The information contained within this announcement is deemed by the Company to constitute inside information stipulated under the Market Abuse Regulation (EU) No. 596/2014. Upon the publication of this announcement via the Regulatory Information Service, this inside information is now considered to be in the public domain.

PRESS RELEASE

Hikma delivers stable profitability and strong cash generation in H1 and maintains a solid balance sheet

London, 17 August 2017 – Hikma Pharmaceuticals PLC (Hikma, Group) (LSE: HIK) (NASDAQ Dubai: HIK) (OTC: HKMPY) (rated Ba1 Moody's / BB+ S&P, both stable) today reports its interim results for the six months ended 30 June 2017.

H1 2017 highlights

Core[1] results		Growth		
	H1 2017 $million	Constant currency	$	H1 2016 $million
Core revenue	**895**	+5%	+1%	882
Core operating profit	**176**	+3%	-	176
Core EBITDA[2]	**215**	+5%	+2%	211
Core basic earnings per share (cents)	**45.4**	-3%	-6%	48.2

Total results		Growth		
	H1 2017 $million	Constant currency	$	H1 2016 $million
Revenue	**895**	+5%	+1%	882
Operating profit	**113**	-2%	-7%	121
EBITDA	**211**	+12%	+9%	194
Basic earnings per share (cents)	**28.8**	+15%	+12%	25.7

Financial highlights

- Group revenue of $895 million, up 1% in H1 2017 and up 5% in constant currency,[3] reflecting the consolidation of an additional two months of West-Ward Columbus and continued Injectables growth, partially offset by lower Branded revenue
- Group core operating profit of $176 million, in line with H1 2016 and up 3% in constant currency, with a good improvement in Generics profitability, offset by a weaker Branded performance
- Group core basic earnings per share of 45.4 cents, down 6% and down 3% in constant currency due to the issuance of 40 million new shares to Boehringer Ingelheim in H1 2016 as part of the consideration for the West-Ward Columbus acquisition
- Group operating cash flow of $225 million, up from $99 million, reinforcing our strong balance sheet
- Net debt reduced from $697 million to $633 million and healthy leverage ratios maintained
- Interim dividend of 11.0 cents per share, in line with the interim dividend for H1 2016

[1] 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 4

[2] Earnings before interest, tax, depreciation and amortisation and other exceptional items set out in note 4

[3] Constant currency numbers in H1 2017 represent reported H1 2017 numbers re-stated using average exchange rates in H1 2016. A summary of the exchange rates used is provided on page 10

- We now expect 2017 Group revenue to be around $2.0 billion in constant currency after lowering our guidance for the Generics business. We now expect Generics revenue to be around $620 million and core Generics operating profit to be around $30 million in 2017

Strategic highlights

- Launched 75 products,[4] expanding and enhancing our global product portfolio
- Invested 7% of Group revenue in R&D and product-related investments, while enhancing the efficiency of our R&D programmes
- Expanded our licensing and distribution agreement with Takeda Pharmaceutical Company Limited (Takeda), adding attractive branded products to our MENA portfolio in strategic therapeutic categories
- Strengthened the management teams across our three businesses to support stronger execution and future growth
- Continuing constructive discussions with the US Food and Drug Administration (FDA) to address the questions raised in the complete response letter (CRL) received in respect of our generic version of Advair Diskus® in May 2017

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

"The Group has delivered stable revenue and profitability in the first half of 2017 in an increasingly challenging environment.

In the US, where competition is increasing and pricing pressure is intensifying, sales in our Injectables business were resilient and we maintained our track record of strong profitability. The tougher market conditions did however continue to limit growth in our Generics business. We remain focused on executing our Generics strategy and we have strengthened the management team and further restructured the cost base to provide a robust and efficient platform to support pipeline execution and future growth. Whilst Branded revenue declined in the first half, primarily as a result of the devaluation of the Egyptian pound at the end of 2016 and shipment delays during Ramadan and Eid, we remain confident that we will deliver a much stronger performance in the second half of the year.

Across the Group, we are taking actions to deliver value from our marketed products, invest in our pipeline and enhance the efficiency of our operations, to ensure we remain well positioned for future growth."

Enquiries

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About Hikma

Hikma Pharmaceuticals PLC is a multinational 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, where it is a market leader, the United States and Europe. In 2016, Hikma achieved revenues 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 FTI Consulting, 200 Aldersgate, Aldersgate Street, London EC1A 4HD. To join via conference call please dial: +44 (0) 20 3003 2666 (standard

[4] Including all dosage forms and strengths, across all markets

international access) or 0808 109 0700 (UK toll free) or +1 866 966 5335 (US toll free), Password: Hikma. 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 interim management report.

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 2017.

Within this interim management report, 'H1 2017' refers to the six months ended 30 June 2017 and 'H1 2016' refers to the six months ended 30 June 2016.

Group revenue by business segment

$ million	**H1 2017**		H1 2016	
Injectables	**362**	**40%**	357	40%
Generics	**305**	**34%**	257	30%
Branded	**223**	**25%**	264	30%
Others	**5**	**1%**	4	-

Group revenue by region

$ million	**H1 2017**		H1 2016	
US	**586**	**65%**	529	60%
MENA	**256**	**29%**	304	34%
Europe and ROW	**53**	**6%**	49	6%

Injectables

H1 2017 highlights:

- Global Injectables revenue of $362 million, up 1% and up 3% in constant currency
- Strong core operating margin of 39.8%, reflecting a favourable product mix, efficient operations and good cost control
- Launched 17 products, including all dosage forms and strengths, across our markets
- For the full year, we now expect Injectables revenue to be slightly lower at around $775 million, reflecting increased market competition. We anticipate maintaining a strong core operating margin of around 39%

$ million	**H1 2017**	H1 2016	Change	Constant currency change
Revenue	**362**	357	+1%	+3%
Gross profit	**228**	225	+1%	+3%
Gross margin	***63.0%***	*63.0%*	-	-0.1pp
Core operating profit	**144**	146	-1%	-%
Core operating margin	***39.8%***	*40.9%*	*-1.1pp*	*-1.3pp*

Injectables revenue by region

	H1 2017		H1 2016	
US	**283**	**78%**	272	76%
MENA	**35**	**10%**	43	12%
Europe and ROW	**44**	**12%**	42	12%
Total	**362**		357	

In H1 2017, global Injectables revenue grew by 1% to $362 million and by 3% in constant currency.

Of this total, US Injectables revenue was $283 million, up 4% from $272 million in H1 2016. Good demand across our broad portfolio, including recent product launches, more than offset the impact of price erosion. We expect US Injectables sales to remain resilient in the second half, albeit growth will be slightly below our initial expectations at the start of the year. Stronger sales of certain marketed products and new product launches should more than compensate for lower sales of key products with new market entrants.

MENA Injectables revenue was $35 million, down 19% from H1 2016 and down 5% in constant currency. This reflects challenging market conditions in Algeria and the GCC in H1 2017, supply disruptions for a key in-licensed product and reduced shipments in June due to Ramadan and Eid. We have lowered our full year 2017 revenue expectations for the MENA Injectables business to reflect some of the challenges that we have seen this year but we still expect to achieve good full year growth over 2016. In particular, we expect a strong acceleration in the shipment of sales, recent product launches and continued strong oncology sales to drive strong growth in H2 2017.

European Injectables revenue was $44 million in H1 2017, an increase of 5% on a reported basis and 7% in constant currency. Growth was driven by good demand for our marketed products and contract manufacturing services.

Injectables gross profit was $228 million in H1 2017, compared with $225 million in H1 2016. Gross margin was 63.0%, in line with H1 2016. The continued strength of the gross margin reflects a favourable product mix in the US and the efficiency of our manufacturing operations.

Core operating profit, which excludes the amortisation of intangible assets other than software of $10 million, was $144 million in H1 2017, compared with $146 million in H1 2016. Core operating margin was 39.8%, compared with 40.9% in H1 2016, reflecting the strong gross margin and good control of operating costs.

During H1 2017, the Injectables business launched 17 products, including all dosage forms and strengths, across all markets. The Injectables business also received a total of 90 regulatory approvals across all markets, 24 in MENA, 54 in Europe and 12 in the US.

For the full year in 2017, we now expect Injectables revenue to be slightly lower at around $775 million, as a result of increased competition on certain products in the US market during H2 2017 and lower than expected revenue growth in the MENA. We expect a strong core operating margin of around 39%, reflecting a favourable product mix in the US and good control of costs.

Generics

H1 2017 highlights:

- Generics revenue of $305 million, compared with $257 million in H1 2016, reflecting the consolidation of an additional two months of the West-Ward Columbus business
- Generics core operating profit of $21 million, up from $8 million
- Core operating margin of 6.9%, up from 3.1%
- We now expect full year revenue of around $620 million in 2017, reflecting the impact of increased competition on prices and volumes. We expect core operating profit of around $30 million for the full year
- Continuing constructive discussions with the US Food and Drug Administration (FDA) to address the questions raised in the complete response letter (CRL) received in respect of our generic version of Advair Diskus® in May 2017

$ million	**H1 2017**	H1 2016	Change
Revenue	**305**	257	+19%
Gross profit	**119**	65	+83%
Gross margin	***39.0%***	*25.3%*	*+13.7pp*
Core operating profit	**21**	8	+163%
Core operating margin	***6.9%***	*3.1%*	*+3.8pp*

In H1 2017, Generics revenue increased from $257 million to $305 million, reflecting the consolidation of an additional two months of the West-Ward Columbus business. Revenue growth was limited by the impact of increased competition on pricing and volumes, rationalisation of our product portfolio and a reduction in contract manufacturing revenue. We expect the tougher market conditions to remain in H2 2017, with continued price and volume erosion on our marketed portfolio. We expect to more than offset this impact through increased demand for certain products, further portfolio optimisation and a small number of new product launches.

Generics gross profit was $119 million in H1 2017, compared with $65 million in H1 2016. Excluding the impact of severance costs related to the West-Ward Columbus acquisition, core gross profit was $121 million, up from $89 million, due to the consolidation of an additional two months of West-Ward Columbus. Gross margin was 39.0%, and core gross margin was 39.7%, compared with 34.6% in H1 2016, reflecting an improvement in the mix of sales as we focus on portfolio optimisation. We also achieved good overhead savings in H1 2017 which more than offset the additional operational costs associated with the development of our generic version of Advair Diskus®.

Core Generics operating profit was $21 million in H1 2017, compared with $8 million in H1 2016. Core operating margin was 6.9%, up from 3.1% in H1 2016. The improvement in profitability reflects the increase in gross profit. As part of the integration process for West-Ward Columbus, we have significantly strengthened the management team for the Generics business during 2017, appointing new function heads across the business to better enable the execution of our growth strategy.

The Generics business reported an operating loss of $28 million in H1 2017 after the amortisation of intangible assets of $11 million and exceptional items of $38 million. The exceptional items relate to the

impairment of product-related investments, primarily within the West-Ward Columbus pipeline, of $34 million due to a change in the expected market opportunity of certain products and severance costs in connection with the acquisition of $4 million.

During H1 2017, the Generics business launched 7 products, including all dosage forms and strengths, and received 14 product approvals.

We announced on 11 May 2017 that the US Food and Drug Administration (FDA) had issued a complete response letter (CRL) in relation to our abbreviated new drug application (ANDA) for our generic version of GlaxoSmithKline's Advair Diskus® (fluticasone propionate and salmeterol inhalation powder). Since then we, supported by our partner Vectura, have had constructive discussions with the FDA and we have been able to clarify and resolve a number of the questions raised. The discussions with the FDA have confirmed our initial assessment that there are no material issues regarding the substitutability of the proposed device. We are in ongoing discussions with the FDA to address the remaining questions and will provide a more detailed update to the market as soon as we are able to do so.

We now expect Generics revenue to be around $620 million for the full year, reflecting the impact of increased competition on prices and volumes. Through our focus on portfolio optimisation and continued cost savings, we expect the Generics business to achieve core operating profit of around $30 million in 2017.

Branded

H1 2017 highlights:

- Branded revenue of $223 million, down 16% and down 6% in constant currency, reflecting the timing of Ramadan and Eid and challenging operating conditions in certain markets
- Branded core operating profit of $41 million, down 25% and down 16% in constant currency, due to the decline in revenue, partially offset by a reduction in operating expenses
- Branded core operating margin was 18.4% and was 18.5% in constant currency
- Expanded our existing licensing and distribution agreement with Takeda, adding attractive branded products in strategic therapeutic areas
- Continue to expect Branded revenue growth in the mid-single digits in constant currency in 2017, reflecting the timing of sales and new product launches. We now expect reported revenue and reported core operating profit to be broadly in line with 2016

$ million	**H1 2017**	H1 2016	Change	Constant currency change
Revenue	**223**	264	-16%	-6%
Gross profit	**105**	134	-22%	-12%
Gross margin	***47.1%***	*50.8%*	*-3.7pp*	*-3.4pp*
Core operating profit	**41**	55	-25%	-16%
Core operating margin	***18.4%***	*20.8%*	*-2.4pp*	*-2.3pp*

Branded revenue decreased by 6% in H1 2017, before the impact of adverse movements in the Egyptian pound, Sudanese pound, Tunisian dinar, Algerian dinar and Moroccan dirham against the US dollar. The revenue decline reflects the timing of Ramadan and Eid in the first half of 2017 and more challenging operating conditions in certain markets, primarily due to increased importation restrictions and economic uncertainty. These impacts more than offset a stronger performance in other markets. We expect the seasonality of sales and new product launches to drive good Branded revenue growth in H2 2017.

On a reported basis, Branded revenue decreased by 16% to $223 million, compared with $264 million in H1 2016. The significant currency impact was primarily due to the devaluation of the Egyptian pound following the flotation of the currency in November 2016.[5]

During H1 2017, the Branded business launched a total of 51 products including dosage forms and strengths, across all markets. The Branded business also received 69 regulatory approvals across the region.

Revenue from in-licensed products represented 40% of Branded revenue, compared with 38% in H1 2016. We launched 14 new in-licensed products, including all dosage forms and strengths, across all markets. These products help to strengthen our portfolio in strategic therapeutic categories, including cardiovascular and central nervous system.

In H1 2017, we expanded our licensing and distribution agreement with Takeda to add attractive branded products to our MENA portfolio. The agreement builds on our long-standing partnership with Takeda and enables us to expand our portfolio in key therapeutic areas, including cardiovascular, diabetes and gastroenterology. Under the agreement, Hikma has the exclusive rights to manufacture and commercialise three of Takeda's leading primary care product families – Vipedia™ (alogliptin) (anti-diabetic), Edarbi™ (azilsartan) (anti-hypertensive) and Xefo™ (lornoxicam) (pain/ anti-inflammatory) – in the MENA.[6] It also gives us the exclusive rights to manufacture and commercialise Dexilant™ (dexlansoprozole) (gastric acid secretion inhibitor) in the MENA[7] and to expand our existing license agreement for Xefo™ (lornoxicam) tablets beyond Saudi Arabia and Jordan to cover our other MENA markets.

On a reported basis, Branded gross profit decreased by 22% to $105 million in H1 2017 and gross margin was 47.1%, compared with 50.8% in H1 2016. In constant currency, gross profit decreased by 12% to $118 million and gross margin was 47.4%, reflecting a change in the product mix, with stable overhead costs.

Core operating profit, which excludes the amortisation of intangibles of $4 million, decreased by 25% to $41 million and core operating margin was 18.4%, down from 20.8% in H1 2016. In constant currency, core operating profit decreased by 16% to $46 million and core operating margin was 18.5% compared with 20.8% in H1 2016. The decline in operating profit reflects the lower revenue, partially offset by a reduction in operating expenses as a result of good cost control.

We continue to expect Branded revenue growth in the mid-single digits in constant currency for the full year in 2017, reflecting the timing of sales and new product launches. We now expect reported revenue and reported core operating profit to be broadly in line with 2016.

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 $5 million in H1 2017, in line with H1 2016. These other businesses had an operating loss of $1 million in H1 2017 and were breakeven in H1 2016.

Group

Group revenue grew by 1% in H1 2017 to $895 million and 5% in constant currency. Group gross profit was $454 million and core gross profit was $456 million, compared with $449 million in H1 2016. Group gross margin was 50.7% and core gross margin was 50.9%, in line with H1 2016.

[5] On 30 June 2017, the Egyptian pound had devalued against the US dollar from its peg of 8.8 EGP:USD prior to 3 November 2016 to 18.1 EGP:USD (source: Central Bank of Egypt)

[6] The agreement does not include the Egyptian market for Alogliptin

[7] With the exception of Saudi Arabia, UAE and Egypt

Group operating expenses were $341 million, compared with $304 million in H1 2016. Excluding the amortisation of intangible assets other than software of $24 million and exceptional items of $39 million, core Group operating expenses were $280 million, an increase of 3%. Exceptional items included within operating expenses in H1 2017 comprised the impairment of product-related intangibles of $35 million and severance costs of $4 million, compared with exceptional items of $17 million in H1 2016.[8] The paragraphs below address the Group's main operating expenses in turn.

Sales and marketing expenses were $117 million compared with $106 million H1 2016. Excluding the amortisation of intangible assets of $24 million and severance costs of $1 million, sales and marketing expenses were $92 million, or 10% of revenue compared with $88 million, or 10% of revenue in H1 2016. The increase of $4 million was primarily due to the consolidation of an additional two months of the West-Ward Columbus business, partially offset by lower sales and marketing costs in the Branded business.

General and administrative expenses were $107 million in H1 2017, compared with $130 million in H1 2016. Excluding exceptional items, G&A expenses were $106 million compared with $95 million in H1 2016, or 12% of revenue compared with 11%, primarily due to the consolidation of an additional two months of West-Ward Columbus expenses.

R&D expense was $63 million in H1 2017. Excluding exceptional items, core R&D expense was $60 million compared with $57 million in H1 2016. The combined R&D expense and product-related investment for the Group was $65 million (7% of Group revenue) compared with $69 million (8% of Group revenue) in H1 2016. During the period we have identified opportunities for cost savings and efficiencies, particularly in our Generics business and we now expect Group R&D expense to be around $140 million for the full year in 2017.

Other net operating expenses were $54 million in H1 2017. Excluding exceptional items of $32 million, related to the impairment of product-related intangible assets within the Generics business, net operating expenses were $22 million compared with $33 million in H1 2016. This decrease is primarily due to foreign exchange gains and lower inventory provisions in the US.

Group operating profit was $113 million in H1 2017. Excluding the impact of amortisation and exceptional items, core Group operating profit was $176 million and core operating margin was 19.7%, compared with $176 million and 20.0% in H1 2016. This reflects the consolidation of an additional two months of West-Ward Columbus in H1 2017, offset by the lower profitability of the Branded business.

Research & Development[9]

The Group's product portfolio continues to grow as a result of our product development efforts. During H1 2017, we launched 75 new products, including all dosage forms and strengths and the Group's portfolio now stands at 2,660 products. In addition, the Group received 173 approvals.

To ensure the continuous development of our product pipeline, we submitted 87 regulatory filings in H1 2017 across all markets. As of 30 June 2017, we had a total of 767 pending approvals across all markets. At 30 June 2017, we had a total of 374 new products under development.

	Marketed products in H1 2017, including all dosage forms and	Products launched in H1 2017, including all dosage forms and	Products approved in H1 2017, including all dosage forms and	Products pending approval, including all dosage forms and strengths, across all

[8] In H1 2016, exceptional items comprised acquisition, integration and other costs of $39 million, the net gain on divestment of certain legacy Generics products of $18 million and the release of a contingent liability of $4 million. Further details of the exceptional items are provided in note 4

[9] 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

	strengths, across all markets	strengths, across all markets	strengths, across all markets	markets as at 30 June 2017
Injectables	791	17	90	447
Generics	348	7	14	55
Branded	1,521	51	69	265
Group	**2,660**	**75**	**173**	**767**

Net finance expense

In H1 2017, net finance expense was $13 million. Excluding the net non-cash income of $15 million, primarily resulting from the remeasurement of the contingent consideration payable to Boehringer Ingelheim as part of the West-Ward Columbus acquisition, net finance expense was $28 million, compared with $29 million in H1 2016. For the full year in 2017, we continue to expect Group net finance expense to be around $60 million. In addition, we now expect a net non-cash expense of $1 million related to the remeasurement of the contingent consideration for the full year in 2017.

Profit before tax

Profit before tax for the Group was $100 million in H1 2017, up from $83 million in H1 2016. Core profit before tax was $148 million, compared with $147 million in H1 2016.

Tax

The Group incurred a tax expense of $30 million, compared with $24 million in H1 2016. Excluding the tax impact of exceptional items, core Group tax expense was $38 million in H1 2017, compared with $37 million in H1 2016. The core effective tax rate was 25.7%, compared with 25.2% in H1 2016. We continue to expect the core effective tax rate for the full year in 2017 to be around 26%.

Profit attributable to shareholders

Profit attributable to shareholders increased by 19% to $69 million, compared with $58 million in H1 2016. Core profit attributable to shareholders was $109 million, in line with H1 2016.

Earnings per share

Basic earnings per share increased by 12% to 28.8 cents in H1 2017, compared to 25.7 cents in H1 2016. Core basic earnings per share decreased by 6% to 45.4 cents, compared with 48.2 cents in H1 2016. Core diluted earnings per share decreased by 5% to 45.2 cents, compared with 47.8 cents in H1 2016. 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, which impacted the weighted average number of shares.

Dividend

The Board has declared an interim dividend of 11.0 cents per share (approximately 8.5 pence per share) for H1 2017, in line with the interim dividend of 11.0 cents per share in H1 2016. The interim dividend will be

paid on 22 September 2017 to eligible shareholders on the register at the close of business on 25 August 2017. The ex-dividend date is 24 August 2017 and the final date for currency elections is 8 September 2017.

Net cash flow, working capital and net debt

The Group generated operating cash flow of $225 million in H1 2017. Excluding the acquisition and integration costs related to the West-Ward Columbus acquisition of $35 million, this compared to Group operating cash flow of $134 million in H1 2016. This significant increase in cash flow generation in H1 2017 primarily reflects the investment we made in the working capital of the West-Ward Columbus business following the acquisition in February 2016. Group working capital days were 230 days at June 2017, up from 211 days at June 2016.[10] This was principally due to an increase in inventory days in the US, which was partially offset by an associated increase in payable days.

Capital expenditure was $47 million, compared with $55 million in H1 2016. Of this, around $28 million was spent in the US to expand the manufacturing capacity and capabilities of our Injectables and Generics businesses. In MENA, around $11 million was spent to maintain our equipment and facilities across a number of markets. The remaining $8 million was spent in Europe, expanding our Injectables manufacturing capacity for lyophilised and oncology products. We now expect Group capital expenditure to be around $125 million for the full year in 2017.

The Group's net debt[11] (excluding co-development agreements and contingent consideration and liabilities) stood at $633 million at the end of June 2017, compared with $697 million at the end of December 2016. The reduction reflects the paydown of debt during the period. We continue to have a strong a balance sheet, with a net debt to EBITDA ratio of 1.3 times at June 2017.

Balance sheet

Net assets at 30 June 2017 totalled $2,452 million, compared to $2,411 million at 31 December 2016. Net current assets were $694 million, compared to $530 million at 31 December 2016.

During the period, shareholder equity was positively impacted by an unrealised foreign exchange translation gain of $19 million, primarily reflecting movements in the Euro, Algerian dinar and Moroccan dirham against the US dollar and the translation of net assets denominated in these currencies.

Summary and outlook

The Group delivered stable revenue and profitability in H1 2017 in a challenging environment.

We now expect Injectables revenue to be around $775 million in 2017, as a result of increased competition on certain products in the US market during H2 2017 and lower than expected revenue growth in the MENA. We expect core operating margin to be around 39%, reflecting a favourable product mix in the US and good control of costs.

For the full year, we now expect Generics revenue to be around $620 million, reflecting the impact of increased competition on prices and volumes. Through our focus on portfolio optimisation and continued cost savings, we expect core operating profit of the Generics business in 2017 to be around $30 million.

[10] 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

[11] 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

We continue to expect Branded revenue growth in the mid-single digits in constant currency in 2017, reflecting the timing of sales and new product launches in the second half of the year. Reported revenue and core operating profit are expected to be broadly in line with 2016.

We expect full year Group revenue to be around $2.0 billion in constant currency. Across the Group, we are taking actions to deliver value from our marketed products, invest in our pipeline and enhance the efficiency of our operations, to ensure we are well positioned for future growth.

Constant currency

Constant currency numbers in H1 2017 represent reported H1 2017 numbers re-stated using average exchange rates in H1 2016. A summary of the exchange rates used is provided in the table below.

	Period end rates[12]		Average rates[12]	
	30 June 2017	**30 June 2016**	**H1 2017**	**H1 2016**
USD/ Algerian dinar	107.8716	110.3681	109.5352	108.0838
USD/ British pound	0.7672	0.7467	0.7935	0.6976
USD/ Egyptian pound	18.1488	8.8810	17.9856	8.4602
USD/ EUR	0.8749	0.9005	0.9228	0.8955
USD/ Japanese yen	112.4800	103.1779	112.4076	111.4201
USD/ Jordanian dinar	0.7090	0.7090	0.7090	0.7090
USD/ Moroccan dirham	9.6464	9.7393	9.8814	9.7860
USD/ Saudi riyal	3.7495	3.7495	3.7495	3.7495
USD/ Sudanese pound	16.5563	11.2740	15.8479	11.2740
USD/ Tunisian dinar	2.4588	2.1925	2.3646	2.0530

Going concern statement

As set out in note 2 to the financial statements, the Directors considered it appropriate to prepare the financial statements on the going concern basis as explained in the basis of preparation.

Statement of Directors' responsibilities

The Directors confirm to the best of their knowledge:

a) The consolidated 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, gives a true and fair view of the assets and liabilities, financial position and profit or loss of the issuer, or the undertakings included in the consolidation as a whole as required by DTR 4.2.4R;

b) The interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months including their impact on the condensed financial statements and description of principal risks and uncertainties for the remaining six months of the year);

c) The interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes from the last Annual Report which have had

[12] Exchange rates are sourced from the Central Bank of the relevant country for the Algerian dinar, Egyptian pound, Moroccan dirham, Sudanese Pound and Tunisian dinar and from Bloomberg for the Euro, British pound and Japanese yen

or could have a material financial effect on the financial position of the Group during the period); and

d) The directors of the Company are listed in the Hikma Pharmaceuticals PLC Annual Report for 31 December 2016. Subsequently, Michael Ashton retired on 19 May 2017. A list of current directors is maintained on the Hikma Pharmaceuticals PLC website: www.hikma.com

By order of the Board

Said Darwazah
Chief Executive Officer
16 August 2017

Khalid Nabilsi
Chief Financial Officer

Cautionary statement

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

Forward looking statements

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

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

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

Principal risks and uncertainties

As part of Hikma's Enterprise Risk Management Framework, the Board conducted a detailed review of all of the existing and emerging principal risks in the businesses during 2016 and detailed these principal risks on pages 54 to 57 of the Annual Report of Hikma Pharmaceuticals PLC for the year ended 31 December 2016. The Board has reviewed those principal risks and uncertainties and concluded that no substantial changes need to be made. It is not anticipated that the nature of the principal risks and uncertainties will change in the second six months of this financial year.

In summary, the principal risks and uncertainties affecting the Group are those described in the table below.

Risk and description	**Mitigation and control**
Product quality	

• 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
	• 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
	• Implementation of Quality Risk Management practices to assess manufacturing sites and processes

API sourcing	
• 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	• Maintaining alternative API suppliers for each of the Group's strategic 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
MENA & emerging markets	
• 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	• Geographic diversity reduces the impact of issues arising in one jurisdiction with extensive experience of operating in these environments and developing opportunities

variety of business disruptions in those markets for a substantial period of time	• 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
New product pipeline	
• A sizeable proportion of Group revenue 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 differentiated products to patients and customers	• Internal marketing and business development departments monitor and assess the market for arising opportunities • Expansive global product portfolio with increased 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 internal 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 • Strengthened pipeline management through appointment of experienced and talented individuals within the R&D team
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 • Alignment with product development teams to ensure sustained new product introductions across markets to capture opportunities
Acquisitions	
• The Group strategy is to pursue value adding	• The mergers and acquisitions team undertake

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	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
Anti-Bribery and Corruption (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 reputation and licence to do business	• Board level – Compliance, Responsibility and Ethics Committee (CREC) • Code of Conduct approved by the Board, translated into seven languages and signed by all employees • ABC compliance programme monitored by the CREC • Sustained ABC compliance training delivered to employees strengthened by the introduction of on-line training programs • 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 • Third parties undergo ABC due diligence prior to engagement
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, including risks related to pipeline, goodwill, etc.	• 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 • Continuous review and oversight of the Group's business plan
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
	• Development of a Group-wide information security policy
	• Strengthening global IT department through appointment of experienced talent

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 and structures 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 • Sustained corporate social responsibility activities that are aligned across the Group • Establishing partnerships and programmes to limit misuse of Hikma products

INDEPENDENT REVIEW REPORT TO HIKMA PHARMACEUTICALS PLC

Report on the consolidated interim financial statements

Our conclusion

We have reviewed Hikma Pharmaceuticals PLC's consolidated interim financial statements (the "interim financial statements") in the Press Release of Hikma Pharmaceuticals PLC for the six month period ended 30 June 2017. 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 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 2017;
- the consolidated income statement and consolidated statement of comprehensive income for the period then ended;
- the consolidated statement of cash flow 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 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 International Accounting Standards Board 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 International Accounting Standards Board.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the Directors

The 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 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 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 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

16 August 2017

(a) The maintenance and integrity of the Hikma Pharmaceuticals PLC website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the consolidated interim financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of interim financial statements may differ from legislation in other jurisdictions.

Hikma Pharmaceuticals PLC
Consolidated income statement

	Note	H1 2017 Core results $m (Unaudited)	H1 2017 Exceptional items and other adjustments (note 4) $m (Unaudited)	H1 2017 Reported results $m (Unaudited)	H1 2016 Core results $m (Unaudited)	H1 2016 Exceptional items and other adjustments (note 4) $m (Unaudited)	H1 2016 Reported results $m (Unaudited)	FY 2016 Core results $m (Audited)	FY 2016 Exceptional items and other adjustments (note 4) $m (Audited)	FY 2016 Reported results $m (Audited)
Continuing operations										
Revenue	3	895	-	895	882	-	882	1,950	-	1,950
Cost of sales	3	(439)	(2)	(441)	(433)	(24)	(457)	(932)	(32)	(964)
Gross profit		**456**	**(2)**	**454**	**449**	**(24)**	**425**	**1,018**	**(32)**	**986**
Sales and marketing expenses		(92)	(25)	(117)	(88)	(18)	(106)	(184)	(37)	(221)
General and administrative expenses		(106)	(1)	(107)	(95)	(35)	(130)	(208)	(36)	(244)
Research and development										

expenses		(60)	(3)	(63)	(57)	-	(57)	(126)	(24)	(150)
Other operating expenses (net)		(22)	(32)	(54)	(33)	22	(11)	(81)	12	(69)
Total operating expenses		**(280)**	**(61)**	**(341)**	**(273)**	**(31)**	**(304)**	**(599)**	**(85)**	**(684)**
Operating profit	3	**176**	**(63)**	**113**	**176**	**(55)**	**121**	**419**	**(117)**	**302**
Finance income		2	29	31	2	-	2	3	9	12
Finance expense		(30)	(14)	(44)	(31)	(9)	(40)	(63)	(41)	(104)
Profit before tax		148	(48)	100	147	(64)	83	359	(149)	210
Tax	5	(38)	8	(30)	(37)	13	(24)	(80)	28	(52)
Profit for the period/year		**110**	**(40)**	**70**	**110**	**(51)**	**59**	**279**	**(121)**	**158**
Attributable to:										
Non-controlling interests		1	-	1	1	-	1	3	-	3
Equity holders of the parent		**109**	**(40)**	**69**	**109**	**(51)**	**58**	**276**	**(121)**	**155**
		110	**(40)**	**70**	**110**	**(51)**	**59**	**279**	**(121)**	**158**
Earnings per share (cents)										
Basic	7	45.4		28.8	48.2		25.7	118.5		66.5
Diluted	7	45.2		28.6	47.8		25.4	117.9		66.2

On this page and throughout this interim financial information "H1 2017" refers to the six months ended 30 June 2017, "H1 2016" refers to the six months ended 30 June 2016 and "FY 2016" refers to the year ended 31 December 2016.

Hikma Pharmaceuticals PLC
Consolidated statement of comprehensive income

	H1 2017 $m (Unaudited)	H1 2016 $m (Unaudited)	FY 2016 $m (Audited)
Profit for the period/year	**70**	**59**	**158**
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	1	1
Exchange difference on translation of foreign operations	19	(16)	(90)
Total comprehensive income for the period/year	**90**	**44**	**69**
Attributable to:			
Non-controlling interests	1	-	-
Equity holders of the parent	**89**	**44**	**69**
	90	**44**	**69**

Hikma Pharmaceuticals PLC
Consolidated balance sheet

	Note	30 June 2017 $m (Unaudited)	30 June 2016 $m (Unaudited)	31 December 2016 $m (Audited)
Non-current assets				
Goodwill		686	689	682
Other Intangible assets		1,000	1,070	1,037
Property, plant and equipment		982	982	969
Investment in associates and joint ventures		7	7	7
Deferred tax assets		183	128	172
Financial and other non-current assets	8	68	60	48
		2,926	**2,936**	**2,915**
Current assets				
Inventories	9	507	496	459
Income tax receivable		2	8	2
Trade and other receivables	10	669	671	759
Collateralised and restricted cash		3	6	7
Cash and cash equivalents		244	247	155

Other current assets	11	41	139	66
		1,466	**1,567**	**1,448**
Total assets		**4,392**	**4,503**	**4,363**
Current liabilities				
Bank overdrafts and loans	14	111	158	117
Trade and other payables	12	327	322	343
Income tax provision		89	86	112
Other provisions		27	28	27
Other current liabilities	13	218	272	319
		772	**866**	**918**
Net current assets		**694**	**701**	**530**
Non-current liabilities				
Long-term financial debts	14	747	892	721
Obligations under finance leases		21	21	21
Deferred tax liabilities		16	34	15
Other non-current liabilities	15	384	290	277
		1,168	**1,237**	**1,034**
Total liabilities		**1,940**	**2,103**	**1,952**
Net assets		**2,452**	**2,400**	**2,411**
Equity				
Share capital		40	40	40
Share premium		282	282	282
Own shares		(1)	(1)	(1)
Other reserves		2,119	2,064	2,075
Equity attributable to equity holders of the parent		**2,440**	**2,385**	**2,396**
Non-controlling interests		12	15	15
Total equity		**2,452**	**2,400**	**2,411**

Hikma Pharmaceuticals PLC

Consolidated statement of changes in equity

	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 2016 (Audited)	**38**	**(161)**	**1,144**	**1,021**	**35**	**282**	**(1)**	**1,337**	**15**	**1,352**
Profit for the period	-	-	58	**58**	-	-	-	**58**	1	**59**
Effect of change in investment designated at fair value	-	-	1	**1**	-	-	-	**1**	-	**1**
Currency translation loss	-	(15)	-	**(15)**	-	-	-	**(15)**	(1)	**(16)**
Total comprehensive income for the period	-	(15)	59	**44**	-	-	-	**44**	-	**44**
Total transactions with owners, recognised directly in equity										
Issue of equity shares for acquisition of a subsidiary	1,039	-	-	**1,039**	5	-	-	**1,044**	-	**1,044**
Cost of equity-settled employee share schemes	-	-	10	**10**	-	-	-	**10**	-	**10**
Dividends on ordinary shares (note 6)	-	-	(50)	**(50)**	-	-	-	**(50)**	(1)	**(51)**
Acquisition of subsidiaries	-	-	-	**-**	-	-	-	**-**	1	**1**
Balance at 30 June 2016 (Unaudited)	**1,077**	**(176)**	**1,163**	**2,064**	**40**	**282**	**(1)**	**2,385**	**15**	**2,400**
Balance at 1 January 2016 (Audited)	**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	1,039	-	-	**1,039**	5	-	-	**1,044**	-	**1,044**
Cost of equity-settled employee share schemes	-	-	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	-	-	-	**-**	-	-	-	**-**	1	**1**
Balance at 31 December 2016 (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										
Cost of equity-settled employee share schemes	-	-	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**

* During the period, the Group acquired the remaining stake in Ibn Al Baytar bringing the total ownership to 100%. This was completed in April 2017.

Hikma Pharmaceuticals PLC

Consolidated cash flow statement

	Note	H1 2017 $m (Unaudited)	H1 2016 $m (Unaudited)	FY 2016 $m (Audited)
Net cash from operating activities	16	**225**	**99**	**293**
Investing activities				
Purchases of property, plant and equipment		(47)	(55)	(122)
Proceeds from disposal of property, plant and equipment		-	-	1
Purchase of intangible assets		(28)	(42)	(68)
Proceeds from disposal of intangible assets		-	23	24
Investment in financial and other non-current assets		-	(11)	(11)
Investment in available-for-sale investments		(2)	-	(6)
Acquisition of business undertakings, net of cash acquired*		1	(597)	(515)
Finance income		1	1	2
Net cash used in investing activities		**(75)**	**(681)**	**(695)**
Financing activities				
Decrease/(increase) in collateralised and restricted cash		4	1	(4)

Proceeds from issue of long-term financial debts	85	334	471
Repayment of long-term financial debts	(60)	(24)	(326)
Proceeds from short-term borrowings	236	215	345
Repayment of short-term borrowings	(242)	(168)	(337)
Dividends paid	(53)	(50)	(77)
Dividends paid to non-controlling shareholders of subsidiaries	(2)	(1)	(1)
Interest paid	(27)	(30)	(54)
Purchase of non-controlling interest in subsidiary	(6)	-	-
Proceeds from co-development and earnout payment agreement, net	2	3	2
Net cash (used in)/ generated from financing activities	**(63)**	**280**	**19**
Net increase / (decrease) in cash and cash equivalents	**87**	**(302)**	**(383)**
Cash and cash equivalents at beginning of period/year	155	553	553
Foreign exchange translation movements	2	(4)	(15)
Cash and cash equivalents at end of period/year	**244**	**247**	**155**

*During the period, the Group received a $1 million payment from Boehringer Ingelheim in respect of the price adjustment receivable related to the West-Ward Columbus acquisition.

HIKMA PHARMACEUTICALS PLC
Notes to the interim financial statements

1. General information

These consolidated interim financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2016, which were prepared under International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board and IFRS as adopted by the EU, have been filed with the Registrar of Companies. The auditor's report on those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain any statement under Section 498 (2) or (3) of the Companies Act 2006.

The consolidated interim financial statements for the six months to 30 June 2017, with comparative figures for the six months to 30 June 2016, are unaudited and do not constitute statutory accounts. However, the auditors, PricewaterhouseCoopers LLP, have carried out a review of the consolidated interim financial statements and their report is set out in the Independent review report.

2. Accounting policies

The unaudited consolidated interim financial statements for the six months ended 30 June 2017 has been prepared using the same accounting policies and on a basis, consistent with the audited financial statements of Hikma Pharmaceuticals PLC (the 'Group') for the year ended 31 December 2016.

Basis of preparation

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

These consolidated interim financial statements for the six months ended 30 June 2017 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 European Union and as issued by the International Accounting Standards Board (IASB). The consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with IFRSs issued by the International Accounting Standards Board (IASB) and the IFRSs adopted by the European Union.

Taxes on income for interim periods are accrued using the effective tax rate that would be applicable to expected total annual earnings. Discrete items are taxed within the period in which they are expected to arise, at the applicable tax rate.

The same accounting policies, presentation and method of computation are followed in the consolidated interim financial statements as were applied in the Group's latest annual audited financial statements. There have been no changes to the accounting standards in the current year that have materially impacted the Group financial statements.

Adoption of new and revised standards

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, however, may impact the accounting for future transactions and arrangements.

IAS 7 (Amendments)	Statement of cash flows on disclosure initiative

The following Standards and Interpretations have not been applied in these interim 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 15 (Amendments)	Revenue from contracts with customers
IFRS 40 (Amendments)	Investment Property
IFRS 4 (Amendments)	Insurance contracts
IFRS 16	Leases
IFRS 2 (Amendments)	Share based payments
IFRIC 22	Foreign currency transactions and advance considerations
IFRIC 23	Uncertainty over income tax treatments
IFRS 17	Insurance contracts
Annual improvements 2014-2016	

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.

During H1 2017, the Group started the process of assessing the impact of the first-time application of IFRS 9 (Financial instruments) and IFRS 15 (Revenue from contracts with customers). As of the reporting date, the process is still ongoing; until the detailed review is completed, the Directors could not provide a reasonable estimate of a definite effect of these standards on the financial statements of the Group in future periods.

Accounting estimates

The preparation of the interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2016.

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 overall net debt position was $633 million (30 June 2016: $819 million and 31 December 2016: $697 million). Net cash from operating activities in H1 2017 was $225 million (H1 2016: $99 million and FY 2016: $293 million). The Group has $1,067 million (30 June 2016: $1,015 million and 31 December 2016: $1,109 million) of

undrawn short term and long term banking facilities, in addition to $217 million (30 June 2016: $173 million and 31 December 2016: $180 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 interim financial information.

3. Business and geographical segments

For management 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.

The following is an analysis of the Group's revenue and results by reportable segment:

	H1 2017 Core results (Unaudited)	H1 2017 Exceptional items and other adjustments (note 4) (Unaudited)	H1 2017 Reported results (Unaudited)	H1 2016 Core results (Unaudited)	H1 2016 Exceptional items and other adjustments (note 4) (Unaudited)	H1 2016 Reported results (Unaudited)	FY 2016 Core results (Audited)	FY 2016 Exceptional items and other adjustments (note 4) (Audited)	FY 2016 Reported results (Audited)
Injectables									
	$m	$m	$m	$m	$m	$m	$m	$m	$m
Revenue	362	-	362	357	-	357	781	-	781
Cost of sales	(134)	-	(134)	(132)	-	(132)	(276)	-	(276)
Gross profit	228	-	228	225	-	225	505	-	505
Total operating expenses	(84)	(10)	(94)	(79)	(2)	(81)	(165)	(28)	(193)
Segment result	144	(10)	134	146	(2)	144	340	(28)	312

	H1 2017 Core results (Unaudited)	H1 2017 Exceptional items and other adjustments (note 4) (Unaudited)	H1 2017 Reported results (Unaudited)	H1 2016 Core results (Unaudited)	H1 2016 Exceptional items and other adjustments (note 4) (Unaudited)	H1 2016 Reported results (Unaudited)	FY 2016 Core results (Audited)	FY 2016 Exceptional items and other adjustments (note 4) (Audited)	FY 2016 Reported results (Audited)
Generics									
	$m	$m	$m	$m	$m	$m	$m	$m	$m
Revenue	305	-	305	257	-	257	604	-	604
Cost of sales	(184)	(2)	(186)	(168)	(24)	(192)	(376)	(32)	(408)
Gross profit	121	(2)	119	89	(24)	65	228	(32)	196
Total operating expenses	(100)	(47)	(147)	(81)	7	(74)	(193)	(17)	(210)
Segment result	21	(49)	(28)	8	(17)	(9)	35	(49)	(14)

The Generics segment includes the results of the West-Ward Columbus business.

Branded	H1 2017 Core results (Unaudited)	H1 2017 Exceptional items and other adjustments (note 4) (Unaudited)	H1 2017 Reported results (Unaudited)	H1 2016 Core results (Unaudited)	H1 2016 Exceptional items and other adjustments (note 4) (Unaudited)	H1 2016 Reported results (Unaudited)	FY 2016 Core results (Audited)	FY 2016 Exceptional items and other adjustments (note 4) (Audited)	FY 2016 Reported results (Audited)
	$m	$m	$m	$m	$m	$m	$m	$m	$m
Revenue	223	-	223	264	-	264	556	-	556
Cost of sales	(118)	-	(118)	(130)	-	(130)	(274)	-	(274)
Gross profit	105	-	105	134	-	134	282	-	282
Total operating expenses	(64)	(4)	(68)	(79)	(4)	(83)	(170)	(8)	(178)
Segment result	41	(4)	37	55	(4)	51	112	(8)	104

Others	H1 2017 Core results (Unaudited)	H1 2017 Exceptional items and other adjustments (note 4) (Unaudited)	H1 2017 Reported results (Unaudited)	H1 2016 Core results (Unaudited)	H1 2016 Exceptional items and other adjustments (note 4) (Unaudited)	H1 2016 Reported results (Unaudited)	FY 2016 Core results (Audited)	FY 2016 Exceptional items and other adjustments (note 4) (Audited)	FY 2016 Reported results (Audited)
	$m	$m	$m	$m	$m	$m	$m	$m	$m
Revenue	5	-	5	4	-	4	9	-	9
Cost of sales	(3)	-	(3)	(3)	-	(3)	(6)	-	(6)
Gross profit	2	-	2	1	-	1	3	-	3
Total operating expenses	(3)	-	(3)	(1)	-	(1)	(5)	-	(5)
Segment result	(1)	-	(1)	-	-	-	(2)	-	(2)

'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 2017 Core results (Unaudited)	H1 2017 Exceptional items and other adjustments (note 4) (Unaudited)	H1 2017 Reported results (Unaudited)	H1 2016 Core results (Unaudited)	H1 2016 Exceptional items and other adjustments (note 4) (Unaudited)	H1 2016 Reported results (Unaudited)	FY 2016 Core results (Audited)	FY 2016 Exceptional items and other adjustments (note 4) (Audited)	FY 2016 Reported results (Audited)
	$m	$m	$m	$m	$m	$m	$m	$m	$m
Segment result	205	(63)	142	210	(24)	186	485	(85)	400
Unallocated expenses	(29)	-	(29)	(34)	(31)	(65)	(66)	(32)	(98)

Operating profit	176	(63)	113	176	(55)	121	419	(117)	302
Finance income	2	29	31	2	-	2	3	9	12
Finance expense	(30)	(14)	(44)	(31)	(9)	(40)	(63)	(41)	(104)
Profit before tax	148	(48)	100	147	(64)	83	359	(149)	210
Tax	(38)	8	(30)	(37)	13	(24)	(80)	28	(52)
Profit for the period/year	110	(40)	70	110	(51)	59	279	(121)	158
Attributable to:									
Non-controlling interests	1	-	1	1	-	1	3	-	3
Equity holders of the parent	109	(40)	69	109	(51)	58	276	(121)	155
	110	(40)	70	110	(51)	59	279	(121)	158

Unallocated corporate expenses mainly comprise employee costs, third party professional fees, travel expenses and donations (H1 2016 and FY 2016 comprise of employee costs, third party professional fees, travel expenses, 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 2017 $m (Unaudited)	H1 2016 $m (Unaudited)	FY 2016 $m (Audited)
United States	586	529	1,211
Middle East and North Africa	256	304	641
Europe and Rest of the World	51	47	95
United Kingdom	2	2	3
	895	882	1,950

The top selling markets were as below:

	H1 2017 $m (Unaudited)	H1 2016 $m (Unaudited)	FY 2016 $m (Audited)
United States	586	529	1,211
Saudi Arabia	57	64	143
Algeria	40	57	115
	683	650	1,469

Included in revenue arising from the Generics and Injectables segments is revenue of approximately $127 million (H1 2016: $123 million and FY 2016: $253 million) which arose from the Group's largest customer which is 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 2017 $m (Unaudited)	H1 2016 $m (Unaudited)	FY 2016 $m (Audited)
Exceptional items			
Acquisition, integration and other costs	(4)	(39)	(41)
Gain from sale of assets, net	-	18	18
Inventory-related adjustments	-	(20)	(27)
Release of contingent liability	-	4	4
Impairment of property plant and equipment	-	-	(10)
Impairment of product-related intangible assets	(35)	-	(6)
Write- down of product-related intangible assets	-	-	(18)
Exceptional items included in operating profit	**(39)**	**(37)**	**(80)**
Other adjustments			
Intangible amortisation other than software	(24)	(18)	(37)
Remeasurement of contingent consideration, financial liability and assets, net	15	(9)	(32)
- *Finance expense*	*(14)*	*(9)*	*(41)*
- *Finance income*	*29*	-	*9*
Exceptional items and other adjustments	**(48)**	**(64)**	**(149)**
Tax effect	8	13	28

Impact on profit for the period/year	**(40)**	**(51)**	**(121)**

Exceptional items

- Acquisition, integration and other related costs primarily comprise of severance costs in relation to the West-Ward Columbus acquisition. These costs are included within the overhead, general and administrative, sales and marketing, and research and development expenses.

- Impairment of product-related intangible assets is mainly related to acquired products at West-Ward Columbus and is included within other operating expenses.
  During H1 2017, certain triggering events had occurred and required the Group to perform tests for impairment. Such events included continued pricing pressure, and increased competition on a number of products (including delays in product launches) resulting in a reduced forecast of future net cash inflows compared to previous forecasts. The Group recorded impairment charges using a value in use model in the income statement for the six months ended 30 June 2017.

  The calculation of the recoverable amount was determined using discounted cash flow projections based on financial forecasts. The significant impairment charges recorded during the first half of 2017 and the resulting carrying values subsequent to the impairment charges were as follows:

	Impairment	**Carrying value as at 30 June 2017**
	$m	**$m**
	(Unaudited)	**(Unaudited)**
Product Pipeline	32	49

Key assumptions of the model are as follows:

- Discount rate: 14.5%
- Operational cost savings, based on actual costs through 30 June 2017 in comparison to forecast; and
- Estimated future product cash flows, including price and volume assumptions.

  Changes in any of the key assumptions would result in changes to the impairment charge booked by the Group.

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

- Acquisition, integration and other related costs were incurred in relation to the acquisition of West-Ward Columbus which was completed on 29 February 2016. Acquisition-related expenses were included within unallocated corporate expenses, while integration and other expenses were included within general and administrative expense and cost of sales respectively.
- Acquisition-related expenses mainly comprised third party consulting services, legal and professional fees, and other costs represent severance and retention payments paid.
- Gain from sale of assets related to the divestiture of certain products and was included within other operating income.
- Inventory-related adjustments reflected the amortisation of the fair value uplift of the inventory acquired as part of the West-Ward Columbus acquisition and were included within cost of sales.
- Release of contingent liability was due to not achieving certain performance-related milestones in respect of a previous acquisition and was included within other operating income.
- Impairment of property, plant and equipment related to the write-off of machinery and equipment as a result of a previous acquisition and was included within other operating expenses.
- Impairment of product-related intangible assets was included within research and development expenses.
- Write-down of product-related intangible assets related to the write-down of certain R&D elements associated with the co-development agreements entered into with third parties since 2011 and was included within research and development expenses.

Other adjustments:

Remeasurement of contingent consideration, financial liabilities and assets represents the net difference resulting from the revaluation of the liabilities and assets associated with the future contingent payments and receivables in respect of the West-Ward Columbus acquisition, and of the financial liability in relation to the co-development earnout payment agreement. The remeasurement is included in finance expense/income.

5. Tax

	H1 2017 Core results $m (Unaudited)	H1 2017 Exceptional items and other adjustments (note 4) $m (Unaudited)	H1 2017 Reported results $m (Unaudited)	H1 2016 Core results $m (Unaudited)	H1 2016 Exceptional items and other adjustments (note 4) $m (Unaudited)	H1 2016 Reported results $m (Unaudited)	FY 2016 Core results $m (Audited)	FY 2016 Exceptional items and other adjustments (note 4) $m (Audited)	FY 2016 Reported results $m (Audited)
Current tax									
Foreign tax	42	(2)	40	47	(13)	34	143	(28)	115
Adjustments to prior year	1	-	1	2	-	2	2	-	2
Deferred tax									
Current year	(5)	(6)	(11)	(12)	-	(12)	(57)	-	(57)
Adjustments to prior year	-	-	-	-	-	-	(8)	-	(8)
	38	(8)	30	37	(13)	24	80	(28)	52

The Group incurred a tax expense of $30 million (H1 2016: $24 million; FY 2016: $52 million). The reported effective tax rate for the period is 30.0% (H1 2016: 28.9%; FY 2016: 24.8%). The increase in the reported effective tax rate is due to the geographic profit mix during the period.

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 2017 $m (Unaudited)	H1 2016 $m (Unaudited)	FY 2016 $m (Audited)
Amounts recognised as distributions to equity holders in the period/years:			
Final dividend for the year ended 31 December 2016 of 22.0 cents (2015: 21.0 cents) per share	53	50	51
Interim dividend for the year ended 31 December 2016 of 11.0 cents per share	-	-	26
	53	50	77

The proposed interim dividend for the period ended 30 June 2017 is 11.0 cents (30 June 2016: 11.0 cents and 31 December 2016 final dividend: 22.0 cents) per share.
The proposed interim dividend will be paid on 22 September 2017 to eligible shareholders on the register at the close of business on 25 August 2017. The ex-dividend date is 24 August 2017 and the final date for currency elections is 8 September 2017.

Based on the number of shares in issue at 30 June 2017 of (240,647,229), the unrecognised liability is $26 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 2017 Core results (Unaudited)	H1 2017 Exceptional items and other adjustments (note 4) (Unaudited)	H1 2017 Reported results (Unaudited)	H1 2016 Core results (Unaudited)	H1 2016 Exceptional items and other adjustments (note 4) (Unaudited)	H1 2016 Reported results (Unaudited)	FY 2016 Core results (Audited)	FY 2016 Exceptional items and other adjustments (note 4) (Audited)	FY 2016 Reported results (Audited)
	$m	$m	$m	$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 parent	109	(40)	69	109	(51)	58	276	(121)	155

Number of shares	Number 'm	Number 'm	Number 'm
Weighted average number of ordinary shares for the purposes of basic earnings per share	240	226	233
Effect of dilutive potential ordinary shares:			
Share-based awards	1	2	1
Weighted average number of ordinary shares for the purposes of diluted earnings per share	241	228	234

	H1 2017 Core earnings per share Cents	H1 2017 Reported earnings per share Cents	H1 2016 Core earnings per share Cents	H1 2016 Reported earnings per share Cents	FY 2016 Core earnings per share Cents	FY 2016 Reported earnings per share Cents
Basic	45.4	28.8	48.2	25.7	118.5	66.5
Diluted	45.2	28.6	47.8	25.4	117.9	66.2

8. Financial and other non-current assets

	30 June 2017 $m (Unaudited)	30 June 2016 $m (Unaudited)	31 December 2016 $m (Audited)
Price adjustment receivable	22	6	3
Available-for-sale investments	9	1	7
Other non-current assets	37	53	38
	68	60	48

Price adjustment receivable represents the non-current portion of the contingent receivable in relation to the West-Ward Columbus 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.

During the period, the Group received $1 million reimbursement (H1 2016: $nil and FY 2016: $82 million) in cash. As at 30 June 2017, the balance was adjusted to reflect the present value of the expected receivables balance and the difference is presented as a finance income.

Available-for-sale investments include investments of $8 million in three venture capital companies through the Group's venture capital arm "Hikma International Ventures Developments LLC**"**.

Other non-current assets mainly represent advance payments made to acquire inventory from a third party. As of 30 June 2016, the balance included payments related to both inventory and product-related technologies whereby any payments related to product-related technologies have been reclassified to intangible assets, while any payments related to inventory received were reclassified to inventory.

9. Inventories

	30 June 2017 $m	30 June 2016 $m	31 December 2016 $m
	(Unaudited)	(Unaudited)	(Audited)
Finished goods	154	158	120
Work-in-progress	74	63	73
Raw and packing materials	244	238	229
Goods in transit	14	19	18
Spare parts	21	18	19
	507	496	459

10. Trade and other receivables

	30 June 2017 $m	30 June 2016 $m	31 December 2016 $m
	(Unaudited)	(Unaudited)	(Audited)
Trade receivables	579	590	699
Prepayments	52	55	40
Other receivables	24	13	4
VAT and sales tax recoverable	11	10	14
Employee advances	3	3	2
	669	671	759

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

11. Other current assets

	30 June 2017 $m	30 June 2016 $m	31 December 2016 $m
	(Unaudited)	(Unaudited)	(Audited)
Price adjustment receivable	16	113	34
Investment designated at fair value	21	21	20
Others	4	5	12
	41	139	66

Price adjustment receivable: In respect to note 8, this represents the current portion of the contingent receivable in relation to the West-Ward Columbus acquisition.

Investment designated at fair value: 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 other comprehensive income. This asset is classified as level 1 as it uses quoted prices in active markets.

12. Trade and other payables

	30 June 2017 $m	30 June 2016 $m	31 December 2016 $m
	(Unaudited)	(Unaudited)	(Audited)
Trade payables	191	180	172
Accrued expenses	124	127	157
Other payables	12	15	14
	327	322	343

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

Other payables principally comprise of employees' provident fund liability of $4 million (30 June 2016: $6 million, 31 December 2016: $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.

13. Other current liabilities

	30 June 2017 $m	30 June 2016 $m	31 December 2016 $m
	(Unaudited)	(Unaudited)	(Audited)
Deferred revenue	7	13	13
Return and free goods provision	130	112	109
Co-development and earnout payment	4	8	4
Contingent consideration and liability	-	66	123
Finance lease obligation	1	1	1
Others	76	72	69
	218	272	319

Return and free goods provision: 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 earnout payment agreement: This liability mainly relates to the present value of future payments on a co-development and earnout 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 2017, the liability associated with these earnout payments was adjusted to reflect the present value of the expected future cash outflows and the difference is presented as a finance expense/income. The current portion of the balance is $4 million (30 June 2016: $8 million and 31 December 2016: $4 million).

Contingent consideration and liability: This liability represents the current portion of the Group's contractual contingent consideration and liabilities in relation to the West-Ward Columbus acquisition, whereby as part of the acquisition the Group has contractual liabilities to make payments to a third party in the form of milestone payments that are dependent on the achievement of certain US FDA approval milestones; and royalty payments based on future sales of certain products that are currently under development.

During the period, the Group paid a total of $nil (H1 2016: $nil and FY 2016: $20 million) in respect to the contingent consideration and of $nil (H1 2016: $nil and FY 2016: $10 million) for the contingent liability.

The current portion of the balance is $nil (30 June 2016: $54 million and 31 December 2016: $93 million) related to the contingent consideration and $nil (30 June 2016: $12 million and 31 December 2016: $30 million) related to the acquired opening balance sheet contingent liability whereby the majority of the balance was reclassified to the non-current liabilities following a delay in certain product launches.

Others: These mainly include indirect rebate liabilities across the Group.

14. Current and non-current financial debts

Short-term financial debts

	30 June 2017 $m	30 June 2016 $m	31 December 2016 $m
	(Unaudited)	(Unaudited)	(Audited)
Bank overdrafts	14	15	10
Import and export financing	62	83	63
Short-term loans	-	5	-
Current portion of long-term loans	35	55	44
	111	158	117

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

Long-term financial debts

	30 June 2017 $m	30 June 2016 $m	31 December 2016 $m
	(Unaudited)	(Unaudited)	(Audited)
Long-term loans	286	452	270
Long-term borrowings (Eurobond)	496	495	495
Less: current portion of long-term loans	(35)	(55)	(44)
Long-term financial loans	747	892	721
Breakdown by maturity:			
Within one year	35	55	44
In the second year	201	39	29
In the third year	526	314	171
In the fourth year	10	528	519
In the fifth year	2	10	2
Thereafter	8	1	-
	782	947	765

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 (with fair value of $496 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 West-Ward Columbus 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 $175 million at 30 June 2017 (with a fair value of $175 million) and a $1,000 million unused available limit. The facility matures on 24 December 2019 and can be used for general corporate purposes. Proceeds of $175 million were used mainly to finance part of the cash consideration of the West-Ward Columbus acquisition.

c) A nine-year $110 million loan from the International Finance Corporation (IFC) was entered into on 19 December 2011. The loan has an outstanding balance of $64 million at June 30 2017 (with a fair value of $63 million) and no unutilised limit. 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.

15. Other non-current liabilities

	30 June 2017 $m	30 June 2016 $m	31 December 2016 $m
	(Unaudited)	(Unaudited)	(Audited)
Contingent consideration and liability	336	252	226
Supply manufacturing agreement	33	20	33
Co-development and earnout payment agreement	11	17	14

Others	4	1	4
	384	290	277

Contingent consideration and liability: In respect to note 13, the non-current portion of the balance is $227 million (30 June 2016: $154 million and 31 December 2016: $146 million) related to the contingent consideration and another $109 million (30 June 2016: $98 million and 31 December 2016: $80 million) related to the acquired 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 the seller, Boehringer Ingelheim.

Co-development and earnout payment agreement: In respect of note 13, the non-current portion of the balance is $11 million (30 June 2016: $17 million and 31 December 2016: $14 million).

16. Net cash from operating activities

	H1 2017 $m (Unaudited)	H1 2016 $m (Unaudited)	FY 2016 $m (Audited)
Profit before tax	100	83	210
Adjustments for:			
Depreciation, amortisation, impairment and write-down of:			
Property, plant and equipment	37	32	78
Intangible assets	64	21	68
Loss on disposal of property, plant and equipment	1	-	-
Gain on disposal of intangible assets (note 4)	-	(17)	(18)
Movement on provisions	-	-	(1)
Cost of equity-settled employee share scheme	12	10	22
Finance income	(31)	(2)	(12)
Interest and bank charges	44	40	102
Foreign exchange (gain)/loss*	(2)	-	19
Release of contingent liability	-	-	(4)
Cash flow before working capital	**225**	**167**	**464**
Change in trade and other receivables	90	(26)	(128)
Change in other current assets	5	(2)	1
Change in inventories	(41)	(55)	(32)
Change in trade and other payables	(10)	20	46
Change in other current liabilities	21	25	15
Change in other non-current liabilities	(2)	-	3
Cash generated by operations	**288**	**129**	**369**
Income tax paid	(63)	(30)	(76)
Net cash from operating activities	**225**	**99**	**293**

* The presentation of H1 2017 and FY 2016 shows the foreign exchange (gain)/loss as a separate line item. We have not restated the H1 2016 comparatives in this respect as the amount was immaterial and embedded in the net cash generated from operating activities.

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. Management classifies items that are recognised at fair value based on the level of 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

The Group has the following Level 1 financial assets and liabilities;

- Investment designated at fair value (note 11).
- A $500 million Eurobond (note 14).

The Group has the following level 3 financial assets and liabilities;

Contingent consideration and receivables (notes 13 and 11). The amounts related to the acquired opening balance sheet contingent liability are measured at cost and are not level 3 financial liabilities so are excluded from the analysis below.

- Co-development and earnout payment agreement (note 13).

There was no transfer in/out of categories and levels during the periods ended 30 June 2017, 30 June 2016, and the year ended 31 December 2016.

The following table presents the changes in Level 3 items for the periods ended 30 June 2017, 30 June 2016, and the year ended 31 December 2016:

	Financial asset	Financial liability
Balance at 1 January 2016 (Audited)	**-**	**25**
Additions	-	3
Release	-	(4)
Received / settlement	-	(21)
Acquisition of subsidiaries	118	220
Remeasurement through income statement (note 4)	1	10
Balance at 30 June 2016 (Unaudited)	**119**	**233**
Balance at 1 January 2016 (Audited)	**-**	**25**
Additions	-	5
Release	-	(4)
Received / settlement	(82)	(23)
Acquisition of subsidiaries	118	220
Remeasurement through income statement (note 4)	2	34
Balance at 31 December 2016 (Audited)	**38**	**257**
Balance at 31 December 2016 (Audited)	**38**	**257**
Additions	-	-
Settlement	(1)	(1)
Remeasurement through income statement (note 4)	1	(14)
Balance at 30 June 2017 (Unaudited)	**38**	**242**

Financial liability related to the co-development and earn out payment – the key input of the financial liabilities is dependent on the net revenue from the sale of products, which are subject to an aggregate cap of $200 million.

The key input of the contingent consideration is the expected cash inflows, milestones, and approvals of certain products valued using a Monte Carlo analysis.

If expected cash flows were 10% higher or lower, the fair value of both the contingent consideration and the financial liability at profit or loss will increase/decrease by $17 million.

18. Related party balances

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.

19. Contingent liabilities and receivables

Contingent liabilities

A contingent liability existed at the balance sheet date in respect of external guarantees and letters of credit totalling $46 million (30 June 2016: $54 million and 31 December 2016: $49 million).

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

Contingent receivable
Under the agreement to acquire West-Ward Columbus, Hikma is entitled to reimbursement of $30 million from the seller if certain regulatory conditions exist at 24 December 2017. Such contingent asset will be recognised if and when such asset is virtually certain to be received.