



Hikma announces revised terms for previously announced acquisition of Roxane Laboratories

- **Upfront gross cash consideration reduced by US\$535 million following the receipt of new information on Roxane's financial performance in 2015**
- **Acquisition still expected to be strongly accretive from 2017 onwards**
- **BI will continue to hold a 16.71% stake in Hikma following closing, as the equity component of the consideration remains unchanged**
- **Roxane brings 90 highly differentiated products in specialised and niche segments of the market and an attractive pipeline, including some potentially substantial market opportunities**
- **Transaction remains transformational for Hikma, with a compelling strategic rationale and significant financial value**

London, 10 February 2016 – Hikma Pharmaceuticals PLC (“Hikma” or the “Company”) (LSE: HIK) (NASDAQ Dubai: HIK) (OTC: HKMPY) (rated Ba1 Moody's / BB+ S&P, both stable), is today announcing an update to the information provided to shareholders in the combined circular and prospectus published by the Company on 22 January 2016 in relation to its acquisition of Roxane Laboratories Inc. and Boehringer Ingelheim Roxane Inc. from Boehringer Ingelheim (the “**Acquisition**”) (the “**Prospectus**”).

Following the publication of the Prospectus, Hikma received new information from BI on the financial performance of Roxane in 2015 and Hikma and BI have accordingly agreed certain changes to the terms of the Acquisition. As a result of these matters, Hikma will be required under the Listing Rules and Prospectus Rules to publish a supplementary circular and prospectus (the “**Supplementary Prospectus**”) as a supplement to the Prospectus. Subject to finalisation of the Supplementary Prospectus and approval by the Financial Conduct Authority, Hikma will publish the Supplementary Prospectus as soon as practicable and expects the Supplementary Prospectus to be sent to shareholders by no later than 9a.m. on 12 February 2016 and for the Supplementary Prospectus to include the following updates to the Prospectus:

- Following the publication of the Prospectus dated 22 January 2016, Hikma received new information from BI in relation to Roxane's financial performance during 2015, which the Hikma Board believes will also have an impact on Roxane's outlook for 2016 and 2017.
- Following further due diligence into the new information provided by BI, Hikma now expects that Roxane's unaudited revenue for 2015 was lower than had previously been anticipated by Hikma on the basis of the information available to it at the time of the publication of the Prospectus, due to higher than expected rebates. The rebates were paid primarily to wholesalers and increased largely due to the shift from direct sales to retailers to indirect sales through the wholesalers. The rebates relate to all Roxane products although some specific product rebates have been offered on a case by case basis. The rebates resulted in lower net selling prices on marketed products than had previously been expected. In addition, Hikma now expects that Roxane's unaudited cost of sales were slightly higher than had previously been anticipated by Hikma on the basis of the information available to it at the time of the publication of the Prospectus, due to higher volumes and change in product mix which has resulted in higher cost of raw materials. Hikma now expects that Roxane's unaudited revenue for 2015, rather than being slightly higher than 2014, was around US\$650 million. When taken together with the

increased expenses, this has led to a weaker outturn than achieved in 2014.¹

- On the basis of the new information provided by BI, Hikma now anticipates that Roxane's full year revenue for 2016 will also be negatively impacted compared to Hikma's previous expectation and, as a consequence, will be lower than revenue in 2015. Hikma now expects that further adjustments for the impact on revenue it anticipates due to the rebates in 2016, alongside the previously expected increase in competition on the current marketed portfolio, will only be partially offset by revenue from recent and planned new product launches. On the basis of the new information provided by BI and the revised terms of the Acquisition, Hikma now expects that the Acquisition will be slightly dilutive to adjusted EPS in 2016.
- On the basis of the new information provided by BI, Hikma now anticipates that Roxane's full year revenue for 2017 will also be negatively impacted compared to Hikma's previous expectation. Hikma now anticipates that Roxane's total revenue for 2017 will be between US\$700 million and US\$750 million, rather than the previous expectation that revenues in 2017 would be between US\$725 million and US\$775 million.
- Pursuant to an amendment agreement to the Acquisition Agreement signed today, the parties have agreed to reduce the purchase price. Under the revised terms of the Acquisition, on Closing, Hikma will pay gross consideration of US\$647 million in cash as opposed to US\$1.18 billion, a reduction of US\$535 million. Hikma will issue 40,000,000 Consideration Shares, which is unchanged from the number agreed on 28 July 2015.
- As disclosed in the Prospectus, the Acquisition Agreement contains customary warranties given by BI in relation to its title and ownership of Roxane and in relation to the underlying businesses of Roxane, and it contained limitations on liability and indemnification provisions. Under the terms of the Acquisition Agreement, Hikma was able to recover losses for breach of representations made by BI in the Acquisition Agreement only to the extent that they exceeded US\$39.75m, and in relation to any excess above such amount, Hikma's recovery was capped at US\$26.5m (save in respect of any claim for fraud or injunctive or provisional relief (including specific performance)).
- As part of the agreement to reduce the purchase price by US\$535m, Hikma has agreed that (save in respect of any claim for fraud or injunctive or provisional relief (including specific performance)) Hikma and the Buyer Related Parties (as defined below) shall release and discharge BI and the Seller Related Parties (as defined below) from all claims which the Buyer Related Parties had, have, or may in the future have, that in any way are based on, relate to or arise under any financial information about Roxane, requested, provided, delivered or otherwise made available to any Buyer Related Party in connection with the Acquisition Agreement or the Acquisition (the "**Released Claims**"). The Amendment Agreement states that the Buyer Related Parties covenant to refrain from seeking to establish liability or seeking any damages from the Seller Related Parties for any of the Released Claims.
- The other terms remain as described on pages 88 to 90 of the Prospectus.

The Supplementary Prospectus will include an update to the unaudited pro-forma financial information set out on pages 134-139 of the Prospectus.

¹ The US\$650 million figure set out in this paragraph has been extracted from internal financial accounting records and has been prepared on the same basis as the audited financial information of Roxane for the financial years ended 31 December 2012, 31 December 2013 and 31 December 2014 set out in Part VIII (*Historical Financial Information relating to Roxane*) in the Prospectus. This figure is unaudited.

Subject again to finalisation of the Supplementary Prospectus, and approval by the Financial Conduct Authority, Hikma expects the Supplementary Prospectus to reiterate the following guidance given on page 53 of the Prospectus:

- Consistent with the original terms disclosed in the Prospectus, Hikma continues to expect a reduction in revenues from products manufactured for BI and its affiliates.
- As previously stated, Hikma will focus on improving Roxane's product mix and reducing overheads and other expenses following Closing.
- With the exception of further adjustments for the impact of rebates in future years, and ordinary course updates to product forecasts, all of Hikma's assumptions remain unchanged.
- Hikma continues to expect close to 20 launches from the Roxane pipeline in 2016 and 2017, including some potentially substantial market opportunities.
- In addition, Hikma expects an improved product mix in 2017, resulting from the successful commercialisation of Roxane's differentiated pipeline and the reduction in the supply of lower-margin products to BI and its affiliates.
- Hikma reiterates its expectation that an improved product mix, combined with anticipated operating efficiencies gained through the combination with Hikma's US business, will significantly improve performance and will enable Roxane to expand EBITDA margins from the pre-acquisition levels to around 35 per cent. over the medium term.
- In spite of the reduction in Hikma's expectations for Roxane's revenue in 2017, Hikma reiterates that the Acquisition is expected to be strongly accretive to adjusted EPS from 2017, the first full year, onwards.

The Board continues to unanimously recommend that the Shareholders vote in favour of the Resolutions at the General Meeting, to be held at 9.00a.m. on 19 February 2016 at The Westbury, Bond Street, Mayfair, London W1S 2YF.

In accordance with LR10.4.2R (2), Hikma confirms that, except as disclosed, there has been no significant change affecting any matter contained in the Prospectus and no other significant new matter has arisen which would have been required to be mentioned in the Prospectus if it had arisen at the time of the preparation of the Prospectus.

Said Darwazah, Chief Executive Officer of Hikma, commented:

"We remain very excited about the strategic and financial value of this acquisition, which will transform our position and scale in the US generics market. Whilst there will be a short term impact related primarily to higher than expected product rebates, we have agreed a reduced purchase price to reflect this, and we remain confident in our outlook for the business. Roxane's impressive, differentiated product portfolio and pipeline, along with its manufacturing capacity and technological capabilities will create a strong platform for sustainable long-term growth and substantial value for shareholders."

Shareholders are advised to read the Supplementary Prospectus in conjunction with the Prospectus.

In this announcement:

“Buyer Related Parties” means each of Hikma’s present and former parents, subsidiaries, and affiliates, and its and their present and former respective directors, officers, employees, shareholders, agents, advisors, attorneys, predecessors-in-interest, successors, and assigns; and

“Seller Related Parties” means each of BI’s present and former parents, subsidiaries, and affiliates, and its and their present and former respective directors, officers, employees, shareholders, agents, advisors, attorneys, predecessors-in-interest, successors, and assigns.

All other capitalised terms used in this announcement have the meanings given to them in the Prospectus. The Prospectus is available on the Company’s website (www.hikma.com) and may be inspected at the office of the Company’s counsel at Slaughter and May, One Bunhill Row, London, EC1Y 8YY.

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About Hikma

Hikma Pharmaceuticals PLC is a fast growing multinational group focused on developing, manufacturing and marketing a broad range of both branded and non-branded generic and in-licensed products. Hikma operates through three businesses: “Branded”, “Injectables” and “Generics”, based principally in the Middle East and North Africa (“MENA”), where it is a market leader, the United States and Europe. In 2014, Hikma achieved revenues of US\$1,489 million and profit attributable to shareholders of US\$299 million.

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