

## PRESS RELEASE

### Hikma delivers solid first half performance and reiterates full year revenue guidance of \$2.0 billion to \$2.1 billion

**London, 24 August 2016** – Hikma Pharmaceuticals PLC (Hikma, Group) (LSE: HIK) (NASDAQ Dubai: HIK) (OTC: HKMPY) (rated Ba1 Moody's / BB+ S&P , both stable), the fast growing multinational pharmaceutical group, today reports its interim results for the six months ended 30 June 2016. The financial results include the consolidation of four months of Roxane Laboratories (now West-Ward Columbus).

#### H1 2016 highlights

Core results	H1 2016 \$million	Growth		H1 2015 \$million
		Constant currency	\$	
Core revenue	882	+28%	+24%	709
Core operating profit <sup>1</sup>	176	-3%	-14%	204
Core EBITDA <sup>2</sup>	211	-	-9%	231
Core basic earnings per share (cents) <sup>3</sup>	48.2	-21%	-32%	71.4

Total results	H1 2016 \$million	Growth		H1 2015 \$million
		Constant currency	\$	
Revenue	882	+28%	+24%	709
Operating profit	121	-27%	-38%	194
EBITDA <sup>4</sup>	194	-5%	-15%	227
Basic earnings per share (cents)	25.7	-49%	-62%	67.3

- Group revenue of \$882 million, up 24% in H1 2016 and up 28% in constant currency<sup>5</sup>
- Completed West-Ward Columbus acquisition, making significant progress with integration and on track to deliver cost synergies
- Group core operating profit of \$176 million, down 14% and down 3% in constant currency, due to a lower contribution from specific market opportunities for the Generics business compared with the first half of 2015
- Group core basic earnings per share of 48.2 cents, down 32% and down 21% in constant currency
- Launched 44 products and received 182 approvals, expanding and enhancing our global product portfolio
- Launched 3 Bedford products in the year to-date and on track to achieve our target of 20 Bedford launches by the end of 2017

<sup>1</sup>Before the amortisation of intangible assets other than software and the exceptional items included in operating profit set out in note 4 to the set of financial statements. We believe core operating profit better represents the underlying performance of the Group as it removes the impact of certain non-cash items and items that are one-off in nature

<sup>2</sup>Before the exceptional items included in operating profit set out in note 4 to the set of financial statements. We believe core EBITDA better represents the underlying performance of the Group as it excludes one-off items, non-cash items and items below operating profit

<sup>3</sup>Before the amortisation of intangible assets other than software and the exceptional items included in profit set out in note 4 to the set of financial statements. We believe core basic EPS better represents underlying earnings per share as it excludes certain non-cash items and items that are one-off in nature

<sup>4</sup>Earnings before interest, tax, depreciation and amortisation. EBITDA is stated before impairment charges, loss/impairment of associates and inventory related adjustments in respect of the West-Ward Columbus acquisition. We use EBITDA to evaluate the operational performance of the Group excluding non-cash items and items below operating profit

<sup>5</sup>Constant currency numbers in H1 2016 represent reported H1 2016 numbers re-stated using average exchange rates in H1 2015. We believe constant currency numbers better represent the underlying performance of the businesses within the Group that have a functional currency that is subject to significant fluctuations against the US dollar

- Interim dividend of 11.0 cents per share, in line with the interim dividend for H1 2015
- The guidance published in the trading update on 3 August 2016 is unchanged
- Continue to expect 2016 Group revenue in the range of \$2.0 billion to \$2.1 billion in constant currency, driven by strong growth in Injectables and Branded and the consolidation of ten months of revenue from West-Ward Columbus

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

“Hikma has delivered a solid first half performance in a transitional year. Our global Injectables business is performing well, with revenue growth and strong profitability driven by a favourable product mix. We continue to successfully transfer the Bedford products to our injectables facilities. By re-introducing these products to the market and increasing our investment in R&D, we are building a strong pipeline to support future growth.

We are making excellent progress integrating the West-Ward Columbus operations, although as previously announced, we had slower than expected approvals for certain products in the first half. These products have now been approved but their delay had an impact on expected revenue and profit in 2016. We remain on track to achieve the revenue growth and cost synergy targets that we have set ourselves for West-Ward Columbus in 2017 and beyond. In MENA, our focus on higher value products and tight cost control is delivering a continued improvement in profitability, despite the significant currency headwinds in the region.

Overall, the Group is well positioned across our markets and we are confident that we have the regulatory, R&D and commercial capabilities to realise the full potential of our pipeline opportunities over the coming years.”

## Enquiries

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### About Hikma

Hikma Pharmaceuticals PLC is a fast growing pharmaceutical group focused on developing, manufacturing and marketing a broad range of both branded and non-branded generic and in-licensed products. Hikma's operations are conducted through three businesses: "Branded", "Injectables" and "Generics" based primarily in the Middle East and North Africa ("MENA") region, where it is a market leader, the United States and Europe. In 2015, Hikma achieved revenues of \$1,440 million and profit attributable to shareholders of \$252 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) 203 003 2666 or 0808 109 0700 (UK toll free). Alternatively you can listen live via our website at [www.hikma.com](http://www.hikma.com). A recording of both the meeting and the call will be available on the Hikma website. The contents of 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 2016.

### Group revenue by business segment

\$ million	H1 2016		H1 2015	
Branded	264	30%	282	40%
Injectables	357	40%	344	48%
Generics	257	30%	79	11%
Others	4	-	4	1%

### Group revenue by region

\$ million	H1 2016		H1 2015	
MENA	304	34%	322	45%
US	529	60%	344	49%
Europe and ROW	49	6%	43	6%

## Injectables

H1 2016 highlights:

- Global Injectables revenue of \$357 million, up 4% from H1 2015 and up 5% in constant currency
- Strong core operating margin of 40.9%, even with a significant increase in R&D investment
- Launched 3 Bedford products in the year to-date and on target to launch a total of 20 Bedford products by the end of 2017
- Continue to expect mid to high-single digit revenue growth and core operating margin of around 38% for the full year

\$ million	H1 2016	H1 2015	Change	Constant currency change
Revenue	357	344	+4%	+5%
Gross profit	225	215	+5%	+6%
<i>Gross margin</i>	<b>63.0%</b>	62.5%	+0.5pp	+0.8pp
Core operating profit <sup>6</sup>	146	146	-	+2%
<i>Core operating margin<sup>6</sup></i>	<b>40.9%</b>	42.4%	-1.5pp	-1.0pp

<sup>6</sup> Before the amortisation of intangible assets other than software and exceptional items, as set out in note 3 to the set of financial statements

## Injectables revenue by region

	H1 2016		H1 2015	
US	272	76%	266	77%
MENA	43	12%	43	13%
Europe and ROW	42	12%	35	10%
Total	357		344	

In H1 2016, global Injectables revenue grew by 4% to \$357 million. In constant currency, global Injectables revenue increased by 5%.

Of this total, US Injectables revenue was \$272 million, up 2% from \$266 million in H1 2015. We continued to generate strong revenue from specific market opportunities, which as expected, were lower than in H1 2015. This was more than offset by good demand across our broad portfolio and new product launches, including the former Bedford products. We expect new product launches to drive stronger revenue growth in the second half of 2016.

During the period, MENA Injectables revenue was in line with H1 2015 at \$43 million and in constant currency increased by 7%. Lower revenue in Algeria was more than offset by growth in Egypt, where we completed the acquisition of EIMC United Pharmaceuticals (EUP) in February, adding a local injectables manufacturing facility and enabling us to launch three products in the first half. We expect MENA Injectables to grow more strongly in the second half of 2016 driven by new product launches and higher oncology sales.

European Injectables revenue was \$42 million in H1 2016, an increase of 20% on both a reported and constant currency basis. This strong growth reflected good demand for key products and contract manufacturing services.

Injectables gross profit increased to \$225 million in H1 2016, compared with \$215 million in H1 2015. Gross margin increased to 63.0%, compared with 62.5% in H1 2015. The continued strong gross margin reflects a favourable product mix in the US due to the contribution from specific market opportunities and other higher value products, including the higher margin Bedford products that have been re-introduced to the market.

Core operating profit, which excludes the amortisation of intangible assets other than software and exceptional items, was \$146 million in H1 2016, in line with H1 2015. Core operating margin was 40.9%, compared with 42.4% in H1 2015. The continued strength of the core operating margin reflects the strong gross margin and was achieved even with a significant increase in R&D expense compared with H1 2015 related to new product development as we invest in building our pipeline.

During H1 2016, the Injectables business launched a total of 29 products across all markets, including 4 new products. The Injectables business also received a total of 70 regulatory approvals across all regions and markets, 31 in MENA, 23 in Europe and 16 in the US.

We continue to expect Injectables revenue growth to be in the mid to high-single digits in 2016, with competition on marketed products being more than offset by new product launches from our R&D, business development and Bedford pipelines. Due to a favourable product mix, we expect core operating margin to be around 38%. If certain specific market opportunities for our US Injectables business continue through the remainder of the year, there may be scope to increase our full year guidance for 2016.

## Generics

H1 2016 highlights:

- Generics revenue of \$257 million, compared with \$79 million in H1 2015, primarily reflecting the consolidation of four months of revenue from West-Ward Columbus
- Generics core operating profit of \$8 million, with a core operating margin of 3.1%, reflecting the product mix and high operating costs

- Continue to expect full year revenue in the range of \$640 million to \$670 million in 2016, including ten months of West-Ward Columbus
- Continue to expect core Generics operating profit in the range of \$30 million to \$40 million in 2016
- Continue to expect 2017 West-Ward Columbus revenue in the range of \$700 million to \$750 million and West-Ward Columbus EBITDA margin of around 35% over the medium term

\$ million	H1 2016	H1 2015	Change
Revenue	<b>257</b>	79	+225%
Gross profit	<b>65</b>	48	+35%
<i>Gross margin</i>	<b>25.3%</b>	60.8%	-35.5pp
Core operating profit <sup>6</sup>	<b>8</b>	33	-76%
<i>Core operating margin<sup>6</sup></i>	<b>3.1%</b>	41.8%	-38.7pp

Generics revenue was \$257 million in the first half of 2016. Our legacy Generics business contributed revenue of \$64 million compared with \$79 million in H1 2015. This reflected lower revenue from specific market opportunities, as expected and the required divestment of certain legacy products, partially offset by steady growth in colchicine sales. Following completion of the acquisition on 29 February 2016, West-Ward Columbus contributed revenue of \$193 million in the first half. West-Ward Columbus' marketed portfolio performed in line with our expectations. However, as previously disclosed, overall revenue was lower than our expectations in the first half due to slower approvals for certain new products. Although these pipeline products have now been approved, their delay had an impact on expected revenue. We remain confident that new product launches from West-Ward Columbus' large and differentiated pipeline will drive strong growth in 2017.

Generics gross profit was \$65 million in H1 2016, compared with \$48 million in H1 2015. Excluding the impact of the inventory related adjustments and other costs related to the West-Ward Columbus acquisition, core gross profit was \$89 million. Gross margin was 25.3%, and core gross margin was 34.6%, compared with 60.8% in H1 2015. This reflects the lower contribution from specific market opportunities in H1 2016 and the consolidation of West-Ward Columbus.

Core Generics operating profit was \$8 million in H1 2016, compared with \$33 million in H1 2015, reflecting the product mix and the high operating costs of the West-Ward Columbus business. After taking account of a number of adjustments related to the West-Ward Columbus acquisition including intangible amortisation of \$8 million, inventory related adjustments of \$20 million, integration and other costs of \$7 million and the net gain from the divestment of certain legacy Generics products of \$18 million, the Generics business had an operating loss of \$9 million. Core operating margin was 3.1%, compared with 41.8% in H1 2015. We expect increased colchicine sales, the launch of higher value products from the West-Ward Columbus pipeline and the implementation of identified cost saving opportunities within the West-Ward Columbus business to drive an improvement in Generics operating margin during the second half of 2016 and in 2017.

During H1 2016, the Generics business launched 1 new product and received 9 product approvals. The Generics business also signed new licensing agreements for 4 new products.

We continue to expect revenue for the combined Generics business in 2016 to be in the range of \$640 million to \$670 million, including ten months of contribution from West-Ward Columbus and taking into account the divestiture of certain legacy products. We expect the revenue shortfall from delays in new product launches to be largely offset by an increase in lower margin contract manufacturing revenue. The change in the mix of revenue will have an adverse impact on profitability in 2016, which will also be impacted by higher than expected costs resulting from the acceleration in timing of certain pipeline-related litigation. As a result, we expect core Generics operating profit to be in the range of \$30 million to \$40 million for the full year.

We continue to expect West-Ward Columbus revenue to increase to between \$700 million to \$750 million in 2017 as new product launches accelerate. We continue to expect an increase in West-Ward Columbus' EBITDA margin to around 35% over the medium term. This high level of profitability will be achieved through new product launches from West-Ward Columbus' differentiated pipeline and the delivery of cost savings. We have made good initial progress since closing the acquisition and we continue to expect to achieve cost savings in the range of \$35 million to \$45 million by the end of 2017.

## Branded

H1 2016 highlights:

- Branded revenue of \$264 million, down 6% and up 1% in constant currency
- Branded core operating profit of \$55 million, down 5% and up 28% in constant currency
- Branded core operating margin was 20.8% and 26.1% in constant currency
- Continue to expect Branded revenue growth in 2016 to be in line with historical trends, on a constant currency basis
- Continue to expect an improvement in Branded core operating margin as a result of revenue growth, a focus on higher margin products and increased efficiencies

\$ million	H1 2016	H1 2015	Change	Constant currency change
Revenue	<b>264</b>	282	-6%	+1%
Gross profit	<b>134</b>	136	-1%	+12%
<i>Gross margin</i>	<b>50.8%</b>	48.2%	+2.6pp	+5.3pp
Core operating profit <sup>6</sup>	<b>55</b>	58	-5%	+28%
<i>Core operating margin<sup>6</sup></i>	<b>20.8%</b>	20.6%	+0.2pp	+5.5pp

Branded revenue increased by 1% in H1 2016, before the impact of adverse movements in the Algerian dinar, Egyptian pound, Sudanese pound, Moroccan dirham and Tunisian dinar against the US dollar. On a reported basis, Branded revenue decreased by 6% to \$264 million, compared with \$282 million in H1 2015. The growth on a constant currency basis reflected our continued focus on higher value products which more than offset lost revenue from discontinued tail products.

In the key markets of Algeria and Egypt, our businesses performed extremely well, delivering double-digit constant currency growth in the first half. In the Gulf Cooperation Council (GCC), which includes Saudi Arabia and the UAE, revenue declined compared with the first half of 2015 primarily due to a reduction in tender sales, a slowdown in demand for certain products and delays in product launches. We expect some improvement in the GCC in the second half driven by the timing of shipments and new product launches.

During H1 2016, the Branded business launched a total of 14 products across all markets, including 1 new product. The Branded business also received 103 regulatory approvals across the region.

Revenue from in-licensed products represented 38% of Branded revenue, compared with 40% in H1 2015. We launched two new in-licensed respiratory products during H1 2016, which will help us to grow our portfolio of higher value products in key therapeutic categories.

On a reported basis, Branded gross profit decreased by 1% to \$134 million in H1 2016 and gross margin was 50.8%, compared with 48.2% in H1 2015. In constant currency, gross profit increased by \$16 million, or 12% and gross margin increased to 53.5%. This reflects an improvement in the mix of sales through our focus on higher value products and the discontinuation of certain tail products.

Core operating profit, which excludes the amortisation of intangibles of \$4 million, decreased by 5% to \$55 million and core operating margin was 20.8%, up from 20.6% in H1 2015. In constant currency, core operating profit increased by 28% and core operating margin increased to 26.1%. This significant expansion in operating margin is primarily due to the improvement in gross margin, as well as continued tight control of operating expenses during the period and the benefit of restructuring measures undertaken in recent years.

For the full year in 2016, we continue to expect the Branded business to perform in line with historical trends on a constant currency basis. We expect revenue growth to be driven by our focus on strategic products and the strength of our sales and marketing teams. We continue to expect an improvement in Branded core operating margin as a result of revenue growth, a focus on higher margin products and increased efficiencies.

## **Other businesses**

Other businesses, which primarily comprise Arab Medical Containers, a manufacturer of plastic specialised medicinal sterile containers, International Pharmaceuticals Research Centre, which conducts bio-equivalency studies, and the API manufacturing division of Hikma Pharmaceuticals Limited Jordan, contributed revenue of \$4 million in H1 2016, in line with H1 2015. These other businesses were breakeven in H1 2016, compared with an operating loss of \$3 million in H1 2015.

## **Group**

Group revenue increased from \$709 million in H1 2015 to \$882 million in H1 2016 after the consolidation of four months of revenue from West-Ward Columbus. Group gross profit was \$425 million in H1 2016. Excluding exceptional items related to the West-Ward Columbus acquisition comprising inventory related adjustments of \$20 million and other costs of \$4 million, core gross profit was \$449 million, up from \$400 million in H1 2015. Group gross margin was 48.2% and core gross margin was 50.9%, compared with 56.4% in H1 2015.

Group operating expenses increased by 48% to \$304 million, compared with \$206 million in H1 2015, largely as a result of the consolidation of West-Ward Columbus and the associated acquisition and integration costs. Core Group operating expenses, excluding the amortisation of intangible assets other than software and exceptional items, increased by 39% to \$273 million compared with \$196 million in H1 2015. In H1 2016, amortisation of intangible assets other than software was \$18 million, compared with \$6 million in H1 2015. The increase primarily resulted from the acquisition of West-Ward Columbus. Exceptional items included within operating expenses were \$13 million, compared with \$4 million in H1 2015. In H1 2016, exceptional items comprised acquisition and integration related costs of \$35 million, the net gain on divestment of certain legacy Generics products of \$18 million and the release of a contingent liability of \$4 million. The paragraphs below address the Group's main operating expenses in turn.

Sales and marketing expenses were \$106 million compared with \$81 million H1 2015. Excluding the amortisation of intangible assets other than software, sales and marketing expenses were \$88 million, or 10% of revenue compared with \$75 million, or 11% of revenue in H1 2015. The increase of \$13 million was primarily due to the consolidation of West-Ward Columbus and the increased sales and promotional costs related to the branded salesforce we established in the US from July 2015.

General and administrative expenses increased by \$44 million from \$86 million in H1 2015 to \$130 million in H1 2016. Excluding exceptional items related to the acquisition and integration costs, G&A expenses increased by \$15 million, or 19%, primarily due to the consolidation of West-Ward Columbus.

We have significantly increased our R&D investment from \$20 million in H1 2015 to \$57 million in H1 2016. Around \$29 million of the Group's R&D expense was incurred by West-Ward Columbus and we expect this spend to be higher in the second half as we continue to develop our differentiated pipeline. R&D spend for the Injectables business was also higher in H1 2016 due to our increased investment in new product development. An additional \$12 million of product-related investment was capitalised on the balance sheet in H1 2016. This related to the transfer of the Bedford products to our facilities and to product development investments with third party partners,

primarily in the US. The combined R&D expense and product-related investment for the Group was \$69 million (8% of Group revenue) compared with \$31 million (4% of Group revenue) in H1 2015. We continue to expect Group R&D expense to be around \$150 million for the full year in 2016.

Other net operating expenses were \$11 million in H1 2016, compared with \$19 million in H1 2015. Excluding exceptional items of \$22 million related to the divestment of certain products and the release of a contingent liability, these expenses were \$33 million in H1 2016, up from \$21 million in H1 2015. This is primarily due to the consolidation of the West-Ward Columbus business.

Group operating profit decreased by 38% from \$194 million to \$121 million in H1 2016. Excluding the impact of amortisation and exceptional items, core Group operating profit decreased by 14% to \$176 million and core operating margin was 20.0% compared with 28.8% in H1 2015. This primarily reflects the lower contribution from specific market opportunities in the Generics business and the consolidation of West-Ward Columbus.

## Research & Development<sup>7</sup>

The Group's product portfolio continues to grow as a result of our product development efforts. During H1 2016, we launched 5 new compounds. The Group's portfolio now stands at 674 compounds in 1,975 dosage forms and strengths.<sup>8</sup> We manufacture and/or sell 76 of these compounds under licence from the licensor.

Across all businesses and markets, a total of 44 products were launched during H1 2016. In addition, the Group received 182 approvals.

To ensure the continuous development of our product pipeline, we submitted 120 regulatory filings in H1 2016 across all regions and markets. As of 30 June 2016, we had a total of 1,315 pending approvals across all regions and markets. At 30 June 2016, we had a total of 255 new products under development.

	Total marketed products		Products launched in H1 2016			Products approved in 2016	Products pending approval as at 30 June 2016
	Compounds	Dosage forms and strengths	New compounds	New dosage forms and strengths	Total launches across all countries <sup>9</sup>	Total approvals across all countries <sup>9</sup>	Total pending approvals across all countries <sup>9</sup>
Branded	378	1,126	1	1	14	103	519
Injectables	189	492	4	4	29	70	671
Generics	107	357	-	1	1	9	125
<b>Group</b>	<b>674</b>	<b>1,975</b>	<b>5</b>	<b>6</b>	<b>44</b>	<b>182</b>	<b>1,315</b>

<sup>7</sup> 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

<sup>8</sup> Totals include 71 dermatological and cosmetic compounds in 282 dosage forms and strengths that are only sold in Morocco

<sup>9</sup> Totals include all compounds and formulations that are either launched or approved or pending approval across all markets, as relevant



## **Net finance expense**

In H1 2016, net finance expense was \$38 million. Excluding non-cash expenses resulting from the remeasurement of contingent liabilities, net finance expense was \$29 million, up from \$22 million in H1 2015. This reflects the increased interest and financing fees as a result of the West-Ward Columbus acquisition which was completed in February 2016 as well as the interest paid on the \$500 million 4.25% Eurobond which was issued in April 2015. For the full year in 2016, we continue to expect the Group's net finance expense to be around \$62 million. In addition, we expect non-cash expenses resulting from the remeasurement of contingent liabilities to be around \$17 million for the full year in 2016.

## **Profit before tax**

Profit before tax for the Group was \$83 million in H1 2016, down from \$170 million in H1 2015. Core profit before tax was \$147 million, down 18% from \$180 million in H1 2015.

## **Tax**

The Group incurred a tax expense of \$24 million, compared with \$35 million in H1 2015. Excluding the tax impact of exceptional items, core Group tax expense was \$37 million in H1 2016, in line with \$37 million in H1 2015. The core effective tax rate was 25.2%, compared with 20.6% in H1 2015. The increase is due to the increased earnings in higher tax jurisdictions H1 2016. We continue to expect the core effective tax rate for the full year in 2016 to be around 25% and to return to closer to 2014 levels over the medium term.

## **Profit attributable to shareholders**

Profit attributable to shareholders decreased by 57% to \$58 million, compared with \$134 million in H1 2015. Core profit attributable to shareholders decreased by 23% to \$109 million, compared with \$142 million in H1 2015.

## **Earnings per share**

Earnings per share was impacted by the issuance of 40 million new shares to Boehringer Ingelheim on 29 February 2016 as part of the consideration for the West-Ward Columbus acquisition, as well as the reduction in profit attributable to shareholders in H1 2016 compared with H1 2015. Basic earnings per share decreased by 62% to 25.7 cents in H1 2016, compared to 67.3 cents in H1 2015. Core basic earnings per share decreased by 32% to 48.2 cents, compared with 71.4 cents in H1 2015. Core diluted earnings per share decreased by 33% to 47.8 cents, compared with 71.0 cents in H1 2015.

## **Dividend**

The Board has declared an interim dividend of 11.0 cents per share (approximately 8.4 pence per share) for H1 2016, in line with the interim dividend of 11.0 cents per share in H1 2015. The interim dividend will be paid on 30 September 2016 to eligible shareholders on the register at the close of business on 2 September 2016. The ex-dividend date is 1 September 2016 and the final date for currency elections is 16 September 2016.

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

The Group generated operating cash flow of \$99 million in H1 2016. Excluding the acquisition and integration costs related to the West-Ward Columbus acquisition of \$35 million, Group operating cash flow was \$134 million in H1 2016, an increase of 7% from \$125 million in H1 2015. Improved cash collection in MENA more than offset the lower contribution from specific market opportunities for the Generics business. Group working capital days were 211

days at June 2016, up from 192 days at June 2015.<sup>10</sup> This primarily reflects an increase in inventory days in the US and MENA due to these businesses building inventory levels in anticipation of stronger sales in the second half.

Capital expenditure was \$55 million, compared with \$37 million in H1 2015. Of this, around \$32 million was spent in the US to expand the manufacturing capacity and capabilities of our Injectables and Generics businesses. In MENA, around \$17 million was spent to maintain our equipment and facilities across a number of markets. The remaining \$6 million was spent in Europe, expanding our Injectables manufacturing capacity for lyophilised and oncology products. We expect Group capital expenditure to be around \$150 million for the full year in 2016, including West-Ward Columbus.

The Group's net debt<sup>11</sup> (excluding co-development agreements and contingent liabilities) stood at \$819 million at the end of June 2016, compared with \$135 million at the end of December 2015. On 29 February 2016, we completed the acquisition of West-Ward Columbus and the net cash consideration of \$575 million (net of certain working capital and other adjustments) was paid to Boehringer Ingelheim. In addition, 40 million new shares were issued to Boehringer Ingelheim at a price of 1881p, bringing the combined net consideration paid at closing to \$1.6 billion, using the US:GBP exchange rate of 1.3879:1. Post completion, further adjustments to the cash consideration have been made which reduced the total consideration to \$1.5 billion. Should certain further targets be met, further payments could be triggered.<sup>12</sup> The cash consideration was funded through a combination of cash and the utilisation of the Group's existing debt facilities.

## Balance sheet

Net assets at 30 June 2016 totalled \$2,400 million, compared to \$1,352 million at 31 December 2015. The significant increase in net assets reflects the consolidation of the West-Ward Columbus business. Net current assets were \$701 million, compared to \$768 million at 31 December 2015.

During the period, shareholder equity was negatively impacted by an unrealised foreign exchange translation loss of \$16 million, primarily reflecting movements in the Algerian dinar, Moroccan dirham, Egyptian pound, the Sudanese pound and the Tunisian dinar against the US dollar and the translation of net assets denominated in these currencies.

## Summary and outlook

The Group delivered a solid performance in the first half of 2016 whilst completing the transformational acquisition of West-Ward Columbus and rapidly progressing with the integration.

Our global Injectables business is performing well in 2016 and we expect stronger revenue growth in the second half as revenue from the re-introduction of the Bedford products increases. We continue to expect revenue to be in the mid to high-single digits for the full year in 2016, with competition on marketed products being more than offset by new product launches from our R&D, business development and Bedford pipelines. Due to a favourable product mix, we expect core operating margin for this business to be around 38% for the full year.

We continue to expect revenue for the combined Generics business to be in the range of \$640 million to \$670 million, including ten months of contribution from the West-Ward Columbus business and taking into account the divestiture of certain legacy products. As previously disclosed, due to a change in the product mix, with the revenue shortfall from delayed product launches being largely offset by higher contract manufacturing revenue, we expect core Generics operating profit to be in the range of \$30 million to \$40 million.

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<sup>10</sup> 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

<sup>11</sup> 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

<sup>12</sup> Further detail regarding the West-Ward Columbus acquisition is provided in note 21 to the set of financial statements

We continue to expect West-Ward Columbus revenue to increase to between \$700 million to \$750 million in 2017 as new product launches accelerate. We continue to expect an increase in West-Ward Columbus' EBITDA margin to around 35% over the medium term. This high level of profitability will be achieved through new product launches from West-Ward Columbus' differentiated pipeline and the delivery of planned cost savings. We have made good initial progress since closing the acquisition and we continue to expect to achieve cost savings in the range of \$35 million to \$45 million by the end of 2017.

The Branded business is successfully executing its strategy of focusing on higher value products and tight cost control, delivering continued growth in profitability. The business continues to be impacted by adverse currency movements against the US dollar. On a constant currency basis, we continue to expect the Branded business to perform in line with historical trends for the full year in 2016, driven by strong underlying market growth, our focus on strategic products and the strength of our sales and marketing teams. We expect an improvement in Branded core operating margin to be driven by revenue growth, a focus on higher margin products and increased efficiencies.

For the overall Group, we continue to expect revenue in 2016 to be in the range of \$2.0 billion to \$2.1 billion in constant currency, including the contribution of ten months of revenue from West-Ward Columbus, with continuing momentum into 2017.

As previously disclosed, our full year reported results will be impacted by a number of exceptional, non-cash and other charges including the amortisation of intangible assets, inventory-related adjustments, acquisition, integration and other costs, the release of a contingent liability and the gain on sale from divestiture of certain products. In aggregate, the net impact of these items on operating profit is now estimated at around \$88 million. After the tax effect and the remeasurement of contingent liabilities included within net finance, the net impact of these items on profit attributable to shareholders is now estimated at around \$83 million.

Overall, Hikma is well positioned across our markets and we remain confident in our enhanced prospects for growth. Pipeline execution remains a key growth driver, particularly the differentiated West-Ward Columbus and Bedford pipelines and we are expecting these to deliver stronger growth in the second half of 2016 and in 2017.

#### **Going concern statement**

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

#### **Responsibility statement**

The Board confirms to the best of its knowledge:

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

By order of the Board

Said Darwazah  
Chief Executive Officer

Khalid Nabils  
Chief Financial Officer

23 August 2016

### **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 the year and detailed these principal risks on pages 52 to 56 of the Annual Report of Hikma Pharmaceuticals PLC for the year ended 31 December 2015. 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	Description
<b>Product quality</b>	<p>Manufacturing pharmaceutical products exposes Hikma to the risk that products or manufacturing processes may not meet required quality standards, potentially leading to:</p> <ul style="list-style-type: none"> <li>- Harm to end users, manufacturing personnel and the environment, resulting in liability and reputational issues</li> <li>- Regulatory action that could result in the closure of facilities and consequential loss of opportunity and potential failure to supply obligations</li> <li>- Delayed or denied approvals for new products</li> <li>- Product recalls</li> </ul>
<b>API sourcing</b>	<p>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.</p> <p>Regulatory approval and qualification of new suppliers can be lengthy and supplies may be disrupted if the Group is forced to replace a terminated supplier or one which may have failed to meet applicable regulatory standards.</p> <p>With increased regulatory scrutiny on API suppliers globally, there will always be a risk that the Group cannot secure and maintain the required levels of API supplies.</p>
<b>MENA &amp; emerging markets</b>	<p>Hikma operates in MENA and emerging markets which have high levels of political and social instability as well as economic and regulatory fluctuations that can result in a wide variety of business disruptions in those markets for a substantial period of time.</p>
<b>New product pipeline</b>	<p>Broadening our product range and entering new therapeutic areas is a medium term priority for the Group, but carries a risk of over-investing and not getting the anticipated economic return. Successful execution and launch, including timely approval by regulators of new products, continues to be an inherent risk.</p>
<b>Industry earnings</b>	<p>The dynamics of the generic pharmaceutical industry includes numerous volatile elements, such as regulatory interventions, drug approval patterns, competitor strategies, pricing and political and economic pressures that are difficult to anticipate and may affect profitability.</p>
<b>Acquisitions</b>	<p>The Group strategy is to pursue value adding acquisitions to expand the product portfolio, acquire manufacturing capabilities and expand in existing and emerging markets. There is a risk of misjudging key elements of an acquisition or failing to integrate, particularly when the acquisition is of a distressed asset. In addition, a large scale acquisition may entail finance-related risks and operating expenses.</p>
<b>Compliance</b>	<p>The global pharmaceutical industry is considered to be at a higher risk in relation to sales practices. Improper conduct by employees could damage the reputation and licence to do business.</p>
<b>Financial</b>	<p>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.</p>
<b>Legal, intellectual property and regulatory</b>	<p>The Group is exposed to a variety of legal, IP and regulatory risks similar to those faced by the industry, both on an international and national level, such as litigation, investigations, sanctions and potential business disruptions.</p>
<b>Information technology</b>	<p>If information and data are not adequately secured and protected, this could result in:</p> <ul style="list-style-type: none"> <li>- Increased internal/ external security threats</li> <li>- Compliance and reputational damage</li> <li>- Regulatory and legal litigation in case of failure to manage personal data</li> <li>- Reduced information accountability due to limited sensitive data access controls</li> <li>- Data loss and business disruptions</li> </ul>

<b>Organisational growth</b>	The fast growing pace of the organisation carries the inherent risk of not being able to maintain adequate talent acquisition strategies, organisational structure and or/management processes that serve the changing needs of the organisation. In turn, this may affect other risks within the Group.
<b>Reputational</b>	Reputational risk inescapably arises as a by-product of other risk and from taking intricate 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.

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

### **Report on the consolidated interim financial statements**

#### **Our conclusion**

We have reviewed Hikma Pharmaceuticals plc's condensed interim financial statements (the "interim financial statements") in the Press Release of Hikma Pharmaceuticals plc for the 6 month period ended 30 June 2016. 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' ("IAS 34") as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

#### **Separate conclusion in relation to IFRS as issued by the IASB**

As explained in note 2 to the interim financial statements, the Group, in addition to applying IAS 34 as adopted by the European Union, has also applied IAS 34 as issued by the International Accounting Standards Board ("IASB"). 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 IAS 34 as issued by the IASB.

#### **What we have reviewed**

The interim financial statements comprise:

- the consolidated balance sheet as at 30 June 2016;
- the consolidated income statement and consolidated statement of comprehensive income for the period then ended;
- the consolidated cash flow statement for the period then ended;
- the consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Press Release have been prepared in accordance with IAS 34, as adopted by the European Union and as issued by the IASB and the Disclosure Rules and Transparency Rules 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 as adopted by the European Union and as issued by the IASB.

### **Responsibilities for the interim financial statements and the review**

#### **Our responsibilities and those of the directors**

The 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 Rules and Transparency Rules 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 Rules and Transparency Rules 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.

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

### **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 Ireland) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

23 August 2016

- 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 interim financial statements since they were initially presented on the website.
- b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Hikma Pharmaceuticals PLC

## Consolidated Income Statement

		H1 2016 Core results	H1 2016 Exceptional items and other adjustments (note 4)	H1 2016 Reported results	H1 2015 Core results	H1 2015 Exceptional items and other adjustments (note 4)	H1 2015 Reported results	FY 2015 Core results	FY 2015 Exceptional items and other adjustments (note 4)	FY 2015 Reported results
	Note	\$m (Unaudited)	\$m (Unaudited)	\$m (Unaudited)	\$m (Unaudited)	\$m (Unaudited)	\$m (Unaudited)	\$m (Audited)	\$m (Audited)	\$m (Audited)
<b>Continuing operations</b>										
Revenue	3	882	-	882	709	-	709	1,440	-	1,440
Cost of sales	3	(433)	(24)	(457)	(309)	-	(309)	(622)	-	(622)
<b>Gross profit</b>	3	<b>449</b>	<b>(24)</b>	<b>425</b>	<b>400</b>	<b>-</b>	<b>400</b>	<b>818</b>	<b>-</b>	<b>818</b>
Sales and marketing expenses		(88)	(18)	(106)	(75)	(6)	(81)	(156)	(16)	(172)
General and administrative expenses		(95)	(35)	(130)	(80)	(6)	(86)	(180)	(20)	(200)
Research and development expenses		(57)	-	(57)	(20)	-	(20)	(36)	-	(36)
Other operating expenses (net)		(33)	22	(11)	(21)	2	(19)	(37)	8	(29)
<b>Total operating expenses</b>		<b>(273)</b>	<b>(31)</b>	<b>(304)</b>	<b>(196)</b>	<b>(10)</b>	<b>(206)</b>	<b>(409)</b>	<b>(28)</b>	<b>(437)</b>
<b>Operating profit</b>	3	<b>176</b>	<b>(55)</b>	<b>121</b>	<b>204</b>	<b>(10)</b>	<b>194</b>	<b>409</b>	<b>(28)</b>	<b>381</b>
Loss/impairment of associates	8	-	-	-	(2)	-	(2)	(2)	(7)	(9)
Finance income		2	-	2	1	-	1	3	-	3
Finance expense		(31)	(9)	(40)	(23)	-	(23)	(55)	(2)	(57)
<b>Profit before tax</b>		<b>147</b>	<b>(64)</b>	<b>83</b>	<b>180</b>	<b>(10)</b>	<b>170</b>	<b>355</b>	<b>(37)</b>	<b>318</b>
Tax	5	(37)	13	(24)	(37)	2	(35)	(67)	3	(64)
<b>Profit for the period/year</b>		<b>110</b>	<b>(51)</b>	<b>59</b>	<b>143</b>	<b>(8)</b>	<b>135</b>	<b>288</b>	<b>(34)</b>	<b>254</b>
Attributable to:										
Non-controlling interests		1	-	1	1	-	1	2	-	2
<b>Equity holders of the parent</b>		<b>109</b>	<b>(51)</b>	<b>58</b>	<b>142</b>	<b>(8)</b>	<b>134</b>	<b>286</b>	<b>(34)</b>	<b>252</b>
		<b>110</b>	<b>(51)</b>	<b>59</b>	<b>143</b>	<b>(8)</b>	<b>135</b>	<b>288</b>	<b>(34)</b>	<b>254</b>
<b>Earnings per share (cents)</b>										
Basic	7	48.2		25.7	71.4		67.3	143.7		126.6
Diluted	7	47.8		25.4	71.0		67.0	142.3		125.4



On this page and throughout this interim financial information “H1 2016” refers to the six months ended 30 June 2016, “H1 2015” refers to the six months ended 30 June 2015 and “FY 2015” refers to the year ended 31 December 2015

## Consolidated statement of comprehensive income

	H1 2016 \$m (Unaudited)	H1 2015 \$m (Unaudited)	FY 2015 \$m (Audited)
<b>Profit for the period/year</b>	<b>59</b>	<b>135</b>	<b>254</b>
<b>Other Comprehensive Income</b>			
<i>Items that may be reclassified subsequently to income statement , net of tax:</i>			
Cumulative effect of change in fair value of available for sale investments	1	-	-
Exchange difference on translation of foreign operations	(16)	(40)	(67)
<b>Total comprehensive income for the period/year</b>	<b>44</b>	<b>95</b>	<b>187</b>
Attributable to:			
Non-controlling interests	-	1	(2)
<b>Equity holders of the parent</b>	<b>44</b>	<b>94</b>	<b>189</b>
	<b>44</b>	<b>95</b>	<b>187</b>

## Consolidated Balance Sheet

	Note	30 June 2016 \$m (Unaudited)	30 June 2015 \$m (Unaudited)	31 December 2015 \$m (Audited)
<b>Non-current assets</b>				
Intangible assets		1,759	585	607
Property, plant and equipment		982	504	507
Investment in associates and joint ventures	8	7	14	7
Deferred tax assets		128	64	70
Financial and other non-current assets		60	43	46
		<b>2,936</b>	<b>1,210</b>	<b>1,237</b>
<b>Current assets</b>				
Inventories	9	496	280	251
Income tax asset		8	16	3
Trade and other receivables	10	671	484	488
Collateralised and restricted cash		6	5	40
Cash and cash equivalents		247	490	553
Other current assets	11	139	22	25
		<b>1,567</b>	<b>1,297</b>	<b>1,360</b>
<b>Total assets</b>		<b>4,503</b>	<b>2,507</b>	<b>2,597</b>
<b>Current liabilities</b>				
Bank overdrafts and loans	14	158	165	115
Obligations under finance leases		1	1	1
Trade and other payables	12	322	234	276
Income tax provision		86	64	75
Other provisions		28	25	28
Other current liabilities	13	271	107	97

		<u>866</u>	<u>596</u>	<u>592</u>
<b>Net current assets</b>		<u>701</u>	<u>701</u>	<u>768</u>
<b>Non-current liabilities</b>				
Long-term financial debts	14	892	589	590
Obligations under finance leases		21	23	22
Deferred tax liabilities		34	23	21
Derivative financial instruments		-	1	-
Other non-current liabilities	15	290	1	20
		<u>1,237</u>	<u>637</u>	<u>653</u>
<b>Total liabilities</b>		<u>2,103</u>	<u>1,233</u>	<u>1,245</u>
<b>Net assets</b>		<u>2,400</u>	<u>1,274</u>	<u>1,352</u>
<b>Equity</b>				
Share capital	16	40	35	35
Share premium		282	281	282
Own shares		(1)	(1)	(1)
Other reserves		2,064	941	1,021
<b>Equity attributable to equity holders of the parent</b>		<u>2,385</u>	<u>1,256</u>	<u>1,337</u>
Non-controlling interests		15	18	15
<b>Total equity</b>		<u>2,400</u>	<u>1,274</u>	<u>1,352</u>



Issue of equity shares	1,039	-	-	<b>1,039</b>	5	-	-	<b>1,044</b>	-	<b>1,044</b>
Cost of equity settled employee share schemes	-	-	10	<b>10</b>	-	-	-	<b>10</b>	-	<b>10</b>
Dividends on ordinary shares (note 6)	-	-	(50)	<b>(50)</b>	-	-	-	<b>(50)</b>	(1)	<b>(51)</b>
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	1	<b>1</b>
<b>Balance at 30 June 2016 (Unaudited)</b>	<b>1,077</b>	<b>(176)</b>	<b>1,163</b>	<b>2,064</b>	<b>40</b>	<b>282</b>	<b>(1)</b>	<b>2,385</b>	<b>15</b>	<b>2,400</b>

## Consolidated Statement of Cash Flow

	Note	H1 2016 \$m (Unaudited)	H1 2015 \$m (Unaudited)	FY 2015 \$m (Audited)
<b>Net cash from operating activities</b>	17	<b>99</b>	<b>125</b>	<b>366</b>
<b>Investing activities</b>				
Purchases of property, plant and equipment		(55)	(37)	(82)
Proceeds from disposal of property, plant and equipment		-	2	31
Purchase of intangible assets		(42)	(16)	(55)
Proceeds from disposal of intangible assets		23	-	-
Investment in financial and other non-current assets		(11)	-	-
Available for sale investments		-	-	(1)
Investments measured at fair value		-	(20)	(20)
Acquisition of subsidiary undertakings, net of cash acquired		(597)	-	-
Finance income		1	1	3
Acquisition related amounts held in escrow account		-	-	(38)
<b>Net cash used in investing activities</b>		<b>(681)</b>	<b>(70)</b>	<b>(162)</b>
<b>Financing activities</b>				
Increase in collateralised and restricted cash		1	3	6
Proceeds from issue of long term financial debts		334	505	529
Repayment of long-term financial debts		(24)	(65)	(91)
Increase/(decrease) in short-term borrowings		47	(222)	(270)
Dividends paid		(50)	(42)	(64)
Dividends paid to non-controlling shareholders of subsidiaries		(1)	(2)	(2)
Interest paid		(30)	(18)	(49)
Proceeds from issue of new shares		-	-	1
Proceeds from co-development and earnout payment agreement, net		3	-	17
<b>Net cash generated from financing activities</b>		<b>280</b>	<b>159</b>	<b>77</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(302)</b>	<b>214</b>	<b>281</b>
<b>Cash and cash equivalents at beginning of period/year</b>		<b>553</b>	<b>280</b>	<b>280</b>
Foreign exchange translation movements		(4)	(4)	(8)
<b>Cash and cash equivalents at end of period/year</b>		<b>247</b>	<b>490</b>	<b>553</b>

# Notes to the Interim Financial Statements

## 1. General information

These condensed 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 2015, 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 condensed interim financial statements for the six months to 30 June 2016, with comparative figures for the six months to 30 June 2015, is unaudited and does not constitute statutory accounts. However, the auditor, PricewaterhouseCoopers LLP who was appointed on 12 May 2016, has carried out a review of the condensed interim financial statements and their report in respect of the six months to 30 June 2016 is set out in the Independent review report. The comparative figures for the year to 31 December 2015 do not constitute the Company's statutory accounts for the year. Those accounts have been reported on by the Company's previous auditors, Deloitte LLP, and delivered to the Registrar of Companies. The report of the previous auditor was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and did not contain statements under Section 498 (2) or (3) of the Companies Act 2006.

## 2. Accounting policies

The unaudited condensed interim financial statements for the six months ended 30 June 2016 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 2015.

### 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.

Amendments to IAS 19	Defined benefit plans
Amendments to IFRS 11	Joint arrangements on acquisition of an interest in a joint operation
Amendments to IAS 16 and IAS38	Property, plant and equipment' and Intangible assets, on depreciation and amortisation
Amendments to IAS 16 and IAS41	Property, plant and equipment and Agriculture, regarding bearer plants
IFRS 14	Regulatory deferral accounts
Amendments to IAS 27	Separate financial statements on the equity method
Amendments to IAS 10 and IAS28	Investment entities applying the consolidation exception
Amendments to IAS 1	Presentation of financial statements on the disclosure initiative
Annual improvements 2012	
Annual improvements 2014	

At the date of authorisation of these interim financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

IFRS 10 and IAS28 (amendments)	Consolidated financial statements and Investments in associates and joint ventures
IFRS 15	Revenue from contracts with customers
IFRS 9	Financial Instruments

### **Basis of preparation**

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

These condensed interim financial statements for the six months ended 30 June 2016 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 condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2015, 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.

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

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

### **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 condensed 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 2015, except as discussed below.

#### *Business combinations*

Due to the acquisition of the West-Ward Columbus business in the first half of 2016, the use of the acquisition method of accounting had a significant impact on the Group's consolidated interim financial statements (which are disclosed as provisional as allowed under IFRS 3 (R)). The Group's consolidated interim financial statements reflect the acquired business from the date the acquisition has been completed, 29 February 2016. Using the acquisition method of accounting requires the acquired assets and assumed liabilities to be recorded as of the acquisition date at their respective fair values. Any excess of the purchase consideration over the estimated fair values of acquired net identified assets is recorded as goodwill in the balance sheet and is allocated to an appropriate cash-generating unit. The fair value of acquired assets and assumed liabilities is determined using valuation techniques. Estimating the fair value assigned to each class of acquired assets and assumed liabilities is based on expectations and assumptions, in particular in relation to the expected cash flows of products already being marketed, the cash flows and probability of success of products currently being developed, potential market participant synergies, the discount rate and the remaining useful life of

those assets identified. Some elements of the consideration are contingent based upon assumptions and estimations of future sales and probability of success. The assumptions used have been deemed reasonable by management.

### Going concern

The Directors have considered the going concern position of the Company during the period and the period end as they have in previous years. The Directors believe that the Group is well diversified due to its geographic spread, product diversity and large customer and supplier base. The Group operates in the relatively defensive generic pharmaceuticals industry which the Directors expect to be less affected by economic downturns compared to other industries.

The Group's overall net debt position was \$819 million (30 June 2015: \$283 million and 31 December 2015: \$135 million). Net cash from operating activities in H1 2016 was \$99 million (H1 2015: \$125 million and FY 2015: \$366 million). The Group has \$1,015 million (30 June 2015: \$824 million and 31 December 2015: \$1,374 million) of undrawn short term and long term banking facilities, in addition to \$173 million (30 June 2015: \$170 million and 31 December 2015: \$205 million) of unutilised import and export financing limits. These facilities are well diversified across the subsidiaries of the Group and are with a number of financial institutions. The Group's forecasts, taking into account reasonable possible changes in trading performance, facility renewal sensitivities, maturities of long-term debt and the purchase of West-Ward Columbus, show that the Group should be able to operate well within the levels of its facilities and their related covenants. The Group closed the acquisition of West-Ward Columbus on 29 February 2016, with a total consideration of \$1,725 million (note 21).

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

Operating profit, defined as segment result, is the principal measure used in the decision-making and resource allocation process of the chief operating decision maker, who is the Group's Chief Executive Officer.

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

The following is an analysis of the Group's revenue and results by reportable segment for the period ended 30 June 2016:

#### Six months ended

#### 30 June 2016 (Unaudited)

	Branded	Injectables	Generics	Others	Group
	\$m	\$m	\$m	\$m	\$m
Revenue	264	357	257	4	882
Cost of sales	(130)	(132)	(192)	(3)	(457)
Gross profit	134	225	65	1	425
<b>Core segment result</b>	<b>55</b>	<b>146</b>	<b>8</b>	<b>-</b>	<b>209</b>
Exceptional items:					
- Integration and other costs	-	-	(7)	-	(7)
- Gain from sale of assets, net	-	-	18	-	18
- Inventory related adjustments	-	-	(20)	-	(20)
- Release of contingent liability	-	4	-	-	4
Intangible amortisation other than software	(4)	(6)	(8)	-	(18)
Segment result	51	144	(9)	-	186



<b>Core Unallocated corporate expenses</b>	<b>(33)</b>
Exceptional items:	
- Acquisition related costs	(32)
Unallocated corporate expenses	(65)
<b>Core operating profit</b>	<b>176</b>
Operating profit	121
Finance income	2
Finance expense	(40)
Profit before tax	83
Tax	(24)
<b>Profit for the period</b>	<b>59</b>
Attributable to:	
Non-controlling interest	1
<b>Equity holders of the parent</b>	<b>58</b>
	<b>59</b>

Generics segment includes West-Ward Columbus results and Injectables segment include EUP results.

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

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

<b>Segment assets and liabilities</b>					
<b>30 June 2016 (Unaudited)</b>	<b>Branded</b>	<b>Injectables</b>	<b>Generics</b>	<b>Corporate and Others</b>	<b>Group</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
Additions to property, plant and equipment (cost)	9	20	19	1	49
Acquisition of business property, plant and equipment (net book value) (note 21)	-	11	453	-	464
Additions to intangible assets (cost)	1	15	14	4	34
Intangible assets arising on acquisition (note 21)	-	34	1,120	-	1,154
Total property, plant and equipment and intangible assets (net book value)	459	598	1,648	36	2,741
Depreciation	11	9	11	1	32
Amortisation (including software)	4	8	9	-	21
Investment in associates and joint ventures	-	-	-	7	7
<b>Balance sheet</b>					
Total assets	<u>1,123</u>	<u>947</u>	<u>2,279</u>	<u>154</u>	<u>4,503</u>
Total liabilities	<u>519</u>	<u>434</u>	<u>998</u>	<u>152</u>	<u>2,103</u>

#### Six months ended

##### 30 June 2015 (Unaudited)

	<b>Branded</b>	<b>Injectables</b>	<b>Generics</b>	<b>Others</b>	<b>Group</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
Revenue	282	344	79	4	709
Cost of sales	(146)	(129)	(31)	(3)	(309)
Gross profit	<u>136</u>	<u>215</u>	<u>48</u>	<u>1</u>	<u>400</u>

<b>Core segment result</b>	<b>58</b>	<b>146</b>	<b>33</b>	<b>(3)</b>	<b>234</b>
Exceptional items:					
- Severance costs	(5)	-	-	-	(5)
- Proceeds from legal claims	-	2	-	-	2
Intangible amortisation other than software	(4)	(2)	-	-	(6)
Segment result	<u>49</u>	<u>146</u>	<u>33</u>	<u>(3)</u>	<u>225</u>
<b>Core Unallocated corporate expenses</b>					<b>(30)</b>
Exceptional items:					
- Acquisition related costs					(1)
Unallocated corporate expenses					<u>(31)</u>
<b>Core operating profit</b>					<b>204</b>
Operating profit					<u>194</u>
Loss of associates					(2)
Finance income					1
Finance expense					<u>(23)</u>
Profit before tax					170
Tax					<u>(35)</u>
<b>Profit for the period</b>					<u><u>135</u></u>
Attributable to:					
Non-controlling interest					1
<b>Equity holders of the parent</b>					<u><u>134</u></u>
					<u><u>135</u></u>

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

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

<b>Segment assets and liabilities</b>	<b>Corporate and Others</b>				
<b>30 June 2015 (Unaudited)</b>	<b>Branded</b>	<b>Injectables</b>	<b>Generics</b>	<b>Others</b>	<b>Group</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
Additions to property, plant and equipment (cost)	15	4	5	-	31
Remeasurement of property, plant and equipment *	-	(1)	-	-	(1)
Additions to intangible assets (cost)	2	9	3	2	16
Remeasurement of Intangible assets *	-	(8)	-	-	(8)
Total property, plant and equipment and intangible assets (net book value)	491	511	80	7	1,089
Depreciation	12	8	4	1	25
Amortisation (including software)	4	4	-	-	8
Investment in associates and joint ventures	-	-	-	14	14
<b>Balance sheet</b>					
Total assets	<u>1,173</u>	<u>832</u>	<u>159</u>	<u>343</u>	<u>2,507</u>
Total liabilities	<u>494</u>	<u>389</u>	<u>79</u>	<u>271</u>	<u>1,233</u>

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

Year ended 31 December 2015 (Audited)	Branded \$m	Injectables \$m	Generics \$m	Others \$m	Group \$m
Revenue	570	710	151	9	1,440
Cost of sales	(293)	(261)	(62)	(6)	(622)
Gross profit	277	449	89	3	818
<b>Core segment result</b>	<b>118</b>	<b>312</b>	<b>46</b>	<b>(5)</b>	<b>471</b>
Exceptional items:					
- Integration costs	-	-	(2)	-	(2)
- Severance costs	(5)	(1)	-	-	(6)
- Proceeds from legal claims	-	2	-	-	2
- Gain from sale of assets, net	-	6	-	-	6
Intangible amortisation other than software	(8)	(8)	-	-	(16)
Segment result	105	311	44	(5)	455
<b>Core Unallocated corporate expenses</b>					<b>(62)</b>
Exceptional items:					
- Acquisition related costs					(12)
Unallocated corporate expenses					(74)
<b>Core operating profit</b>					<b>409</b>
Operating profit					381
Loss/impairment of associates					(9)
Finance income					3
Finance expense					(57)
Profit before tax					318
Tax					(64)
<b>Profit for the year</b>					<b>254</b>
Attributable to:					
Non-controlling interest					2
<b>Equity holders of the parent</b>					<b>252</b>
					<b>254</b>

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

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

**Segment assets and liabilities**  
**31 December 2015 (Audited)**

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

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

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

	H1 2016 \$m (Unaudited)	H1 2015 \$m (Unaudited)	FY 2015 \$m (Audited)
Middle East and North Africa	304	322	656
United States	529	344	697
Europe and Rest of the World	47	40	82
United Kingdom	2	3	5
	<u>882</u>	<u>709</u>	<u>1,440</u>

The top selling markets were as below:

	H1 2016 \$m (Unaudited)	H1 2015 \$m (Unaudited)	FY 2015 \$m (Audited)
United States	529	344	697
Saudi Arabia	64	80	162
Algeria	57	58	113
	<u>650</u>	<u>482</u>	<u>972</u>

Included in revenues arising from the Generics and Injectables segments are revenues of approximately \$123 million (H1 2015: \$86 million and FY 2015: \$173 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 2016 \$m <u>(Unaudited)</u>	H1 2015 \$m <u>(Unaudited)</u>	FY 2015 \$m <u>(Audited)</u>
<i>Exceptional items</i>			
Acquisition, integration and other costs	(39)	(1)	(14)
Gain from sale of assets, net	18	-	6
Inventory related adjustments (note 21)	(20)	-	-
Release of contingent liability	4	-	-
Severance costs	-	(5)	(6)
Proceeds from legal claims	-	2	2
<b>Exceptional items included in operating profit</b>	<b>(37)</b>	<b>(4)</b>	<b>(12)</b>
Impairment of investment in associates	-	-	(7)
<b>Exceptional items included in profit</b>	<b>(37)</b>	<b>(4)</b>	<b>(19)</b>
<i>Other adjustments</i>			
Intangible amortisation other than software	(18)	(6)	(16)
Remeasurement of contingent liabilities, net (notes,15,19,21)	(9)	-	(2)
<b>Exceptional items and intangible amortisation</b>	<b>(64)</b>	<b>(10)</b>	<b>(37)</b>
Tax effect	13	2	3
<b>Impact on profit for the period/ year</b>	<b>(51)</b>	<b>(8)</b>	<b>(34)</b>

#### Exceptional items:

-Acquisition, integration and other related costs were incurred in relation to the acquisition of West-Ward Columbus which was closed on 29 February 2016. Acquisition related expenses are included in the unallocated corporate expenses, while integration and other expenses are included in the segment results. Acquisition related expenses mainly comprise third party consulting services, legal and professional fees, other costs represent severance and retention payments paid.

-Gain from sale of assets related to the divestiture of certain products.

-Inventory related adjustments reflect the amortisation of the fair value uplift of the inventory acquired as part of West-Ward Columbus acquisition.

-Release of contingent liability, is due to not achieving certain performance-related milestones in respect of a previous acquisition.

#### Other Adjustments:

- Remeasurement of contingent liabilities represent the net difference resulting from the valuation of the liabilities associated with the future contingent payments.

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

-Acquisition and integration related costs are incurred in relation to the acquisition of West-Ward Columbus which was closed on 29 February 2016. Acquisition related expenses are included in the unallocated corporate expenses, while integration related expenses are included in segment results. Acquisition related expenses mainly comprise third party consulting services, legal and professional fees.

-Gain from sale of the assets related to the sale of Bedford manufacturing facilities to Xellia Pharmaceuticals for a cash consideration of \$30 million. The gain is net of hibernation costs related to the assets.

-Severance costs in 2015 related to restructuring of management teams mainly in MENA.

-Proceeds from legal claims refers to cash received in settlement of an indemnification claim in the US.

-Impairment of investment in associates represents the impairment of the remaining investment balance related to Unimark limited. Hikma's share in Unimark Remedies Limited has been divested during 2016 for minimal value.

-Remeasurement of contingent liabilities represent the difference resulting from the valuation of the liability associated with the future earnout payments to be made in relation to the co-development and earnout payment agreement (note 15).

## 5. Tax

	H1 2016 \$m <u>(Unaudited)</u>	H1 2015 \$m <u>(Unaudited)</u>	FY 2015 \$m <u>(Audited)</u>
Current tax:			
Foreign tax	34	28	68
Adjustments to prior years	2	3	1
Deferred tax	<u>(12)</u>	<u>4</u>	<u>(5)</u>
	<u>24</u>	<u>35</u>	<u>64</u>

Tax for the six month period is charged at 28.9% (H1 2015: 20.6%; FY 2015: 20.1%).

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

The effective tax rate for H1 2016 is higher than it was at H1 2015 predominantly due to the effect of the West-Ward Columbus acquisition, which resulted in a change in the weighing of the profit mix to jurisdictions with a higher statutory tax rate. We expect our full year effective tax rate to be in the region of 25%.

## 6. Dividends

	H1 2016 \$m <u>(Unaudited)</u>	H1 2015 \$m <u>(Unaudited)</u>	FY 2015 \$m <u>(Audited)</u>
Amounts recognised as distributions to equity holders in the period/years:			
Final dividend for the year ended 31 December 2015 of 21.0 cents (2014: 15.0 cents) per share	50	30	30
Interim dividend for the year ended 31 December 2015 of 11.0 cents per share	-	-	22
Special final dividend for the year ended 31 December 2014 of 6.0 cents per share	<u>-</u>	<u>12</u>	<u>12</u>
	<u>50</u>	<u>42</u>	<u>64</u>

The proposed interim dividend for the period ended 30 June 2016 is 11.0 cents (30 June 2015: 11.0 cents, and 31 December 2015: 21.0 cents) per share.

Based on the number of shares in issue at 30 June 2016 of (239,923,850), 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:

	<b>H1 2016</b> <b>\$m</b>	<b>H1 2015</b> <b>\$m</b>	<b>FY 2015</b> <b>\$m</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Audited)</b>
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent	58	134	252
Exceptional items (note 4)	37	4	19
Other adjustments:			
- Intangible amortisation other than software (note 4)	18	6	16
- Remeasurement of contingent liabilities, net (note 4)	9	-	2
Tax effect of adjustments	(13)	(2)	(3)
Core earnings for the purposes of Core basic and diluted earnings per share being adjusted net profit attributable to equity holders of the parent	109	142	286
	<b>Number</b>	<b>Number</b>	<b>Number</b>
<b>Number of shares:</b>	<b>'m</b>	<b>'m</b>	<b>'m</b>
Weighted average number of Ordinary Shares for the purposes of basic earnings per share	226	199	199
Effect of dilutive potential Ordinary Shares :			
Share-based awards	2	1	2
Weighted average number of Ordinary Shares for the purposes of diluted earnings per share	228	200	201
	<b>H1 2016</b>	<b>H1 2015</b>	<b>FY 2015</b>
	<b>Earnings per share</b>	<b>Earnings per share</b>	<b>Earnings per share</b>
	<b>Cents</b>	<b>Cents</b>	<b>Cents</b>
Basic	25.7	67.3	126.6
Diluted	25.4	67.0	125.4
Core basic	48.2	71.4	143.7
Core diluted	47.8	71.0	142.3

## 8. Investments in associates and joint ventures

A loss of \$nil representing the Group share of the result of Hubei Haosun Pharmaceutical Co., Ltd (Share of the result of Unimark Remedies Limited and Hubei Haosun Pharmaceutical Co., Ltd during H1 2015: \$2 million, FY 2015: \$2 million). During 2015, the Group impaired the remaining investment balance related to Unimark Remedies Limited of \$7 million which was due to the continuous financial difficulties. Hikma's share in Unimark Remedies Limited has been divested during 2016 for minimal value.

The below represents the Group's share of the result and the impairment of Unimark Remedies Limited and Hubei Haosun Pharmaceutical Co. Ltd. Both are included in the consolidated income statement.

	For the period ended 30 June 2016			For the period ended 30 June 2015			For the year ended 31 December 2015		
	Joint Ventures	Associates	Total	Joint Ventures	Associates	Total	Joint Ventures	Associates	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Balance at 1 January	3	4	7	3	13	16	3	13	16
Share of loss	-	-	-	-	(2)	(2)	-	(2)	(2)
Impairment of investment (see note 4)	-	-	-	-	-	-	-	(7)	(7)
Balance at end of period/year	<u>3</u>	<u>4</u>	<u>7</u>	<u>3</u>	<u>11</u>	<u>14</u>	<u>3</u>	<u>4</u>	<u>7</u>

## 9. Inventories

	30 June 2016 \$m (Unaudited)	30 June 2015 \$m (Unaudited)	31 December 2015 \$m (Audited)
Finished goods	158	50	55
Work-in-progress	63	36	33
Raw and packing materials	256	158	152
Goods in transit	19	36	11
	<u>496</u>	<u>280</u>	<u>251</u>

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

## 10. Trade and other receivables

	30 June 2016 \$m (Unaudited)	30 June 2015 \$m (Unaudited)	31 December 2015 \$m (Audited)
Trade receivables	590	421	432
Prepayments	68	46	39
VAT and sales tax recoverable	10	14	15
Employee advances	3	3	2
	<u>671</u>	<u>484</u>	<u>488</u>



## 11. Other current assets

	30 June 2016 \$m <u>(Unaudited)</u>	30 June 2015 \$m <u>(Unaudited)</u>	31 December 2015 \$m <u>(Audited)</u>
Price adjustment receivable (note 21)	113	-	-
Investment measured at fair value	21	20	20
Others	5	2	5
	<u>139</u>	<u>22</u>	<u>25</u>

**Investment measured at fair value:** represents the agreement the Group entered in 2015 with an asset management firm to manage a \$20 million equity portfolio. This investment is measured at fair value and any changes in fair value go through other comprehensive income.

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

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

## 12. Trade and other payables

	30 June 2016 \$m <u>(Unaudited)</u>	30 June 2015 \$m <u>(Unaudited)</u>	31 December 2015 \$m <u>(Audited)</u>
Trade payables	180	126	139
Accrued expenses	127	94	122
Other payables	15	14	15
	<u>322</u>	<u>234</u>	<u>276</u>

Other payables mainly include employees’ provident fund liability of \$6 million (30 June 2015: \$ 4 million, 31 December 2015: \$5 million), which mainly represents the outstanding contributions to the Hikma Pharmaceuticals Ltd (Jordan) retirement benefit plan, on which the fund receives 5% interest.

## 13. Other current liabilities

	30 June 2016 \$m <u>(Unaudited)</u>	30 June 2015 \$m <u>(Unaudited)</u>	31 December 2015 \$m <u>(Audited)</u>
Deferred revenue	13	26	16
Return and free goods provision	112	50	49
Co-development and earnout payment (note 15)	8	-	3
Contingent consideration and liability (note 21)	66	-	-
Others*	72	31	29
	<u>271</u>	<u>107</u>	<u>97</u>

\*The others balance above includes indirect rebate liabilities across the Group.

## 14. Current and Non-current financial debts

### Short-term financial debts

	30 June 2016 \$m <u>(Unaudited)</u>	30 June 2015 \$m <u>(Unaudited)</u>	31 December 2015 \$m <u>(Audited)</u>
Bank overdrafts	15	12	8
Import and export financing	83	110	58
Short-term loans	5	3	4
Current portion of long-term loans	55	40	45
	<u>158</u>	<u>165</u>	<u>115</u>

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

### Long-term financial debts

	30 June 2016 \$m <u>(Unaudited)</u>	30 June 2015 \$m <u>(Unaudited)</u>	31 December 2015 \$m <u>(Audited)</u>
Long-term loans	452	135	141
Long-term borrowings (Eurobond)	495	494	494
Less: current portion of loans	(55)	(40)	(45)
Long-term financial loans	<u>892</u>	<u>589</u>	<u>590</u>
Breakdown by maturity:			
Within one year	55	40	45
In the second year	39	39	35
In the third year	314	22	20
In the fourth year	528	13	17
In the fifth year	10	511	513
Thereafter	1	4	5
	<u>947</u>	<u>629</u>	<u>635</u>

The loans are held at amortised cost.

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

- a) A US\$500 million (with fair value of \$494 million) 4.25% Eurobond due in April 2020 with the rating of (BB+/Ba1). The proceeds were used to refinance existing debt and for general corporate purposes.
- b) A three-year \$1,175 million Revolving Credit Facility (RCF) loan with a one year extension option from a syndicate of banks led by Citibank International Limited was entered into on 27 October 2015. The loan has an outstanding balance of \$285 million and a \$890 million unutilised available limit. The RCF has been used for the first time to finance the most recent acquisition of West-Ward Columbus which closed on 29 February 2016.
- 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 \$86 million (with a fair value of \$86 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 2016 \$m	30 June 2015 \$m	31 December 2015 \$m
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Audited)</u>
Contingent consideration and liability (note 21)	252	-	-
Co-development and earnout payment	17	-	18
Others	21	1	2
	<u>290</u>	<u>1</u>	<u>20</u>

**Co-development and earnout payment agreement:** The liability mainly relates to the present value of future payments on a co-development and earnout agreement. Through 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 2016 and 31 December 2015, 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 financing cost.

## 16. Share Capital

**Issued and fully paid – included in shareholders' equity:**

	<u>H1 2016 (Unaudited)</u>		<u>H1 2015 (Unaudited)</u>		<u>FY 2015 (Audited)</u>	
	Number 'm	\$m	Number 'm	\$m	Number 'm	\$m
<b>At 1 January</b>	<b>200</b>	<b>35</b>	<b>199</b>	<b>35</b>	<b>199</b>	<b>35</b>
<b>Issues of ordinary shares during the period/year</b>						
Exercise of share-based payments	1	-	-	-	1	-
Acquisition of subsidiary	40	5	-	-	-	-
<b>At end of period/year</b>	<u>241</u>	<u>40</u>	<u>199</u>	<u>35</u>	<u>200</u>	<u>35</u>

## 17. Net cash from operating activities

	H1 2016 \$m (Unaudited)	H1 2015 \$m (Unaudited)	FY 2015 \$m (Audited)
<b>Profit before tax</b>	83	170	318
Adjustments for:			
Depreciation, amortisation and impairment of:			
Property, plant and equipment	32	25	51
Intangible assets	21	8	22
Investment in associate	-	-	7
Gain on disposal of property, plant and equipment	-	-	(11)
Gain on disposal of intangible assets (note 4)	(17)	-	-

Movement on provisions	-	1	3
Cost of equity-settled employee share schemes	10	7	15
Finance income	(2)	(1)	(3)
Interest and bank charges	40	23	57
Results from associates	-	2	2
<b>Cash flow before working capital</b>	<b>167</b>	<b>235</b>	<b>461</b>
Change in trade and other receivables	(26)	(57)	(78)
Change in other current assets	(2)	1	(1)
Change in inventories	(55)	(12)	4
Change in trade and other payables	20	(6)	28
Change in other current liabilities	25	2	3
<b>Cash generated by operations</b>	<b>129</b>	<b>163</b>	<b>417</b>
Income tax paid	(30)	(38)	(51)
<b>Net cash from operating activities</b>	<b>99</b>	<b>125</b>	<b>366</b>

## 18. Contingent Liabilities

A contingent liability existed at the balance sheet date in respect of external guarantees and letters of credit totalling \$54 million (30 June 2015\*: \$50 million, 31 December 2015: \$50 million).

### *Other contingent liabilities:*

The integrated nature of the Group's worldwide operations, involving significant investment in research and manufacturing at a number of locations, with consequential cross-border supply routes into our end-markets, can potentially give rise to complexity and delay in negotiations with taxation authorities as to the profits on which individual Group companies are liable to tax. Disagreements with, and between, taxation authorities as to intra-Group transactions, in particular the price at which goods and services should be transferred between Group companies in different tax jurisdictions, have the potential to produce conflicting claims from taxation authorities as to the profits to be taxed in individual territories.

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

\* 30 June 2015 figure was restated.

## 19. 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 US\$500 million Eurobond (note 14).

The following table presents the changes in Level 3 items for the period ended 30 June 2016, 30 June 2015, and the year ended 31 December 2015:

	<b>Contingent Consideration</b>
	<b>\$m</b>
<b>Balance at 1 January 2015 (Audited)</b>	<b>4</b>
Acquisitions	-
Remeasurement through income statement	-
<b>Balance at 30 June 2015 (Unaudited)</b>	<b>4</b>
<b>Balance at 1 January 2015 (Audited)</b>	<b>4</b>
Additions	-
Remeasurement through income statement	-
<b>Balance at 31 December 2015 (Audited)</b>	<b>4</b>
<b>Balance at 31 December 2015 (Audited)</b>	<b>4</b>
Additions	-
Release (note 4)	(4)
Settlement	(20)
Acquisitions (note 21)	220
Remeasurement through income statement (note 4)	8
<b>Balance at 30 June 2016 (Unaudited)</b>	<b>208</b>

The main level 3 inputs used by the Group are derived and evaluated as follows:

- The key input of the contingent considerations related to the expected cash inflows, milestones, and approvals of certain products discounted using a Monte Carlo analysis. If expected cash flows were 10% higher or lower, the fair value will increase/decrease by \$ 12 million.

## 20. Related party balances

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

### **Trading transactions:**

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

**Darhold Limited:** is a related party of the Group because it is considered one of the major shareholders of Hikma Pharmaceuticals PLC with an ownership percentage of 24.38% at 30 June 2016 (30 June 2015: 28.7% and 31 December 2015: 29.06%).

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

**Capital Bank - Jordan:** is a related party of the Group because two Hikma Pharmaceuticals PLC board members are also board members of Capital Bank - Jordan. Additionally, a senior member of Hikma management team is a board member of one company owned by Capital Bank – Jordan. Total cash balance at Capital Bank – Jordan as of 30 June 2016 was \$10 million (30 June 2015 \$4.4 million and 31 December 2015: \$9.4 million). Utilisation

of facilities granted by Capital Bank- Jordan to the Group amounted to \$4 million at 30 June 2016 (30 June 2015: \$nil and 31 December 2015: \$nil). Interest income/expense is within market rates.

**Jordan International Insurance Company:** is a related party of the Group because one board member of the Company is also a board member of Hikma Pharmaceuticals PLC. The Group's insurance expense for Jordan International Insurance Company contracts during the period was \$0.5 million (H1 2015: \$0.2 million and FY 2015: \$0.5 million). The amounts due from Jordan International Insurance Company at 30 June 2016 were \$0.2 million (The amounts due to Jordan International Insurance Company at 30 June 2015: \$0.1 million and 31 December 2015: \$0.4 million).

**Labatec Pharma:** is a related party of the Group because it is owned by the Darwazah family. During the period, the Group total sales to Labatec Pharma amounted to \$0.8 million (H1 2015: \$0.3 million and FY 2015: \$0.9 million). At 30 June 2016, the amount owed from Labatec Pharma to the Group was \$0.4 million (30 June 2015: \$nil and 31 December 2015: \$0.2 million).

**Arab Bank:** is a related party of the Group because a senior member of Hikma management team is also a board member of Arab Bank PLC. Total cash balances at Arab Bank were \$55 million (30 June 2015: \$95 million and 31 December 2015: \$55.7 million). Utilisation of facilities granted by Arab Bank to the Group amounted to \$73 million (30 June 2015: \$80.5 million and 31 December 2015: \$56.6 million). Interest expense/income is within market rates.

**American University of Beirut:** is a related party of the Group because one board member of the Group is also a trustee of the University. During the period, fees of \$0.1 million (H1 2015: \$0.1 million and FY 2015: \$0.2 million) were paid. At 30 June 2016, the amount owed to American University of Beirut from the Group amounted to \$nil (30 June 2015: \$nil and 31 December 2015: \$nil).

**Boehringer:** During the period the Group total sales to BI amounted to \$35.3 million and the Group total purchases from BI amounted to \$1.1 million. At 30 June 2016 the amount owed from BI to the Group was \$27.1 million. In addition, balances arising from the acquisition in respect of contingent consideration are disclosed in note 19 and purchase price adjustments which are outstanding are disclosed note 21.

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

**Unimark:** During 2015, the Group has impaired the remaining investment balance related to Unimark Remedies Limited. The exceptional impairment of investment was \$7 million. Hikma's share in Unimark Remedies Limited has been divested during 2016 for minimal value.

**Haosun:** The Group held a non-controlling interest of 30.1% in Hubei Haosun Pharmaceutical Co., Ltd ("Haosun") at 30 June 2016 (30 June 2015: 30.1% and 31 December 2015: 30.1%). During the period, total purchases from Haosun were \$nil (H1 2015: \$0.6 million and FY 2015: \$0.6 million).

## **21. Acquisition of businesses**

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

### **West-Ward Columbus**

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

On 29 February 2016, Hikma completed the acquisition of West-Ward Columbus where the total fair value of the consideration is deemed to be \$1,725 million consists of net cash consideration of \$575 million (net of

certain working capital and other adjustments), 40 million Ordinary Shares were issued to Boehringer based on Hikma's share price of £18.81 and the US: GBP exchange rate of 1.3879:1 (representing an estimated 16.71 per cent. of Hikma issued share capital immediately following the issuance), a contingent consideration of \$224 million based on future performance, in addition to purchase price adjustment of \$118 million reflecting further working capital adjustments as well as amounts receivable from Boehringer in respect of milestones and other conditions.

The goodwill arising represents primarily the ability of the business to develop future products as well as the work force.

The net assets acquired in the transaction and the provisional goodwill arising have been valued by a third party expert as set out below. These amounts are provisional and subject to change.

<b>Net assets acquired</b>	<b>Fair Value</b>	
	<b>\$m</b>	
Trade and other receivables	169	a
Inventories	197	b
Intangible assets	731	c
Property, plant and equipment	453	d
Deferred tax assets	58	e
Trade and other payables	(32)	
Other current liabilities	(81)	
Deferred tax liabilities	(20)	e
Other non current liabilities	(139)	f
<b>Net assets acquired</b>	<b>1,336</b>	
Goodwill	<b>389</b>	
Total consideration	<b>1,725</b>	
<b>Discharged by:</b>		
Cash consideration	575	
Issuance of shares	1,044	
Contingent consideration	224	g
Adjustment to purchase price	(118)	
	<b>1,725</b>	
Cash consideration	575	
Cash and cash equivalents acquired	-	
<b>Net cash outflow arising on acquisition</b>	<b>575</b>	

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

The fair value of trade and other receivables is \$169 million and includes trade receivables with a fair value of \$158 million. The gross contractual amount for trade receivables due is \$158 million.

b. Inventories have been valued as follows:

- Raw materials at the current replacement cost.
- Finished goods and work in process at the estimated selling prices less a cost to dispose of and complete, less a reasonable profit attributable to the selling effort.

c. Intangible assets represent:

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

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

e. Taxable temporary differences have been identified by reference to IAS 12 “income tax”.

f. As part of the acquisition of West-Ward Columbus, Hikma assumed a contingent liability related to the co-development with a third party of two specific products that includes payments for milestones and royalties dependent on the net sales. These contingent liabilities were recorded as opening balance sheet liabilities based on a probability weighted present value amount at the time of the acquisition. Subsequent to the acquisition, \$10 million of such milestones were paid. In addition, concurrent with the acquisition, Hikma entered into supply and manufacturing contracts with Boehringer.

g. As part of the acquisition of West-Ward Columbus, Hikma agreed to pay to Boehringer contingent consideration of \$220 million representing a probability weighted present value of potential liabilities related to two specific products subject to the achievement of certain US FDA approval milestones, royalties dependent on the net sales for a period of ten years from the first commercial sale of each product, in addition to exclusivity payments for each calendar quarter in the first year that certain conditions exist.

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

The revenue and core operating profit (excluding acquisition, integration, and other costs amounting to \$39 million, the amortisation of the fair value uplift of the inventory of \$20 million, and the intangible amortisation of \$8 million) of West-Ward Columbus from the date of the acquisition, that is included in the Group’s consolidated statement of comprehensive income for the year amounted to \$193 million and \$4 million, respectively.

## **EUP**

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

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

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



The net assets acquired in the transaction and the provisional goodwill arising have been valued by a third party expert as set out below. These amounts are provisional and subject to change.

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

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

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

c. Taxable temporary differences have been identified by reference to IAS 12 "income tax".

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

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

The revenue and core operating loss of EUP from the date of the acquisition that is included in the Group's consolidated statement of comprehensive income for the year amounted to \$1 million and \$1 million, respectively.

### Full period impact of acquisitions:

If the acquisition of West-Ward Columbus and EUP had been completed on the first day of the financial year, the Group's revenues for the period would have been approximately \$989 million and the Group's profit attributable to equity holders of the parent would have been approximately \$58 million. The appropriate additional contribution by entity for the period from the beginning of the year up to the acquisition date is illustrated in the table below:

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

## 22. Foreign exchange rates

	Period end rates			Average rates		
	30 June 2016	30 June 2015	31 December 2015	H1 2016	H1 2015	FY 2015
USD/EUR	0.9005	0.9011	0.9168	0.8955	0.8949	0.9006
USD/Sudanese Pound	11.2740	6.3171	9.6600	11.2740	6.3171	9.6600
USD/Algerian Dinar	110.3681	98.9472	107.1317	108.0838	95.7360	100.4033
USD/Saudi Riyal	3.7495	3.7495	3.7495	3.7495	3.7495	3.7495
USD/British Pound	0.7467	0.6361	0.6754	0.6976	0.6562	0.6540
USD/Jordanian Dinar	0.7090	0.7090	0.7090	0.7090	0.7090	0.7090
USD/Egyptian Pound	8.8810	7.6278	7.8309	8.4602	7.5700	7.7160
USD/Japanese Yen	103.1779	122.7400	120.3800	111.4201	120.2700	121.0700
USD/Moroccan Dirham	9.7393	9.7228	9.8476	9.7860	9.3910	9.8008
USD/Tunisian Dinar	2.1925	1.9406	2.0321	2.0530	1.9380	1.9623