Injectables

Our Injectables business manufactures, markets and sells generic injectable products in the US, the MENA region and Europe. In the US, we are the third largest manufacturer of injectables by volume.

We manufacture, market and sell generic injectable products in the US, the MENA region and Europe. Our portfolio covers a diverse range of therapeutic categories, including anti-infectives, anaesthetic, CNS, oncology and pain management.

We have injectables manufacturing facilities in the US, Portugal, Germany and Italy, with a broad range of capabilities, including sterile liquid, powder, lyophilised and cytotoxic products. In recent years, we have added significant capacity and developed new capabilities to respond to health care providers and patients' needs. We are further expanding our Portugal campus and expect to open a dedicated, state-of-the-art oncology facility in 2019.

We have been building our R&D capabilities in recent years. We have a dedicated R&D facility and an experienced scientific team in Bedford, Ohio, where we are developing global files to efficiently access all our markets. We supplement our internal R&D with external partnerships, product file acquisitions and M&A.

Overview

Highlights

- Global Injectables revenue of $776 million, down 1%
- Strong core operating margin of 40.6 %, reflecting a resilient product mix

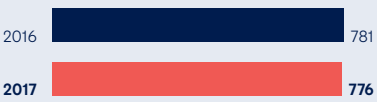
Financial highlights

$ million	**2017**	2016	Change	Constant currency change
Revenue	**776**	781	-1%	0%
Gross profit	**480**	505	-5%	-4%
Gross margin	**61.9%**	64.7%	-2.8pp	-3.0pp
Core operating profit	**315**	340	-7%	-7%
Core operating margin	**40.6%**	43.5%	-2.9pp	-3.0pp

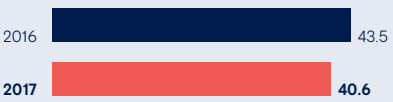
Injectables revenue by region

$ million		**2017**		2016
US	**586**	76%	607	78%
MENA	**103**	13%	91	12%
Europe and ROW	**87**	11%	83	10%
Total	**776**		781	

Revenue ($m)



Core operating margin (%)



Injectables continued

In 2017, global Injectables revenue declined by 1% to $776 million. In constant currency, global Injectables revenue was in line with 2016.

Of this total, US Injectables revenue was $586 million, down 3% from $607 million in 2016, due to increased competition on certain products with new market entrants and a reduction in contract manufacturing, partially offset by recent product launches and volume gains.

During 2017, MENA Injectables revenue was $103 million, up 13% from $91 million in 2016. In constant currency, MENA Injectables revenue increased by 23%. As expected, sales accelerated in the second half of the year across our markets. In addition, we achieved a strong performance in Sudan and benefited from the launch of our biosimilar product, Remsima®, in new markets.

European Injectables revenue was $87 million in 2017, up 5%, reflecting a good performance in Italy and Portugal, partially offset by lower sales in Germany due to expected changes in government regulations, restricting direct sales.

Injectables gross profit declined to $480 million in 2017, compared with $505 million in 2016. Gross margin decreased to 61.9%, compared with 64.7% in 2016, reflecting increased competition on some of our higher margin products in the US and a slight increase in overheads due to the expansion of our manufacturing facility in Portugal.

Core operating profit, which excludes the amortisation of intangible assets other than software and exceptional items of $22 million, was $315 million in 2017, down from $340 million in 2016. Core operating margin was 40.6%, compared with 43.5% in 2016. This reflects a change in product mix and a slight increase in operating costs.

During 2017, the Injectables business launched 34 compounds in 88 different dosage forms and strengths across all markets. The Injectables business also received a total of 149 regulatory approvals for products in different dosage forms and strengths across all markets – 61 in the MENA, 65 in Europe and 23 in the US.

In 2017, we reached a licensing agreement with South Korea-based Celltrion, Inc. and Celltrion Healthcare, Inc (Celltrion) for Truxima™ (rituximab), the first biosimilar monoclonal Antibody (mAb) in oncology to be granted European marketing authorisation. We now have exclusive agreements with Celltrion for three biosimilar products – Truxima™ (rituximab), Remsima® (infliximab) and Herzuma® (trastuzumab).

Looking forward, we expect Injectables revenue of between $750 million to $800 million in 2018 and core operating margin to return to more normalised levels in the low to mid 30s.

While competition is increasing on certain products in the US, we are seeing a good contribution from recently launched new products and strong growth in Europe and the MENA region."

Case study: Tailoring our products to meet patients' needs

We are focused on providing patients with the products that they need. For our Injectable portfolio, hospital clinicians determine what and how medicines are administered to patients within the clinical setting.

In 2017, we held focus groups with hospital pharmacists to increase our understanding of how clinicians currently administer injectable products and to identify their unmet needs. This increased understanding will enable us to develop products that improve workflow efficiencies and ultimately support hospitals in their quest to provide better and safer patient care.

Generics

Our Generics business manufactures and markets oral and non-injectable generic products for sale in the United States. We have two manufacturing facilities in the US and US FDA-approved facilities in Jordan and Saudi Arabia. We are the twelfth largest manufacturer of oral generics by volume in the US.

We have a diversified portfolio of more than 100 products in specialised market segments, such as oncology and pain management. We have a broad range of manufacturing technologies and capabilities, including the ability to manufacture solids, liquids, nasal sprays and dry powder inhalers.

We are focused on growing our product portfolio in niche market segments with high-entry barriers through investment in R&D, focused business development and selective acquisitions.

Overview

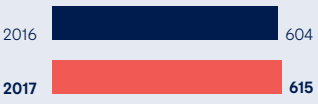
Highlights

- Generics revenue of $615 million, up 2% from $604 million
- Core operating profit of $22 million, compared with $35 million

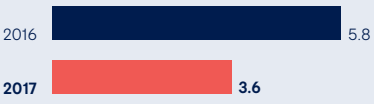
Financial highlights

$ million	**2017**	2016	Change
Revenue	**615**	604	2%
Gross profit	**219**	196	12%
Gross margin	**35.6**	32.4%	-3.2pp
Core operating profit	**22**	35	-37%
Core operating margin	**3.6%**	5.8%	-2.2pp

Revenue ($m)



Core operating margin (%)



Generics continued

Generics revenue was $615 million in 2017, up from $604 million in 2016. In 2017, Generics revenue included twelve months from West-Ward Columbus, compared with ten months in 2016. We faced significant industry headwinds during the year, primarily due to customer consolidation and greater competition following an increase in generic drug approvals by the US FDA. This resulted in greater than expected price and volume erosion. As expected, revenue growth was also limited by a reduction in contract manufacturing from Boehringer Ingelheim.

Generics gross profit was $219 million in 2017, compared with $196 million in 2016. Excluding the impact of exceptional items, core gross profit was $225 million, in line with 2016. This reflects an increase in costs associated with the development of our generic version of Advair Diskus®, partially offset by a reduction in raw material and overhead costs. Gross margin was 35.6%, and core gross margin was 36.6%, compared with 37.7% in 2016.

Core Generics operating profit was $22 million in 2017, compared with $35 million in 2016, primarily reflecting an increase in general and administrative costs related to strengthening our human resources, finance and technology capabilities, which were only partially offset by lower than expected investment in R&D. Core operating margin was 3.6%, compared with 5.8% in 2016.

The Generics business reported an operating loss of $1,082 million in 2017, largely due to the impairment of the West-Ward Columbus business. An initial impairment of product-related investments of $35 million was taken in the first half of 2017, primarily related to the West-Ward Columbus pipeline and a change in the expected market opportunity of certain products.

In the second half of the year, as pricing pressure increased due to customer consolidation and the pace of FDA approvals accelerated, we further reduced our expectations for the West-Ward Columbus marketed portfolio and pipeline. This has resulted in an additional impairment, primarily related to West-Ward Columbus of $1,070 million.[1] The impairment was slightly offset by a contingent consideration gain of $29 million related to a refund of the West-Ward Columbus acquisition purchase price, given certain regulatory conditions did not occur as expected by 24 December 2017, and which will be used for any future related expenses.

In 2017, we strengthened our Generics management team, recruiting experienced generic pharmaceutical leaders to manage research and development, sales and marketing, business development and the West-Ward Columbus facility. We are confident that going forward the enhanced management team can deliver the changes necessary to improve customer relationships and drive stronger profitability.

During 2017, the Generics business launched four compounds in nine different dosage forms and strengths and received 22 product approvals in different dosage forms and strengths. The Generics business also signed licensing agreements for two new products.

Since receiving a complete response letter (CRL) from the FDA on 11 May 2017 with respect to our ANDA submission for generic Advair Diskus®, we have worked collaboratively with the FDA to address the majority of questions raised. Concurrently, we also entered into a dispute resolution process with the FDA with respect of questions raised regarding our clinical endpoint study. The FDA has subsequently concluded this dispute process, upholding their original determination and requiring the completion of a new clinical endpoint study. We have finalised the planning of the new clinical study and expect to start patient enrolment in the coming weeks. We anticipate being able to submit a response to the FDA with new clinical data as early as possible in 2019 and remain committed to bringing this important product to the US market.

We expect Generics revenue to be between $550 million to $600 million in 2018 and core operating margin in the low single digits before adjusting for lower depreciation related to the impairment taken in 2017.

1. See Notes 14 and 15 of the consolidated financial statements for more details.

We have put in place a new management team to improve our operations, customer relationships and R&D programme."

Case study: Investing in complex products

Our experienced Generics R&D team is developing a pipeline of products to drive long-term growth in the US market to provide broader choice to customers and patients. Our team of more than 100 scientists is focusing on technically complex products that other manufacturers find difficult to execute.

We have significantly invested in our respiratory capability, building a dedicated manufacturing area for respiratory products. Due to the significant investment required, very few generic manufacturers have this capability.

In particular, we are focused on developing dry powder inhalers (DPI). Despite the fact that many patents on Branded dry powder inhalers have expired, there are no generic DPIs on the market. We have three DPIs in our pipeline, including generic Advair®, Flovent®, and Serevent Diskus®. Developing these products supports our vision of bringing more affordable generic pharmaceuticals to the market.

Branded

Our Branded business develops, manufactures and markets branded generics and in-licensed products across 17 MENA markets. We are the fifth largest generic pharmaceutical company in the MENA region and the largest regional player. Our largest markets are Saudi Arabia, Algeria, Egypt, Morocco and Jordan.

Our Branded business develops, manufactures and markets branded generics and in-licensed products across 17 MENA markets. Historically, we focused on anti-infective products. In recent years, in response to changing patients' demands, we have developed a portfolio of products in chronic therapeutic categories, such as cardiovascular, diabetes, central nervous system and oncology products.

We are proud to be a local player. We employ experienced local management, operating teams and sales and marketing teams who have a deep understanding of their respective markets. We have invested in manufacturing facilities in Algeria, Egypt, Jordan, Morocco, Saudi Arabia, Sudan and Tunisia. Our local expertise and established position allows us to capture attractive growth opportunities in these markets and navigate more challenging conditions if they arise.

We are committed to bringing new medicines to the MENA region. To do this, we are investing in R&D, strengthening our local R&D centres and establishing new licensing partnerships for innovative, patented products.

Overview

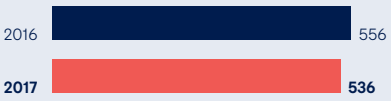
Highlights

- Branded revenue of $536 million, down 4% and up 2% in constant currency
- Core operating profit of $114 million, slightly ahead of 2016
- Core operating margin of 21.3% and 21.8% in constant currency, up 170 basis points

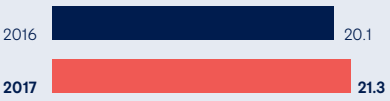
Financial highlights

$ million	**2017**	2016	Change	Constant currency change
Revenue	**536**	556	-4%	2%
Gross profit	**265**	282	-6%	1%
Gross margin	**49.4%**	50.7%	-1.3pp	-0.4pp
Core operating profit	**114**	112	2%	10%
Core operating margin	**21.3%**	20.1%	1.2pp	1.7pp

Revenue ($m)



Core operating margin (%)



Branded continued

On a reported basis, Branded revenue was $536 million, down 4% compared with $556 million in 2016. On a constant currency basis, before the impact of adverse movements in the Egyptian pound and Sudanese pound against the US dollar, Branded revenue increased by 2% to $565 million. The growth on a constant currency basis reflects a strong acceleration in sales in the second half of the year as well as particularly good growth in Egypt, the GCC and Sudan, partially offset by more challenging operating conditions in other markets.

In Egypt, revenue grew by 18% in constant currency due to strong underlying market growth and an improvement in our portfolio mix. In the GCC, which includes Saudi Arabia and the UAE, our businesses delivered a strong performance, with revenue up 5%. In Algeria, our second largest market, revenue was in line with 2016 in constant currency, despite increased import restrictions.

During 2017, the Branded business launched six new compounds in 113 different dosage forms and strengths across all markets. The Branded business also received 126 regulatory approvals across the region for products in different dosage forms and strengths.

Revenue from in-licensed products represented 37% of Branded revenue, compared with 39% in 2016. We launched three new in-licensed compounds during 2017, including Actosmet®, Duetact® and Tamsin®.

In 2017, we expanded our licensing and distribution agreement with Takeda to add attractive branded products to our MENA portfolio. The agreement builds on our long-standing partnership and enables us to expand our portfolio in key therapeutic areas, including cardiovascular, diabetes and gastroenterology.

On a reported basis, Branded gross profit was $265 million, down 6% from $282 million and gross margin was 49.4%, compared with 50.7% in 2016. In constant currency, gross profit increased by 1% compared with 2016, and gross margin was 50.3%.

Core operating profit, which excludes the amortisation of intangibles of $7 million, was $114 million, slightly ahead of 2016, and core operating margin was 21.3%, up from 20.1%. In constant currency, core operating profit grew by 9.8% and core operating margin increased to 21.8%, up 170 basis points. This improvement in profitability reflects the benefit of more stable exchange rates in 2017 compared to 2016, when we incurred a loss of $17 million as a result of the devaluation of the Egyptian pound against the US dollar.

In 2018, we expect Branded revenue growth in constant currency in the mid-single digits. As in 2017, we expect a stronger second half, reflecting the usual seasonality of this business.

Other businesses

Other businesses, which primarily comprise Arab Medical Containers, a manufacturer of plastic specialised medicinal sterile containers, International Pharmaceuticals Research Centre, which conducts bio-equivalency studies, and the API manufacturing division of Hikma Pharmaceuticals Limited Jordan, contributed revenue of $9 million in 2017, in line with 2016. These other businesses made an operating loss of $4 million, compared with an operating loss of $2 million in 2016. This was due to the establishment of a regional hub in Dubai to support our expansion into emerging markets.

1. In November 2016, the Egyptian pound had devalued against the US dollar from its peg of 8.8 EGP:USD to 18.2 EGP:USD as of 31 December 2016.

We saw a strong acceleration in sales during the second half, and a strong performance in Egypt, the GCC and Sudan leading to growth in constant currency."

Case study: Providing patients with access to high-quality affordable medicines

Around 40 per cent of the products we sell in the MENA region are innovative products that we in-license from global partners. These products enhance our portfolio in key therapeutic areas and increase patients' access to high-quality, affordable medicines.

Celltrion is one of our long-standing partners in MENA and in 2017, we signed a licensing agreement for the first biosimilar monoclonal Antibody (mAb) in oncology to be granted European marketing authorisation, Truxima™ (rituximab). We now have exclusive agreements with Celltrion for three biosimilar products – Truxima™ (rituximab), Remsima® (infliximab) and Herzuma® (trastuzumab) – in all our MENA markets. This strengthens our product portfolio in the strategic therapeutic areas of oncology, autoimmune diseases, rheumatology and dermatology and reinforces our position as a partner of choice in the MENA region. It also means we are meeting important patient needs.

Group performance

2017 highlights – core

- Core Group revenue of $1,936 million, down 1% and in constant currency up 1%[1], despite challenging market conditions in the US
- Core[2] operating profit of $386 million, down 8% and down 4% in constant currency
- Core basic earnings per share of 105.0 cents, down 11% and down 8% in constant currency
- Record cash flow from operations, up 51% to $443 million, from $293 million
- Net debt reduced to $546 million from $697 million and healthy leverage ratios maintained

2017 highlights – reported

- Reported Group operating loss of $747 million, down from income of $302 million, primarily due to the impairment of West-Ward Columbus' intangible assets of $920 million and property plant and equipment of $164 million[3]
- Basic loss per share of 351.3 cents, compared to basic earnings per share of 66.5 cents in 2016
- Proposed full year dividend of 34 cents per share, up from 33 cents per share

Summary financial results

		Growth		
Core results	**2017 $ million**	Constant currency	$	2016 $ million
Core revenue	**1,936**	1%	-1%	1,950
Core operating profit	**386**	-4%	-8%	419
Core EBITDA[3]	**468**	-1%	-5%	493
Core profit attributable to shareholders	**252**	-5%	-9%	276
Core basic earnings per share (cents)	**105.0**	-8%	-11%	118.5

		Growth		
Reported results	**2017 $ million**	Constant currency	$	2016 $ million
Revenue	**1,936**	1%	-1%	1,950
Operating profit	**-747**	-342%	-347%	302
EBITDA	**488**	7%	3%	473
Profit/loss attributable to shareholders	**-843**	-636%	-644%	155
Basic earnings per share (cents)	**-351.3**	-620%	-628%	66.5

1. Constant currency numbers in 2017 represent reported 2017 numbers re-stated using average exchange rates in 2016, excluding price increases in the Branded business which resulted from the devaluation of currencies.
2. Core results are presented to show the underlying performance of the Group, excluding the exceptional items and other adjustments set out in Note 5 in the Notes to the Financial Statements.
3. See Notes 14 and 15 of the consolidated financial statements for more details.

To ensure the continuous development of our product pipeline, we submitted 226 regulatory filings in 2017 across all regions and markets."

Group

Group revenue was $1,936 million in 2017, down from $1,950 million in 2016. Group gross profit was $967 million and core gross profit was $973 million, down from $1,018 million. Group gross margin was 49.9% and core gross margin was 50.3%, compared with 52.2% in 2016.

Group operating expenses increased by 151% to $1,714 million. Excluding the amortisation of intangible assets other than software and exceptional items, core Group operating expenses were $587 million, compared with $599 million in 2016. In 2017, amortisation of intangible assets other than software increased to $48 million, compared with $37 million in 2016, due to a significant upgrade of technology systems and the consolidation of an additional two months of West-Ward Columbus. Exceptional items included within operating expenses were $1,127 million, compared with $85 million in 2016. Exceptional items comprised an impairment charge to West-Ward Columbus' intangible assets of $920 million and property plant and equipment of $164 million.[1] The paragraphs below address the Group's main operating expenses in turn.

Sales and marketing (S&M) expenses were $236 million, compared with $221 million in 2016. Excluding the amortisation of intangible assets other than software, S&M expenses were $188 million, up 2% compared to 2016, due to the consolidation of an additional two months of West-Ward Columbus, partially offset by good control of expenses across the Group.

General and administrative (G&A) expenses decreased by $5 million to $239 million in 2017. Excluding exceptional items, G&A expenses increased by $30 million due in part to an increase in G&A costs in the Generics business related to the strengthening of human resources, finance and technology capabilities and the consolidation of an additional two months of West-Ward Columbus.

Research and development (R&D) expenses were $121 million, down from $150 million in 2016. Excluding exceptional items, core R&D expense was $115 million, down from $126 million. This primarily reflects a reduction in R&D expenditure in our Generics business following a detailed review of our R&D pipeline, which reprioritised high-value products and identified opportunities for cost savings and efficiencies. An additional $7 million of product-related investment was capitalised on the balance sheet in 2017. This related to product development investments with third party partners in the US to support growth of our Generics and Injectables businesses. The combined core R&D expense and product-related investment for the Group was $121 million (6% of Group revenue), compared with $139 million (7% of Group revenue) in 2016.

Other net operating expenses were $1,118 million in 2017, compared with $69 million in 2016. Excluding exceptional items of $1,072 million, primarily related to the impairment of West-Ward Columbus, other net operating expenses were $46 million, down from $81 million in 2016.

The Group reported an operating loss of $747 million in 2017, compared to a reported operating profit of $302 million in 2016. Excluding the impact of amortisation and exceptional items, core Group operating profit decreased by 8% to $386 million and core operating margin was 19.9%, compared with 21.5% in 2016, reflecting lower profitability in our Generics and Injectables businesses.

Research & Development

The Group's product portfolio continues to grow as a result of our product development efforts. During 2017, we launched 44 new compounds.[2] The Group's portfolio now stands at 658 compounds.

Across all businesses and markets, a total of 214 products[3] were launched during 2017. In addition, the Group received 297 product approvals.

To ensure the continuous development of our product pipeline, we submitted 226 regulatory filings in 2017 across all regions and markets. As of 31 December 2017, we had a total of 846 products pending approval across all regions and markets. At 31 December 2017, we had a total of 147 new compounds under development.

1. See Notes 14 and 15 of the consolidated financial statements for more details.
2. Compounds are defined as pharmaceutical compounds in the Group's portfolio and pipeline.
3. Products refer to dosage forms and strengths, across all markets.

Group performance continued

Hikma product pipeline

	Products launched in 2017			Products approved in 2017		Products pending approval as at 31 December 2017	
	New compounds[1]	New dosage forms and strengths	Total launches, across all countries[2]	Compounds	Total approvals, across all countries[3]	Compounds	Total pending approvals, across all countries[3]
Injectables	34	36	88	61	149	138	506
Generics	4	9	13	9	22	20	39
Branded	6	13	113	53	126	66	301
Group	**44**	**58**	**214**	**123**	**297**	**224**	**846**

1. New compounds are defined as pharmaceutical compounds being introduced for the first time during the period.
2. Total launches include all dosage forms and strengths that are new product launches, new geographic launches, as well as relaunches.
3. Totals include all dosage forms and strengths that are either approved or pending approval across all markets.

Net finance expense
In 2017, net finance income was $9 million. Excluding non-cash income of $67 million resulting from the remeasurement of contingent liabilities, the Group incurred a net finance expense of $58 million, down from $60 million in 2016. This reduction primarily reflects a decrease in bank charges and lower debt. In 2018, we expect Group net finance expense to be around $55 million.

Profit/(loss) before tax
The Group reported a loss before tax of $738 million in 2017, down 451% due to the impairment of the West-Ward Columbus business. Core profit before tax was $328 million, down 9% compared to 2016.

Tax
The Group incurred a tax expense of $101 million, up from $52 million in 2016 primarily due to a $49 million write-down to our US deferred tax asset due to new tax regulations in the US described below. Excluding the tax impact of exceptional items, core Group tax expense was $72 million in 2017, down from $80 million in 2016. The core effective tax rate was 22.0%, compared with 22.3% in 2016.

On 22 December 2017, the Cuts and Jobs Act was enacted in the US, reducing the statutory rate of US federal corporate income tax to 21%. As a result, Hikma's measurement of its US deferred tax assets has reduced by $49 million. Going forward, we expect the reduction in the statutory US federal rate to reduce Hikma's effective tax rate, which we now expect will be in the range of 21% to 22% in 2018.

Profit/(loss) attributable to shareholders
Loss attributable to shareholders was $843 million, compared with profit of $155 million in 2016. Core profit attributable to shareholders decreased by 9% to $252 million, compared with $276 million in 2016.

Earnings per share
Basic loss per share was 351.3 cents in 2017, compared to basic earnings per share of 66.5 cents in 2016. Core basic earnings per share decreased by 11% to 105.0 cents, compared with 118.5 cents in 2016. Core diluted earnings per share decreased by 11% to 104.6 cents, compared with 117.9 cents in 2016.

Dividend
The Board is recommending a final dividend of 23 cents per share (approximately 16 pence per share) bringing the total dividend for the full year to 34 cents per share (approximately 24 pence), up from 33 cents per share in 2016. The proposed dividend will be paid on 24 May 2018 to shareholders on the register on 6 April 2018, subject to approval at the Annual General Meeting on 18 May 2018.

Net cash flow, working capital and net debt
The Group generated operating cash flow of $443 million in 2017, compared with $293 million in 2016. In 2016, Group operating cash flow was negatively impacted by the investment in working capital required to support West-Ward Columbus following the acquisition in February 2016. Group working capital days were 225 days at December 2017, down from 240 days at December 2016, primarily driven by an improvement in receivables in the US, following the integration of West-Ward Columbus.[4]

Capital expenditure was $107 million, compared with $122 million in 2016. Of this, around $67 million was spent in the US to expand the manufacturing capacity and capabilities of our Injectables and Generics businesses. In the MENA region, around $25 million was spent to maintain and upgrade our equipment and facilities across a number of markets. Approximately $15 million was spent in Europe, building our dedicated oncology facility in Portugal. We expect Group capital expenditure in the range of $120 million to $140 million in 2018.

The Group's net debt (excluding co-development agreements and contingent liabilities) stood at $546 million at the end of December 2017, compared with $697 million at the end of December 2016. The reduction reflects the increase in cash flow from operations.[5]

Balance sheet
Net assets at 31 December 2017 were $1,528 million, compared to $2,411 million at 31 December 2016. The decrease in net assets reflects the impairment of the West-Ward Columbus business.[6] Net current assets were $777 million, compared to $530 million at 31 December 2016.

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 adjusted numbers may be calculated differently to other companies.

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

Core results
Reported results represent the Group's overall performance. However, these results can include one-off or non-cash items that mask the underlying performance of the Group. To provide a more complete picture of the Group's performance to external audiences, we provide, alongside our reported results, core results, which are a non-IFRS measure. Reconciliation between core and adjusted results are provided in our Financial Statements.

Our core results exclude the exceptional items and other adjustments set out in Note 5 in the Notes to the financial Statements.

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 2017 represent reported 2017 numbers re-stated using average exchange rates in 2016, excluding price increased in the Branded business which resulted from the devaluation of currencies.

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

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

4. Group working capital days are calculated as Group receivable days plus Group inventory days, less Group payable days.
5. Group net debt is calculated as Group total debt less Group total cash.
6. See Notes 14 and 15 of the consolidated financial statements for more details.

Outlook

Injectables
We expect Injectables revenue in 2018 will be in the range of $750 million to $800 million, as increased competition in the US is offset by new launches and continued growth in the MENA and Europe. We expect core Injectables operating margin to return to more normalised levels in the low to mid 30's in 2018, reflecting the expected change in product mix.

Generics
In our Generics business, we are actively pursuing new commercial opportunities and focusing on the execution of our pipeline to help offset continuing price erosion. We are also identifying further cost savings for this business, which will include the consolidation of our non-injectables manufacturing operations and distribution centres in the US. We expect Generics revenues in 2018 will be in the range of $550 million to $600 million and core Generics operating margin in the low single digits before adjusting for lower depreciation related to the impairment taken in 2017.

Branded
We expect Branded revenue growth in constant currency in the mid-single digits as we benefit from new launches of our branded generics and in-licensed products across our key markets. As in 2017, we expect a stronger second half, reflecting the usual seasonality of this business.

Group
Across the Group, we are focused on delivering value from our marketed products, investing in our pipeline and enhancing the efficiency of our operations to ensure we are well positioned for future growth.