

Q2 2014 Earnings Presentation

July 18th, 2014



Our purpose
We enable people with life-altering conditions to lead better lives.



The “SAFE HARBOR” Statement under the Private Securities Litigation Reform Act of 1995

Statements included in this announcement that are not historical facts are forward-looking statements. Forward-looking statements involve a number of risks and uncertainties and are subject to change at any time. In the event such risks or uncertainties materialize, Shire’s results could be materially adversely affected. The risks and uncertainties include, but are not limited to, that:

- Shire’s products may not be a commercial success;
- revenues from ADDERALL XR® are subject to generic erosion and revenues from INTUNIV® will become subject to generic competition starting in December 2014;
- the failure to obtain and maintain reimbursement, or an adequate level of reimbursement, by third-party payors in a timely manner for Shire’s products may impact future revenues, financial condition and results of operations;
- Shire conducts its own manufacturing operations for certain of its Rare Diseases products and is reliant on third party contractors to manufacture other products and to provide goods and services. Some of Shire’s products or ingredients are only available from a single approved source for manufacture. Any disruption to the supply chain for any of Shire’s products may result in Shire being unable to continue marketing or developing a product or may result in Shire being unable to do so on a commercially viable basis for some period of time.
- the development, approval and manufacturing of Shire’s products is subject to extensive oversight by various regulatory agencies. Submission of an application for regulatory approval of any of our product candidates, such as our planned submission of a New Drug Application to the FDA for lifitegrast as a treatment for the signs and symptoms of dry eye disease in adults, may be delayed for any number of reasons and, once submitted, may be subjected to lengthy review and ultimately rejected. Any regulatory approvals or interventions associated with changes to manufacturing sites, ingredients or manufacturing processes could lead to significant delays, increase in operating costs, lost product sales, an interruption of research activities or the delay of new product launches;
- the actions of certain customers could affect Shire’s ability to sell or market products profitably. Fluctuations in buying or distribution patterns by such customers can adversely impact Shire’s revenues, financial conditions or results of operations;
- investigations or enforcement action by regulatory authorities or law enforcement agencies relating to Shire’s activities in the highly regulated markets in which it operates may result in the distraction of senior management, significant legal costs and the payment of substantial compensation or fines;
- adverse outcomes in legal matters and other disputes, including Shire’s ability to enforce and defend patents and other intellectual property rights required for its business, could have a material adverse effect on Shire’s revenues, financial condition or results of operations;
- Shire faces intense competition for highly qualified personnel from other companies, academic institutions, government entities and other organizations. Shire is undergoing a corporate reorganization and the consequent uncertainty could adversely impact Shire’s ability to attract and/or retain the highly skilled personnel needed for Shire to meet its strategic objectives;
- failure to achieve Shire’s strategic objectives with respect to the acquisition of ViroPharma Incorporated may adversely affect Shire’s financial condition and results of operations;

and other risks and uncertainties detailed from time to time in Shire’s filings with the US Securities and Exchange Commission, including its most recent Annual Report on Form 10-K.



Strong second quarter performance

	Q2 2014 \$m ⁽¹⁾	Q2 2013 \$m ⁽¹⁾	Reported Growth
Product sales	1,470	1,208	+22%
Product sales excluding ViroPharma	1,329	1,208	+10%
Royalties and Other Revenues	32	44	-27%
Total revenues	1,502	1,252	+20%
Non GAAP EBITDA⁽²⁾⁽⁷⁾	675	508	+33%
Non GAAP EBITDA % of product sales⁽³⁾⁽⁴⁾⁽⁷⁾	44%	38%	531bp
Non GAAP diluted EPS - ADS⁽⁵⁾⁽⁷⁾	\$2.67	\$1.88	+42%
Non GAAP Cash generation⁽⁶⁾⁽⁷⁾	659	374	+76%

(1) Results from continuing operations including ViroPharma Inc. in 2014, which was acquired on 24 January, 2014, and excluding DERMAGRAFT in 2013 and 2014, which is treated as a discontinued operation following divestment on January 17, 2014.

(2) This is a Non-GAAP financial measure. The most directly comparable measure under US GAAP is Net Income (Q2 2014: \$523m, Q2 2013: \$258m).

(3) This is a Non-GAAP financial measure. The most directly comparable measure under US GAAP is Net Income margin (Q2 2014: 35%, Q2 2013: 21%).

(4) Excluding Royalties and Other Revenues.

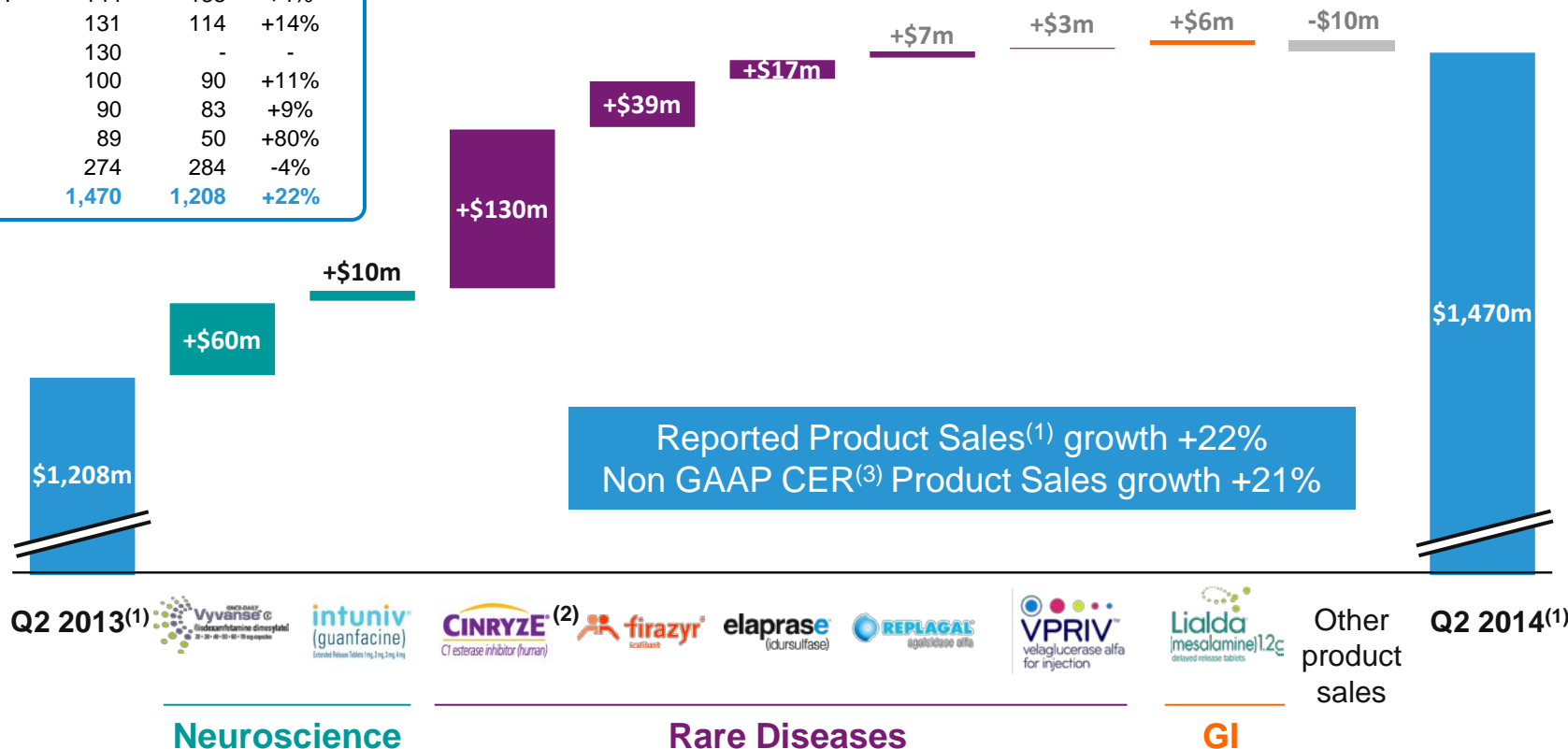
(5) This is a Non-GAAP financial measure. The most directly comparable measure under US GAAP is EPS-ADS (Q2 2014: \$2.66, Q2 2013: \$1.36).

(6) This is a Non-GAAP financial measure. The most directly comparable measure under US GAAP is Net Cash provided by operating activities (Q2 2014: \$834m, Q2 2013: \$259m).

(7) See slide 20 for a list of items excluded from the US GAAP equivalent used to calculate all Non GAAP measures detailed above. A reconciliation of Non GAAP financial measures to the most directly comparable measure under US GAAP is presented in Shire's Q2 2014 earnings release on pages 21 to 26.

Product sales⁽¹⁾ up 22% in Q2 driven by growth from across the portfolio and the inclusion of ViroPharma

	Q2 2014 \$m ⁽¹⁾	Q2 2013 \$m ⁽¹⁾	Reported Growth %
VYVANSE	360	300	+20%
ELAPRASE	152	149	+2%
LIALDA/MEZAVANT	144	138	+4%
REPLAGAL	131	114	+14%
CINRYZE	130	-	-
INTUNIV	100	90	+11%
VPRIV	90	83	+9%
FIRAZYR	89	50	+80%
OTHER	274	284	-4%
Product Sales	1,470	1,208	+22%



(1) Results from continuing operations including ViroPharma Inc. in 2014, which was acquired on 24 January, 2014, and excluding DERMAGRAFT in 2013 and 2014, which is treated as a discontinued operation following divestment on January 17, 2014.

(2) CINRYZE acquired with ViroPharma Inc. on January 24, 2014.

(3) Growth at constant exchange rate ("CER"), which is a Non GAAP measure, is computed by restating 2014 results using average 2013 foreign exchange rates for the relevant period. See slide 20 for a list of items excluded from the US GAAP equivalent used to calculate all Non GAAP measures detailed above. A reconciliation of Non GAAP financial measures to the most directly comparable measure under US GAAP is presented in Shire's Q2 2014 earnings release on pages 21 to 26.

Continued delivery of operating leverage in the first half

	H1 2014 ⁽¹⁾	H1 2013 ⁽¹⁾
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Year on Year change:

Product sales⁽¹⁾	+20%	+7%
Non GAAP R&D⁽²⁾⁽¹⁰⁾	-11%	+15%
Non GAAP SG&A⁽³⁾⁽¹⁰⁾	+7%	-12%
Combined Non GAAP R&D and SG&A⁽⁴⁾⁽¹⁰⁾	+0%	-3%

Ratios:

% of product sales		
Non GAAP Gross margin⁽⁵⁾⁽¹⁰⁾	85.4%	87.2%
Non GAAP R&D⁽⁶⁾⁽¹⁰⁾	14%	19%
Non GAAP SG&A⁽⁷⁾⁽¹⁰⁾	27%	30%
Non GAAP EBITDA⁽⁸⁾⁽⁹⁾⁽¹⁰⁾	44%	38%

(1) Results from continuing operations including ViroPharma Inc. in 2014, which was acquired on 24 January, 2014, and excluding DERMAGRAFT in 2013 and 2014, which is treated as a discontinued operation following divestment on January 17, 2014.

(2) This is a Non-GAAP financial measure. The most directly comparable measure under US GAAP is R&D (H1 2014: +25%, H1 2013: +5%).

(3) This is a Non-GAAP financial measure. The most directly comparable measure under US GAAP is SG&A (H1 2014: +16%, H1 2013: -13%).

(4) This is a Non-GAAP financial measure. The most directly comparable measure under US GAAP is Combined R&D and SG&A (H1 2014: +19%, H1 2013: -7%).

(5) This is a Non-GAAP financial measure. The most directly comparable measure under US GAAP is Gross margin (H1 2014: 81.8%, H1 2013: 86.5%).

(6) This is a Non-GAAP financial measure. The most directly comparable measure under US GAAP is R&D (H1 2014: 22%, H1 2013: 21%).

(7) This is a Non-GAAP financial measure. The most directly comparable measure under US GAAP is SG&A (H1 2014: 33%, H1 2013: 35%).

(8) This is a Non-GAAP financial measure. The most directly comparable measure under US GAAP is Net income margin (H1 2014: 26%, H1 2013: 14%).

(9) Excluding Royalties and Other Revenues.

(10) See slide 20 for a list of items excluded from the US GAAP equivalent used to calculate all Non GAAP measures detailed above. A reconciliation of Non GAAP financial measures to the most directly comparable measure under US GAAP is presented in Shire's Q2 2014 earnings release on pages 21 to 26.

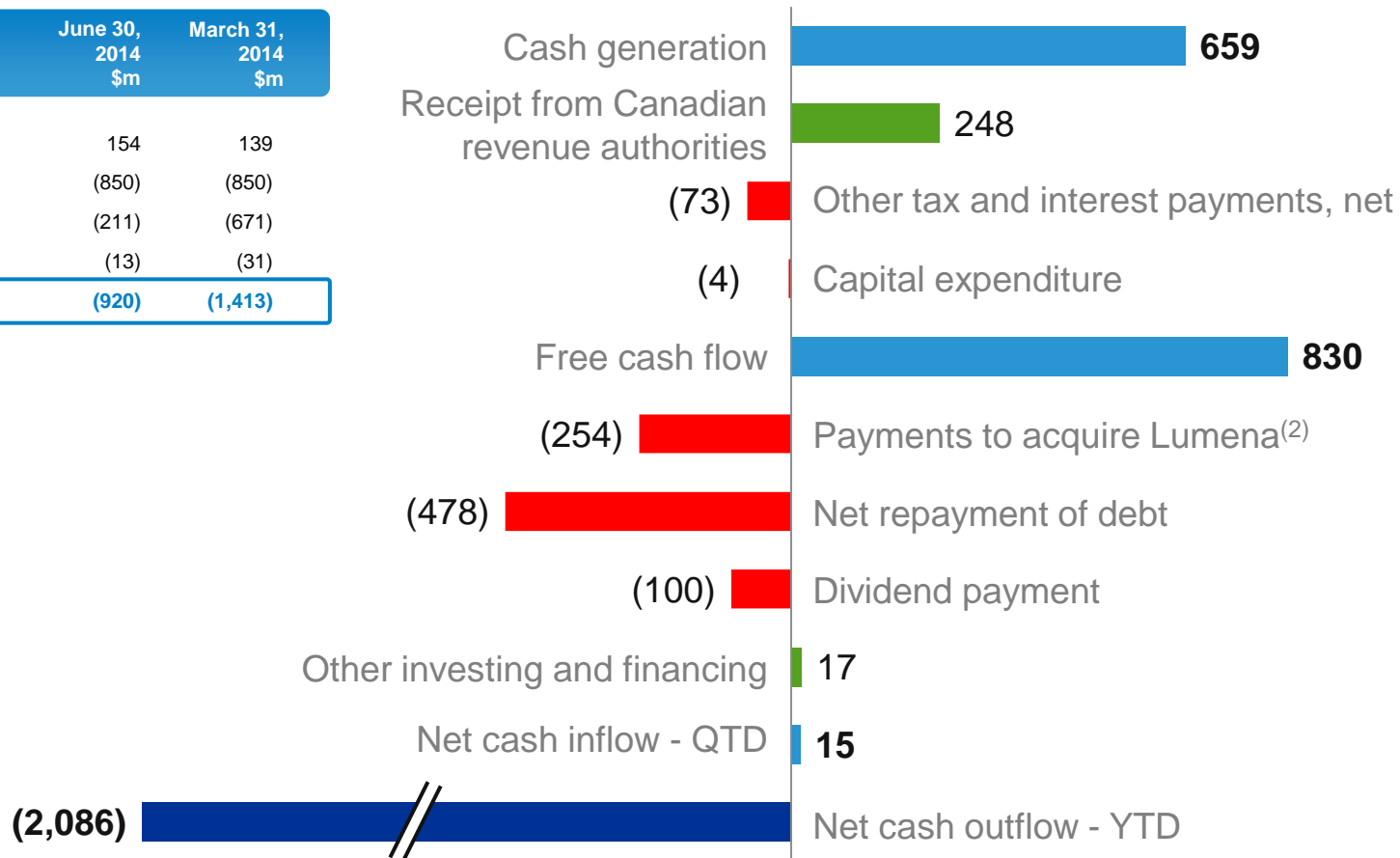


Continued strong cash generation in Q2

Non GAAP Net Debt⁽¹⁾⁽³⁾ stands at \$0.9B at June 30, 2014

Millions of USD

	June 30, 2014 \$m	March 31, 2014 \$m
Cash and cash equivalents	154	139
Long term borrowings	(850)	(850)
Short term borrowings	(211)	(671)
Other debt	(13)	(31)
Non GAAP Net debt⁽¹⁾⁽³⁾	(920)	(1,413)



(1) This is a Non-GAAP financial measure. The most directly comparable measure under US GAAP is Cash and Cash equivalents (Q2 2014: \$154m, Q1 2014: \$139m).

(2) Net of cash acquired.

(3) See slide 20 for a list of items excluded from the US GAAP equivalent used to calculate all Non GAAP measures detailed above. A reconciliation of Non GAAP financial measures to the most directly comparable measure under US GAAP is presented in Shire's Q2 2014 earnings release on pages 21 to 26.

2014 Outlook – Increased expectations of Non GAAP earnings per ADS⁽³⁾ growth

Full year 2014 dynamics

Direction
v. FY 2013⁽¹⁾

Current guidance

Previous guidance

Product sales⁽¹⁾	↑	High teens growth	Mid-to-high teens growth
Royalties and Other Revenues	↓	10-15% lower than 2013	
Non GAAP Gross margins⁽³⁾	↓	~1% lower than 2013	
Combined Non GAAP R&D and SG&A⁽³⁾	↑	2-4% higher than 2013	4-6% higher than 2013
Non GAAP Net interest expense⁽³⁾	↓	~\$10 million lower than 2013	At a similar level to 2013
Non GAAP Tax rate⁽³⁾	↓	Core effective tax rate of 17-19%	Core effective tax rate of 18-20%
Non GAAP Reported earnings per ADS⁽²⁾⁽³⁾	↑	Growth in the low-to-mid thirty percent range	Growth in the mid-to-high twenty percent range

(1) Results from continuing operations including ViroPharma Inc. in 2014, which was acquired on 24 January, 2014, and excluding DERMAGRAFT in 2013 and 2014, which is treated as a discontinued operation following divestment on January 17, 2014.

(2) This constitutes a profit forecast for the year ending 31 December 2014 for the purposes of the City Code on Takeovers and Mergers (the "Profit Forecast"). The Profit Forecast was first published in an announcement made by Shire earlier today. The directors of Shire confirm that: (a) the Profit Forecast remains valid; and (b) the reporting accountants and financial advisers have confirmed that their reports on the Profit Forecast, which were published in the announcement made by Shire earlier today, continue to apply.

(3) See slide 20 for a list of items excluded from the US GAAP equivalent used to calculate all Non GAAP measures detailed above.

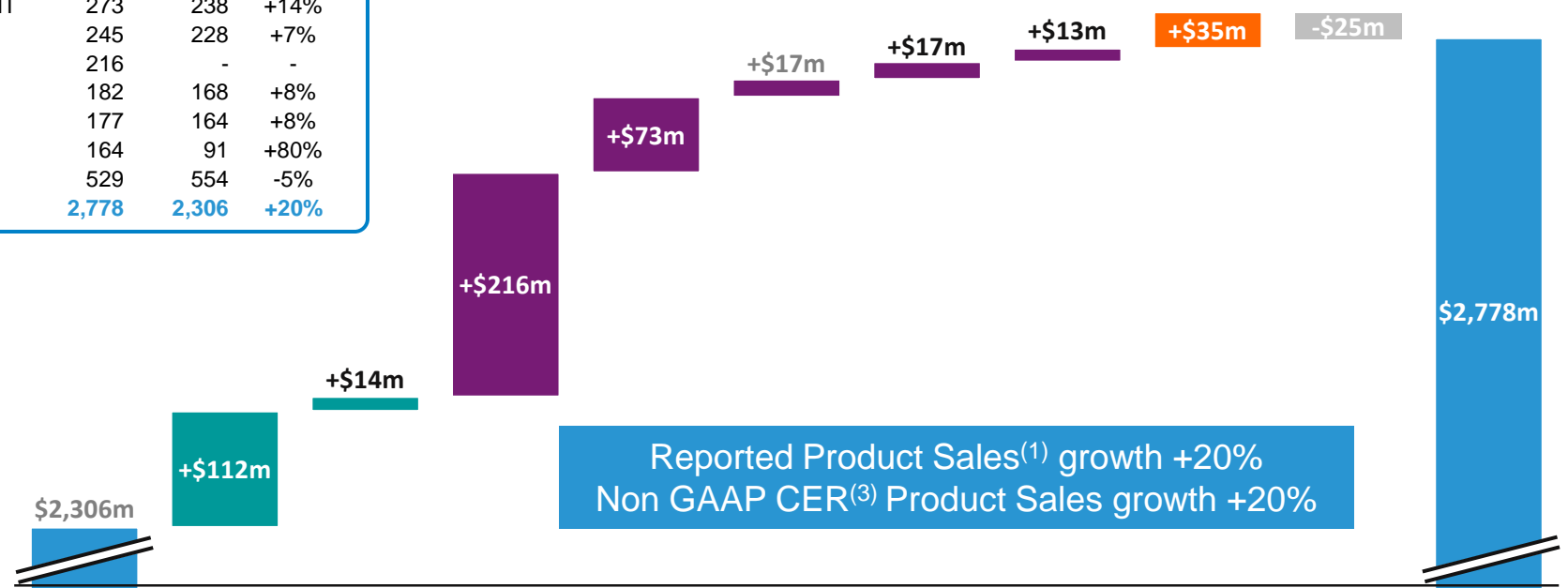
Appendix

Our purpose
We enable people with life-altering conditions to lead better lives.



Product sales⁽¹⁾ up 20% in the first half with growth from across the portfolio and the inclusion of ViroPharma

	H1 2014 \$m ⁽¹⁾	H1 2013 \$m ⁽¹⁾	Reported Growth %
VYVANSE	711	599	+19%
ELAPRASE	281	264	+7%
LIALDA/MEZAVANT	273	238	+14%
REPLAGAL	245	228	+7%
CINRYZE	216	-	-
INTUNIV	182	168	+8%
VPRIV	177	164	+8%
FIRAZYR	164	91	+80%
OTHER	529	554	-5%
Product Sales	2,778	2,306	+20%



H1 2013⁽¹⁾








Other product sales
H1 2014⁽¹⁾

Neuroscience
Rare Diseases
GI

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(3) Growth at CER, which is a Non GAAP measure, is computed by restating 2014 results using average 2013 foreign exchange rates for the relevant period. See slide 20 for a list of items excluded from the US GAAP equivalent used to calculate all Non GAAP measures detailed above. A reconciliation of Non GAAP financial measures to the most directly comparable measure under US GAAP is presented in Shire's Q2 2014 earnings release on pages 21 to 26.



Continued delivery of operating leverage in Q2 2014

	Q2 2014 ⁽¹⁾	Q2 2013 ⁽¹⁾
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Year on Year change:

Product sales⁽¹⁾	+22%	+10%
Non GAAP R&D⁽²⁾⁽¹⁰⁾	-10%	+15%
Non GAAP SG&A⁽³⁾⁽¹⁰⁾	+10%	-6%
Combined Non GAAP R&D and SG&A⁽⁴⁾⁽¹⁰⁾	+2%	+1%

Ratios:

% of product sales		
Non GAAP Gross margin⁽⁵⁾⁽¹⁰⁾	84.7%	87.2%
Non GAAP R&D⁽⁶⁾⁽¹⁰⁾	14%	19%
Non GAAP SG&A⁽⁷⁾⁽¹⁰⁾	27%	30%
Non GAAP EBITDA⁽⁸⁾⁽⁹⁾⁽¹⁰⁾	44%	38%

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(2) This is a Non-GAAP financial measure. The most directly comparable measure under US GAAP is R&D (Q2 2014: -8%, Q2 2013: +9%).

(3) This is a Non-GAAP financial measure. The most directly comparable measure under US GAAP is SG&A (Q2 2014: +21%, Q2 2013: -12%).

(4) This is a Non-GAAP financial measure. The most directly comparable measure under US GAAP is Combined R&D and SG&A (Q2 2014: +10%, Q2 2013: -5%).

(5) This is a Non-GAAP financial measure. The most directly comparable measure under US GAAP is Gross margin (Q2 2014: 81.2%, Q2 2013: 86.4%).

(6) This is a Non-GAAP financial measure. The most directly comparable measure under US GAAP is R&D (Q2 2014: +16%, Q2 2013: 21%).

(7) This is a Non-GAAP financial measure. The most directly comparable measure under US GAAP is SG&A (Q2 2014: +34%, Q2 2013: 34%).

(8) This is a Non-GAAP financial measure. The most directly comparable measure under US GAAP is Net income margin (Q2 2014: 35%, Q2 2013: 21%).

(9) Excluding Royalties and Other Revenues.

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Product Sales – Regional analysis

	US \$m	Europe \$m	LATAM \$m	Other \$m	Total \$m
Q2 2014 product sales⁽¹⁾	1,020	294	60	96	1,470
% of Product sales	69%	20%	4%	7%	100%
YoY growth	+27%	+20%	-14%	+9%	+22%
H1 2014 product sales⁽¹⁾	1,931	570	88	189	2,778
% of Product sales	70%	21%	3%	6%	100%
YoY growth	+25%	+16%	-14%	+14%	+20%
FY 2013 product sales⁽¹⁾	3,178	1,018	207	354	4,757
% of Product sales	67%	21%	4%	8%	100%
YoY growth	+15%	+4%	+21%	+9%	+12%



(1) Results from continuing operations including ViroPharma Inc. in 2014, which was acquired on 24 January, 2014, and excluding DERMAGRAFT in 2013 and 2014, which is treated as a discontinued operation following divestment on January 17, 2014.

Royalties & Other Revenues

	Q2 2014 ⁽¹⁾ \$m	Q2 2013 ⁽¹⁾ \$m	Reported Growth
FOSRENOL	9	11	-13%
3TC and ZEFFIX	8	11	-27%
ADDERALL XR	5	5	-8%
REMINYL & Other	7	9	-25%
Royalties	29	36	-20%
Other revenues	3	8	-59%
Royalties & Other Revenues	32	44	-27%



(1) Results from continuing operations including ViroPharma Inc. in 2014, which was acquired on 24 January, 2014, and excluding DERMAGRAFT in 2013 and 2014, which is treated as a discontinued operation following divestment on January 17, 2014.

Shire income statement growth progression

	2013 Q1 ⁽¹⁾	2013 Q2 ⁽¹⁾	2013 Q3 ⁽¹⁾	2013 Q4 ⁽¹⁾	2013 FY ⁽¹⁾	2014 Q1 ⁽¹⁾	2014 Q2 ⁽¹⁾	FY 2014 Dynamics	
								Direction v. FY 13	Explanations
Total Product Sales	\$1,098m	\$1,208m	\$1,171m	\$1,280m	\$4,757m	\$1,308m	\$1,470m	↑	High teens growth
versus prior year	+4%	+10%	+15%	+19%	+12%	+19%	+22%		
Royalties & Other revenues	\$45m	\$44m	\$42m	\$46m	\$177m	\$39m	\$32m	↓	10-15% lower than 2013
versus prior year	-30%	-26%	-9%	-56%	-36%	-14%	-27%		
Total Revenues	\$1,143m	\$1,252m	\$1,213m	\$1,326m	\$4,934m	\$1,347m	\$1,502m		
versus prior year	+2%	+8%	+14%	+12%	+9%	+18%	+20%		
Non GAAP Gross Margin⁽²⁾⁽⁴⁾	87%	87%	86%	87%	87%	86%	85%	↓	~1% lower than 2013
Combined Non GAAP R&D and SG&A⁽⁴⁾	\$554m	\$589m	\$561m	\$610m	\$2,314m	\$539m	\$602m	↑	2-4% higher than 2013
versus prior year	-7%	+1%	+1%	-1%	-2%	-3%	+2%		
Non GAAP Tax Rate⁽⁴⁾	20%	23%	20%	12%	19%	20%	16%	↓	Core effective tax rate of 17-19%
Non GAAP diluted Earnings per ADS⁽⁴⁾	\$1.72	\$1.88	\$1.83	\$2.26	\$7.66	\$2.36	\$2.67	↑	Growth in the low-to-mid thirty percent range ⁽³⁾
versus prior year	+17%	+12%	+31%	+36%	+23%	+38%	+42%		

(1) Results from continuing operations including ViroPharma Inc. in 2014, which was acquired on 24 January, 2014, and excluding DERMAGRAFT in 2013 and 2014, which is treated as a discontinued operation following divestment on January 17, 2014.

(2) Gross margin calculated as a percentage of net product sales.

(3) This constitutes a profit forecast for the year ending 31 December 2014 for the purposes of the City Code on Takeovers and Mergers (the "Profit Forecast"). The Profit Forecast was first published in an announcement made by Shire earlier today. The directors of Shire confirm that: (a) the Profit Forecast remains valid; and (b) the reporting accountants and financial advisers have confirmed that their reports on the Profit Forecast, which were published in the announcement made by Shire earlier today, continue to apply.

(4) See slide 20 for a list of items excluded from the US GAAP equivalent used to calculate Non GAAP measures. A reconciliation of Non GAAP financial measures to the most directly comparable measure under US GAAP is presented in Shire's Q2 2014 earnings release on pages 21 to 26, Q4 2014 earnings release, dated February 13, 2014 on pages 22 to 26 and in Shire's Press Release titled 'Historical income statements recast for DERMAGRAFT discontinued operations' dated February 4, 2014 on pages 4 and 7.



Non GAAP cash flow measures

Non GAAP cash generation⁽¹⁾⁽³⁾ and Non GAAP free cash flow⁽²⁾⁽³⁾ reconciliation	Q2 2014 \$m	Q2 2013 \$m
Non GAAP cash generation⁽¹⁾⁽³⁾	659	374
Tax refund from Canadian revenue authorities	248	-
Other tax and interest payments, net	(73)	(115)
US GAAP net cash provided by operating activities	834	259
Capital expenditure	(4)	(18)
Non GAAP free cash flow⁽²⁾⁽³⁾	830	241

(1) This is a Non-GAAP financial measure. The most directly comparable measure under US GAAP is Net cash provided by operating activities (see details above). Non GAAP cash generation represents net cash provided by operating activities, excluding upfront and milestone payments for in-licensed and acquired products, tax and interest payments.

(2) This is a Non-GAAP financial measure. The most directly comparable measure under US GAAP is Net cash provided by operating activities (see details above). Non GAAP free cash flow represents net cash provided by operating activities, excluding upfront and milestone payments for in-licensed and acquired products, but including capital expenditure in the normal course of business.

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Non GAAP net debt⁽¹⁾⁽²⁾

	June 30, 2014 \$m	December 31, 2013 \$m
Cash and cash equivalents	154	2,239
Long term borrowings	(850)	-
Short term borrowings	(211)	-
Other debt	(13)	(9)
Non GAAP Net (debt) / cash⁽¹⁾⁽²⁾	(920)	2,231

(1) This is a Non-GAAP financial measure. The most directly comparable measure under US GAAP is Cash and Cash equivalents (Q2 2014: \$154m, Q2 2013: \$1,302m).

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Note: Shire has a \$1.2bn revolving credit facility which is currently undrawn and matures in November 2015, a \$0.125bn 1 year term facility (with 1 year extension option) and a \$0.85bn 2 year term facility.



Q2 2013 Continuing operations walk

	Continuing operations ⁽¹⁾ \$m	DERMAGRAFT operations \$m	Total \$m
Product sales	1,208	22	1,230
Royalties and Other Revenues	44	-	44
Total revenues	1,252	22	1,274
Non GAAP EBITDA⁽²⁾⁽⁶⁾	508	(26)	482
Non GAAP EBITDA % of product sales⁽³⁾⁽⁴⁾⁽⁶⁾	38%	(2%)	36%
Non GAAP diluted EPS - ADS⁽⁵⁾⁽⁶⁾	\$1.88	(\$0.09)	\$1.79

(1) Results from continuing operations including ViroPharma Inc. in 2014, which was acquired on 24 January, 2014, and excluding DERMAGRAFT in 2013 and 2014, which is treated as a discontinued operation following divestment on January 17, 2014.

(2) This is a Non-GAAP financial measure. The most directly comparable measure under US GAAP is Net Income (Q2 2013: \$258m).

(3) This is a Non-GAAP financial measure. The most directly comparable measure under US GAAP is Net Income margin (Q2 2013: 21%).

(4) Excluding Royalties and Other Revenues.

(5) This is a Non-GAAP financial measure. The most directly comparable measure under US GAAP is EPS-ADS (Q2 2013: \$1.36).

(6) See slide 20 for a list of items excluded from the US GAAP equivalent used to calculate all Non GAAP measures detailed above. A reconciliation of Non GAAP financial measures to the most directly comparable measure under US GAAP is presented in Shire's Q2 2014 earnings release on pages 21 to 26.



YTD 2013 Continuing operations walk

	Continuing operations ⁽¹⁾ \$m	DERMAGRAFT operations \$m	Total \$m
Product sales	2,306	41	2,348
Royalties and Other Revenues	90	-	90
Total revenues	2,396	41	2,438
Non GAAP EBITDA⁽²⁾⁽⁶⁾	957	(52)	905
Non GAAP EBITDA % of product sales⁽³⁾⁽⁴⁾⁽⁶⁾	38%	(3%)	35%
Non GAAP diluted EPS - ADS⁽⁵⁾⁽⁶⁾	\$3.60	(\$0.18)	\$3.42

(1) Results from continuing operations including ViroPharma Inc. in 2014, which was acquired on 24 January, 2014, and excluding DERMAGRAFT in 2013 and 2014, which is treated as a discontinued operation following divestment on January 17, 2014.

(2) This is a Non-GAAP financial measure. The most directly comparable measure under US GAAP is Net Income (H1 2013: \$323m).

(3) This is a Non-GAAP financial measure. The most directly comparable measure under US GAAP is Net Income margin (H1 2013: 13%).

(4) Excluding Royalties and Other Revenues.

(5) This is a Non-GAAP financial measure. The most directly comparable measure under US GAAP is EPS-ADS (H1 2013: \$3.59).

(6) See slide 20 for a list of items excluded from the US GAAP equivalent used to calculate all Non GAAP measures detailed above. A reconciliation of Non GAAP financial measures to the most directly comparable measure under US GAAP is presented in Shire's Q2 2014 earnings release on pages 21 to 26.



Q2 - Operating Income US GAAP and Non GAAP

	Q2 2014 ⁽¹⁾ \$m	Q2 2013 ⁽¹⁾ \$m	Reported Growth
Non GAAP Operating income⁽²⁾⁽³⁾ from continuing operations	630	479	+32%
Impairment of IPR&D intangible assets	(22)	(20)	
Intangible asset amortisation	(61)	(36)	
Other legal and litigation costs	(2)	(2)	
Integration and acquisition costs	(146)	(17)	
Gains on sale of non-core assets	4	5	
Reorganisation costs	(46)	(18)	
Other	(19)	-	
US GAAP Operating income from continuing operations	338	391	-14%

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YTD - Operating Income US GAAP and Non GAAP

	H1 2014 ⁽¹⁾ \$m	H1 2013 ⁽¹⁾ \$m	Reported Growth
Non GAAP Operating income⁽²⁾⁽³⁾ from continuing operations	1,221	900	+36%
Impairment of IPR&D intangible assets	(188)	(20)	
Impairment of goodwill	-	(7)	
Intangible asset amortisation	(119)	(72)	
Other legal and litigation costs	(4)	(3)	
Integration and acquisition costs	(191)	(22)	
Gains on sale of non-core assets	40	11	
Reorganisation costs	(95)	(35)	
Other	(19)	0	
US GAAP Operating income from continuing operations	645	752	-14%

(1) Results from continuing operations including ViroPharma Inc. in 2014, which was acquired on 24 January, 2014, and excluding DERMAGRAFT in 2013 and 2014, which is treated as a discontinued operation following divestment on January 17, 2014.

(2) This is a Non-GAAP financial measure. The most directly comparable measure under US GAAP is US GAAP Operating income (see details above).

(3) See slide 20 for a list of items excluded from the US GAAP equivalent used to calculate all Non GAAP measures detailed above. A reconciliation of Non GAAP financial measures to the most directly comparable measure under US GAAP is presented in Shire's Q2 2014 earnings release on pages 21 to 26.



Non GAAP measures

This presentation contains financial measures not prepared in accordance with US GAAP. These measures are referred to as "Non GAAP" measures and include: *Non GAAP operating income; Non GAAP net income; Non GAAP diluted earnings per ADS; effective tax rate on Non GAAP income before income taxes and earnings/(losses) of equity method investees ("effective tax rate on Non GAAP income"); Non GAAP cost of product sales; Non GAAP R&D; Non GAAP SG&A; Non GAAP other income/(expense); Non GAAP interest income; Non GAAP cash generation; Non GAAP free cash flow, Non GAAP net cash/(debt), Non GAAP EBITDA and Non GAAP EBITDA Margin as percentage of product sales.* These Non GAAP measures exclude the effect of certain cash and non-cash items, that Shire's management believes are not related to the core performance of Shire's business.

These Non GAAP financial measures are used by Shire's management to make operating decisions because they facilitate internal comparisons of Shire's performance to historical results and to competitors' results. Shire's Remuneration Committee uses certain key Non GAAP measures when assessing the performance and compensation of employees, including Shire's executive director.

The Non GAAP measures are presented in this presentation as Shire's management believe that they will provide investors with a means of evaluating, and an understanding of how Shire's management evaluates, Shire's performance and results on a comparable basis that is not otherwise apparent on a US GAAP basis, since many non-recurring, infrequent or non-cash items that Shire's management believe are not indicative of the core performance of the business may not be excluded when preparing financial measures under US GAAP.

These Non GAAP measures should not be considered in isolation from, as substitutes for, or superior to financial measures prepared in accordance with US GAAP.

Where applicable the following items, including their tax effect, have been excluded when calculating Non GAAP earnings for both 2014 and 2013, and from our Outlook:

Amortization and asset impairments:

- Intangible asset amortization and impairment charges; and
- Other than temporary impairment of investments.

Acquisitions and integration activities:

- Up-front payments and milestones in respect of in-licensed and acquired products;
- Costs associated with acquisitions, including transaction costs, fair value adjustments on contingent consideration and acquired inventory;
- Costs associated with the integration of companies; and
- Noncontrolling interests in consolidated variable interest entities.

Divestments, reorganizations and discontinued operations:

- Gains and losses on the sale of non-core assets;
- Costs associated with restructuring and reorganization activities;
- Termination costs; and
- Income/(losses) from discontinued operations.

Legal and litigation costs:

- Net legal costs related to the settlement of litigation, government investigations and other disputes (excluding internal legal team costs).

Other:

- Net income tax credit (being income tax, interest and estimated penalties) related to the settlement of certain tax positions with the Canadian revenue authorities.
- Costs associated with the recommended combination of Shire and AbbVie.

Depreciation, which is included in Cost of product sales, R&D and SG&A costs in our US GAAP results, has been separately disclosed for the presentation of 2014 and 2013 Non GAAP earnings.

Cash generation represents net cash provided by operating activities, excluding up-front and milestone payments for in-licensed and acquired products, tax and interest payments.

Free cash flow represents net cash provided by operating activities, excluding up-front and milestone payments for in-licensed and acquired products, but including capital expenditure in the ordinary course of business.

Growth at CER, which is a Non GAAP measure, is computed by restating 2014 results using average 2013 foreign exchange rates for the relevant period.

Average exchange rates for the six months to June 30, 2014 were \$1.67:£1.00 and \$1.37:€1.00 (2013: \$1.55:£1.00 and \$1.31:€1.00). Average exchange rates for Q2 2014 were \$1.68:£1.00 and \$1.38:€1.00 (2013: \$1.53:£1.00 and \$1.30:€1.00).

A reconciliation of Non GAAP financial measures to the most directly comparable measure under US GAAP is presented in Shire's Q2 2014 press release on pages 21 to 26.

