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Press Release

Hikma delivers strong first half results and raises full year guidance

London, 9 August 2019 – Hikma Pharmaceuticals PLC (Hikma, Group) (LSE: HIK) (NASDAQ Dubai: HIK) (OTC: HKMPY) (LEI: 549300BNS685UXH4JI75) (rated Ba1/stable Moody's and BB+/positive S&P), the multinational pharmaceutical company, today reports its interim results for the six months ended 30 June 2019.

H1 2019 core[1] results summary

- Group core revenue of $1,043 million, up 7%
- Group core operating profit of $246 million, up 15%
- Core basic earnings per share of 72.7 cents, up 18%
- Raising full year expectations for Generics and now expect Injectables to be towards the higher end of our previous full year guidance range

H1 2019 reported results summary

- Group revenue of $1,047 million, up 7%
- Group operating profit of $238 million, up 37%
- Cashflow from operating activities of $187 million (H1 2018: $185 million)
- Net debt of $361 million (December 2018: $361 million) and low leverage ratios maintained
- Basic earnings per share of 76.4 cents, up 74%
- Interim dividend increased 17% to 14 cents per share

Strategic highlights

- Appointed new Chief Scientific Officer, strengthening our R&D capabilities
- Launched 37 new products across all markets, expanding our global product portfolio
- Signed 7 product licensing agreements for the US and MENA
- Entered into long-term supply agreement with Civica Rx for essential injectable products

Siggi Olafsson, Chief Executive Officer of Hikma, said:

"All of our businesses are performing well. We are delivering more from our unique and diversified business model, leading market positions and high-quality operations to drive strong organic growth. Our good half-year financial results demonstrate the breadth and resilience of our marketed portfolio, successful pipeline launches and actions we've taken to reduce costs and increase efficiencies. During the first half, we continued to focus on pipeline development. We increased investment in our R&D programmes, added new products through partnerships and strengthened our R&D team.

I am very pleased with our first half performance, and the increase in our full year guidance reflects our confidence for the remainder of the year."

[1] Core results throughout the document are presented to show the underlying performance of the Group, excluding the exceptional items and other adjustments set out in note 4. Core results are a non-IFRS measure and a reconciliation to reported IFRS measures is provided on page 12

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Summary financials

Core results	**H1 2019 $million**	H1 2018 $million	Change	Constant currency change
Core revenue	**1,043**	979	7%	7%
Core operating profit	**246**	214	15%	15%
Core EBITDA[2]	**288**	252	14%	14%
Core profit attributable to shareholders	**176**	148	19%	20%
Core basic earnings per share (cents)	**72.7**	61.4	18%	19%

Reported results	**H1 2019 $million**	H1 2018 $million	Change	Constant currency change
Revenue	**1,047**	979	7%	8%
Operating profit	**238**	174	37%	37%
EBITDA	**297**	230	29%	30%
Profit attributable to shareholders	**185**	106	75%	75%
Basic earnings per share (cents)	**76.4**	44.0	74%	75%

Enquiries

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Hikma helps put better health within reach every day for millions of people in more than 50 countries around the world. For more than 40 years, we've been creating high-quality medicines and making them accessible to the people who need them. Headquartered in the UK, we are a global company with a local presence across the United States (US), the Middle East and North Africa (MENA) and Europe, and we use our unique insight and expertise to transform cutting-edge science into innovative solutions that transform people's lives. We're committed to our customers, and the people they care for, and by thinking creatively and acting practically, we provide them with a broad range of branded and non-branded generic medicines. Together, our 8,400 colleagues are helping to shape a healthier world that enriches all our communities. We are a leading licensing partner, and through our venture capital arm, are helping bring

[2] EBITDA is earnings before interest, tax, depreciation, amortisation and impairment charge; EBITDA is a non-IFRS measure and a reconciliation to reported IFRS measures is provided on page 13

innovative health technologies to people around the world. For more information, please visit www.hikma.com.

A presentation for analysts and investors will be held today at 09:30 UK time at FTI Consulting, 200 Aldersgate, Aldersgate Street, London EC1A 4HD. To join via conference call please dial: +44 (0) 20 3936 2999 or +1 646 664 1960, access code: 706288. Alternatively, the results presentation and a webcast recording of the event will be available at https://webcast.openbriefing.com/hikma-9819/.

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Business and financial review

The business and financial review set out below summarises the performance of the Group and the three main business segments, Injectables, Generics and Branded, for the six months ended 30 June 2019.

Group

	H1 2019 $ million	H1 2018 $ million	Change	Constant currency change
Revenue	**1,047**	979	7%	8%
Core revenue	**1,043**	979	7%	7%
Gross profit	**548**	490	12%	12%
Core gross profit	**544**	495	10%	11%
Core gross margin	***52.2%***	*50.6%*	*1.6pp*	*1.5pp*
Operating profit	**238**	174	37%	37%
Core operating profit	**246**	214	15%	15%
Core operating margin	***23.6%***	*21.9%*	*1.7pp*	*1.6pp*
Profit attributable to shareholders	**185**	106	75%	75%
Core profit attributable to shareholders	**176**	148	19%	20%
Basic earnings per share (cents)	**76.4**	44.0	74%	75%
Core basic earnings per share (cents)	**72.7**	61.4	18%	19%

Group revenue was $1,047 million in H1 2019. Group core revenue grew 7% to $1,043 million (H1 2018: $979 million) reflecting strong sales of our in-market products and new product launches. Group core gross profit increased 10% to $544 million (H1 2018: $495 million), primarily due to the strong growth of the Generics business. Group core gross margin was 52.2% (H1 2018: 50.6%).

Group operating expenses were $310 million (H1 2018: $316 million). Excluding $12 million of adjustments related to the amortisation of intangible assets other than software of $17 million (H1 2018: $15 million) and net income from exceptional items of $5 million (H1 2018: net expense $20 million), core Group operating expenses were $298 million (H1 2018: $281 million).

Selling, general and administrative (SG&A) expenses were $237 million (H1 2018: $225 million). Excluding the amortisation of intangible assets other than software and exceptional items,[3] SG&A expenses grew 3% to $216 million (H1 2018: $209 million), primarily due to the cost of strengthening our corporate functions during the course of 2018.

Research and development (R&D) expenses were $72 million (H1 2018: $63 million). Excluding exceptional items,[4] core R&D expenses were $58 million (H1 2018: $47 million). This reflects increased investment in our Generics and Injectables R&D programmes as we build our pipeline of higher-value and complex products. Core R&D expense was 6% of Group core revenue (H1 2018: 5%).

[3] In H1 2019, exceptional items comprised integration costs of $4 million

[4] In H1 2019, Hikma incurred $14 million of R&D costs related to a repeat clinical endpoint study for generic Advair Diskus® (H1 2018: $15 million). See note 4 for further information

Other net operating expenses were $1 million in H1 2019. Excluding exceptional items,[5] core other net operating expenses were $24 million (H1 2018: $25 million), which primarily comprised inventory provisions.

Group reported operating profit was $238 million (H1 2018: $174 million). Excluding the impact of amortisation (other than software) and exceptional items, core Group operating profit increased by 15% to $246 million (H1 2018: $214 million) and core operating margin was 23.6% (H1 2018: 21.9%), reflecting a strong improvement in the profitability of the Generics business.

Group core revenue by business segment

$ million	**H1 2019**		H1 2018	
Injectables	**428**	**41%**	410	42%
Generics	**368**	**35%**	332	34%
Branded	**242**	**23%**	232	24%
Others	**5**	**1%**	5	-
Total	**1,043**		979	

Group core revenue by region

$ million	**H1 2019**		H1 2018	
MENA	**301**	**29%**	281	29%
US	**685**	**66%**	640	65%
Europe and ROW	**57**	**5%**	58	6%
Total	**1,043**		979	

[5] In H1 2019, exceptional items comprised proceeds from a legal claim of $32 million, costs related to a warehouse fire at one of our Jordan facilities of $15 million and a contingent consideration adjustment of $7 million

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Injectables

$ million	**H1 2019**	H1 2018	Change	Constant currency change
Revenue	**432**	410	5%	7%
Core revenue	**428**	410	4%	6%
Gross profit	**258**	256	1%	1%
Core gross profit	**254**	256	(1)%	-
Core gross margin	***59.3%***	*62.4%*	*(3.1)pp*	*(3.4)pp*
Operating profit	**160**	160	-	1%
Core operating profit	**167**	173	(3)%	(3)%
Core operating margin	***39.0%***	*42.2%*	*(3.2)pp*	*(3.6)pp*

In H1 2019, global Injectables core revenue increased by 4% to $428 million (H1 2018: $410 million). In constant currency, global Injectables revenue was up 7%.

US Injectables core revenue was $317 million, up 3% (H1 2018: $308 million), reflecting the resilience of our broad product portfolio. Strong demand for our in-market products and recent launches more than offset increased competition on some products and reduced sales of certain market shortage products.

MENA Injectables revenue was $60 million, up 18% (H1 2018: $51 million). In constant currency, MENA Injectables revenue was up 20% reflecting a good performance across our markets, particularly in Saudi Arabia and Egypt. European Injectables revenue was $51 million (H1 2018: $51 million). Before the depreciation of the euro against the US dollar, European Injectables revenue grew 6% to $54 million, reflecting continued growth in our own products and contract manufacturing sales.

Injectables core gross profit was $254 million (H1 2018: $256 million). Core gross margin decreased to 59.3% (H1 2018: 62.4%), primarily reflecting a change in the product mix in the US. Core operating profit, which excludes the amortisation of intangible assets other than software and exceptional items,[6] was $167 million (H1 2018: $173 million). Core operating margin was 39.0%, down from 42.2% in H1 2018, primarily reflecting the lower gross margin. We expect core operating margin to be lower in the second half, reflecting a change in the product mix in the US and increased sales in MENA.

During H1 2019, the Injectables business launched 4 products in the US, 10 in MENA and 8 in Europe. We submitted 73 filings to regulatory authorities across all markets and signed a number of licensing agreements to add more complex products to our pipeline in the US.

Given the strong performance of the business in the first half, we now expect the Injectables results to be towards the higher end of our expectations for the full year. We now expect Injectables revenue to be in the range of $870 million to $900 million and core operating margin to now be in the range of 36% to 38%.

[6] Exceptional items comprised integration and other costs of $4 million. Refer to note 4 for further information

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Generics

$ million	**H1 2019**	H1 2018	Change
Revenue	**368**	332	11%
Gross profit	**168**	117	44%
Gross margin	***45.7%***	*35.2%*	*10.5pp*
Operating profit	**88**	6	1,367%
Core operating profit	**71**	30	137%
Core operating margin	***19.3%***	*9.0%*	*10.3pp*

Generics revenue increased 11% to $368 million (H1 2018: $332 million) as strong demand for our differentiated in-market products and recent launches more than offset price erosion.

Generics gross profit increased by 44% to $168 million (H1 2018: $117 million) and Generics gross margin increased to 45.7% (H1 2018: 35.2%). This reflects higher volumes and an improvement in the product mix, as well as a significant reduction in overhead costs due to the consolidation of our manufacturing facilities in 2018 and increased manufacturing efficiencies.

Generics operating profit increased to $88 million (H1 2018: $6 million) and Generics core operating profit, which excludes the amortisation of intangible assets other than software and exceptional items,[7] increased to $71 million (H1 2018: $30 million). This reflects the significant increase in gross profit which more than offset increased investment in R&D. Core operating margin was 19.3% (H1 2018: 9.0%). We expect the margin to be slightly lower in the second half, reflecting increased price erosion and higher legal and R&D expenses.

During H1 2019, the Generics business launched two products and we are continuing to focus on pipeline development. As previously announced, we initiated a repeat clinical endpoint study for generic Advair Diskus® in 2018. The study is progressing well and we remain on track to submit a response to the FDA with the new clinical data before the end of 2019.

As a result of the strong performance in the first half, we now expect Generics revenue to be in the range of $690 million to $720 million for the full year. We also now expect core operating margin to be in the range of 16% to 18% for 2019.

[7] In H1 2019, exceptional items comprised expenses of $14 million related to a repeat clinical endpoint study for generic Advair Diskus®, $6 million of costs related to a warehouse fire at one of our Jordan facilities and proceeds from a legal claim of $32 million. Refer to note 4 for further information

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Branded

$ million	**H1 2019**	H1 2018	Change	Constant currency change
Revenue	**242**	232	4%	6%
Gross profit	**120**	116	3%	5%
Gross margin	***49.6%***	*50.0%*	*(0.4)pp*	*(0.2)pp*
Operating profit	**31**	42	(26)%	(24)%
Core operating profit	**49**	45	9%	11%
Core operating margin	***20.2%***	*19.4%*	*0.8pp*	*0.9pp*

On a reported basis, Branded revenue was $242 million, up 4% (H1 2018: $232 million). On a constant currency basis, Branded revenue grew 6% to $246 million.

In our largest markets, Saudi Arabia and Egypt, our business delivered double-digit revenue growth, reflecting strong demand for our marketed portfolios and new product launches. A strong performance across most of our MENA markets more than offset lower sales in Algeria as a result of an economic slowdown, and some delayed shipments from Jordan following a warehouse fire.

During H1 2019, the Branded business launched 13 products and submitted 48 filings to regulatory authorities. During 2019, we have continued to add innovative products to our pipeline through partnerships, including agreements signed with Melinta Therapeutics for oral and intravenous formulations of their novel antibiotic, Baxdela™ (delafloxacin), with Gideon Richter PLC for their novel antipsychotic, cariprazine, and with Faes Farma for their Bilazten. Revenue from in-licensed products represented 36% of Branded revenue (H1 2018: 38%).

Branded gross profit was $120 million, up 3% and gross margin was 49.6% (H1 2018: 50.0%). In constant currency, gross profit increased by 5% and gross margin was 49.6% (H1 2018: 50.0%) reflecting revenue growth and a favourable product mix.

Core operating profit, which excludes the amortisation of intangibles and exceptional items,[8] was $49 million (H1 2018: $45 million), and core operating margin was 20.2% (H1 2018: 19.4%). In constant currency, core operating profit grew 11% and core operating margin was 20.3%, up 90 basis points. This improvement in profitability reflects the improvement in gross profit and stable operating costs.

As anticipated, we expect Branded revenue to be higher in the second half of the year and we continue to expect full year Branded revenue growth in constant currency to be in the mid-single digits.

Other businesses

Other businesses, which is primarily comprised of Arab Medical Containers, a manufacturer of plastic specialised medicinal sterile containers, International Pharmaceuticals Research Centre, which conducts bio-equivalency studies, Hikma Emerging Markets and Asia Pacific FZ LLC and the chemicals division of Hikma Pharmaceuticals LLC (Jordan) contributed revenue of $5 million (H1 2018: $5 million). These other businesses made an operating loss of $1 million (H1 2018: $(1) million).

[8] Exceptional items comprised expenses of $9 million related to a warehouse fire in one of our Jordan facilities and $5 million of severance and restructuring costs. Refer to note 4 for further information

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Research and development

The Group's product portfolio continues to grow due to our product development efforts. During H1 2019, we had 37 new launches and received 75 approvals.

To ensure the continuous development of our product pipeline, we submitted 122 regulatory filings.

	H1 2019 submissions[9]	H1 2019 approvals[10]	H1 2019 launches[11]
Generics	1	3	2
Injectables			
US	5	5	4
MENA	30	12	10
Europe	38	12	8
Branded	48	43	13
Total	**122**	**75**	**37**

Net finance expense

Core net finance expense was $22 million (H1 2018: $24 million), primarily due to an increase in interest income and prepayments of long-term loans in the second half of 2018. The adoption of IFRS 16 in H1 2019, which required the recognition of additional leases on the balance sheet at 30 June 2019, resulted in additional finance expense of around $1 million.

Finance expense is expected to be slightly higher in the second half and we continue to expect net finance expense to be around $50 million for the full year.

Profit before tax

Group profit before tax was $226 million (H1 2018: $141 million). Core profit before tax was $225 million (H1 2018: $189 million).

Tax

Group tax expense was $41 million (H1 2018: $32 million). Excluding the tax impact of exceptional items, core Group tax expense was $49 million in H1 2019 (H1 2018: $38 million). The core effective tax rate was 21.8% (H1 2018: 20.1%).

We continue to expect the core effective tax rate to be around 21% for the full year in 2019.

Profit attributable to shareholders

Profit attributable to shareholders was $185 million (H1 2018: $106 million). Core profit attributable to shareholders increased by 19% to $176 million (H1 2018: $148 million).

[9] Submissions for new products, including Marketing Authorisations, NDA, ANDA and 505(b)2 by country, in H1 2019
[10] New products (approvals, technical approvals and tentative approvals) by country, approved in H1 2019
[11] New products launched by country in H1 2019

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Earnings per share

Basic earnings per share was 76.4 cents (H1 2018: 44.0 cents). Core basic earnings per share increased by 18% to 72.7 cents (H1 2018: 61.4 cents). Core diluted earnings per share increased by 18% to 72.4 cents (H1 2018: 61.2 cents).

Dividend

The Board is recommending an interim dividend of 14 cents per share (approximately 12 pence per share) for H1 2019 (H1 2018: 12 cents per share), an increase of 17%. The interim dividend will be paid on 23 September 2019 to eligible shareholders on the register at the close of business on 23 August 2019. The ex-dividend date is 22 August 2019 and the final date for currency elections is 9 September 2019.

Net cash flow, working capital and net debt

The Group generated operating cash flow of $187 million in H1 2019 (H1 2018: $185 million). Group working capital days were up 9 days to 231 days, primarily driven by increased inventory levels.

Capital expenditure was $48 million (H1 2018: $53 million). In the US, around $12 million was spent upgrading our equipment and adding new technologies for our Generics and Injectables businesses. Around $23 million was spent on our facilities in MENA, primarily in Algeria, Egypt, Jordan and Saudi Arabia. A further $13 million was spent in Europe, expanding our manufacturing facilities in Portugal, where we recently completed construction of our new high containment operation (HCO), which has begun commercial production. We now expect Group capital expenditure for the full year to be around $120 million, at the lower end of our previous guidance range.

The Group's net debt (excluding co-development agreements and contingent liabilities) stood at $361 million at 30 June 2019 (31 December 2018: $361 million).[12] An increase in the Group's cash balance at 30 June 2019 offset the impact from the adoption of IFRS 16, which required the Group to recognise additional lease liabilities of $46 million at June 2019. We continue to have a very strong balance sheet with a net debt to core EBITDA[13] ratio of 0.62.

Balance sheet

Net assets at 30 June 2019 were $1,844 million (31 December 2018: $1,697 million). Net current assets reduced to $375 million (31 December 2018: $775 million), due to the reclassification of the Eurobond of $500 million from long-term liabilities to current liabilities.

Outlook

We now expect full year Injectables revenue to be in the range of $870 million to $900 million and core operating margin to be in the range of 36% to 38%.

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[12] Group net debt is calculated as Group total debt less Group total cash, including restricted cash. Group net debt is a non-IFRS measure. See page 13 for a reconciliation of Group net debt to reported IFRS figures in the interim financial statements
[13] Calculated using core EBITDA for the twelve months ended 30 June 2019

Given the strong performance of the Generics business in H1 2019, we now expect Generics revenue for the full year to be in the range of $690 million to $720 million. We now expect core operating margin to be in the range of 16% to 18%.

We expect Branded revenue to be higher in the second half of the year and we continue to expect full year Branded revenue growth in constant currency to be in the mid-single digits.

Responsibility statement

We confirm that to the best of our knowledge:

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

The Board

The Board of Directors that served during all or part of the six-month period to 30 June 2019 and their respective responsibilities can be found on the 'Our global leadership team' section of Hikma's website.

By order of the Board

Sigurdur Olafsson	Khalid Nabilsi
Chief Executive Officer 8 August 2019	Chief Financial Officer 8 August 2019

Cautionary statement

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

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Definitions

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

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

Core results

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

Group operating profit	**H1 2019 $million**	H1 2018 $million
Core operating profit	**246**	214
R&D costs	(14)	(15)
Jordan warehouse fire	(15)	-
Proceeds from legal claim	32	-
Contingent consideration adjustment	7	-
MENA severance and restructuring costs	(5)	-
Integration costs	4	(10)
Intangible assets amortisation other than software	(17)	(15)
Reported operating profit	**238**	174

Constant currency

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

Constant currency numbers in H1 2019 represent reported H1 2019 numbers re-stated using average exchange rates in H1 2018, excluding price increases in the business which resulted from the devaluation of currencies.

EBITDA

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

EBITDA $ million	**H1 2019**	H1 2018
Reported operating profit	**238**	174
Depreciation, amortisation and impairment	59	56
Reported EBITDA	**297**	230
R&D costs	14	15
Jordan warehouse fire	15	-
Proceeds from legal claim	(32)	-
Contingent consideration adjustment	(7)	-
MENA severance and restructuring costs	5	-
Integration costs	(4)	7
Core EBITDA	**288**	252

Working capital days

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

Group net debt

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

Group net debt $ million	**Jun-19**	Dec-18
Short-term financial debts[14]	(591)	(75)
Long-term financial debts	(40)	(539)
Long-term lease liabilities	(64)	(23)
Total debt	**(695)**	(637)
Cash and cash equivalents, including restricted cash	334	276
Net debt	**(361)**	(361)

Forward-looking statements

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

[14] Includes short-term lease liabilities

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

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

Other than in accordance with its legal or regulatory obligations (including under the Market Abuse Regulation ((EU) No. 596/2014) and the UK Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority), Hikma does not undertake to update the forward looking statements contained in this announcement to reflect any changes in events, conditions or circumstances on which any such statement is based or to correct any inaccuracies which may become apparent in such forward looking statements. Except as expressly provided in this announcement, no forward looking or other statements have been reviewed by the auditors of Hikma. All subsequent oral or written forward-looking statements attributable to the Hikma or any of its members, directors, officers or employees or any person acting on their behalf are expressly qualified in their entirety by the cautionary statement above.

Past share performance cannot be relied on as a guide to future performance. Nothing in this announcement should be construed as a profit forecast.

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

Principal risks and uncertainties

The Group faces risks from a range of sources that could have a material impact on our financial commitments and ability to trade in the future. The principal risks are determined via robust assessment considering our risk context by the Board of Directors with input from executive management. The principal risks facing the company are not expected to change materially in the second six months of the financial year. They are described below and in detail in the 2018 annual report on pages 58-60.

The Board recognises that certain risk factors that influence the principal risks are outside of the control of management. The risks related to a UK withdrawal from the European Union (Brexit) are regularly assessed. Our cross-functional reviews continue to assess that the exposure for Hikma is low and manageable. We continue to monitor the situation as it develops to prepare for any impacts on our business.

The Board is satisfied that these risks are being managed appropriately and consistently within the risk appetite. The set of principal risks should not be considered as an exhaustive list of all the risks the Group faces.

Principal risks	What does the risk cover?
1. Inorganic growth	Identifying, accurately pricing and/or realising expected benefits from acquisitions or divestments, licensing, or other business development activities
2. Product pipeline	Identifying, developing and registering new products that meet market needs and are aligned with Hikma's strategy to provide continuous source of future growth
3. Organisational development	Developing, maintaining and adapting organisational structures, management processes and controls, and talent pipeline to enable effective delivery by the business in the face of rapid and constant internal and external change
4. Industry earnings	The commercial viability of the industry and business model we operate may change significantly as a result of political action, economic factors, societal pressures, regulatory interventions or changes to participants in the value chain of the industry
5. Product quality and safety	Maintaining compliance with current Good Practices for Manufacturing (cGMP), Laboratory (cGLP), Distribution (cGDP) and Pharmacovigilance (GVP) by staff, by Contract Development and Manufacturing Organisations (CDMOs), by party logistics providers, or any other third party that is involved in these processes
6. Supply chain and API	Maintaining continuity of supply of finished product and managing cost, quality and appropriate oversight of third parties in our supply chain, including risk to maintain the quality and availability of API supplies
7. Crisis response and continuity management	Preparedness, response, continuity and recovery from crisis events such as natural catastrophe, economic turmoil, operational issues, political crisis, regulatory intervention
8. Ethics and compliance	Maintaining a culture underpinned by ethical decision making, and implementing internal controls to ensure staff and third parties comply with our Code of Conduct, associated policies and procedures, as well as all applicable legislation
9. Reputation	Building and maintaining trusting and successful partnerships with our many stakeholders relies on sustaining our reputation as one of our most valuable assets
10. Financial control and reporting	Effectively managing income, expenditure, assets and liabilities, liquidity, exchange rates, tax uncertainty, debtor and associated activities, and in reporting accurately, in a timely manner and in compliance with statutory requirements and accounting standards
11. Information, technology and infrastructure	Ensuring integrity, confidentiality and resilience of data, securing information stored and/or processed internally or externally, maintaining and developing technology systems that enable business processes, and in ensuring infrastructure supports the organisation effectively
12. Legal, regulatory and intellectual property	Complying with laws and regulations and their application, managing litigation, governmental investigations, sanctions, contractual terms and conditions and adapting to their changes while preserving shareholders values and business integrity and reputation

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Independent review report to Hikma Pharmaceuticals PLC

Report on the unaudited interim condensed consolidated financial statements

Our conclusion

We have reviewed Hikma Pharmaceuticals PLC's unaudited interim condensed consolidated financial statements (the "interim financial statements") in the interim press release of Hikma Pharmaceuticals PLC for the six month period ended 30 June 2019. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the condensed consolidated balance sheet as at 30 June 2019;
- the condensed consolidated income statement and condensed consolidated statement of comprehensive income for the period then ended;
- the condensed consolidated cash flow statement for the period then ended;
- the condensed consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

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

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

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

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

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

What a review of interim financial statements involves

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

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

We have read the other information contained in the interim 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

8 August 2019

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Hikma Pharmaceuticals PLC
Condensed consolidated income statement

	Note	H1 2019 Core results $m (Unaudited)	H1 2019 Exceptional items and other adjustments (note 4) $m (Unaudited)	H1 2019 Reported results $m (Unaudited)	H1 2018 Core results (Restated)[1] $m (Unaudited)	H1 2018 Exceptional items and other adjustments (note 4) $m (Unaudited)	H1 2018 Reported results (Restated)[1] $m (Unaudited)
Revenue		1,043	4	1,047	979	-	979
Cost of sales		(499)	-	(499)	(484)	(5)	(489)
Gross profit		**544**	**4**	**548**	**495**	**(5)**	**490**
Selling, general and administrative expenses[2]		(216)	(21)	(237)	(209)	(16)	(225)
Research and development expenses		(58)	(14)	(72)	(47)	(16)	(63)
Other operating (expenses)/income, net		(24)	23	(1)	(25)	(3)	(28)
Total operating expenses		**(298)**	**(12)**	**(310)**	**(281)**	**(35)**	**(316)**
Operating profit	3	**246**	**(8)**	**238**	**214**	**(40)**	**174**
Finance income		3	12	15	2	-	2
Finance expense		(25)	-	(25)	(26)	(8)	(34)
Gain/(loss) from investment at fair value		1	-	1	(1)	-	(1)
Loss from investment divestiture		-	(3)	(3)	-	-	-
Profit before tax		225	1	226	189	(48)	141
Tax	5	(49)	8	(41)	(38)	6	(32)
Profit for the half-year		**176**	**9**	**185**	**151**	**(42)**	**109**
Attributable to:							
Non-controlling interests		-	-	-	3	-	3
Equity holders of the parent		**176**	**9**	**185**	**148**	**(42)**	**106**
		176	**9**	**185**	**151**	**(42)**	**109**
Earnings per share (cents)							
Basic		72.7		76.4	61.4		44.0
Diluted		72.4		76.1	61.2		43.8

[1]Restatement represents IFRS 15 reclassification adjustment for customer payments of $10 million reclassed from Sales & Marketing expenses to revenue. The reclassification impact was finalised and correctly reported for the financial statements prepared for the year ended 31 December 2018.

[2] Beginning in 2019, Sales & Marketing 'S&M' and General & Administrative 'G&A' expenses are reported under one line item. In H1 2018, S&M and G&A were $120 million & $115 million respectively.

On this page and throughout this financial information 'H1 2019' refers to the half-year of the six months ended 30 June 2019, 'H1 2018' refers to the half-year of the six months ended 30 June 2018.

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Hikma Pharmaceuticals PLC
Condensed consolidated statement of comprehensive income

	H1 2019 Core results	H1 2019 Exceptional items and other adjustments (note 4)	H1 2019 Reported results	H1 2018 Core results	H1 2018 Exceptional items and other adjustments (note 4)	H1 2018 Reported results
	$m (Unaudited)	$m (Unaudited)	$m (Unaudited)	$m (Unaudited)	$m (Unaudited)	$m (Unaudited)
Profit for the half-year	**176**	**9**	**185**	**151**	**(42)**	**109**
Other Comprehensive Income						
Items that may be reclassified subsequently to the consolidated income statement, net of tax:						
Currency translation gain/(loss)	13	-	13	(22)	-	(22)
Total comprehensive income for the half-year	**189**	**9**	**198**	**129**	**(42)**	**87**
Attributable to:						
Non-controlling interests	1	-	1	1	-	1
Equity holders of the parent	**188**	**9**	**197**	**128**	**(42)**	**86**
	189	**9**	**198**	**129**	**(42)**	**87**

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Hikma Pharmaceuticals PLC
Condensed consolidated balance sheet

	Note	30 June 2019 $m (Unaudited)	31 December 2018 $m (Audited)
Non-current assets			
Goodwill		281	279
Other intangible assets		520	487
Property, plant and equipment		862	870
Right-of-use assets		50	-
Investment in associates and joint ventures		12	11
Deferred tax assets		134	125
Financial and other non-current assets	7	48	57
		1,907	**1,829**
Current assets			
Inventories	8	579	528
Income tax receivable		50	74
Trade and other receivables	9	693	731
Cash and cash equivalents		322	276
Collateralised and restricted cash		12	-
Other current assets	10	43	59
		1,699	**1,668**
Total assets		**3,606**	**3,497**
Current liabilities			
Short-term financial debts	13	588	74
Trade and other payables	11	405	465
Income tax provision		70	68
Other provisions		23	23
Other current liabilities	12	238	263
		1,324	**893**
Net current assets		**375**	**775**
Non-current liabilities			
Long-term financial debts	13	40	539
Leases liabilities		64	23
Deferred tax liabilities		16	16
Other non-current liabilities	14	318	329
		438	**907**
Total liabilities		**1,762**	**1,800**
Net assets		**1,844**	**1,697**
Equity			
Share capital		40	40
Share premium		282	282
Other reserves		(205)	(217)
Retained earnings		1,715	1,580
Equity attributable to equity holders of the parent		**1,832**	**1,685**
Non-controlling interests		12	12
Total equity		**1,844**	**1,697**

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Hikma Pharmaceuticals PLC
Condensed consolidated statement of changes in equity

	Merger and Revaluation reserves	Translation reserves	Own shares	Total other reserves	Retained earnings	Share capital	Share premium	Equity attributable to equity shareholders of the parent	Non-controlling interests	Total equity
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
Balance at 1 January 2018[1]	**38**	**(227)**	**(1)**	**(190)**	**1,354**	**40**	**282**	**1,486**	**14**	**1,500**
Profit for the half-year	-	-	-	-	106	-	-	**106**	3	**109**
Currency translation loss	-	(20)	-	(20)	-	-	-	**(20)**	(2)	**(22)**
Total comprehensive income for the half-year	-	(20)	-	(20)	106	-	-	**86**	1	**87**
Total transactions with owners, recognised directly in equity										
Cost of equity-settled employee share scheme	-	-	-	-	12	-	-	**12**	-	**12**
Dividends on ordinary shares (note 6)	-	-	-	-	(55)	-	-	**(55)**	(2)	**(57)**
Balance at 30 June 2018 (unaudited)	**38**	**(247)**	**(1)**	**(210)**	**1,417**	**40**	**282**	**1,529**	**13**	**1,542**
Balance at 31 December 2018 (audited)	**38**	**(254)**	**(1)**	**(217)**	**1,580**	**40**	**282**	**1,685**	**12**	**1,697**
Profit for the half-year	-	-	-	-	185	-	-	**185**	-	**185**
Currency translation gain	-	12	-	12	-	-	-	**12**	1	**13**
Total comprehensive income for the half-year	-	12	-	12	185	-	-	**197**	1	**198**
Total transactions with owners, recognised directly in equity										
Cost of equity settled employee share scheme	-	-	-	-	13	-	-	**13**	-	**13**
Dividends on ordinary shares (6)	-	-	-	-	(63)	-	-	**(63)**	(1)	**(64)**
Balance at 30 June 2019 (unaudited)	**38**	**(242)**	**(1)**	**(205)**	**1,715**	**40**	**282**	**1,832**	**12**	**1,844**

[1]The Group adopted IFRS 9 and IFRS 15 from 1 January 2018. The impact of IFRS 9 was $3 million and of IFRS 15 was $25 million.

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Hikma Pharmaceuticals PLC
Condensed consolidated cash flow statement

	Note	H1 2019 $m (Unaudited)	H1 2018 $m (Unaudited)
Cash flows from operating activities			
Cash generated from operations	15	**211**	**206**
Income tax paid		(41)	(21)
Income taxes received		17	-
Net cash inflow from operating activities		**187**	**185**
Cash flow from investing activities			
Purchases of property, plant and equipment		(48)	(53)
Proceeds from disposal of property, plant and equipment		3	-
Purchase of intangible assets		(34)	(16)
Proceeds from disposal of intangible assets		-	1
Cash paid in investment in joint ventures		-	(4)
Change in investment in financial and other non-current assets		1	(1)
Proceeds from sale of investment at fair value through other comprehensive income		12	-
Additions of investment at fair value through other comprehensive income		(3)	(2)
Acquisition of business undertakings, net of cash acquired		(8)	(14)
Proceeds from investment divestiture		2	-
Contingent consideration receipt		20	35
Interest income received		2	1
Net cash outflow from investing activities		**(53)**	**(53)**
Cash flow from financing activities			
(Increase)/decrease in collateralised and restricted cash		(12)	3
Proceeds from issue of long-term financial debts		6	87
Repayment of long-term financial debts		(6)	(149)
Proceeds from short-term borrowings		152	174
Repayment of short-term borrowings		(138)	(171)
Repayment of lease liabilities		(3)	-
Dividends paid		(63)	(55)
Dividends paid to non-controlling shareholders of subsidiaries		(1)	(2)
Interest paid		(25)	(24)
Payment from co-development and earnout payment agreement, net		-	(1)
Net cash outflow from financing activities		**(90)**	**(138)**
Net increase /(decrease) in cash and cash equivalents		**44**	**(6)**
Cash and cash equivalents at beginning of the half-year		**276**	**227**
Foreign exchange translation movements		2	(1)
Cash and cash equivalents at end of the half-year		**322**	**220**

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Hikma Pharmaceuticals PLC
Notes to the condensed consolidated interim financial statements

1. General information

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

The Group's principal activities are the development, manufacturing, and marketing of a broad range of branded and non-branded generic pharmaceuticals products across the US, the Middle East and North Africa (MENA) and Europe. Hikma is also a leading licensing partner.

The information for the year ended 31 December 2018 does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. A copy of the statutory accounts for 2018 have been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain any statement under Section 498 (2) or (3) of the Companies Act 2006.

2. Accounting policies

The unaudited interim condensed consolidated financial statements (financial statements) for the six months ended 30 June 2019 have been prepared using the same accounting policies and on a basis consistent with the audited consolidated financial statements of Hikma Pharmaceuticals PLC for the year ended 31 December 2018, except for the adoption of new standards effective from 1 January 2019.The Group has not opted for the early-adoption of any standard, interpretation or amendment that has been issued but not yet effective.

Basis of preparation

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

These condensed consolidated financial statements for the six months ended 30 June 2019 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34, 'Interim financial reporting', as adopted by the EU and as issued by the IASB. The condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2018, which have been prepared in accordance with IFRSs issued by the IASB and the IFRSs adopted by the EU.

Adoption of new and revised standards

The Group applied, for the first time, IFRS 16 'Leases' and IFRIC 23 'Uncertainty over income tax treatments'. Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the condensed consolidated financial statements of the Group.

IFRS 16

IFRS 16 was issued in January 2016 and it replaces IAS 17 'Leases', IFRIC 4 'Determining whether an arrangement contains a lease', SIC-15 'Operating leases-Incentives' and SIC-27 'Evaluating the substance of transactions involving the legal form of a lease'.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g. personal computers) and short-term leases (i.e. leases with a lease

term of 12 months or less). At the commencement date of a lease, a lessee recognises a liability for the present value of future lease payments (i.e. the lease liability) and a corresponding asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees are required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees are also required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments).

The lessee generally recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019.

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

The Group has adopted IFRS 16, applying modified retrospective approach on 1 January 2019, and recognised right-of-use assets of $57 million (including $10 million reclassed from property, plant, and equipment previously recognised as assets held under finance lease and offsetting accrued rent of $3 million) and lease liabilities of $50 million, (note 20).

IFRIC 23

IFRIC 23 'Uncertainty over income tax treatments' was issued in June 2017. The interpretation clarifies that if it is considered probable that a tax authority will accept an uncertain tax treatment, the tax charge should be calculated on that basis. If it is not considered probable, the effect of the uncertainty should be estimated and reflected in the tax charge. In assessing the uncertainty, it is assumed that the tax authority will have full knowledge of all information related to the matter.

The Group adopted IFRIC 23 as of 1 January 2019. The impact of adoption was not material to the provisions previously held for uncertain tax position.

Going concern

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

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

3. Business and geographical segments

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

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

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

Injectables	H1 2019 Core results (Unaudited)	H1 2019 Exceptional items and other adjustments (note 4) (Unaudited)	H1 2019 Reported results (Unaudited)	H1 2018 Core results (Unaudited) (Restated)[1]	H1 2018 Exceptional items and other adjustments (note 4) (Unaudited)	H1 2018 Reported results (Unaudited) (Restated)[1]
	$m	$m	$m	$m	$m	$m
Revenue	428	4	432	410	-	410
Cost of sales	(174)	-	(174)	(154)	-	(154)
Gross profit	**254**	**4**	**258**	**256**	**-**	**256**
Total operating expenses	(87)	(11)	(98)	(83)	(13)	(96)
Segment result	**167**	**(7)**	**160**	**173**	**(13)**	**160**

[1]Restatement represents IFRS 15 reclassification adjustment for customer payments of $4 million reclassed from Sales & Marketing expenses to revenue. The reclassification impact was finalised and correctly reported for the financial statements prepared for the year ended 31 December 2018.

Generics	H1 2019 Core results (Unaudited)	H1 2019 Exceptional items and other adjustments (note 4) (Unaudited)	H1 2019 Reported results (Unaudited)	H1 2018 Core results (Unaudited) (Restated)[1]	H1 2018 Exceptional items and other adjustments (note 4) (Unaudited)	H1 2018 Reported results (Unaudited) (Restated)[1]
	$m	$m	$m	$m	$m	$m
Revenue	368	-	368	332	-	332
Cost of sales	(200)	-	(200)	(210)	(5)	(215)
Gross profit	**168**	**-**	**168**	**122**	**(5)**	**117**
Total operating expenses	(97)	17	(80)	(92)	(19)	(111)
Segment result	**71**	**17**	**88**	**30**	**(24)**	**6**

[1] Restatement represents IFRS 15 reclassification adjustment for customer payments of $6 million reclassed from Sales & Marketing expenses to revenue. The reclassification impact was finalised and correctly reported for the financial statements prepared for the year ended 31 December 2018.

Branded	H1 2019 Core results (Unaudited)	H1 2019 Exceptional items and other adjustments (note 4) (Unaudited)	H1 2019 Reported results (Unaudited)	H1 2018 Core results (Unaudited)	H1 2018 Exceptional items and other adjustments (note 4) (Unaudited)	H1 2018 Reported results (Unaudited)
	$m	$m	$m	$m	$m	$m
Revenue	242	-	242	232	-	232
Cost of sales	(122)	-	(122)	(116)	-	(116)
Gross profit	**120**	**-**	**120**	**116**	**-**	**116**
Total operating expenses	(71)	(18)	(89)	(71)	(3)	(74)
Segment result	**49**	**(18)**	**31**	**45**	**(3)**	**42**

Others	H1 2019 Core results (Unaudited)	H1 2019 Exceptional items and other adjustments (note 4) (Unaudited)	H1 2019 Reported results (Unaudited)	H1 2018 Core results (Unaudited)	H1 2018 Exceptional items and other adjustments (note 4) (Unaudited)	H1 2018 Reported results (Unaudited)
	$m	$m	$m	$m	$m	$m
Revenue	5	-	5	5	-	5
Cost of sales	(3)	-	(3)	(4)	-	(4)
Gross profit	**2**	**-**	**2**	**1**	**-**	**1**
Total operating expenses	(3)	-	(3)	(2)	-	(2)
Segment result	**(1)**	**-**	**(1)**	**(1)**	**-**	**(1)**

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

Group	H1 2019 Core results (Unaudited)	H1 2019 Exceptional items and other adjustments (note 4) (Unaudited)	H1 2019 Reported results (Unaudited)	H1 2018 Core results (Unaudited)	H1 2018 Exceptional items and other adjustments (note 4) (Unaudited)	H1 2018 Reported results (Unaudited)
	$m	$m	$m	$m	$m	$m
Segment result	286	(8)	278	247	(40)	207
Unallocated expenses	(40)	-	(40)	(33)	-	(33)
Operating profit	246	(8)	238	214	(40)	174
Finance income	3	12	15	2	-	2
Finance expense	(25)	-	(25)	(26)	(8)	(34)
Gain/(loss) from investment at fair value	1	-	1	(1)	-	(1)
Loss from investment divestiture	-	(3)	(3)	-	-	-
Profit before tax	225	1	226	189	(48)	141
Tax	(49)	8	(41)	(38)	6	(32)
Profit for the half-year	176	9	185	151	(42)	109
Attributable to:						
Non-controlling interests	-	-	-	3	-	3
Equity holders of the parent	176	9	185	148	(42)	106
	176	9	185	151	(42)	109

Unallocated corporate expenses mainly comprises of employee costs, third party professional fees and travel expenses.

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

Half-year 2019 (unaudited)	Branded $m	Injectables $m	Generics $m	Others $m	Total $m
United States	-	321	368	-	689
Middle East and North Africa	238	60	-	3	301
Europe and Rest of the World	4	48	-	2	54
United Kingdom	-	3	-	-	3
	242	432	368	5	1,047

Half-year 2018 (unaudited)	Branded $m	Injectables $m	Generics $m	Others $m	Total $m
United States	-	308	332	-	640
Middle East and North Africa	228	51	-	2	281
Europe and Rest of the World	4	51	-	2	57
United Kingdom	-	-	-	1	1
	232	410	332	5	979

The top selling markets are shown below:

	H1 2019 $m (Unaudited)	H1 2018 $m (Unaudited)
United States	689	640
Saudi Arabia	90	76
Egypt	56	42
	835	758

Included in revenue arising from the Generics and Injectables segments is revenue of approximately $161 million (H1 2018: $152 million), which arose from the Group's largest customer, located in the United States.

4. Exceptional items and other adjustments

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

	H1 2019 $m (Unaudited)	H1 2018 $m (Unaudited)
Exceptional items		
R&D cost	(14)	(15)
Jordan warehouse fire	(15)	-
Proceeds from legal claim	32	-
Contingent consideration adjustment	7	-
MENA severance and restructuring costs	(5)	-
Integration costs	4	(10)
Loss from investment divestiture	(3)	-
Exceptional items	**6**	**(25)**
Other adjustments		
Intangible assets amortisation other than software	(17)	(15)
Remeasurement of contingent consideration, net	12	(8)
Exceptional items and other adjustments	**1**	**(48)**
Tax effect	8	6
Impact on profit for the half-year	**9**	**(42)**

Exceptional items:

- Hikma incurred $14 million (H1 2018: $15 million) of research and development costs related to a repeat clinical endpoint study for generic Advair Diskus®.
- During the period, a fire broke out in a warehouse at one of Hikma's Jordan facilities. Production was halted for a period of time and inventory was damaged. The associated loss was $15 million, mainly comprised of damaged inventory and the cost to remediate property, plant and equipment. These costs are included in other operating expenses. The Group expects to receive an insurance compensation in H2 2019. At this point in time, it is not possible to reliably determine and measure the insurance recovery amount.
- Hikma received compensation proceeds of $32 million in relation to a litigation matter with an external party which was concluded in Hikmas favour. Such amounts are included in other operating income.
- The contingent consideration adjustment relates to a change in estimate of the amount of expected contingent payments Hikma was entitled to receive under the terms of the Columbus acquisition agreement.
- MENA severance and restructuring costs of $5 million related to one-off restructuring activities in MENA and are mainly included in SG&A.
- Release of $4 million integration costs (in relation to the Columbus business) which was previously provided for in 2018 as exceptional items.
- $3 million loss from divestiture of Medlac investment (Note 17).

In H1 2018, additional exceptional items related to the following:

- In H1 2018, Hikma incurred $15 million of R&D costs related to a repeat clinical endpoint study for generic Advair Diskus®.
- Integration costs were incurred in relation to the acquisition of the Columbus business and the planned closure of Eatontown, of which $5 million are included in cost of sales, $1 million in SG&A expenses, $1 million in R&D and $3 million in other operating expenses.

Other adjustments:

The remeasurement of contingent consideration represents the net difference resulting from the valuation of the liabilities associated with the future contingent payments in respect of the Columbus business acquisition and the financial liability in relation to the co-development earnout payment agreement (note 7,12 and 14). The remeasurement is included in finance expense/income.

5. Tax

The Group incurred a tax expense of $41 million (H1 2018: $32 million). The reported effective tax rate for H1 2019 is 18.1% (H1 2018: 22.7%), representing the best estimate of the average annual effective tax rate expected for the full year on a legal entity basis, applied to the pre-tax income for H1 2019 and adjusted for the tax effect of any discreet items recorded in the same period.

The decrease in the reported tax rate in H1 2019 was due to the recognition of a tax benefits associated with previously unrecognised temporary differences and favourable tax treatment on proceeds received from a legal claim (note 4).

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

6. Dividends

	H1 2019 $m (Unaudited)	H1 2018 $m (Unaudited)
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2018 of 26 cents (2017: 23 cents) per share	63	55
	63	55

The proposed interim dividend for the H1 2019 is 14 cents (H1 2018: 12 cents) per share.

The proposed interim dividend will be paid on 23 September 2019 to eligible shareholders on the register at the close of business on 23 August 2019.

Based on the number of shares in issue at 30 June 2019 of 242,265,327, the unrecognised liability is $34 million.

7. Financial and other non-current assets

	30 June 2019 $m (Unaudited)	31 December 2018 $m (Audited)
Investments at fair value through other comprehensive income (FVTOCI)	18	27
Other non-current assets	30	30
	48	57

Investments at FVTOCI: include investments in seven venture capital companies through the Group's venture capital arm Hikma International Ventures and Developments LLC and Hikma Ventures Limited. During H1 2019, the Group sold one of its investments for $12 million and invested in a new venture.

Other non-current assets: mainly comprises inventory not expected to be sold within one year.

8. Inventories

During H1 2019, the Group wrote down $34 million (H1 2018: $27 million) of inventories, $10 million relates to inventory damaged in the Jordan warehouse fire incident (note 4). This expense is included in other operating expenses in the condensed consolidated income statement.

9. Trade and other receivables

	30 June 2019 $m (Unaudited)	31 December 2018 $m (Audited)
Trade receivables	610	654
Prepayments	52	57
VAT and sales tax recoverable	27	17
Employee advances	4	3
	693	731

The fair value of trade and other receivables is estimated to be equal to the carrying amounts.

10. Other current assets

	30 June 2019 $m (Unaudited)	31 December 2018 $m (Audited)
Investment at fair value through profit or loss (FVTPL)	22	21
Price adjustment receivable	7	20
Others	14	18
	43	59

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

Price adjustment receivable: represents the current portion of the contingent receivable in relation to the Columbus business acquisition, whereby as part of the acquisition, the Group will be reimbursed for certain contingent payments in respect of milestones and other conditions based on future events. During H1 2019, the Group received the balance of the $20 million receivables outstanding at 31 December 2018 (2018: $45 million) in cash, and recognised additional $7 million receivable (note 4).

11. Trade and other payables

	30 June 2019 $m (Unaudited)	31 December 2018 $m (Audited)
Trade payables	248	263
Accrued expenses	148	185
Other payables	9	17
	405	465

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

Other payables principally comprise a liability of $2 million (31 December 2018: $7 million) related to an employees' provident fund representing outstanding contributions to Hikma Pharmaceuticals Ltd (Jordan) retirement benefit plan, on which the fund receives 3.5% interest.

12. Other current liabilities

	30 June 2019 $m	31 December 2018 $m
	(Unaudited)	(Audited)
Contract liability	152	151
Indirect rebate and other allowances	60	65
Co-development and earnout payment	2	2
Supply manufacturing agreement	9	18
Lease liabilities	3	1
Others	12	26
	238	263

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

Indirect rebate and other allowances: represents rebates granted to healthcare authorities and other parties under contractual arrangements with certain customers.

13. Financial debts

Short-term financial debts

	30 June 2019 $m	31 December 2018 $m
	(Unaudited)	(Audited)
Bank overdrafts	8	-
Import and export financing	63	58
Short-term loans	6	7
Current portion of long-term loans	511	9
	588	74

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

Long-term financial debts

	30 June 2019 $m (Unaudited)	31 December 2018 $m (Audited)
Long-term loans	52	51
Long-term borrowings (Eurobond)	499	497
Less: current portion of long-term loans	(511)	(9)
Long-term financial loans	40	539
Breakdown by maturity:		
Within one year	511	9
In the second year	9	509
In the third year	9	8
In the fourth year	12	8
In the fifth year	5	9
Thereafter	5	5
	551	548

The loans are held at amortised cost.

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

a) A $500 million (carrying value of $499 million, and fair value of $502 million) 4.25% Eurobond due in April 2020 with the rating of (BB+/Ba1). The proceeds were used to refinance existing debt and to finance part of the cash consideration of the Columbus business acquisition.

b) A syndicated revolving credit facility of $1,175 million was entered into on 27 October 2015. The facility has an outstanding balance of $nil at 30 June 2019, (with a fair value of $nil) (2018: $nil with a fair value of $nil) and $1,175 million unused available limit (2018: $1,175 million). Of this amount $1,000 million of the facility matures on 24 December 2021 and the remainder matures on 24 December 2019. The facility can be used for general corporate purposes.

c) A ten-year $150 million loan from the International Finance Corporation was entered into on 21 December 2017. There was no utilisation of the loan as at 30 June 2019. Quarterly equal repayments of the long-term loan will commence on 15 March 2021. The loan will be used in MENA and in other World Bank countries of operation for its general corporate purposes. The facility matures on 15 December 2027.

14. Other non-current liabilities

	30 June 2019 $m (Unaudited)	31 December 2018 $m (Audited)
Contingent consideration	195	204
Contingent liability	109	109
Supply manufacturing agreement	4	4
Co-development and earnout payment	4	7
Others	6	5
	318	329

Contingent consideration and contingent liability: represents a contractual liability to make payments to thirds parties in the form of milestone payments that depend on the achievement of certain US FDA approval milestones; and royalty payments based on future sales of certain products that are currently under development.

15. Cash generated from operations

	H1 2019 $m (Unaudited)	H1 2018 $m (Unaudited)
Profit before tax	226	141
Adjustments for:		
Depreciation, amortisation, impairment and write-down of:		
Property, plant and equipment and right-of-use assets	36	36
Intangible assets	23	21
(Gain)/loss from investment at fair value through profit or loss	(1)	1
Loss from investment divestiture	3	-
Loss on disposal of property, plant and equipment	3	-
Movement on provisions	-	1
Cost of equity-settled employee share scheme	13	12
Finance income	(14)	(2)
Interest and bank charges	25	34
Foreign exchange loss	1	1
Cash flow before working capital	**315**	**245**
Change in trade and other receivables	41	13
Change in other current assets	(4)	(3)
Change in inventories	(48)	(51)
Change in trade and other payables	(66)	4
Change in other current liabilities	(28)	(2)
Change in other non-current liabilities	1	-
Cash generated from operations	**211**	**206**

16. Fair value of financial assets and liabilities

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

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

- cash and cash equivalents and collateralised and restricted cash – due to the short-term maturities of these financial instruments and given that generally they have negligible credit risk, management considers the carrying amounts to not be significantly different from their fair values;
- short-term loans and overdrafts – approximates the carrying amount because of the short maturity of these instruments;
- long-term loans – loans with variable rates are re-priced in response to any changes in market rates and so management considers the carrying amounts to not be significantly different from their fair market values;
- loans with fixed rates relate to the $500 million Eurobond accounted for at amortised cost. The fair value is determined with reference to the quoted price in an active market on the balance sheet date (note 13);
- receivables and payables – the fair values of receivables and payables are estimated to be equal to the respective carrying amounts; and

- lease liabilities – are valued at the present value of the lease payments.

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

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

Financial assets and liabilities that fall under Level 1 are:

- investments at FVTPL which amounted to $22 million (note 10).

Financial assets and liabilities that fall under Level 3 are:

- co-development and earnout payment liabilities (note 12 and 14);
- contingent consideration asset and liability resulting from the acquisition of the Columbus business (note 10,12 and 14); and
- investments at FVTOCI (note 7).

The following table presents the changes in Level 3 items for H1 2019 and the year ended 31 December 2018:

	Financial asset	Financial liability
	$m	$m
Balance at 1 January 2018[1]	83	190
Received/settled	(45)	(2)
Additions	4	-
Remeasurement through income statement	-	26
Fair value adjustments recognised in equity	7	-
Balance at 31 December 2018	49	214
Received	(33)	-
Additions	9	-
Remeasurement through income statement	-	(13)
Balance at 30 June 2019	**25**	**201**

[1]The impact of IFRS 9 was $16 million.

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

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

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

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

17. Business combinations

Acquisition and selling of Medlac Pharma

On 2 January 2019, the Group acquired 100% of the share capital of Medlac Pharma Italy Co Ltd (Medlac), an injectable manufacturing company in Vietnam. As part of the consideration the Group paid an initial upfront payment of $8 million. On 29 April 2019, the Group sold Medlac back to the original seller for a consideration of $5 million, resulting in a loss of $3 million (Note 4).

18. Related party balances and transactions

No significant transactions between the Group and its associates and other related parties were undertaken during the half-year. Any transactions between the Company and its subsidiaries have been eliminated on consolidation.

19. Contingent liabilities

A contingent liability existed at the balance sheet date in respect of external guarantees and letters of credit totalling $45 million (31 December 2018: $44 million) arising in the normal course of business. No provision for these liabilities has been made in these condensed consolidated interim financial statements.

In 2018, the Group received a civil investigative demand from the US Department of Justice requesting information related to products, pricing and related communications. In 2017, the Group received a subpoena from a US state attorney general and a subpoena from the US Department of Justice. Hikma is still cooperating with all such demands, and management still does not believe that sufficient evidence exists at this point to make any provision.

A contingent liability existed at the balance sheet date in respect to a standby letter of credit totalling to $9 million (31 December 2018: $9 million) for potential stamp duty obligation that may arise for repayment of a loan by intercompany guarantors. It’s not probable that the repayment will be made by the intercompany guarantors.

On April 25, the European Commission released its decision that certain tax exemptions offered by the UK authorities could constitute State Aid and where this is the case, the relevant tax will need to be paid to the UK tax authorities. The UK government has subsequently appealed against this decision.

In common with other UK headquartered international companies whose arrangements were in line with current UK CFC legislation, Hikma may be affected by the outcome of this decision and has calculated the maximum potential liability to be approximately $12 million. Hikma is reviewing the details of the decision and assessing any impact upon the Company’s tax position. Based on management’s understanding of legislation and professional advice taken on the matter, management does not believe that a provision is warranted.

20. New standards, interpretations and amendments adopted by the Group

IFRS 16 Leases

The effect of the adoption of IFRS 16 as at 1 January 2019 (increase/(decrease)) is as follows:

	1 January 2019
	$m
Assets	
Right-of-use assets	57
Property, plant and equipment	(10)
Total assets	47
Liabilities	
Accrued rent	(3)
Lease liabilities	50
Total liabilities	47

In H1 2019, the impact of applying IFRS 16 on the condensed consolidated income statement is:

- increase in depreciation expense of $4 million.
- increase in interest expense of $1 million.
- decrease in rental expense of $5 million.

a) Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of buildings and vehicles. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and a reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in the income statement on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under ‘prepayments’ and ‘trade’ and other payables, respectively. Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

- Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e. the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 was applied to these leases from 1 January 2019.

- Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and

accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- used a single discount rate to a portfolio of leases with reasonably similar characteristics
- relied on its assessment of whether leases are onerous immediately before the date of initial application
- applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application.
- excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Based on the foregoing, as at 1 January 2019:

- right-of-use assets of $57 million were recognised and presented separately in the balance sheet. This includes the lease assets recognised previously under finance leases of $10 million that were reclassified from property, plant and equipment.
- additional lease liabilities of $50 million were recognised.
- accrued rent including trade and other payables of $3 million related to previous operating leases were derecognised.

b) Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

- Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain or obtaining ownership of leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

- Lease Liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments), less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the

Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of the lease payment, the Group uses the incremental borrowing rate at the lease commencement date, if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

- Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e. below $5,000). A lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

- Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.