in the second half of the year.

We expect the profitability of the Generics business to significantly improve in 2017, driven by new product launches, an enhanced mix of sales and a continued focus on operating efficiencies.

Branded

2016 highlights:

- Branded revenue of $556 million, down 2% and up 5% in constant currency

- Gross profit up 2% and up 13% in constant currency
- Core operating profit of $112 million, down 5%, reflecting a negative impact of $42 million from adverse currency movements, primarily due to the devaluation of the Egyptian pound in November 2016
- Core operating profit up 31% in constant currency due an improvement in sales mix and tight cost control
- Core operating margin was 20.1% and 25.7% in constant currency, up 5.0 percentage points
- Expect Branded revenue growth in constant currency to be in the mid-single digits in 2017

$ million	**2016**	2015	Change	Constant currency change
Revenue	**556**	570	-2%	+5%
Gross profit	**282**	277	+2%	+13%
Gross margin	***50.7%***	*48.6%*	*+2.1pp*	*+3.6pp*
Core operating profit	**112**	118	-5%	+31%
Core operating margin	***20.1%***	*20.7%*	*-0.6pp*	*+5.0pp*

Branded revenue increased by 5% in 2016, before the impact of adverse movements in the Egyptian pound, Sudanese pound, Algerian dinar, Tunisian dinar and Moroccan dirham against the US dollar. On a reported basis, Branded revenue decreased by 2% to $556 million, compared with $570 million in 2015. The growth on a constant currency basis reflected a good performance across most of our markets as we focus on higher value products and pipeline execution. This was partially offset by a slowdown in the Gulf Cooperation Council (GCC) markets.

In our key markets of Algeria and Egypt, our businesses performed extremely well, delivering strong double-digit constant currency growth. This was driven by underlying market growth, an improvement in the sales mix and new product launches. In the GCC, which includes Saudi Arabia and the UAE, revenue was lower than in 2015, primarily due to economic uncertainty in the region which has slowed market growth.

During 2016, the Branded business launched a total of 109 products in different dosages and strengths across all markets, including 19 new products. The Branded business also received 198 regulatory approvals across the region for products in different dosages and strengths.

Revenue from in-licensed products represented 39% of Branded revenue, compared with 40% in 2015. We launched 51 new in-licensed products during 2016, including 3 respiratory products and a number of OTC products licensed from Vitabiotics, which will help us to grow our portfolio of higher value products in key therapeutic categories.

On a reported basis, Branded gross profit increased by 2% to $282 million and gross margin was 50.7%, compared with 48.6% in 2015. In constant currency, gross profit increased by $36 million, or 13% and gross margin increased to 52.2%. This strong growth in profitability reflects an improvement in the mix of sales, through our focus on higher value products and tight cost control.

Core operating profit, which excludes the amortisation of intangibles of $8 million, decreased by 5% to $112 million and core operating margin was 20.1%, down from 20.7% in 2015. This primarily reflects a foreign exchange loss of $17 million, mainly as a result of the revaluation of the Group’s monetary assets and liabilities in Egypt following the devaluation of the Egyptian pound against the US dollar after the floating of the Egyptian pound on 3 November 2016.

In constant currency, core operating profit grew by 31% and core operating margin increased to 25.7%. This significant improvement in profitability is primarily due to the increase in gross profit, as well as tight control of operating expenses, improved inventory management and the benefit of restructuring measures undertaken in recent years.

In 2017, we expect Branded revenue to grow in the mid-single digits in constant currency, driven by underlying market growth and our focus on strategic products. Taking into account exchange rate movements since the beginning of 2017, and assuming these rates prevail, we would expect reported Branded revenue to grow in the low-single digits and core operating margin to be broadly in line with 2016. This adverse currency impact is primarily due to the devaluation of the Egyptian pound against the US dollar by approximately 46%.[4]

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 $9 million in 2016, in line with 2015. These other businesses made an operating loss of $2 million, compared with an operating loss of $5 million in 2015.

Group

Group revenue increased by 35% to $1,950 million in 2016 after the consolidation of ten months of revenue from West-Ward Columbus. Group gross profit was $986 million and core gross profit was $1,018 million, up from $818 million in 2015. Group gross margin was 50.6% and core gross margin was 52.2%, compared with 56.8% in 2015.

Group operating expenses increased by 57% to $684 million, compared with $437 million in 2015. Core Group operating expenses, excluding the amortisation of intangible assets other than software and exceptional items, increased by 46% to $599 million compared with $409 million in 2015. This increase was principally due to the consolidation of ten months of West-Ward Columbus, as well as an increase in R&D expenditure across the Group and a foreign exchange loss as a result of the devaluation of the Egyptian pound against the US dollar during 2016.

In 2016, amortisation of intangible assets other than software was $37 million, compared with $16 million in 2015. The increase primarily resulted from the acquisition of West-Ward Columbus. Exceptional items included within operating expenses were $48 million, compared with $12 million in 2015. In 2016, exceptional items comprised acquisition and integration costs of $36 million, the net gain on divestment of certain legacy Generics products of $18 million, impairment and write down of property, plant and equipment and intangible assets of $34 million and the release of a contingent liability of $4 million. The paragraphs below address the Group's main operating expenses in turn.

Sales and marketing expenses were $221 million compared with $172 million in 2015. Excluding the amortisation of intangible assets other than software, sales and marketing expenses were $184 million, or 9% of revenue compared with $156 million, or 11% of revenue in 2015. The increase of $28 million was primarily due to the consolidation of West-Ward Columbus and the increased sales and promotional costs related to the branded salesforce we established in the US from July 2015.

General and administrative expenses increased by $44 million to $244 million in 2016. Excluding exceptional items, related to the acquisition and integration costs, G&A expenses increased by $28 million, or 16%, primarily due to the consolidation of West-Ward Columbus.

We have significantly increased our R&D investment from $36 million in 2015 to $150 million in 2016. Excluding exceptional items core R&D expense was $126 million. Around half of the Group's R&D expense was incurred in the development of our differentiated pipeline for the Generics business and we expect this investment to increase in 2017. R&D spend for the Injectables business was also higher in 2016 and will continue to grow as we increase our investment in new product development.

[4] On 3 March 2017, the Egyptian pound had devalued against the US dollar from its peg of 8.8 EGP:USD prior to 3 November 2016 to 16.2 EGP:USD (www.oanda.com)

An additional $13 million of product-related investment was capitalised on the balance sheet in 2016. This related to the transfer of the Bedford products to our facilities and to product development investments with third party partners, primarily in the US where we are focusing on new therapeutic areas. The combined core R&D expense and product-related investment for the Group was $139 million (7% of Group revenue) compared with $71 million (5% of Group revenue) in 2015. We expect Group R&D expense to be around $170 million in 2017.

Other net operating expenses were $69 million in 2016, compared with $29 million in 2015. Excluding exceptional items of $12 million related to impairment losses, the divestment of certain products, and the release of a contingent liability, these expenses were $81 million in 2016, up from $37 million in 2015. The increase was due to a foreign exchange loss as a result of the devaluation of the Egyptian pound and to the consolidation of the West-Ward Columbus business.

Group operating profit decreased by 21% from $381 million to $302 million in 2016. Excluding the impact of amortisation and exceptional items, core Group operating profit increased by 2% to $419 million and core operating margin was 21.5% compared with 28.4% in 2015. This primarily reflects the lower contribution from certain products in the Generics business, the consolidation of West-Ward Columbus and higher R&D investment across the Group.

Research & Development[5]

The Group's product portfolio continues to grow as a result of our product development efforts. During 2016, we launched 34 new compounds. The Group's portfolio now stands at 707 compounds in 2,181 dosages and strengths.[6] We manufacture and/or sell 94 of these compounds under licence from the licensor.

Across all businesses and markets, a total of 206 products were launched during 2016. In addition, the Group received 343 approvals.

To ensure the continuous development of our product pipeline, we submitted 188 regulatory filings in 2016 across all regions and markets. As of 31 December 2016, we had a total of 971 pending approvals across all regions and markets. At 31 December 2016, we had a total of 396 new products under development.

[5] Products are defined as pharmaceutical compounds sold by the Group. New compounds are defined as pharmaceutical compounds being introduced for the first time during the period and existing compounds being introduced into a new segment. We are presenting details of the Group's product portfolio and pipeline to provide additional information in respect of the size and make-up of the marketed portfolio which is generating revenue and the pipeline opportunity which will drive future revenue growth

[6] Totals include 71 dermatological and cosmetic compounds in 282 dosage forms and strengths that are only sold in Morocco

	Total marketed products		Products launched in 2016			Products approved in 2016	Products pending approval as at 31 December 2016
	Compounds	Dosage forms and strengths	New compounds	New dosage forms and strengths	Total launches across all countries[7]	Total approvals across all countries[7]	Total pending approvals across all countries[7]
Branded	397	1,235	19	38	109	198	280
Injectables	201	571	13	23	79	127	620
Generics	109	375	2	3	18	18	71
Group	**707**	**2,181**	**34**	**64**	**206**	**343**	**971**

Net finance expense

In 2016, net finance expense was $92 million. Excluding non-cash expenses resulting from the remeasurement of contingent liabilities, net finance expense was $60 million, up from $52 million in 2015. This primarily reflects the increased interest and financing fees as a result of the West-Ward Columbus acquisition which was completed in February 2016 as well as the interest paid on the $500 million 4.25% Eurobond which was issued in April 2015.

In 2017, we expect Group net finance expense to be around $60 million. In addition, we expect non-cash expenses resulting from the remeasurement of contingent liabilities to be around $20 million.

Profit before tax

Profit before tax for the Group was $210 million in 2016, down from $318 million in 2015. Core profit before tax was $359 million, in line with 2015.

Tax

The Group incurred a tax expense of $52 million, compared with $64 million in 2015. Excluding the tax impact of exceptional items, core Group tax expense was $80 million in 2016, compared with $67 million in 2015. The core effective tax rate was 22.3%, compared with 18.9% in 2015. The increase in the effective tax rate reflects increased earnings in higher tax jurisdictions, particularly in the US. We expect the effective tax rate in 2017 to be around 26%.

Profit attributable to shareholders

Profit attributable to shareholders decreased by 38% to $155 million, compared with $252 million in 2015. Core profit attributable to shareholders decreased by 3% to $276 million, compared with $286 million in 2015.

[7] Totals include all compounds and formulations that are either launched or approved or pending approval across all markets, as relevant

Earnings per share

Earnings per share was impacted by the issuance of 40 million new shares to Boeringher Ingelheim on 29 February 2016 as part of the consideration for the West-Ward Columbus acquisition, as well as the reduction in profit attributable to shareholders in 2016 compared with 2015. Basic earnings per share decreased by 47% to 66.5 cents in 2016, compared to 126.6 cents in 2015. Core basic earnings per share decreased by 18% to 118.5 cents, compared with 143.7 cents in 2015. Core diluted earnings per share decreased by 17% to 117.9 cents, compared with 142.3 cents in 2015.

Dividend

The Board is recommending a final dividend of 22 cents per share (approximately 18 pence per share) for 2016, bringing the total dividend for the full year to 33 cents per share (approximately 27 pence) for 2016, a slight increase from the total dividend of 32 cents per share paid in 2015. The proposed dividend will be paid on 25 May 2017 to shareholders on the register on 7 April 2017, subject to approval at the Annual General Meeting on 19 May 2017.

Net cash flow, working capital and net debt

The Group generated operating cash flow of $293 million in 2016, compared with $366 million in 2015. Excluding acquisition and integration costs related to the West-Ward Columbus acquisition, Group operating cash flow was $329 million in 2016, a decrease of 10% from $366 million in 2015. This primarily reflects an investment in working capital following the acquisition of West-Ward Columbus. Group working capital days were 240 days at December 2016, up from 177 days at December 2015.[8] This primarily reflects the consolidation of West-Ward Columbus, which has higher working capital days, and an increase in inventory levels in the US and the MENA at the end of the year. We expect to achieve an improvement in Group working capital days in 2017.

Capital expenditure was $122 million, compared with $82 million in 2015. Of this, around $76 million was spent in the US to expand the manufacturing capacity and capabilities of our Injectables and Generics businesses. In the MENA, around $30 million was spent to maintain and upgrade our equipment and facilities across a number of markets. The remaining $16 million was spent in Europe, expanding our Injectables manufacturing capacity for lyophilised and oncology products. We expect Group capital expenditure to be around $160 million in 2017.

The Group's net debt[9] (excluding co-development agreements and contingent liabilities) stood at $697 million at the end of December 2016, compared with $135 million at the end of December 2015. On 29 February 2016, we completed the acquisition of West-Ward Columbus and the net cash consideration of $575 million (net of certain working capital and other adjustments) was paid to Boehringer Ingelheim. In addition, 40 million new shares were issued to Boehringer Ingelheim at a price of 1881p, bringing the combined net consideration paid at closing to $1.6 billion, using the USD:GBP exchange rate of 1.3879:1. Post completion, further adjustments to the cash consideration have been made which reduced the total consideration to $1.5 billion. Should certain targets be met, further payments could be triggered.[10] The cash consideration was funded through a combination of cash and the utilisation of the Group's existing debt facilities.

Balance sheet

Net assets at 31 December 2016 were $2,411 million, compared to $1,352 million at 31 December 2015. The significant increase in net assets reflects the consolidation of the West-Ward Columbus business. Net current assets were $530 million, compared to $768 million at 31 December 2015.

[8] Group working capital days are calculated as Group receivable days plus Group inventory days, less Group payable days. Group receivable days are calculated as Group trade receivables x 365, divided by trailing 12 months Group revenue. Group inventory days are calculated as Group inventory x 365, divided by trailing 12 months Group cost of sales. Group payable days are calculated as Group trade payables x 365, divided by trailing 12 months Group cost of sales. We believe Group working capital days provides a useful measure of the Group's working capital management and liquidity

[9] Group net debt is calculated as Group total debt less Group total cash. Group total debt excludes co-development agreements and contingent liabilities. We believe Group net debt is a useful measure of the strength of the Group's financing position

[10] Further detail regarding the West-Ward Columbus acquisition is provided in note 17

During the period, shareholder equity was negatively impacted by an unrealised foreign exchange translation loss of $90 million, primarily reflecting movements in the Egyptian pound, Sudanese pound, Algerian dinar, Tunisian dinar and Moroccan dirham against the US dollar and the translation of net assets denominated in these currencies.

Summary and outlook

The Group delivered a solid performance in 2016 whilst making excellent strategic progress, including the transformational acquisition of West-Ward Columbus.

We expect the Injectables business to deliver continued growth in 2017, with strong demand across our global portfolio and new product launches more than offsetting the impact of increased competition. We expect Injectables revenue to be in the range of $800 million to $825 million. We expect core operating margin to be in the high 30s in 2017, which assumes a step-up in R&D investment.

We continue to expect revenue for the Generics business to be around $800 million in 2017, with an improvement in the mix of sales and new product launches more than offsetting the impact of increased competition on the marketed portfolio and a reduction in contract manufacturing revenue. Certain new launches are expected to contribute around 15% of Generics revenue in 2017, primarily generic Advair, which is assumed to be launched in the second half of the year. We expect the profitability of the Generics business to significantly improve in 2017, driven by new product launches, an enhanced mix of sales and a continued focus on operating efficiencies.

In 2017, we expect Branded revenue to grow in the mid-single digits in constant currency, driven by underlying market growth and our focus on strategic products. Taking into account exchange rate movements since the beginning of 2017, and assuming these rates prevail, we would expect reported Branded revenue to grow in the low-single digits and core operating margin to be broadly in line with 2016. This adverse currency impact is primarily due to the devaluation of the Egyptian pound against the US dollar.

Overall, we expect Group revenue in 2017 to be around $2.2 billion in constant currency.

Responsibility statement

The responsibility statement below has been prepared in connection with company's full annual report for the year ended 31 December 2016. Certain parts thereof are not included within this announcement.

We confirm to the best of our knowledge:

- The financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole;

- The business and financial review, which is incorporated into the strategic report, includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face: and

- The annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to access the company's performance, business model and strategy.

By order of the Board

Said Darwazah	Khalid Nabilsi
Chief Executive Officer	Chief Financial Officer

14 March 2017

Cautionary statement

This preliminary announcement has been prepared solely to provide additional information to the shareholders of Hikma and should not be relied on by any other party or for any other purpose.

Forward looking statements

This announcement contains certain statements which are, or may be deemed to be, "forward looking statements" which are prospective in nature with respect to Hikma's expectations and plans, strategy, management objectives, future developments and performance, costs, revenues and other trend information. 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.

By their nature, forward looking statements are based on current expectations and projections about future events and are therefore subject to assumptions, risks and uncertainties that are beyond Hikma's ability to control or estimate precisely and which could cause actual results or events to differ materially from those expressed or implied by the forward looking statements. Where included, such statements have been made by or on behalf of Hikma in good faith based upon the knowledge and information available to the Directors on the date of this announcement. Accordingly, no assurance can be given that any particular expectation will be met and Hikma's shareholders are cautioned not to place undue reliance on the forward-looking statements. 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.

Other than in accordance with its legal or regulatory obligations (including under the Market Abuse Regulation ((EU) No. 596/2014) and the UK Listing Rules and the Disclosure and Transparency Rules of the Financial Conduct Authority), Hikma does not undertake to update the forward looking statements contained in this announcement to reflect any changes in events, conditions or circumstances on which any such statement is based 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. Past share performance cannot be relied on as a guide to future performance. Nothing in this announcement should be construed as a profit forecast.

Neither the content of Hikma's website nor any other website accessible by hyperlinks from Hikma's website are incorporated in, or form part of, this announcement.

Principal risks and uncertainties

During the year, the Board conducted a robust assessment of all the principal risks in the businesses, looking in detail at the nature and scale of the risks being taken and the mitigation approaches. The Board considers that it is possible that more than one principal risk could escalate at any one point in time. The Board is satisfied that these risks are being managed appropriately and consistently with the target risk appetite. The Group faces risks and uncertainties that could have a material impact on its earnings and ability to trade in the future. These principal risks are set out below, although the contents of this table are not deemed as an exhaustive list of all the risks and uncertainties the Group faces.

<table>
<tr><th>Risk and description</th><th>Mitigation and control</th></tr>
<tr><td colspan="2">Product quality</td></tr>
<tr><td>Situations resulting in poor manufacturing and processes quality of products have the potential to lead to:
Product efficacy and safety issues affecting patients and manufacturing personnel resulting in liability and reputational issues
Regulatory action that could result in the closure of facilities and consequential loss of opportunity and potential failure to supply obligations
Delayed or denied approvals for new products
Product recalls</td><td>Global implementation of quality systems that guarantee valid consistent manufacturing processes leading to the production of quality products
The 11 FDA approved facilities are regularly assessed by the regulator
Documented procedures are continuously improved and staff receive training on those procedures on a regular basis
Continued environment and health certifications</td></tr>
<tr><td colspan="2">API sourcing</td></tr>
<tr><td>API and raw materials represent one of the Group's largest cost components. 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
There is a risk that it will not be possible to secure or maintain adequate levels of API supplies in future
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</td><td>Maintaining alternative API suppliers for each of the Group's products, where possible
API suppliers are carefully selected and the Group endeavours to build long-term supply contracts
The Group has a dedicated plant in Jordan that can synthesise strategic injectable APIs and difficult to procure injectable APIs where appropriate
Utilising supply chain models to maintain adequate API levels</td></tr>
<tr><td colspan="2">MENA & emerging markets</td></tr>
<tr><td>Hikma operates in the MENA and emerging markets which have high levels of political and social instability as well as economic and regulatory fluctuations that can result in a wide variety of business disruptions in those markets for a substantial period of time</td><td>Geographic diversity reduces the impact of issues arising in one jurisdiction with extensive experience of operating in these environments and developing opportunities
Strong regulatory team that proactively monitors possible regulatory changes
Building and nurturing local business relationships whilst upholding the highest ethical standards
Monitoring, analysing and reacting to economic developments, on short, medium and long term bases</td></tr>
<tr><td colspan="2">New product pipeline</td></tr>
<tr><td>A sizeable proportion of Group revenues and profits derive from a number of strategic products. Failure to maintain a healthy product pipeline will affect the ability of the Group to generate business and limits the ability to provide</td><td>Internal marketing and business development departments monitor and assess the market for arising opportunities
Expansive global product portfolio with increased</td></tr>
</table>

differentiated products to patients and customers	focus on high value and differentiated products • Experienced internal regulatory teams developing products and overseeing joint venture activities • Product related acquisitions (e.g. acquisition of West-Ward Columbus) • Third party pharmaceutical product specialists in addition to strong R&D teams are assisting in the development of manufacturing processes for new generic products. Both are assisted centrally in the implementation and management of projects • Launched a product portfolio/pipeline management platform and project management office with improved alignment across the Group • Defined and reviewed clear product strategies that set product development priorities
Industry earnings	
• The dynamics of the generic pharmaceutical industry includes numerous volatile elements such as regulatory interventions, drug approval patterns, competitor strategies and pricing that are difficult to anticipate and may affect profitability	• Operating in wide range of countries, products and therapeutic areas • Diversification of manufacturing capability and capacity • Active product life cycle and pricing management in the MENA region • Compliantly identify market opportunities and develop appropriate pricing strategies whilst responsibly applying price changes in the US
Acquisitions	
• 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 • An acquisition of a large-scale target may entail financing-related risks and operating expenses and significantly increase the Group's leverage if financed with debt	• The mergers and acquisitions team undertake extensive due diligence of each acquisition, including legal, financial, compliance and commercial, and utilise multiple valuation approaches in assessing target acquisition value • Executive Committee reviews major acquisitions before they are considered by the Board • The Board is willing and has demonstrated its ability to refuse acquisitions where it considers the price or risk is too high • Dedicated integration project teams are assigned for the acquisition, which are led by the business head responsible for proposing the opportunity. Following the acquisition of a target, the finance team, the management team and the Audit Committee closely monitor its financial and non-financial performance
ABC Compliance	
• The pharmaceutical industry and certain MENA and emerging markets are considered to be higher risk in relation to sales practices. Improper conduct by employees could seriously damage the	• Board level – Compliance, Responsibility and Ethics Committee (CREC) • Code of Conduct approved by the Board, translated into seven languages and signed by all

reputation and licence to do business	employees • ABC compliance programme monitored by the CREC • Over 5,000 employees have received ABC compliance training • Sales and marketing and other ABC compliance policies and procedures are created, updated and rolled out and are subject to regular audits • Active participation in international anti-corruption initiatives (e.g. PACI, UN Global Compact) • Strengthening US compliance operations in line with business expansion • Conducting legally privileged internal compliance audits
Financial	
• 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. In addition, most of the other risks could have a financial impact on the Group	• Extensive financial control procedures have been implemented and are assessed annually as part of the internal audit programme • A network of banking partners is maintained for lending and deposits • Management monitors debtor payments and takes precautionary measures where necessary • Where it is economic and possible to do so, the Group hedges its exchange rate and interest rate exposure • Management obtains external advice to help manage tax exposures and has upgraded internal tax control systems
Legal, intellectual property and regulatory	
• The Group is exposed to a variety of legal, IP and regulatory risks similar to most relevant major international industries such as changes in laws, regulations and their application, litigation, governmental investigations, sanctions, contractual terms and conditions and potential business disruptions	• Expert internal departments that enhance policies, processes, embed compliance culture, raise awareness • Train staff and provide terms to mitigate or lower contractual risks where possible • First class expert external advice is procured to provide independent services and ensure highest standards • Board of Directors and executive management provide leadership and take action
Information technology	

• If information and data are not adequately secured and protected (data security, access controls), this could result in:
  • Increased internal/ external security threats
  • Compliance and reputational damages
  • Regulatory and legal litigation
	• Utilise appropriate levels of industry-standard information security solutions for critical systems
	• Continue to stay abreast of cyber-risk activity and, where necessary, implement changes to combat this
	• Improved alignment between IT and business strategy

	• Working with third party consultants on implementing a robust Group-wide information security programme
Human Resources and Organisational growth	
• Changes in employment laws, currency fluctuations and inflation pose constant risks. The fast growth of the organisation poses risks to management processes, structures and talent that serve the changing needs of the organisation. In turn, this may affect other risks	• Employ HR programmes that attract, manage and develop talent within the organisation • Keeping our organisation structures and accountabilities under review, and maintaining the flexibility to make changes smoothly as requirements change • Continuously upgrade management processes so that they become and remain at the standards of a global company
Reputational	
• Reputational risk inescapably arises as a by-product of other risks and from taking complex business decisions. However, we view our reputation as one of our most valuable assets, as risks facing our reputation may affect our ability to conduct core business operations	• Monitor the internal and external sources that might signal reputational issues • Sustain corporate responsibility and ethics through transparent reporting and compliance with global best practices (e.g. GHG emissions, UN Global Compact) • Strengthening communication and corporate affairs capabilities • Establishing partnerships and programmes to limit misuse of Hikma products

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	**2016 Core results $m**	**2016 Exceptional items and other adjustments (note 4) $m**	**2016 Reported results $m**	2015 Core results $m	2015 Exceptional items and other adjustments (note 4) $m	2015 Reported results $m
Continuing operations							
Revenue	3	**1,950**	**-**	**1,950**	1,440	-	1,440
Cost of sales	3	**(932)**	**(32)**	**(964)**	(622)	-	(622)
Gross profit	3	**1,018**	**(32)**	**986**	818	-	818
Sales and marketing expenses		**(184)**	**(37)**	**(221)**	(156)	(16)	(172)
General and administrative expenses		**(208)**	**(36)**	**(244)**	(180)	(20)	(200)
Research and development expenses		**(126)**	**(24)**	**(150)**	(36)	-	(36)
Other operating expenses (net)		**(81)**	**12**	**(69)**	(37)	8	(29)
Total operating expenses		**(599)**	**(85)**	**(684)**	(409)	(28)	(437)
Operating profit	3	**419**	**(117)**	**302**	409	(28)	381
Loss/impairment of associates		**-**	**-**	**-**	(2)	(7)	(9)
Finance income		**3**	**9**	**12**	3	-	3
Finance expense		**(63)**	**(41)**	**(104)**	(55)	(2)	(57)
Profit before tax		**359**	**(149)**	**210**	355	(37)	318
Tax	5	**(80)**	**28**	**(52)**	(67)	3	(64)
Profit for the year		**279**	**(121)**	**158**	288	(34)	254
Attributable to:							
Non-controlling interests		**3**	**-**	**3**	2	-	2
Equity holders of the parent		**276**	**(121)**	**155**	286	(34)	252
		279	**(121)**	**158**	288	(34)	254
Earnings per share (cents)							
Basic	7	**118.5**		**66.5**	143.7		126.6
Diluted	7	**117.9**		**66.2**	142.3		125.4

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 $m	2015 $m
Profit for the year	**158**	254
Other Comprehensive Income		
Items that may be reclassified subsequently to the income statement, net of tax:		
Effect of change in investment designated at fair value	**1**	-
Exchange difference on translation of foreign operations	**(90)**	(67)
Total comprehensive income for the year	**69**	187
Attributable to:		
Non-controlling interests	**-**	(2)
Equity holders of the parent	**69**	189
	69	187

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2016

	Note	2016 $m	2015 $m
Non-current assets			
Intangible assets		**1,719**	607
Property, plant and equipment		**969**	507
Investment in associates and joint ventures		**7**	7
Deferred tax assets		**172**	70
Financial and other non-current assets		**48**	46
		2,915	1,237
Current assets			
Inventories	8	**459**	251
Income tax asset		**2**	3
Trade and other receivables	9	**759**	488
Collateralised and restricted cash		**7**	40
Cash and cash equivalents		**155**	553
Other current assets		**66**	25
		1,448	1,360
Total assets		**4,363**	2,597
Current liabilities			
Bank overdrafts and loans		**117**	115
Trade and other payables	10	**343**	276
Income tax provision		**112**	75
Other provisions		**27**	28
Other current liabilities	11	**319**	98
		918	592
Net current assets		**530**	768
Non-current liabilities			
Long-term financial debts	12	**721**	590
Obligations under finance leases		**21**	22
Deferred tax liabilities		**15**	21
Other non-current liabilities	13	**277**	20
		1,034	653
Total liabilities		**1,952**	1,245
Net assets		**2,411**	1,352
Equity			
Share capital	14	**40**	35
Share premium		**282**	282
Own shares		**(1)**	(1)
Other reserves		**2,075**	1,021
Equity attributable to equity holders of the parent		**2,396**	1,337
Non-controlling interests		**15**	15
Total equity		**2,411**	1,352

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Merger and Revaluation reserves	Translation reserves	Retained earnings	Total reserves	Share capital	Share premium	Own shares	Total equity attributable to equity shareholders of the parent	Non-controlling interests	Total equity
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
Balance at 1 January 2015	38	(98)	942	882	35	281	(1)	1,197	19	1,216
Profit for the year	-	-	252	252	-	-	-	252	2	254
Currency translation loss	-	(63)	-	(63)	-	-	-	(63)	(4)	(67)

Total comprehensive income for the year	-	(63)	252	189	-	-	-	189	(2)	187
Total transactions with owners, recognised directly in equity										
Issue of equity shares (note 14)	-	-	-	-	-	1	-	1	-	1
Cost of equity-settled employee share scheme	-	-	15	15	-	-	-	15	-	15
Deferred tax arising on share-based payments	-	-	(1)	(1)	-	-	-	(1)	-	(1)
Dividends on ordinary shares (note 6)	-	-	(64)	(64)	-	-	-	(64)	(2)	(66)
Balance at 31 December 2015 and 1 January 2016	38	(161)	1,144	1,021	35	282	(1)	1,337	15	1,352
Profit for the year	-	-	155	155	-	-	-	155	3	158
Effect of change in investment designated at fair value	-	-	1	1	-	-	-	1	-	1
Currency Translation Loss	-	(87)	-	(87)	-	-	-	(87)	(3)	(90)
Total comprehensive income for the year	-	(87)	156	69	-	-	-	69	-	69
Total transactions with owners, recognised directly in equity										
Issue of equity shares for acquisition of a subsidiary (note 14,17)	1,039	-	-	1039	5	-	-	1,044	-	1,044
Cost of equity-settled employee share scheme	-	-	22	22	-	-	-	22	-	22
Deferred tax arising on share-based payments	-	-	1	1	-	-	-	1	-	1
Dividends on ordinary shares (note 6)	-	-	(77)	(77)	-	-	-	(77)	(1)	(78)
Acquisition of subsidiaries (note 17)	-	-	-	-	-	-	-	-	1	1
Balance at 31 December 2016	**1,077**	**(248)**	**1,246**	**2,075**	**40**	**282**	**(1)**	**2,396**	**15**	**2,411**

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	**2016 $m**	2015 $m
Net cash from operating activities	15	**293**	366
Investing activities			
Purchases of property, plant and equipment		**(122)**	(82)
Proceeds from disposal of property, plant and equipment	4	**1**	31
Purchase of intangible assets		**(68)**	(55)
Proceeds from disposal of intangible assets	4	**24**	-

Investment in financial and other non-current assets	**(11)**	-
Investment in available for sale investments	**(6)**	(1)
Investments designated at fair value	**-**	(20)
Acquisition of business undertakings net of cash acquired	**(515)**	-
Finance income	**2**	3
Acquisition related amounts held in escrow account	**-**	(38)
Net cash used in investing activities	**(695)**	(162)
Financing activities		
(Decrease)/increase in collateralised and restricted cash	**(4)**	6
Proceeds from issue of long-term financial debts	**471**	529
Repayment of long-term financial debts	**(326)**	(91)
Proceeds from short-term borrowings	**345**	325
Repayment of short-term borrowings	**(337)**	(595)
Dividends paid	**(77)**	(64)
Dividends paid to non-controlling shareholders of subsidiaries	**(1)**	(2)
Interest paid	**(54)**	(49)
Proceeds from issue of new shares	**-**	1
Proceeds from co-development and earnout payment agreement, net	**2**	17
Net cash generated by financing activities	**19**	77
Net (decrease)/increase in cash and cash equivalents	**(383)**	281
Cash and cash equivalents at beginning of year	**553**	280
Foreign exchange translation movements	**(15)**	(8)
Cash and cash equivalents at end of year	**155**	553

Notes to the Consolidated Financial Statements

The company is a public listed company, listed at the London stock exchange and incorporated and domiciled in the UK (registered number 5557934), the address is 13 Hanover Square, London, W1S 1HW, United Kingdom.

1. Accounting Policies

Basis of preparation

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2016 or 2015, but is derived from those accounts. Statutory accounts for 2015 have been delivered to the Registrar of Companies and those for 2016 will be delivered following the Company's annual general meeting. The auditors have reported on those accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under S498 (2) or (3) of the Companies Act 2006. Hikma Pharmaceuticals PLC's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board. The financial statements have also been prepared in accordance with IFRSs adopted for use in the European Union and therefore comply with Article 4 of the EU IAS Regulation. The financial statements have been prepared under the historical cost convention, except for the revaluation to market of certain financial assets and liabilities. The preliminary announcement is based on the Company's financial statements. The Group's previously published financial statements were also prepared in accordance with International Financial Reporting Standards. These International Financial Reporting Standards have been subject to amendment and interpretation by the International Accounting Standards Board and the financial statements presented for the years ended 31 December 2016 and 31 December 2015 have been prepared in accordance with those revised standards. Unless stated otherwise these policies are in accordance with the revised standards that have been applied throughout the year and prior years presented in the financial statements. The presentational and functional currency of Hikma Pharmaceuticals PLC is the US Dollar as the majority of the Company's business is conducted in US Dollars ($).

Adoption of new and revised statements

The following new and revised Standards and Interpretations have been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements but may impact the accounting for future transactions and arrangements.

IFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations
Amendments IFRS 14	Regulatory deferral accounts
IAS 19 (Amendments)	Defined Benefit Plans: Employees Contributions
IAS 16 and IAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation

IAS 27 (Amendments)	Equity Method in Separate Financial Statements
IFRS 10 and IAS 28 (Amendments)	Sale or contribution of Assets between an Investor and it Associate or Joint Venture
IAS 1 (Amendments)	Disclosure Initiative
Annual improvements 2010-2012	
Annual improvements 2012-2014	

The following Standards and Interpretations have not been applied in these financial statements because while in issue, are not yet effective (and in some cases, had not yet been adopted by the EU):

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
IFRS 10, IFRS 12 and IAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exemption
IFRS 16	Leases
IAS 12 (Amendments)	Recognition of deferred tax assets for unrealised losses

IFRS 9 will impact both the measurement and disclosure of financial instruments, IFRS 15 may have an impact on revenue recognition and related disclosure, and IFRS 16 will impact leased assets and financial liabilities and related disclosures. Until a detailed review is completed; the directors do not find it practical to provide a reasonable estimate of the effects of the above listed IFRS on the financials statements of the Group in the future periods.

2. Going Concern

The Directors have considered the going concern position of the Company during the period and the period end as they have in previous years. 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 relatively defensive generic pharmaceuticals industry which the Directors expect to be less affected by economic downturns compared to other industries.

The Group's overall net debt position was $697 million (31 December 2015: $135 million). Net cash from operating activities in FY 2016 was $293 million (FY 2015: $366 million). The Group has $1,109 million (December 2015: $1,374 million) of undrawn short term and long term banking facilities, in addition to $180 million (31 December 2015: $205 million) of unutilised import and export financing limits. These facilities are well 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 purchase of West-Ward Columbus, show that the Group should be able to operate well within the levels of its facilities and their related covenants.

After making enquiries, the Directors believe that the Group is adequately placed to manage its business and financing risks successfully despite the current uncertain economic and political outlook. Having reassessed the principal risks, the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

3. Segmental reporting

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

Operating profit, defined as segment result, is the principal 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:

Branded	**2016**	**2016**	**2016**	2015	2015	2015
	Core results	**Exceptional items and other adjustments (note 4)**	**Reported results**	Core results	Exceptional items and other adjustments (note 4)	Reported results
Year ended 31 December 2016	**$m**	**$m**	**$m**	$m	$m	$m
Revenue	**556**	**-**	**556**	570	-	570
Cost of sales	**(274)**	**-**	**(274)**	(293)	-	(293)
Gross profit	**282**	**-**	**282**	277	-	277
Total operating expenses	**(170)**	**(8)**	**(178)**	(159)	(13)	(172)
Segment result	**112**	**(8)**	**104**	118	(13)	105

Injectables	2016	2016	2016	2015	2015	2015
	Core results	**Exceptional items and other adjustments (note 4)**	**Reported results**	Core results	Exceptional items and other adjustments (note 4)	Reported results
Year ended 31 December 2016	**$m**	**$m**	**$m**	$m	$m	$m
Revenue	**781**	**-**	**781**	710	-	710
Cost of sales	**(276)**	**-**	**(276)**	(261)	-	(261)
Gross profit	**505**	**-**	**505**	449	-	449
Total operating expenses	**(165)**	**(28)**	**(193)**	(137)	(1)	(138)
Segment result	**340**	**(28)**	**312**	312	(1)	311

Injectables segment includes EUP results.

Generics	2016	2016	2016	2015	2015	2015
	Core results	**Exceptional items and other adjustments (note 4)**	**Reported results**	Core results	Exceptional items and other adjustments (note 4)	Reported results
Year ended 31 December 2016	**$m**	**$m**	**$m**	$m	$m	$m
Revenue	**604**	**-**	**604**	151	-	151
Cost of sales	**(376)**	**(32)**	**(408)**	(62)	-	(62)
Gross profit	**228**	**(32)**	**196**	89	-	89
Total operating expenses	**(193)**	**(17)**	**(210)**	(43)	(2)	(45)
Segment result	**35**	**(49)**	**(14)**	46	(2)	44

Generics segment includes West-Ward Columbus results.

Others	2016	2016	2016	2015	2015	2015
	Core results	**Exceptional items and other adjustments (note 4)**	**Reported results**	Core results	Exceptional items and other adjustments (note 4)	Reported results
Year ended 31 December 2016	**$m**	**$m**	**$m**	$m	$m	$m
Revenue	**9**	**-**	**9**	9	-	9
Cost of sales	**(6)**	**-**	**(6)**	(6)	-	(6)
Gross profit	**3**	**-**	**3**	3	-	3
Total operating expenses	**(5)**	**-**	**(5)**	(8)	-	(8)
Segment result	**(2)**	**-**	**(2)**	(5)	-	(5)

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

Group	2016	2016	2016	2015	2015	2015
	Core results	**Exceptional items and other adjustments (note 4)**	**Reported results**	Core results	Exceptional items and other adjustments (note 4)	Reported results
Year ended 31 December 2016	**$m**	**$m**	**$m**	$m	$m	$m
Revenue	**1,950**	**-**	**1,950**	1,440	-	1,440
Cost of sales	**(932)**	**(32)**	**(964)**	(622)	-	(622)
Gross profit	**1,018**	**(32)**	**986**	818	-	818

Total operating expenses	**(533)**	**(53)**	**(586)**	(346)	(16)	(362)
Segment result	**485**	**(85)**	**400**	472	(16)	456
Unallocated expenses	**(66)**	**(32)**	**(98)**	(63)	(12)	(75)
Operating profit	**419**	**(117)**	**302**	409	(28)	381
Loss/impairment of associates	**-**	**-**	**-**	(2)	(7)	(9)
Finance income	**3**	**9**	**12**	3	-	3
Finance expense	**(63)**	**(41)**	**(104)**	(55)	(2)	(57)
Profit before tax	**359**	**(149)**	**210**	355	(37)	318
Tax	**(80)**	**28**	**(52)**	(67)	3	(64)
Profit for the year	**279**	**(121)**	**158**	288	(34)	254
Attributable to:						
Non-controlling interests	**3**	**-**	**3**	2	-	2
Equity holders of the parent	**276**	**(121)**	**155**	286	(34)	252
	279	**(121)**	**158**	288	(34)	254

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

Segment assets and liabilities 2016	Branded $m	Injectables $m	Generics $m	Corporate and others $m	Group $m
Additions to property, plant and equipment (cost)	**14**	**38**	**56**	**10**	**118**
Acquisition of business property plant and equipment (note 17)	**-**	**11**	**447**	**-**	**458**
Additions to intangible assets	**1**	**40**	**28**	**3**	**72**
Acquisition of business intangible assets (note 17)	**-**	**34**	**1,130**	**-**	**1,164**
Total property, plant and equipment and intangible assets (net book value)	**397**	**576**	**1667**	**48**	**2,688**
Depreciation and impairment of property, plant and equipment	**21**	**28**	**26**	**3**	**78**
Amortisation, impairment and write-down of intangible assets (including software)	**10**	**26**	**32**	**-**	**68**
Investment in associates and joint ventures	**-**	**-**	**-**	**7**	**7**
Balance sheet					
Total assets	**1,019**	**880**	**2,306**	**158**	**4,363**
Total liabilities	**475**	**404**	**1,015**	**58**	**1,952**

Segment assets and liabilities 2015	Branded $m	Injectables $m	Generics $m	Corporate and others $m	Group $m
Additions to property, plant and equipment (cost)	24	39	15	7	85
Remeasurement of property plant and equipment*	-	(1)	-	-	(1)
Additions to intangible assets	5	41	8	2	56
Remeasurement of intangible assets*	-	(8)	-	-	(8)
Total property, plant and equipment and intangible assets (net book value)	478	532	81	23	1,114
Depreciation and impairment	22	19	8	2	51
Amortisation and impairment (including software)	9	11	1	1	22
Investment in associates and joint ventures	-	-	-	7	7
Balance sheet					
Total assets	1,108	829	165	495	2,597
Total liabilities	453	397	309	86	1,245

* Further to Bedford Laboratories ("Bedford") acquisition in 2014, a reduction of $8 million was made to the provisional goodwill recognised on the acquisition of Bedford as a result of the adjustment to inventory, property, plant and equipment and deferred tax made prior to the end of the measurement period on 15 July 2015.

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

	2016	2015
	$m	$m
United States	**1,211**	697
Middle East and North Africa	**641**	656
Europe and Rest of the World	**95**	82
United Kingdom	**3**	5
	1,950	1,440

The top selling markets were as below:

	2016	2015
	$m	$m
United States	**1,211**	697
Saudi Arabia	**143**	162
Algeria	**115**	113
	1,469	972

Included in revenues arising from the Generics and Injectables segments are revenues of approximately $253 million (2015: $173 million) which arose from the Group's largest customer which is in the United States.

4. Exceptional items and other adjustments

Exceptional items and other adjustments are disclosed separately in the consolidated income statement to assist in the understanding of the Group's core performance.

	2016	2015
Exceptional items	**$m**	$m
Acquisition, integration and other costs	**(41)**	(14)
Gain from sale of assets, net	**18**	6
Inventory related adjustments	**(27)**	-
Release of contingent liability	**4**	-
Impairment of property plant and equipment	**(10)**	-
Impairment of product related intangible assets	**(6)**	-
Write- down of product related intangible assets	**(18)**	-
Severance costs	**-**	(6)
Proceeds from legal claims	**-**	2
Exceptional items included in operating profit	**(80)**	(12)
Impairment of investment in associates	**-**	(7)
Exceptional items included in profit	**(80)**	(19)
Other adjustments		
Intangible amortisation other than software	**(37)**	(16)
Remeasurement of contingent consideration, financial liability and assets, net	**(32)**	(2)
Exceptional items and other adjustments	**(149)**	(37)
Tax effect	**28**	3
Impact on profit for the year	**(121)**	(34)

Exceptional items:

- Acquisition, integration and other costs are incurred in relation to the acquisition of West-Ward Columbus which was completed on 29 February 2016. Acquisition related expenses are included in the unallocated corporate expenses, while integration and other expenses are included in the general and administrative expense and cost of sales respectively. Acquisition related expenses mainly comprise third party consulting services, legal and professional fees, other costs represent severance and retention payments paid.
- Gain from sale of assets relates to the divestiture of certain products, and is included in other operating income.
- Inventory related adjustments reflect the amortisation of the fair value uplift of the inventory acquired as part of West-Ward Columbus acquisition, and are included in cost of sales.
- Release of contingent liability is due to not achieving certain performance-related milestones in respect of a previous acquisition, and is included in other operating income.

- Impairment loss of property, plant and equipment relates to the write-off of machinery and equipment as a result of previous acquisition, and is included in other operating expenses.
- Impairment of products-related intangible assets has been included in the research and development expenses.
- Write-down of products related intangible assets relates to the write-down of certain of research and devlopment elements associated with the co-development agreements entered into with third parties since 2011 and has been included in the research and development expenses.

Other adjustments:

- Remeasurement of contingent consideration, financial liability and assets arising from acquisition represents the net difference resulting from the valuation of the liabilities and assets associated with the future contingent payments in respect to West-Ward Columbus acquisition (note 17) in addition to the financial liability in relation to the co-development earnout payment agreement (note 13).

In previous periods exceptional items and other adjustments are related to the following:

- Acquisition and integration related costs were incurred in relation to the acquisition of West-Ward Columbus, which was closed on 29 February 2016. Acquisition related expenses were included in the unallocated corporate expenses, while integration related expenses were included in the general and administrative expense. Acquisition related expenses mainly comprise third party consulting services, legal and professional fees.
- Gain from sale of the assets related to the sale of Bedford manufacturing facilities to Xellia Pharmaceuticals for a cash consideration of $30 million was included in other operating income. The gain is net of hibernation costs related to the assets.
- Severance costs related to restructuring of management teams mainly in MENA and were included in general and administrative expenses.
- Proceeds from legal claims refer to cash received in settlement of an indemnification claim in the US, which was included in other operating income.
- Impairment of investment in associates represented the impairment of the remaining investment balance related to Unimark Remedies limited. Hikma's share in Unimark Remedies Limited has been divested during 2016 for minimal value.
- Remeasurement of the financial liability in relation to the co-development earnout payment agreement represent the difference resulting from the valuation of the liabilities associated with the future earnout payments to be made (note 13).

5. Tax

	2016 $m	2015 $m
Current tax:		
Foreign tax	115	68
Adjustments to prior year	2	(1)
Deferred tax:		
Current year	(57)	(5)
Adjustments to prior year	(8)	2
Tax	52	64

UK corporation tax is calculated at 20.0% (2015: 20.3%) of the estimated assessable profit made in the UK for the year.

The Group incurred a tax expense of $52 million (2015: $64 million). The effective tax rate is 24.8%, (2015: 20.1%). The increase in the effective tax rate reflects increased earnings in higher taxed jurisdictions, particularly in the US where the federal corporate tax rate is 35.0%.

Taxation for all jurisdictions is calculated at the rates prevailing in the respective jurisdiction.

The charge for the year can be reconciled to profit before tax per the consolidated income statement as follows:

	2016 **$m**	2015 $m
Profit before tax	**210**	318
Tax at the UK corporation tax rate of 20.0% (2015: 20.3%)	**42**	64
Profits taxed at different rates	**13**	(16)
Permanent differences		

- non-taxable income	**(17)**	(17)
- non-deductible expenditures	**13**	6
- adjustment on intercompany stock	**(14)**	4
- Other	**(1)**	(1)
State and local taxes	**2**	1
Temporary differences for which no benefit is recognised	**13**	11
Change in provision for uncertain tax positions	**5**	11
Unremitted earnings	**2**	-
Prior year adjustments	**(6)**	1
Tax expense for the year	**52**	64

The format of the 2016 tax reconciliation has been expanded to clarify the reconciling items. For consistency, we have re-classified the 2015 comparatives using the same methodology.

Profit taxed at different tax rates relates to profits arising in overseas jurisdictions where the tax rate differs from the UK statutory rate.

Permanent differences relate to items which are non-taxable or no tax relief is ever likely to be due. The major items are differences in GAAP between IFRS and local territory GAAP, expenses and income disallowed where they are covered by statutory exemptions, foreign exchange differences in some territories and statutory reliefs such as R&D and manufacturing tax credits.

Temporary differences for which no benefit is recognised includes items on which it is not possible to book deferred tax and comprise mainly of the impact of creating / (utilising) unrecognised temporary differences.

The change in provision for uncertain provisions relates to the provisions the Group takes in the event of a revenue authority successfully taking an adverse view of the positions adopted by the Group in 2016 and primarily relates to a transfer pricing adjustment.

Changes in deferred tax arise where a difference arises in the timing of the tax and accounting treatment of items.

Prior year adjustments include differences between the tax liability recorded in the tax returns submitted for previous years and estimated tax provision reported in a prior period's financial statements. This category also includes adjustments (favourable or adverse) in respect of uncertain tax positions following agreement of the tax returns with the relevant tax authorities.

6. Dividends on ordinary shares

	2016	2015
	$m	$m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2015 of 21.0 cents (2014: 15.0 cents) per share	**51**	30
Interim dividend for the year ended 31 December 2016 of 11.0 cents (2015: 11.0) per share	**26**	22
Special final dividend for the year ended 31 December 2014 of 6.0 cents	**-**	12
	77	64

The proposed final dividend for the year ended 31 December 2016 is 22.0 cents (2015: 21.0 cents).

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 19 May 2017 and has not been included as a liability in these financial statements. Based on the number of shares in issue at 31 December 2016 (239,955,000), the unrecognised liability is $53 million.

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. Core basic earnings per share and Core diluted earnings per share are intended to highlight the Core results of the Group before exceptional items and other adjustments. A reconciliation of the reported and core earnings used is also set out below:

	2016	2016	2016	2015	2015	2015
	Core results	**Exceptional items and other adjustments (note 4)**	**Reported results**	Core results	Exceptional items and other adjustments (note 4)	Reported results
	$m	**$m**	**$m**	$m	$m	$m

Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parents	276	(121)	155	286	(34)	252

Number of shares	**Number 'm**	Number 'm
Weighted average number of Ordinary Shares for the purposes of basic earnings per share	**233**	199
Effect of dilutive potential Ordinary Shares:		
Share-based awards	**1**	2
Weighted average number of Ordinary Shares for the purposes of diluted earnings per share	**234**	201

	2016 Core earnings per share cents	**2016 Reported earnings per share cents**	2015 Core earnings per share cents	2015 Reported earnings per share cents
Basic	118.5	66.5	143.7	126.6
Diluted	117.9	66.2	142.3	125.4

8. Inventories

	As at 31 December	
	2016 $m	2015 $m
Finished goods	**120**	55
Work-in-progress	**73**	33
Raw and packing materials	**229**	144
Goods in transit	**18**	11
Spare parts	**19**	8
	459	251

9. Trade and other receivables

	As at 31 December	
	2016 $m	2015 $m
Trade receivables	699	432
Prepayments	44	39
VAT and sales tax recoverable	14	15
Employee advances	2	2
	759	488

10. Trade and other payables

	As at 31 December	
	2016 $m	2015 $m
Trade payables	172	139
Accrued expenses	157	122
Other payables	14	15
	343	276

Other payables mainly include employees’ provident fund liability of $5 million (31 December 2015: $5 million), which mainly represents the outstanding contributions to the Hikma Pharmaceuticals Ltd (Jordan) retirement benefit plan, on which the fund receives 3.5% interest.

11. Other current liabilities

As at 31 December

	2016	2015
	$m	$m
Deferred revenue	**13**	16
Return and free goods provision	**109**	49
Co-development and earnout payment	**4**	3
Contingent consideration and liability	**123**	-
Finance lease obligations	**1**	1
Others	**69**	29
	319	98

12. Long-term financial debts

	As at 31 December	
	2016	2015
	$m	$m
Long-term loans	**270**	141
Long-term borrowings (Eurobond)	**495**	494
Less: current portion of long term loans	**(44)**	(45)
Long-term financial loans	**721**	590
Breakdown by maturity:		
Within one year	**44**	45
In the second year	**29**	35
In the third year	**171**	20
In the fourth year	**519**	17
In the fifth year	**2**	513
Thereafter	**-**	5
	765	635
Breakdown by currency:		
US Dollar	**746**	589
Euro	**1**	3
Algerian Dinar	**2**	6
Saudi Riyal	**1**	1
Egyptian Pound	**13**	33
Tunisian Dinar	**2**	3
	765	635

The loans are held at amortised cost.

Long term loans amounting to $3 million (2015: $8 million) are secured.

13. Other non-current liabilities

	As at 31 December	
	2016	2015
	$m	$m
Contingent consideration and liability	**226**	-
Supply manufacturing agreement	**33**	-
Co-development and earnout payment	**14**	18
Others	**4**	2
	277	20

Contingent consideration and liability: In respect to note 11, the non-current portion of the year-end balance is $146 million related to the contingent consideration and another $80 million related to the opening balance sheet contingent liability.

Supply Manufacturing Agreement: As part of the acquisition of West-Ward Columbus, the Group entered into supply and manufacturing contracts with Boehringer.

Co-development and earnout payment agreement: In respect to note 11, the non-current portion of the year-end balance is $14 million.

14. Share capital

Issued and fully paid – included in shareholders' equity:

	2016	2015

	Number 'm	$m	Number 'm	$m
At 1 January	**200**	**35**	199	35
Issued during the year (ordinary shares of 10p each)	**41**	**5**	1	-
At 31 December	**241**	**40**	200	35

15. Net cash from operating activities

	2016	2015
	$m	$m
Profit before tax	**210**	318
Adjustments for:		
Depreciation, amortisation, impairment and write down of:		
Property, plant and equipment	**78**	51
Intangible assets	**68**	22
Investment in associates	**-**	7
Gain on disposal of property, plant and equipment	**-**	(11)
Gain on disposal of intangible assets (note 4)	**(18)**	-
Movement on provisions	**(1)**	3
Cost of equity-settled employee share scheme	**22**	15
Finance income	**(12)**	(3)
Interest and bank charges	**102**	57
Results from associates	**-**	2
Foreign exchange loss*	**19**	-
Release of contingent Liability	**(4)**	-
Cash flow before working capital	**464**	461
Change in trade and other receivables	**(128)**	(78)
Change in other current assets	**1**	(1)
Change in inventories	**(32)**	4
Change in trade and other payables	**46**	28
Change in other current liabilities	**15**	3
Change in other non-current liabilities	**3**	-
Cash generated by operations	**369**	417
Income tax paid	**(76)**	(51)
Net cash generated from operating activities	**293**	366

* The presentation of 2016 has been amended to show the foreign exchange loss in a separate line item. We have not restated the 2015 comparatives in this respect on the basis that it is only a disclosure as the amount was immaterial and embedded in the net cash generated from operating activities.

16. Related parties

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 associates and other related parties are disclosed below.

Trading transactions:

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

Boehringer Ingelheim GmbH (‘BI’): is a related party of Hikma because BI owns 16.7% (2015: 0.0%) of the share capital of Hikma, controls 11.7% (2015: 0.0%) of the voting capital of Hikma, has the right to appoint a director of Hikma and a senior executive of BI holds a directorship of Hikma. During the year, the Group total sales to BI amounted to $90.1 million (2015: $nil) and the Group total purchases from BI amounted to $10.3 million. As at the year end, the amount owed from BI to the Group was $45.2 million (2015: $nil). Additionally, balances arising from the acquisition of West-Ward Columbus from BI relating to contingent consideration and purchase price adjustments which are outstanding are disclosed in note 17.

Capital Bank, Jordan (‘Capital Bank’): is a related party of Hikma because one director of Hikma is a director, the founder and former Chief Executive Officer of Capital Bank. At the year end, total cash balance at Capital Bank was $11.3 million (2015: $9.4 million) and utilisation of facilities granted by Capital Bank to the Group amounted to $8.3 million (2015: $nil). The interest expense/income is within market rate.

Darhold Limited ('Darhold'): is a related party of Hikma because three directors of Hikma jointly constitute the majority of directors and shareholders (with immediate family members) in Darhold and because Darhold owns 25.00% (2015: 29.06%) of the share and voting capital of Hikma.

Other than dividends (as paid to all shareholders), there were no transactions between the Group and Darhold Limited during the year.

HikmaCure Limited ('HikmaCure'): is a related part of Hikma because HikmaCure is a 50:50 joint venture (JV) with MIDROC Pharmaceuticals Limited ('MIDROC'). 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 (2015: $2.5 million).

Hubei Haosun Pharmaceutical Co., Ltd ('Haosun'): is a related part of Hikma because the Group holds a non-controlling interest of 30.1% (2015: 30.1%) in Haosun. During 2016, total purchases from Haosun were $0.4 million (2015: $0.6 million). At 31 December 2016, the amount owed from Hubei Haosun Pharmaceutical to the Group amounted to $1.7 million (2015: $nil).

Labatec Pharma ('Labatec'): is a related party of the Group because Labatec is owned by the family of two directors of Hikma. During 2016, total Group sales to Labatec amounted to $1.4 million (2015: $0.9 million). As at the year end, the amount owed by Labatec to the Group was $0.3 (2015: $0.2 million).

17. Acquisition of a business

During the year, Hikma acquired two businesses: West-Ward Columbus and EUP.

West-Ward Columbus

On 28 July 2015 Hikma announced that it had agreed to acquire West-Ward Columbus, from Boehringer Ingelheim (Boehringer).WestWard Columbus is a well-established US specialty generics company with a highly differentiated product portfolio and best-in-class R&D capabilities.

The acquisition of West-Ward Columbus will transform Hikma's position and scale in the US generics market, expand the manufacturing capacity and technological capabilities, add significant breadth to Hikma's US portfolio, create sustainable long-term growth potential.

On 29 February 2016, Hikma completed the acquisition of West-Ward Columbus. The total fair value of the consideration was $1,725 million comprising of net cash consideration of $575 million (net of certain working capital and other adjustments); 40 million Ordinary Shares issued to Boehringer based on Hikma's share price of £18.81 and the US: GBP exchange rate of 1.3879:1 (representing an estimated 16.71 per cent. of Hikma issued share capital immediately following the issuance); a contingent consideration of $224 million based on future performance; and a purchase price adjustment of $118 million reflecting further working capital adjustments as well as amounts receivable from Boehringer in respect of milestones and other conditions.

The goodwill arising represents the sustainable long-term growth, the addition of West-Ward's Columbus experienced R&D team with a successful track record of bringing new and differentiated products to market, the possibility to launch additional pipeline products including those to launch beyond 2020 (future potential unidentified assets) and expected synergies not attributable to intangible assets.

The net assets acquired in the transaction and the goodwill arising have been valued by a third party expert as set out below.

Net assets acquired	Fair value $m	
Trade and other receivables	170	a
Inventories	200	b
Other Current Assets	4	
Intangible assets	723	c
Property, plant and equipment	447	d
Deferred tax assets	60	
Trade and other payables	(34)	
Other current liabilities	(85)	
Deferred tax liabilities	(15)	
Other non current liabilities	(152)	e
Net assets acquired	**1,318**	
Goodwill	**407**	
Total consideration	**1,725**	
Discharged by:		
Cash consideration	575	
Issuance of share	1,044	
Contingent consideration	224	f
Adjustment to purchase price	(118)	g

	1,725
Cash consideration	575
Cash and cash equivalents acquired	-

a. Trade and other receivables include a prepayment related to the Transitional Service Agreement between the Group and Boehringer.

The fair value of trade and other receivables is $170 million and includes trade receivables with a fair value of $158 million. The gross contractual amount for trade receivables due is $158 million.

b. Inventories have been valued as follows:

- Raw materials at the current replacement cost.
- Finished goods and work in process at the estimated selling prices less a cost to dispose of and complete, less a reasonable profit attributable to the selling effort, this results in an inventory step-up amounted to $27 million (note 4).

c. Intangible assets represent:

- Fair value of ''marketed products'' which present the outcome of the R&D efforts, material and formulas. The Multi Period Excess Earnings Method ("MEEM") of the Income Approach has been used to value those products. Useful lives of 9 -14 years have been determined.
- Fair value of products in various stages of development ("Pipeline Products"). The Multi Period Excess Earnings Method ("MEEM") of the Income Approach has been used to value those products. Useful lives of 7 -15 years have been determined.

d. The Property, plant and equipment acquired have been valued by a third party expert at current market values on the basis of Fair Value as defined in IFRS 13 and in accordance with IFRS 3 Business Combinations.

e. As part of the acquisition, Hikma assumed a contingent liability related to the co-development with a third party of two specific products that includes payments for milestones and royalties dependent on the net sales (see note 13). These contingent liabilities were recorded as opening balance sheet liabilities based on a probability weighted present value amount at the time of the acquisition.

Subsequent to the acquisition, $10 million of such milestones were paid. In addition, concurrent with the acquisition, Hikma entered into supply and manufacturing contracts with Boehringer.

f. As part of the acquisition of West-Ward Columbus, Hikma agreed to pay Boehringer contingent consideration of $220 million representing a probability weighted present value of potential liabilities related to two specific products subject to the achievement of certain US FDA approval milestones, royalties for each calendar quarter in the first year that certain conditions exist. Additionally, there was also $4 million contingent consideration in relation to retention bonus and special advance payments. Subsequent to the acquisition, $23 million were paid of such milestones and special payments.

g.A purchase price adjustment of $118 million reflecting further working capital adjustments as well amounts receivable from Boehringer in respect of milestones and other conditions.

Goodwill recognised is expected to be non-deductible for income tax purposes.

The revenue and core operating profit of West-Ward Columbus from the date of the acquisition, included in the Group's consolidated statement of comprehensive income for the year amounted to $477 million and $34 million, respectively. These numbers exclude acquisition, integration, and other costs amounting to $41 million, the amortisation of the fair value uplift of the inventory of $27 million, and the intangible amortisation of $ 15 million.

EUP

On 8 September 2015 Hikma announced that it had agreed to acquire 97.73% of the share capital of EUP from a consortium of shareholders. EUP is a pharmaceutical manufacturing company specialising in oncology products. The acquisition of EUP will strengthen Hikma's position in the large and fast growing Egyptian market, add an attractive portfolio and pipeline in the key strategic areas of oncology and injectables, add a manufacturing facility in Egypt, with both oral and injectable lines, and leverage Hikma's established market position in Egypt and strong sales and marketing team.

On closing the transaction on Feb 17th 2016, the total fair value of the consideration is deemed to be $38 million. $34 million is cash consideration and the balance of $4 million has been treated as a financial liability and deemed consideration in accordance with IAS 32 Financial Instruments: Presentation and IFRS 3 revised (2008): Business Combinations.

The goodwill arising represents the synergies that will be obtained by integrating EUP into the existing business.

The net assets acquired in the transaction and the goodwill arising have been valued by a third party expert as set out below.

Net assets acquired	Fair value $m
Cash and cash equivalents	1
Inventories	1

Intangible Assets	21	a
Property, plant and equipment	11	b
Financial debt	(1)	
Income tax provision	(1)	
Other current liabilities	(2)	
Deferred tax liability	(6)	
Net assets acquired	**24**	
Non-controlling interest	1	
Goodwill	**13**	
Total consideration	**38**	
Discharged by:		
Cash	34	
Deferred consideration	4	
	38	
Cash consideration	34	
Cash and cash equivalents acquired	(1)	
Net cash outflow arising on acquisition	**33**	

a. Product rights relating to product licenses and approvals have been valued based on the type of rights acquired. A discounted cash flow approach has been taken based on excess earnings by product group, applying a discount rate applicable for any market participant. The product rights have been valued using a model that reflects a market participant point of view, where assumptions were built based on the expected market performance for these products irrespective of the acquirer's identity.

b. The property, plant and equipment acquired have been valued by a third party expert at current market value.

The non-controlling interests have been recognised as a proportion of net assets acquired.

Goodwill recognised is expected to be non-deductible for income tax purposes.

The revenue and core operating loss of EUP from the date of the acquisition that is included in the Group's consolidated statement of comprehensive income for the year amounted to $4 million and $3 million, respectively.

Full period impact on acquisitions

If the acquisition of West-Ward Columbus and EUP had been completed on the first day of the financial year, the Group's revenues for the period would have been approximately $2,057 million and the Group's profit attributable to equity holders of the parent would have been approximately $154 million. The appropriate additional contribution by entity for the period from the beginning of the year up to the acquisition date is illustrated in the table below:

	Effect on Group's revenues $m	Effect on Group's profit/(loss) $m
West-Ward Columbus	107	1
EUP	-	(2)
	107	(1)

18. Foreign exchange currencies

	Period-end rates		Average rates	
	2016	2015	**2016**	2015
USD/EUR	0.9500	0.9168	0.9053	0.9006
USD/Sudanese Pound	15.9490	9.6600	12.0919	9.6600
USD/Algerian Dinar	110.5274	107.1317	109.4432	100.4033
USD/Saudi Riyal	3.7495	3.7495	3.7495	3.7495
USD/British Pound	0.8077	0.6754	0.7432	0.6540
USD/Jordanian Dinar	0.7090	0.7090	0.7090	0.7090
USD/Egyptian Pound	18.2482	7.8309	10.1112	7.7160
USD/Japanese Yen	116.8907	120.3800	116.8907	121.0700
USD/Moroccan Dirham	10.0699	9.8476	9.7920	9.8008
USD/Tunisian Dinar	2.3386	2.0321	2.1482	1.9623

The Jordanian Dinar and Saudi Riyal have no impact on the consolidated income statement as those currencies are currently pegged to the US Dollar.