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Press Release

Hikma reports strong 2018 interim results and raises full year guidance

London, 15 August 2018 – Hikma Pharmaceuticals PLC (Hikma, Group) (LSE: HIK) (NASDAQ Dubai: HIK) (OTC: HKMPY) (rated Ba1 Moody's / BB+ S&P, both stable), the multinational generic pharmaceutical company, today reports its interim results for the six months ended 30 June 2018.

- Group revenue of $989 million, up 11% and in constant currency up 10%[1]
- Operating profit of $174 million, up 54%
- Core[2] Group operating profit of $214 million, up 22% and up 23% in constant currency
- Core basic earnings per share of 61.4 cents, up 35% and up 38% in constant currency
- Basic earnings per share of 44.0 cents, up 53% and up 57% in constant currency
- Cashflow from operations of $185 million
- Net debt reduced to $501 million (31 Dec 2017: $546 million) and healthy leverage ratios maintained
- Interim dividend of 12 cents per share, up from 11 cents per share
- Guidance raised for Injectables and Generics businesses and reiterated for Branded business

Siggi Olafsson, Chief Executive Officer of Hikma, said:

"I am pleased with our first half performance, with each of our three business segments achieving revenue and, importantly, profit growth.

Our Injectables business continues to demonstrate resilience. Our broad portfolio, extensive manufacturing capabilities and geographic footprint are enabling us to respond quickly to changing market dynamics and grow our market share. In our Generics business, we are successfully driving demand for our more differentiated in-market products and are making progress reducing our cost base. We achieved good results in the Branded business, taking into consideration the usual seasonality.

In the first half, we renewed our focus on advancing our pipeline, enhancing our corporate R&D team and accelerating new projects. More broadly, we are strengthening key functions across the Group and bringing new capabilities to ensure we have the right teams in place to take the business forward.

Our performance in the first half exceeded our expectations and we are pleased to be able to raise our guidance for both our Injectables and Generics businesses for the full year.

The measures we have taken and investments we have made across the Group over the past year are delivering results, but we still have work to do. Our markets are competitive and we don't expect the same demand for some of our injectable products to continue into 2019. This means we must remain focused on strengthening our customer relationships, improving profitability and advancing our pipeline to ensure future growth."

[1] Constant currency numbers in 2018 throughout the document represent 2018 numbers re-stated using average exchange rates in H1 2017, excluding price increases in the business which resulted from the devaluation of currencies.
[2] Core results throughout the document are presented to show the underlying performance of the Group, excluding the exceptional items and other adjustments set out in Note 4. Core results is a non-IFRS measure. See page 13 for reconciliation of core results to reported IFRS results.

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Summary financials

Core results[3]	**H1 2018 $million**	Growth		H1 2017 $million
		Constant currency	$	
Core revenue	**989**	+10%	+11%	895
Core operating profit	**214**	+23%	+22%	176
Core EBITDA	**252**	+18%	+17%	215
Core profit attributable to shareholders	**148**	+39%	+36%	109
Core basic earnings per share (cents)	**61.4**	+38%	+35%	45.4

Reported results	**H1 2018 $million**	Growth		H1 2017 $million
		Constant currency	$	
Revenue	**989**	+10%	+11%	895
Operating profit	**174**	+56%	+54%	113
EBITDA	**230**	+10%	+9%	211
Profit attributable to shareholders	**106**	+58%	+54%	69
Basic earnings per share (cents)	**44.0**	+57%	+53%	28.8

Enquiries

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[3] Core results are presented to show the underlying performance of the Group, excluding the exceptional items and other adjustments set out in Note 4. EBITDA is earnings before interest, tax, depreciation, amortisation and impairment charge. Core results and EBITDA are non-IFRS measures. Reconciliation to reported IFRS measures are provided on pages 13 and 14 respectively.

About Hikma

Hikma helps put better health within reach every day for millions of people in more than 50 countries around the world. For 40 years, we've been creating high-quality medicines and making them accessible to the people who need them. We're a global company with a local presence across the United States (US), the Middle East and North Africa (MENA) and Europe, and we use our unique insight and expertise to transform cutting-edge science into innovative solutions that transform people's lives. We're committed to our customers, and the people they care for, and by thinking creatively and acting practically, we provide them with a broad range of branded and non-branded generic medicines. Together, our 8,500 colleagues are helping to shape a healthier world that enriches all our communities. We are a leading licensing partner in the MENA region, and through our venture capital arm, are helping bring innovative health technologies to people around the world. For more information, please visit www.hikma.com.

A presentation for analysts and investors will be held today at 09:30 UK time at FTI Consulting, 200 Aldersgate, Aldersgate Street, London EC1A 4HD. To join via conference call please dial: +44 (0) 20 3936 2999 or 020 3936 2999 (UK toll free), password 911652. Alternatively, the results presentation and a webcast recording of the event will be available on the Company's website at www.hikma.com or http://webcast.openbriefing.com/hikma_interim_results_2018/. The contents of the website do not form part of this interim results announcement.

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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 six months ended 30 June 2018.

Group revenue by business segment

$ million	**H1 2018**		H1 2017	
Injectables	414	42%	362	40%
Generics	338	34%	305	34%
Branded	232	23%	223	25%
Others	5	1%	5	1%
Total	989		895	

Group reported revenue by region

$ million	**H1 2018**		H1 2017	
MENA	281	28%	256	29%
US	650	66%	586	65%
Europe and ROW	58	6%	53	6%
Total	989		895	

Injectables

$ million	**H1 2018**	H1 2017	Change	Constant currency change
Revenue	**414**	362	+14%	+13%
Gross profit	**260**	228	+14%	+14%
Gross margin	***62.8%***	*63.0%*	*-0.2pp*	+0.5pp
Operating profit	**160**	134	+19%	+22%
Core operating profit	**173**	144	+20%	+22%
Core operating margin	***41.8%***	*39.8%*	*+2.0pp*	+2.9pp

In H1 2018, global Injectables revenue increased by 14% to $414 million. In constant currency, global Injectables revenue was up 13%.

Of this total, US Injectables revenue was $312 million, up 10% (H1 2017: $283 million). As expected, revenue from top products declined in the first half as competition continued to accelerate. This was more than offset by strong demand for our other in-market products and recent product launches. In the first half, US hospitals faced a critical shortage of certain pain management products when a significant supplier to the US market temporarily ceased manufacturing. In response to this shortage, we leveraged the scale and flexibility of our operations to prioritise the manufacturing of affected products. It is not clear how long these shortages will persist and we don't expect to see the same level of demand continue into 2019.

MENA Injectables revenue was $51 million in H1 2018, up 46% (H1 2017: $35 million). In constant currency, MENA Injectables revenue increased by 49%, reflecting a strong performance in Saudi Arabia, our largest market, and a significant increase in sales for our biosimilar product, Remsima®, which we have now launched in six markets.

European Injectables revenue was $51 million in H1 2018, up 16% (H1 2017: $44 million). Before the appreciation of the euro against the US dollar, European Injectables revenue increased by 3%, reflecting the contribution from recently acquired products.

Injectables gross profit increased to $260 million in H1 2018 (H1 2017: $228 million). Gross margin remained relatively stable at 62.8% (H1 2017: 63.0%). A decline in gross margin in the US, due to the change in product mix, was mostly offset by strong margin improvement in Europe and MENA, reflecting the appreciation of the euro and an improving product mix, respectively.

Core operating profit, which excludes the amortisation of intangible assets other than software and exceptional items of $13 million, was $173 million in H1 2018 (H1 2017: $144 million). Core operating margin increased to 41.8% (H1 2017: 39.8%), reflecting a continued focus on efficient operations, which more than offset additional costs associated with strengthening the management team in the US.

During H1 2018, the Injectables business launched nine products in the US, 16 in MENA and 17 in Europe. We submitted 38 filings to regulatory authorities across all markets.

In H1 2018, we signed a licensing agreement with Laboratorios Farmaceúticos Rovi SA (Rovi) for their enoxaparin. Under the terms of the agreement, we have the exclusive rights to distribute and market enoxaparin across our MENA markets.

We now expect full year Injectables revenue to be in the range of $775 million to $825 million and core operating margin for the full year to be in the mid to high 30s. This assumes core operating margin normalises in the second half.

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Generics

$ million	**H1 2018**	H1 2017	Change
Revenue	**338**	305	+11%
Gross profit	**123**	119	+3%
Gross margin	***36.3%***	*39.0%*	*-2.7pp*
Operating profit	**6**	(28)	+121%
Core operating profit	**30**	21	+43%
Core operating margin	***8.8%***	*6.9%*	*+1.9pp*

While the US generics market remains competitive, we are gradually seeing the benefits of the commercial and operational improvements we have rolled-out over the past year. In the first half, Generics revenue was up 11% to $338 million (H1 2017: $305 million), as price erosion was offset by increased demand for our more differentiated in-market products and new product launches.

Generics gross profit was $123 million in H1 2018 (H1 2017: $119 million). Excluding the impact of severance costs associated with the previously announced restructuring of our Columbus manufacturing facility and closure of our Eatontown manufacturing facility, core gross profit was $128 million (H1 2017: $121 million). Gross margin was 36.3% (H1 2017: 39.0%), and core gross margin decreased to 37.9% (H1 2017: 39.7%), reflecting price erosion and a change in product mix. We expect gross margin to improve in the second half, in part due to cost savings related to the consolidation of our manufacturing and distribution facilities.

Core Generics operating profit, which excludes the amortisation of intangible assets other than software and exceptional items of $24 million, increased to $30 million in H1 2018 (H1 2017: $21 million). This primarily reflects the increase in gross profit and a reduction in research and development (R&D) expenses, partially offset by an increase in product-related legal expenses. The reduction in R&D expenses was due to the timing of projects and we expect a step-up in spending in the second half of the year. Core operating margin was 8.8% (H1 2017: 6.9%).

During H1 2018, the Generics business launched three products, including ritonavir, the first AB-rated generic to Norvir® tablets, and methylergonovine maleate tablets, through a partnership with Granules Pharmaceuticals Incorporated. The Generics business also submitted six filings to regulatory authorities.

We initiated a repeat clinical endpoint study for generic Advair Diskus® during H1 2018.[4] The study is proceeding as planned and we expect to submit a response to the FDA with the new clinical data as early as possible in 2019.

We now expect Generics full year revenue to be in the range of $600 million to $650 million and core operating margin to be in the mid to high single digits.

Branded

[4] In H1 2018, Hikma incurred R&D costs related to a repeat clinical endpoint study for generic Advair Diskus®. In 2017, Hikma recognised a contingent consideration gain from Boehringer Ingelheim as compensation for failure to receive FDA approval of generic Advair Diskus® before 24 December 2017. To obtain approval, the FDA requires the completion of an additional clinical endpoint study. Both the contingent consideration and repeat clinical study have been treated as exceptional items. See Note 4 for further information.

$ million	**H1 2018**	H1 2017	Change	Constant currency change
Revenue	**232**	223	+4%	+5%
Gross profit	**116**	105	+10%	+11%
Gross margin	***50.0%***	*47.1%*	*+2.9pp*	*+3.0pp*
Operating profit	**42**	37	+14%	+14%
Core operating profit	**45**	41	+10%	+10%
Core operating margin	***19.4%***	*18.4%*	*+1.0pp*	*+1.0pp*

On a reported basis, Branded revenue was $232 million, up 4% (H1 2017: $223 million). On a constant currency basis, Branded revenue increased 5% to $234 million.

In our largest market, the GCC, which includes Saudi Arabia and the UAE, our businesses delivered a good performance, with revenue up 7%. In Egypt, our second largest market, revenue grew 31% in constant currency due to strong underlying market growth, an improvement in our product mix and new product launches. In Algeria, our third largest market, revenue decreased 14% in constant currency, as we temporarily closed one of our general formulation facilities for upgrades. We expect sales to improve in Algeria in the second half of the year as capacity comes back on line. Revenue from in-licensed products represented 38% of Branded revenue (H1 2017: 40%).

During H1 2018, the Branded business launched 36 products and submitted 59 filings to regulatory authorities.

Branded gross profit was $116 million, up 10% and gross margin was 50.0% (H1 2017: 47.1%). In constant currency, gross profit increased by 11% and gross margin increased to 50.1% (H1 2017: 47.2%) due to growth in sales and an allowance from a supplier to compensate for changing market dynamics.

Core operating profit, which excludes the amortisation of intangibles of $3 million, was $45 million, up 10% (H1 2017: $41 million), and core operating margin was 19.4%. In constant currency, core operating profit grew 10% and core operating margin increased to 19.4%, up 100 basis points. This improvement in profitability reflects the increase in gross profit, partially offset by an expected increase in sales and marketing expenses.

In H1 2018, we entered into a new partnership agreement with Omega Pharma Trading NV, an affiliate of Perrigo Company PLC (Perrigo), one of the largest providers of over-the-counter (OTC) healthcare solutions in Europe. Under the terms of the agreement, we have the exclusive right to license and distribute more than 30 consumer healthcare products across the MENA, with the exception of current agreements in place. In addition, we have the right of first refusal to the full range of Perrigo's OTC medicines in the region.

In line with the usual seasonality, we expect Branded revenues to be higher in the second half of the year and we continue to expect full year Branded revenue growth in constant currency to be in the mid-single digits as we benefit from new launches of our branded generics and in-licensed products.

Other businesses

Other businesses, which is primarily comprised of Arab Medical Containers, a manufacturer of plastic specialised medicinal sterile containers, and International Pharmaceuticals Research Centre, which conducts bio-equivalency studies, contributed revenue of $5 million in H1 2018 (H1 2017: $5 million). These other businesses made an operating loss of $1 million (H1 2017: $(1) million).

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Group

Group revenue was $989 million in H1 2018 (H1 2017: $895 million). Group gross profit was $500 million (H1 2017: $454 million). Excluding exceptional items related to severance costs in the US of $5 million, core gross profit was $505 million (H1 2017: $456 million). Group gross margin was 50.6% and core gross margin was 51.1% (H1 2017: 50.9%).

Group operating expenses decreased by 4% to $326 million. Excluding $15 million related to the amortisation of intangible assets other than software (H1 2017: $24 million) and exceptional items of $20 million (H1 2017: $37 million), core Group operating expenses were $291 million (H1 2017: $280 million). The paragraphs below address the Group's main operating expenses in turn.

Sales and marketing (S&M) expenses were $120 million (H1 2017: $117 million). Excluding the amortisation of intangible assets other than software and severance costs, core S&M expenses were $104 million, up 13% due to investment in our Branded and Injectable S&M teams.

General and administrative (G&A) expenses increased 7% to $115 million in H1 2018 (H1 2017: $107 million), reflecting an increase in product-related legal expenses in our Generics business and higher corporate G&A expenses.

R&D expenses were $63 million in H1 2018 (H1 2017: $63 million). This included $15 million of exceptional items related to the repeat clinical endpoint study for generic Advair Diskus®.[5] Excluding exceptional items, core R&D expenses were $47 million, down from $60 million. This primarily reflects a reduction in R&D expenditure in our Generics business following a detailed review of our R&D pipeline in H2 2017, which reprioritised high-value products and identified opportunities for cost savings and efficiencies. We expect investment in R&D will increase in the second half.

The combined core R&D expense and product-related investment was 5% of Group revenue[6] compared with 7% of Group revenue in H1 2017.

Other net operating expenses were $28 million in H1 2018 (H1 2017: $54 million). Excluding exceptional items of $3 million, core other net operating expenses were $25 million (H1 2017: $22 million).

The Group reported operating profit of $174 million in H1 2018 (H1 2017: $113 million). Excluding the impact of amortisation other than software and exceptional items, core Group operating profit increased by 22% to $214 million and core operating margin was 21.6% (H1 2017:19.7%), reflecting the strong performance across our business segments.

Unallocated corporate expenses increased to $33 million in H1 2018 (H1 2017: $29 million), as we strengthened our corporate functions and launched our refreshed brand. We expect corporate expenses to increase in the second half, reflecting further investment in the development of corporate functions, specific groupwide projects and higher employee benefits.

Research and development

The Group's product portfolio continues to grow due to our product development efforts. During H1 2018, we had 81 new launches and received 60 approvals.

To ensure the continuous development of our product pipeline, we submitted 103 regulatory filings.

	H1 2018 submissions[7]	H1 2018 approvals[8]	H1 2018 launches[9]
Generics	6	3	3
Injectables			
US	5	9	9
MENA	22	11	16
Europe	11	11	17
Branded	59	26	36
Total	**103**	**60**	**81**

[5] In H1 2018, Hikma incurred $15 million of R&D costs related to a repeat clinical endpoint study for generic Advair Diskus®. In 2017, Hikma recognised a $29 million contingent consideration gain from Boehringer Ingelheim as compensation for failure to receive FDA approval of generic Advair Diskus® before 24 December 2017. To obtain approval, the FDA requires the completion of an additional clinical endpoint study. Both the contingent consideration and repeat clinical study have been treated as exceptional items. See Note 4 for further information.

[6] The Group did not make any product-related investments in H1 2018.

[7] Submissions for new products, including Marketing Authorisations, NDA, ANDA, supplements, line extensions, and re-introduction of legacy products by country.

[8] New products (approvals, technical approvals, and tentative approvals), line extensions, and re-introduction of legacy products by country.

[9] New products, line extensions and re-introduction of legacy products by country.

Net finance expense

Core net finance expense was down 14% to $24 million (H1 2017: $28 million), due to lower borrowings. For the full year, we expect Group net finance expense to be around $55 million. Finance expense is expected to increase in the second half, reflecting our expectation of higher MENA sales and related factoring charges.

Profit before tax

The Group reported a profit before tax of $141 million in H1 2018 (H1 2017: $100 million). Core profit before tax was $189 million (H1 2017: $148 million).

Tax

The Group incurred a tax expense of $32 million (H1 2017: $30 million). Excluding the tax impact of exceptional items, core Group tax expense was $38 million in H1 2018 (H1 2017: $38 million). The core effective tax rate was 20.1% (H1 2017: 25.7%). The decrease in the effective tax rate is primarily due to the Tax Cuts and Jobs Act which was enacted in the US on 22 December 2017, reducing the statutory rate of US federal corporate income tax to 21%, and a release of provisions for various uncertain tax positions as the statute of limitations expired.

We continue to expect the core effective tax rate to be in the range of 21% to 22% in 2018.

Profit attributable to shareholders

Profit attributable to shareholders was $106 million, compared with profit of $69 million in H1 2017. Core profit attributable to shareholders increased by 36% to $148 million, compared with $109 million in H1 2017.

Earnings per share

Basic earnings per share was 44.0 cents (H1 2017: 28.8 cents). Core basic earnings per share increased by 35% to 61.4 cents (H1 2017: 45.4 cents). Core diluted earnings per share increased by 35% to 61.2 cents (H1 2017: 45.2 cents).

Dividend

The Board is recommending an interim dividend of 12 cents per share (approximately 9.4 pence per share) for H1 2018 (H1 2017: 11 cents per share). The interim dividend will be paid on 21 September 2018 to eligible shareholders on the register at the close of business on 24 August 2018. The ex-dividend date is 23 August 2018 and the final date for currency elections is 7 September 2018.

Net cash flow, working capital and net debt

The Group generated operating cash flow of $185 million in H1 2018 (H1 2017: $225 million), reflecting normalised levels of working capital. Group working capital days were down eight days to 222 days, primarily driven by an increase in payable days and the reduction in inventory days.

Capital expenditure was $53 million (H1 2017: $47 million). Of this, around $28 million was spent in the US to expand the manufacturing capacity and capabilities of our Generics and Injectables businesses. In the MENA region, around $16 million was spent on building a new dedicated oncology facility in Algeria and upgrading our facilities in Jordan and Algeria to manufacture new in-licensed products. Approximately $9 million was spent in Europe, expanding our manufacturing facilities in Portugal, which we expect to

complete in the second half of the year. We continue to expect Group capital expenditure in the range of $120 million to $140 million in 2018.

The Group's net debt (excluding co-development agreements and contingent liabilities) stood at $501 million at the end of June 2018 (31 December 2017: $546 million).[10] The reduction reflects the paydown of debt during H1 2018. We continue to have a very strong balance sheet with a net debt to core EBITDA ratio of 0.99.

Balance sheet

Net assets at 30 June 2018 were $1,542 million (31 December 2017: $1,528 million). Net current assets were $731 million (31 December 2017: $777 million).

Outlook

We now expect full year Injectables revenue to be in the range of $775 million to $825 million and core operating margin for the full year to be in the mid to high 30s. This assumes core operating margin normalises in the second half. Over the longer term, we expect our markets to remain competitive and we do not expect the same demand for some of our injectable products to continue into 2019.

We now expect Generics full year revenue to be in the range of $600 million to $650 million and core operating margin to be in the mid to high single digits.

In line with the usual seasonality, we expect Branded revenues to be higher in the second half of the year and we continue to expect full year Branded revenue growth in constant currency to be in the mid-single digits as we benefit from new launches of our branded generics and in-licensed products.

Statement of Directors' responsibilities

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union and as issued by the International Accounting Standards Board, and;
- the Interim Results Press Release includes a fair review of the information required by:
    a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
    b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the enterprise during that period; and any changes in the related party transactions described in the last annual report that could do so.

[10] Group net debt is calculated as Group total debt less Group total cash. Group net debt is a non-IFRS measure. See page 13 for reconciliation of Group net debt to reported IFRS figures in the interim financial statements.

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The Board

The Board of Directors that served during all or part of the six-month period to 30 June 2018 and their respective responsibilities can be found on the Leadership team section of www.hikma.com.

By order of the Board

Sigurdur Olafsson	Khalid Nabilsi
Chief Executive Officer 14 August 2018	Chief Financial Officer 14 August 2018

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.

Definitions

We use a number of non-IFRS measures to report and monitor the performance of our business. Management uses these adjusted numbers internally to measure our progress and for setting performance targets. We also present these numbers, alongside our reported results, to external audiences to help them understand the underlying performance of our business. Our core numbers may be calculated differently to other companies.

Adjusted measures are not substitutable for IFRS numbers and should not be considered superior to results presented in accordance with IFRS.

Core results

Reported results represent the Group's overall performance. However, these results can include one-off or non-cash items that mask the underlying performance of the Group. To provide a more complete picture of the Group's performance to external audiences, we provide, alongside our reported results, core results, which are a non-IFRS measure. Reconciliation between core and reported results is provided in the table below. Our core results exclude the exceptional items and other adjustments set out in Note 4.

Group operating profit	H1 2018 $million
Core operating profit	**214**
R&D costs	(15)
Acquisition, integration and other costs	(10)
Intangible amortisation (other than software)	(15)
Reported operating profit	**174**

Constant currency

As the majority of our business is conducted in the US, we present our results in US dollars. For both our Branded and Injectable businesses, a proportion of their sales are denominated in a currency other than the US dollar. In order to illustrate the underlying performance of these businesses, we include information on our results in constant currency.

Constant currency numbers in H1 2018 represent reported H1 2018 numbers re-stated using average exchange rates in H1 2017, excluding price increases in the business which resulted from the devaluation of currencies.

EBITDA

EBITDA is earnings before interest, tax, depreciation, amortisation and impairment charge.

EBITDA	H1 2018 $million
Reported operating profit	**174**
Depreciation, amortisation and impairment	56
Reported EBITDA	**230**
R&D costs	15
Severance costs	7
Core EBITDA	**252**

Working capital days

We believe Group working capital days provides a useful measure of the Group's working capital management and liquidity. 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 net debt

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

Net debt	Jun-18 $million	Dec-17 $million
Cash and cash equivalents	**220**	**231**
Bank overdrafts and loans	(90)	(87)
Long-term financial debts	(608)	(670)
Obligations under finance leases	(23)	(20)
Total debt	**(721)**	**(777)**
Net debt	**(501)**	**(546)**

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.

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Principal risks and uncertainties

The principal risks and uncertainties have not changed from 31 December 2017. It is not anticipated that the nature of the principal risks and uncertainties that affect the business, which are set out on pages 61 to 64 of the 2017 Annual Report, will change in respect to the second six months of the financial year. Further information on our key risk management and assurance process are set out on pages 59 to 60 of the 2017 Annual Report.

A summary of the principal risks and uncertainties listed in the 2017 Annual Report are set out below. Hikma continues to manage these risks in accordance with our risk appetite.

1. Industry earnings: the commercial viability of the industry and business model we operate may change significantly as a result of political action, economic factors, societal pressures, regulatory interventions or changes to participants in the value chain of the industry.
2. Product pipeline: identifying, developing and registering supply of new products from the pipeline that meet market needs to provide continuous source of future growth.
3. Organisational development: developing, maintaining and adapting organizational structures, management processes and controls, and talent pipeline to enable effective delivery by the business in the face of rapid and constant internal and external change.
4. Reputation: building and maintaining trusting and successful partnerships with our many stakeholders relies on developing and sustaining our reputation as one of our most valuable assets.
5. Ethics and compliance: maintaining a culture underpinned by ethical decision making, with appropriate internal controls to ensure staff and third parties comply with our Code of Conduct, associated principles and standards, as well as all applicable legislation.
6. Information, technology and infrastructure: ensuring integrity of data, securing information stored and/or processed internally or externally, maintaining and developing technology systems that enable business processes, and in ensuring infrastructure supports the organisation effectively.
7. Legal, regulatory and intellectual property: adapting to changes in laws, regulations and their application, managing litigation, governmental investigations, sanctions, contractual terms and conditions and potential business disruptions.
8. Inorganic growth: identifying, accurately pricing and/or realising expected benefits from acquisitions or divestments, licensing, or other business development activities.
9. Supply chain and API sourcing: maintaining continuity of supply of finished product and managing cost, quality and appropriate oversight of third parties in our supply chain. 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.
10. Crisis response and continuity management: preparedness, response, continuity and recovery from crisis events such as natural catastrophe, economic turmoil, operational issues, political crisis, regulatory intervention.
11. Product quality: maintaining compliance with current Good Practices for Manufacturing (cGMP), Laboratory (cGLP), Distribution (cGDP) and pharmacovigilance (GVP) by staff, and ensuring compliance is maintained by all relevant third parties involved in these processes.
12. Financial control and reporting: effectively managing treasury activities, tax position, income, expenditure, assets and liabilities, and debtors, and in reporting accurately and in a timely manner in compliance with statutory requirements and accounting standards.

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INDEPENDENT REVIEW REPORT TO HIKMA PHARMACEUTICALS PLC

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed Hikma Pharmaceuticals PLC's condensed consolidated interim financial statements (the "interim financial statements") in the Interim Results Press Release of Hikma Pharmaceuticals PLC for the six month period ended 30 June 2018. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and as issued by the International Accounting Standards Board (IASB) and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the consolidated balance sheet as at 30 June 2018;
- the consolidated income statement and consolidated statement of comprehensive income for the period then ended;
- the consolidated cash flow statement for the period then ended;
- the consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Interim Results Press Release have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and as issued by the IASB and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as issued by the IASB.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the Directors

The Interim Results Press Release, including the interim financial statements, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Interim Results Press Release in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the Interim Results Press Release based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Interim Results Press Release and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
London
14 August 2018

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Hikma Pharmaceuticals PLC
Consolidated income statement

	Note	H1 2018 Core results $m (Unaudited)	H1 2018 Exceptional items and other adjustments (note 4) $m (Unaudited)	H1 2018 Reported results $m (Unaudited)	H1 2017 Core results $m (Unaudited)	H1 2017 Exceptional items and other adjustments (note 4) $m (Unaudited)	H1 2017 Reported results $m (Unaudited)
Revenue		989	-	989	895	-	895
Cost of sales		(484)	(5)	(489)	(439)	(2)	(441)
Gross profit		**505**	**(5)**	**500**	**456**	**(2)**	**454**
Sales and marketing expenses		(104)	(16)	(120)	(92)	(25)	(117)
General and administrative expenses		(115)	-	(115)	(106)	(1)	(107)
Research and development expenses		(47)	(16)	(63)	(60)	(3)	(63)
Other operating expenses (net)		(25)	(3)	(28)	(22)	(32)	(54)
Total operating expenses		**(291)**	**(35)**	**(326)**	**(280)**	**(61)**	**(341)**
Operating profit	3	**214**	**(40)**	**174**	**176**	**(63)**	**113**
Finance income		2	-	2	2	29	31
Finance expense		(26)	(8)	(34)	(30)	(14)	(44)
Loss from investment fair valued through profit or loss		(1)	-	(1)	-	-	-
Profit before tax		189	(48)	141	148	(48)	100
Tax	5	(38)	6	(32)	(38)	8	(30)
Profit for the period		**151**	**(42)**	**109**	**110**	**(40)**	**70**
Attributable to:							
Non-controlling interests		3	-	3	1	-	1
Equity holders of the parent		**148**	**(42)**	**106**	**109**	**(40)**	**69**
		151	**(42)**	**109**	**110**	**(40)**	**70**
Earnings per share (cents)							
Basic	7	61.4		44.0	45.4		28.8
Diluted	7	61.2		43.8	45.2		28.6

On this page and throughout this financial information “H1 2018” refers to the six months ended 30 June 2018, “H1 2017” refers to the six months ended 30 June 2017.

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Hikma Pharmaceuticals PLC
Consolidated statement of comprehensive income

	H1 2018 Core results $m (Unaudited)	H1 2018 Exceptional items and other adjustments (note 4) $m (Unaudited)	H1 2018 Reported results $m (Unaudited)	H1 2017 Core results $m (Unaudited)	H1 2017 Exceptional items and other adjustments (note 4) $m (Unaudited)	H1 2017 Reported results $m (Unaudited)
Profit for the period	**151**	**(42)**	**109**	**110**	**(40)**	**70**
Other Comprehensive Income						
Items that may be reclassified subsequently to income statement, net of tax:						
Effect of change in investment designated at fair value	-	-	-	1	-	1
Exchange difference on translation of foreign operations	(22)	-	(22)	19	-	19
Total comprehensive income for the period	**129**	**(42)**	**87**	**130**	**(40)**	**90**
Attributable to:						
Non-controlling interests	1	-	1	1	-	1
Equity holders of the parent	**128**	**(42)**	**86**	**129**	**(40)**	**89**
	129	**(42)**	**87**	**130**	**(40)**	**90**

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Hikma Pharmaceuticals PLC
Consolidated balance sheet

	Note	30 June 2018 $m (Unaudited)	31 December 2017 $m (Audited)
Non-current assets			
Goodwill		279	282
Other Intangible assets		497	503
Property, plant and equipment		841	828
Investment in associates and joint ventures		11	6
Deferred tax assets		116	135
Financial and other non-current assets	8	57	60
		1,801	**1,814**
Current assets			
Inventories	9	534	488
Income tax receivable		42	53
Trade and other receivables	10	685	707
Collateralised and restricted cash		-	4
Cash and cash equivalents		220	227
Other current assets	11	64	95
		1,545	**1,574**
Total assets		**3,346**	**3,388**
Current liabilities			
Bank overdrafts and loans	14	89	86
Trade and other payables	12	355	365
Income tax provision		83	82
Other provisions		27	26
Other current liabilities	13	260	238
		814	**797**
Net current assets		**731**	**777**
Non-current liabilities			
Long-term financial debts	14	608	670
Obligations under finance leases		23	20
Deferred tax liabilities		27	49
Other non-current liabilities	15	332	324
		990	**1,063**
Total liabilities		**1,804**	**1,860**
Net assets		**1,542**	**1,528**
Equity			
Share capital		40	40
Share premium		282	282
Own shares		(1)	(1)
Other reserves		1,208	1,193
Equity attributable to equity holders of the parent		**1,529**	**1,514**
Non-controlling interests		13	14
Total equity		**1,542**	**1,528**

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Hikma Pharmaceuticals PLC
Consolidated statement of changes in equity

	Merger and Revaluation reserves	Translation reserves	Retained earnings	Other reserves	Share capital	Share premium	Own shares	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 2017 (Audited)	**1,077**	**(248)**	**1,246**	**2,075**	**40**	**282**	**(1)**	**2,396**	**15**	**2,411**
Profit for the period	-	-	69	**69**	-	-	-	**69**	1	**70**
Effect of change in investment designated at fair value	-	-	1	**1**	-	-	-	**1**	-	**1**
Currency translation gain	-	19	-	**19**	-	-	-	**19**	-	**19**
Total comprehensive income for the period	-	19	70	**89**	-	-	-	**89**	1	**90**
Total transactions with owners, recognised directly in equity										
Issue of equity shares	-	-	12	**12**	-	-	-	**12**	-	**12**
Dividends on ordinary shares (note 6)	-	-	(53)	**(53)**	-	-	-	**(53)**	(2)	**(55)**
Adjustment arising from change in non-controlling interests*	-	-	(4)	**(4)**	-	-	-	**(4)**	(2)	**(6)**
Balance at 30 June 2017 (Unaudited)	**1,077**	**(229)**	**1,271**	**2,119**	**40**	**282**	**(1)**	**2,440**	**12**	**2,452**
Balance at 1 January 2018 as previously reported (Audited)	**38**	**(227)**	**1,382**	**1,193**	**40**	**282**	**(1)**	**1,514**	**14**	**1,528**
Impact of IFRS9**	-	-	(3)	**(3)**	-	-	-	**(3)**	-	**(3)**
Impact of IFRS15**	-	-	(25)	**(25)**	-	-	-	**(25)**	-	**(25)**
Balance at 1 January 2018 as adjusted	**38**	**(227)**	**1,354**	**1,165**	**40**	**282**	**(1)**	**1,486**	**14**	**1,500**
Profit for the period	-	-	106	**106**	-	-	-	**106**	3	**109**
Currency translation loss	-	(20)	-	**(20)**	-	-	-	**(20)**	(2)	**(22)**
Total comprehensive income for the period	-	(20)	106	**86**	-	-	-	**86**	1	**87**
Total transactions with owners, recognised directly in equity										
Cost of equity settled employee share schemes	-	-	12	**12**	-	-	-	**12**	-	**12**
Dividends on ordinary shares (note 6)	-	-	(55)	**(55)**	-	-	-	**(55)**	(2)	**(57)**
Balance at 30 June 2018 (Unaudited)	**38**	**(247)**	**1,417**	**1,208**	**40**	**282**	**(1)**	**1,529**	**13**	**1,542**

*During 2017 the Group acquired the remaining stake in Ibn Al Baytar, bringing the total ownership to 100%.
**The Group adopted IFRS 9 and IFRS 15 from 1 January 2018 (see note 2).

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Hikma Pharmaceuticals PLC
Consolidated cash flow statement for the period

	Note	H1 2018 $m (Unaudited)	H1 2017 $m (Unaudited)
Cash Generated by operations	16	**206**	**288**
Income tax paid		(21)	(63)
Net cash from operating activities		**185**	**225**
Investing activities			
Purchases of property, plant and equipment		(53)	(47)
Purchase of intangible assets		(16)	(28)
Proceeds from disposal of intangible assets		1	-
Cash paid in investment in joint ventures and associates		(4)	-
Investment in financial and other non-current assets		(1)	-
Investment in available-for-sale investments		-	(2)
Investments fair valued through other comprehensive income*		(2)	-
Acquisition of business undertakings, net of cash acquired**		(9)	1
Contingent consideration gain		30	-
Finance income		1	1
Net cash used in investing activities		**(53)**	**(75)**
Financing activities			
Decrease in collateralised and restricted cash		3	4
Proceeds from issue of long-term financial debts		87	85
Repayment of long-term financial debts		(149)	(60)
Proceeds from short-term borrowings		174	236
Repayment of short-term borrowings		(171)	(242)
Dividends paid		(55)	(53)
Dividends paid to non-controlling shareholders of subsidiaries		(2)	(2)
Interest paid		(24)	(27)
Purchase of non-controlling interest in subsidiary		-	(6)
(Payment)/proceeds from co-development and earn out payment agreement, net		(1)	2
Net cash used in financing activities		**(138)**	**(63)**
Net (decrease)/increase in cash and cash equivalents		(6)	**87**
Cash and cash equivalents at beginning of period		227	155
Foreign exchange translation movements		(1)	2
Cash and cash equivalents at end of period		**220**	**244**

* Available-for-sale investments have been re-classified to investments fair valued through other comprehensive income as per IFRS 9.

** Includes $5 million payments from Boehringer Ingelheim received in respect of the price adjustment receivable to the Columbus business acquisition (H1 2017: $1 million).

1. General information

Hikma Pharmaceuticals PLC is “the Company” a public limited liability company incorporated and domiciled in England and Wales under the Companies Act 2006. The registered office address is 1 New Burlington Place, London W1S 2HR, UK.

The Group’s principal activities are the development, manufacturing, marketing and selling of a broad range of generic, branded and in-licensed pharmaceuticals products in solid, semi-solid, liquid and injectable final dosage forms.

The information for the year ended 31 December 2017 does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. A copy of the statutory accounts for 2017 have been delivered to the Registrar of Companies. The auditors’ report on those accounts was unqualified, did not

draw attention to any matters by way of emphasis and did not contain any statement under Section 498 (2) or (3) of the Companies Act 2006.

2. Accounting policies

The unaudited interim condensed consolidated financial statements “financial statements” for the six months ended 30 June 2018 have been prepared using the same accounting policies and on a basis consistent with the audited financial statements of Hikma Pharmaceuticals PLC (the ‘Group’) for the year ended 31 December 2017, except for the adoption of new standards effective from 1 January 2018.The Group has not opted for the early-adoption of any standard, interpretation or amendment that has been issued but not yet effective.

Basis of preparation

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

These financial statements for the six months ended 30 June 2018 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34,”Interim financial reporting”, as adopted by the EU and as issued by the IASB. The financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with IFRSs issued by the IASB and the IFRSs adopted by the EU.

Adoption of new and revised standards

The Group applied, for the first time, IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments. These new Standards have not had a significant impact on the reported results. Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the financial statements of the Group.

IFRS 15

IFRS 15 ‘Revenue from Contracts with Customers’ is effective for accounting periods beginning on or after 1 January 2018 and replaces existing accounting standards. It provides enhanced detail on the principle of recognising revenue to reflect the transfer of goods and services to customers at a value which the Company expects to be entitled to receive. The standard also updates revenue disclosure requirements.

The key revenue recognition policy impacted under IFRS 15 is the accounting of free goods. Previously free goods were recorded at cost only and no transaction price was allocated to the free goods revenue. Under IFRS 15 an option to acquire additional goods or services gives rise to a separate performance obligation, if the option provides a material right that the customer would not receive without entering into that contract. IFRS 15 requires management to estimate the transaction price to be allocated to the separate performance obligations and to recognise a contract liability for the performance obligations that will be satisfied in the future. The Group recognises revenue for the option when those future goods or services are transferred to the customer.

The Group has adopted IFRS 15 applying modified retrospective approach on 1 January 2018 with a cumulative adjustment as an increase to other current liabilities of $27 million, increase of trade receivables by $1 million, tax adjustments of $2 million and the corresponding net adjustment to decrease retained earnings by $25 million. There is no restatement to prior periods as permitted in the

transition rules for IFRS 15. The impact of initial application has resulted in the deferral of revenues that had previously been recognised.

IFRS 9

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement is effective for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

Classification

The principal impact is that the portfolio investments (quoted securities portfolio) previously designated as available for sale financial assets have been re-categorised on initial application as Investments fair valued through profit or loss (FVTPL). The Group will record fair value movements for such investments through the consolidated income statement from 1 January 2018.

Upon transition the available for sale reserve relating to quoted equity securities of $1 million, which had been previously recognised under accumulated other comprehensive income (OCI), was reclassified to retained earnings.

Furthermore, fair value movements on other un-quoted equity investments (i.e. venture capital investments) are continued to be recorded in other comprehensive income. There will be no future recycling of such gains and losses to the consolidated income statement. This category only includes equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to classify upon transition or initial recognition as equity instruments designated as measured at fair value through other comprehensive income (FVOCI). Under IAS 39, the Group's unquoted equity instruments were classified as available for sale financial assets.

Impairment

The adoption of IFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at fair value through profit or loss (FVTPL).

The adoption of the ECL requirements of IFRS 9 resulted in an increase in impairment allowance of the Group's debt financial assets.

The Group has adopted IFRS 9 retrospectively, but with certain permitted exceptions. As a result, prior year results are also not restated, but a cumulative adjustment as a decrease in trade receivables and a corresponding adjustment to decrease equity at 1 January 2018 by $3 million has been made.

The other changes introduced in IFRS 9 have not had a significant impact on the Group.

IFRS 16

IFRS 16 was issued in January 2016 and it replaces IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement Contains a Lease', SIC-15 'Operating Leases-Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal form of a Lease'.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the

underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019.

Early application is permitted. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

In 2018, the Group will continue to assess the potential effect of IFRS 16 on its consolidated financial statements.

Going concern

The Directors have considered the going concern position of the Company during the period and at 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 business activity, together with the factors likely to affect its future development, performance and position are set out in Interim Result Press Release. The Interim Result Press Release also includes a summary of financial position, cash flow and borrowing facilities.

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 interim financial information.

3. Business and geographical segments

For management reporting purposes, the Group is organised into three principal operating divisions – Injectables, Generics and Branded. 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:

Injectables	H1 2018 Core results (Unaudited)	H1 2018 Exceptional items and other adjustments (note 4) (Unaudited)	H1 2018 Reported results (Unaudited)	H1 2017 Core results (Unaudited)	H1 2017 Exceptional items and other adjustments (note 4) (Unaudited)	H1 2017 Reported results (Unaudited)
	$m	$m	$m	$m	$m	$m
Revenue	414	-	414	362	-	362
Cost of sales	(154)	-	(154)	(134)	-	(134)
Gross profit	**260**	**-**	**260**	**228**	**-**	**228**
Total operating expenses	(87)	(13)	(100)	(84)	(10)	(94)
Segment result	**173**	**(13)**	**160**	**144**	**(10)**	**134**

Generics	H1 2018 Core results (Unaudited)	H1 2018 Exceptional items and other adjustments (note 4) (Unaudited)	H1 2018 Reported results (Unaudited)	H1 2017 Core results (Unaudited)	H1 2017 Exceptional items and other adjustments (note 4) (Unaudited)	H1 2017 Reported results (Unaudited)
	$m	$m	$m	$m	$m	$m
Revenue	338	-	338	305	-	305
Cost of sales	(210)	(5)	(215)	(184)	(2)	(186)
Gross profit	**128**	**(5)**	**123**	**121**	**(2)**	**119**
Total operating expenses	(98)	(19)	(117)	(100)	(47)	(147)
Segment result	**30**	**(24)**	**6**	**21**	**(49)**	**(28)**

Branded	H1 2018 Core results (Unaudited)	H1 2018 Exceptional items and other adjustments (note 4) (Unaudited)	H1 2018 Reported results (Unaudited)	H1 2017 Core results (Unaudited)	H1 2017 Exceptional items and other adjustments (note 4) (Unaudited)	H1 2017 Reported results (Unaudited)
	$m	$m	$m	$m	$m	$m
Revenue	232	-	232	223	-	223
Cost of sales	(116)	-	(116)	(118)	-	(118)
Gross profit	**116**	**-**	**116**	**105**	**-**	**105**
Total operating expenses	(71)	(3)	(74)	(64)	(4)	(68)
Segment result	**45**	**(3)**	**42**	**41**	**(4)**	**37**

Others	H1 2018 Core results (Unaudited)	H1 2018 Exceptional items and other adjustments (note 4) (Unaudited)	H1 2018 Reported results (Unaudited)	H1 2017 Core results (Unaudited)	H1 2017 Exceptional items and other adjustments (note 4) (Unaudited)	H1 2017 Reported results (Unaudited)
	$m	$m	$m	$m	$m	$m
Revenue	5	-	5	5	-	5
Cost of sales	(4)	-	(4)	(3)	-	(3)
Gross profit	**1**	**-**	**1**	**2**	**-**	**2**
Total operating expenses	(2)	-	(2)	(3)	-	(3)
Segment result	**(1)**	**-**	**(1)**	**(1)**	**-**	**(1)**

'Others' mainly comprise Arab Medical Containers LLC, International Pharmaceutical Research Center LLC, Hikma Emerging Markets and Asia Pacific FZ LLC and the chemicals division of Hikma Pharmaceuticals LLC (Jordan).

Group	H1 2018 Core results (Unaudited) $m	H1 2018 Exceptional items and other adjustments (note 4) (Unaudited) $m	H1 2018 Reported results (Unaudited) $m	H1 2017 Core results (Unaudited) $m	H1 2017 Exceptional items and other adjustments (note 4) (Unaudited) $m	H1 2017 Reported results (Unaudited) $m
Segment result	247	(40)	207	205	(63)	142
Unallocated expenses	(33)	-	(33)	(29)	-	(29)
Operating profit	**214**	**(40)**	**174**	**176**	**(63)**	**113**
Finance income	2	-	2	2	29	31
Finance expense	(26)	(8)	(34)	(30)	(14)	(44)
Loss from investment fair valued through profit or loss	(1)	-	(1)	-	-	-
Profit before tax	**189**	**(48)**	**141**	**148**	**(48)**	**100**
Tax	(38)	6	(32)	(38)	8	(30)
Profit for the period	**151**	**(42)**	**109**	**110**	**(40)**	**70**
Attributable to:						
Non-controlling interests	3	-	3	1	-	1
Equity holders of the parent	148	(42)	106	109	(40)	69
	151	**(42)**	**109**	**110**	**(40)**	**70**

In H1 2018, Unallocated corporate expenses mainly comprise of employee costs, third party professional fees and travel expenses. In H1 2017, Unallocated corporate expenses also included donations and acquisition-related expenses.

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

	H1 2018 $m (Unaudited)	H1 2017 $m (Unaudited)
United States	650	586
Middle East and North Africa	281	256
Europe and Rest of the World	57	51
United Kingdom	1	2
	989	895

The top selling markets were as below:

	H1 2018 $m (Unaudited)	H1 2017 $m (Unaudited)
United States	650	586
Saudi Arabia	76	57
Algeria	42	40
	768	683

Included in revenue arising from the Generics and Injectables segments is revenue of approximately $152 million (H1 2017: $103 million), which arose from the Group's largest customer, located in the United States.

4. Exceptional items and other adjustments

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

	H1 2018 $m (Unaudited)	H1 2017 $m (Unaudited)
Exceptional items		
R&D cost	(15)	-
Impairment of product-related intangible assets	-	(35)
Acquisition, integration and other costs	(10)	(4)
Exceptional items included in operating profit	**(25)**	**(39)**
Other adjustments		
Intangible assets amortisation other than software	(15)	(24)
Remeasurement of contingent consideration, net	(8)	15
Exceptional items and other adjustments	**(48)**	**(48)**
Tax effect	6	8
Impact on profit for the period	**(42)**	**(40)**

Exceptional items:

- In H1 2018, Hikma incurred $15 million of R&D costs related to a repeat clinical endpoint study for generic Advair Diskus®. In 2017, Hikma recognised a $29 million contingent consideration gain from Boehringer Ingelheim as compensation for failure to receive FDA approval of generic Advair Diskus® before 24 December 2017. To obtain approval, the FDA requires the completion of an additional clinical endpoint study. Both the compensation and repeat clinical study have been treated as exceptional items.

- Acquisition, integration and other costs were incurred in relation to the acquisition of the Columbus business and the planned closure of Eatontown, of which $5 million are included in cost of sales, $1 million in sales and marketing, $1 million in research and development and $3 million in other operating expenses.

In previous periods, exceptional items are related to the following:

- Impairment of product-related intangible assets were mainly related to products acquired as part of the Columbus business acquisition and were included within other operating expenses.

- Acquisition, integration and other costs were incurred in relation to the acquisition of the Columbus business and were included in cost of sales, general and administrative, sales and marketing, and research and development expenses.

Other Adjustments:

The remeasurement of contingent consideration represents the net difference resulting from the valuation of the liabilities and assets associated with the future contingent payments/receivables in respect of the Columbus business acquisition and the financial liability in relation to the co-development earnout payment agreement (note 8, 11, 13 and 15). The remeasurement is included in finance expense/income.

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5. Tax

The Group incurred a tax expense of $32 million (H1 2017: $30 million). The reported effective tax rate for the period is 22.7% (H1 2017: 30.0%), representing the best estimate of the average annual effective tax rate expected for the full year, applied to the pre-tax income for the six-month period. The decrease in the reported effective tax rate is due to the Tax Cuts and Jobs Act which was enacted in the US, reducing the statutory rate of US federal corporate income tax to 21%. The release of uncertain tax positions due to the statute of limitations also caused the H1 2018 rate to decrease.

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

6. Dividends

	H1 2018 $m (Unaudited)	H1 2017 $m (Unaudited)
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2017 of 23.0 cents (2016: 22.0 cents) per share	55	53
	55	53

The proposed interim dividend for the period ended 30 June 2018 is 12.0 cents (30 June 2017: 11.0 cents) per share.
The proposed interim dividend will be paid on 21 September 2018 to eligible shareholders on the register at the close of business on 24 August 2018.

Based on the number of shares in issue at 30 June 2018 of (241,421,135) the unrecognised liability is $29 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:

	H1 2018 Core results (Unaudited) $m	H1 2018 Exceptional items and other adjustments (note 4) (Unaudited) $m	H1 2018 Reported results (Unaudited) $m	H1 2017 Core results (Unaudited) $m	H1 2017 Exceptional items and other adjustments (note 4) (Unaudited) $m	H1 2017 Reported results (Unaudited) $m
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent	148	(42)	106	109	(40)	69

Number of shares	Number 'm	Number 'm
Weighted average number of Ordinary shares for the purposes of basic earnings per share	241	240
Effect of dilutive potential Ordinary shares:		
Share-based awards	1	1
Weighted average number of Ordinary shares for the purposes of diluted earnings per share	242	241

	H1 2018 Core earnings per share Cents	H1 2018 Reported earnings per share Cents	H1 2017 Core earnings per share Cents	H1 2017 Reported earnings per share Cents
Basic	61.4	44.0	45.4	28.8
Diluted	61.2	43.8	45.2	28.6

8. Financial and other non-current assets

	30 June 2018 $m (Unaudited)	31 December 2017 $m (Audited)
Price adjustment receivable	5	4
Investments fair valued through other comprehensive income	18	-
Available-for-sale investments*	-	16
Other non-current assets	34	40
	57	60

*Available-for-sale investments have been re-classified to investments fair valued through other comprehensive income as per IFRS 9.

Price-adjustment receivable represents the non-current portion of the contingent receivable in relation to the Columbus business acquisition whereby as part of the acquisition, the Group will be reimbursed for certain contingent payments in respect of milestones and other conditions based on future events. The current portion of the price adjustment receivable is disclosed in note 11.

Investments fair valued through other comprehensive income include investments in five venture capital companies through the Group's venture capital arm Hikma International Ventures and Developments LLC and Hikma Ventures Limited.

Other non-current assets represent mainly inventories expected to be sold after one year.

9. Inventories

During the six months ended 30 June 2018, the Group wrote down $27 million (the six months ended 30 June 2017: $29 million) of inventories. This expense is included in other operating expenses in the consolidated income statement.

10. Trade and other receivables

	30 June 2018 $m (Unaudited)	31 December 2017 $m (Audited)
Trade receivables	604	650
Prepayments	61	41
VAT and sales tax recoverable	16	13
Employee advances	4	3
	685	707

The fair values of receivables are estimated to be equal to the carrying amounts.

11. Other current assets

	30 June 2018 $m (Unaudited)	31 December 2017 $m (Audited)
Price adjustment receivable	25	61
Investment fair valued through profit or loss	21	-
Investment designated at fair value *	-	22
Others	18	12
	64	95

*This investment has been re-classified from available-for-sale investment to investment fair valued through profit or loss as per IFRS 9.

Price adjustment receivable: this represents the current portion of the contingent receivable in relation to the Columbus business acquisition. During the period, the Group received $35 million reimbursements (FY 2017: $3 million) in cash. Further information is disclosed in note 8.

Investment fair valued through profit or loss: represents the agreement the Group entered into with an asset management firm in 2015 to manage a $20 million portfolio of underlying debt instruments. The investment comprises a portfolio of assets that are managed by an asset manager and is measured at fair value; any changes in fair value go through income statement. This asset is classified as level 1 as it uses quoted prices in active markets.

12. Trade and other payables

	30 June 2018 $m (Unaudited)	31 December 2017 $m (Audited)
Trade payables	219	218
Accrued expenses	123	134
Other payables	13	13
	355	365

The fair values of payables are estimated to be equal to the carrying amounts.

Other payables principally comprise a liability of $7 million (31 December 2017: $4 million) related to an employees' provident fund, which mainly represents the outstanding contributions to the Hikma Pharmaceuticals Ltd (Jordan) retirement benefit plan, on which the fund receives 3.5% interest.

13. Other current liabilities

	30 June 2018 $m (Unaudited)	31 December 2017 $m (Audited)
Return provision and free goods *	159	127
Co-development and earn out payment	2	3
Supply Manufacturing Agreement	9	9
Obligations under finance leases	1	1
Indirect rebate and other allowances	62	67
Others	27	31
	260	238

*This balance includes IFRS 15 impact of $27 million (see note 2).

Return provision and free goods: The Group allows customers to return products within a specified period prior to and subsequent to the expiration date. Free goods are issued to customers as sale incentives, reimbursement of agreed upon expenses incurred by the customer or as compensation for expired or returned goods.

Co-development and earn out payment agreement: The liability mainly relates to the present value of future payments on a co-development and earn out agreement. As part of this agreement, milestone payments dependent on successful clinical development of defined products are received by the Group. In return of receiving such milestone payments, the Group has agreed to pay the contracting party a certain percentage of future sales of those products. As at 30 June 2018, the liability associated with these earn out payments was adjusted to reflect the present value of the expected future cash outflows and the difference is presented as a finance expense. This balance represents the current portion of the liability and the non-current portion is disclosed in note 15.

14. Current and non-current financial debts

Short-term financial debts

	30 June 2018 $m (Unaudited)	31 December 2017 $m (Audited)
Bank overdrafts	3	10
Import and export financing	61	48
Short-term loans	1	1
Current portion of long-term loans	24	27
	89	86

Import and export financing represents short-term financing for the ordinary trading activities of the Group.

Long-term financial debts

	30 June 2018 $m (Unaudited)	31 December 2017 $m (Audited)
Long-term loans	134	201
Long-term borrowings (Eurobond)	498	496
Less: current portion of long-term loans	(24)	(27)
Long-term financial loans	608	670

Breakdown by maturity:		
Within one year	24	27
In the second year	536	139
In the third year	50	520
In the fourth year	7	4
In the fifth year	10	2
Thereafter	5	5
	632	697

The loans are held at amortised cost.

Included in the table above are the following major arrangements entered into by the Group:

a) A $500 million (carrying value of $498 million, and a fair value of $495 million) 4.25% Eurobond due in April 2020 with the rating of (BB+/Ba1). The proceeds were used to refinance existing debt and to finance part of the cash consideration of the Columbus business acquisition.

b) A syndicated revolving credit facility of $1,175 million was entered into on 27 October 2015. The facility has an outstanding balance of $45 million at 30 June 2018, with a fair value of $45 million (2017: $175 million with a fair value of $175 million) and a $1,130 million unused available limit (2017: $1,000 million). $1,000 million of the facility has been extended to 24 December 2020 with the remaining maturing on 24 December 2019. The facility can be used for general corporate purposes.

c) A nine-year $110 million loan from the International Finance Corporation was entered into on 19 December 2011. The loan has an outstanding balance of $45 million at 30 June 2018 with a fair value of $45 million (2017: $64 million with a fair value of $63 million). Quarterly equal repayments of the term loan commenced on 15 November 2013 and will continue until 15 August 2020. The loan has been used to finance acquisitions in the MENA region and MENA's capital expenditure.

In addition to the above a ten-year $150 million loan from the International Finance Corporation was entered into on 21 December 2017. There was no utilisation of the loan as at 30 June 2018. Quarterly equal repayments of the long-term loan will commence on 15 March 2021. The loan will be used in the MENA region and in other World Bank countries of operations for general corporate purposes.

15. Other non-current liabilities

	30 June 2018 $m	**31 December 2017 $m**
	(Unaudited)	**(Audited)**
Contingent consideration liability	186	178
Contingent liability arising from business combination	109	109
Supply manufacturing agreement	25	25
Co-development and earnout payment agreement	8	8
Others	4	4
	332	324

Contingent consideration liability: contingent consideration results from the acquisition of the Columbus business and represents future estimated consideration payable to the seller, which is in the form of milestones that are dependent on the achievement of certain US FDA approval targets and royalty payments based on future sales of certain products.

Contingent liability arising from business combination: This contingent liability results from the acquisition accounting of the Columbus business and represents a contractual obligation assumed at the time of the acquisition from a third party, which is in the form of royalty payments based on future sales of certain products that are currently under development.

16. Net cash from operating activities

	H1 2018 $m (Unaudited)	H1 2017 $m (Unaudited)
Profit before tax	141	100
Adjustments for:		
Depreciation, amortisation, impairment and write-down of:		
Property, plant and equipment	36	37
Intangible assets	21	64
Loss from investment fair valued through profit or loss	1	-
Loss on disposal of property, plant and equipment	-	1
Movement on provisions	1	-
Cost of equity-settled employee share scheme	12	12
Finance income	(2)	(31)
Interest and bank charges	34	44
Foreign exchange loss/(gain)	1	(2)
Cash flow before working capital	**245**	**225**
Change in trade and other receivables	13	90
Change in other current assets	(3)	5
Change in inventories	(51)	(41)
Change in trade and other payables	4	(10)
Change in other current liabilities	(2)	21
Change in other non-current liabilities	-	(2)
Cash generated by operations	**206**	**288**

17. Fair value of financial assets and liabilities

The fair value of financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following financial assets/liabilities are presented at their carrying values which approximates their fair values:

- Cash and cash equivalents – due to the short-term maturities of these financial instruments and given that generally they have negligible credit risk, management considers the carrying amounts to not be significantly different from their fair values;
- Short-term loans and overdrafts – approximates the carrying amount because of the short maturity of these instruments;
- Long-term loans – loans with variable rates are re-priced in response to any changes in market rates and so management considers the carrying amounts to not be significantly different from their fair market values.
- Loans with fixed rates relate to the $500 million Eurobond accounted for at amortised cost. The fair value is determined with reference to quoted price in an active market on the balance sheet date (note 14).
- Receivables and payables – the fair values of receivables and payables are estimated to be equal to the respective carrying amounts;
- Lease obligations – are valued at the present value of the minimum lease payments; and
- Contingent liability, which results from the acquisition of the Columbus business, represents a contractual obligation assumed at the time of the acquisition from a third party and is measured at cost (note 15).

Management classifies items that are recognised at fair value based on the level of the inputs used in their fair value determination as described below:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs that are observable for the asset or liability.
- Level 3: Inputs that are not based on observable market data.

Financial assets and liabilities that fall under Level 1 are:

- Investment fair valued through profit or loss amounted to $21 million (note 11).

Financial assets and liabilities that fall under Level 3 are:

- Co-development and earnout payment liabilities (note 13 and 15); and
- Contingent consideration asset and liability resulting from the acquisition of the Columbus business (note 8,11,13 and 15).
- Investments fair valued through other comprehensive income (note 8).

The following table presents the changes in Level 3 items for the period ended 30 June 2018 and the year ended 31 December 2017:

	Financial asset	Financial liability
Balance at 1 January 2017	39	258
Additions	29	-
Received/settle	(3)	(3)
Remeasurement through income statement	2	(65)
Balance at 31 December 2017	67	190
IFRS 9 impact*	16	-
Balance at 31 December 2017 (amended)	**83**	**190**
Received/settle	(35)	(1)
Additions	2	-
Remeasurement through income statement	-	8
Balance at 30 June 2018	**50**	**197**

*see note 2.

The remeasurement through income statement is included within the finance expense in the consolidated income statement.

The critical areas of judgment in relation to the contingent liability are the probabilities assigned to reaching the success-based milestones and management's estimate of future sales.

If the future sales were 5% higher or lower, the fair value of the contingent liability will increase/decrease by $6 million.

If the probability assigned to reaching the success-based milestones was 5% higher or lower, the fair value of the contingent liability would increase/decrease by $5 million.

18. Business Combinations

Acquisition of Geber health

On 12th March 2018, Hikma Pharmaceuticals Plc ("Hikma") signed an asset purchase agreement with EURL GeberHealth to acquire the assets of EURL GeberHealth. The overall cash consideration for the tangible and intangible assets amounted to $14 million.

This acquisition has been accounted for as per IFRS 3 "business combination" where a set of activities and assets that is capable of being conducted and managed for the purpose of providing a return exists.

The assets acquired include an oral general formulation facility located in Algeria. Hikma intends to convert this facility into an oral cephalosporin facility in order to locally manufacture its cephalosporin portfolio for the Algerian market. Hikma expects to be able to launch these locally produced products by the end of 2018.

There was no revenue and profit or loss recognised from this acquisition during the period given that the assets acquired are still being developed for their intended use.

The provisional fair value of the assets acquired included property, plant and equipment of $13 million and intangible assets of $1 million.

19. Related party balances and transactions

No significant transactions between the Group and its associates and other related parties were undertaken during the period.

Any transactions between the Company and its subsidiaries have been eliminated on consolidation.

20. Contingent liabilities

A contingent liability existed at the balance sheet date in respect of external guarantees and letters of credit totalling $50 million (31 December 2017: $47 million) arising in the normal course of business. No provision for these liabilities has been made in these financial statements.

In 2017 the Group received a subpoena from a US state attorney general and a subpoena from the US Department of Justice. In 2018 the Group received a Civil Investigative Demand from the US Department of Justice. All requesting information related to products, pricing and related communications. Management does not believe sufficient evidence exists to make any provision for this currently.