Half Yearly Report

Press Release

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Half Yearly Report

August 1, 2014 –Shire plc (the "Company") (LSE: SHP, NASDAQ: SHPG), in accordance with the Financial Conduct Authority's Disclosure Rules and Transparency Rules, is publishing today its Half Yearly Report for the six months ended June 30, 2014.

It should be noted that on July 18, 2014 the Company previously announced its results in respect of the same period.

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Notes to editors

Shire enables people with life-altering conditions to lead better lives.

Our strategy is to focus on developing and marketing innovative specialty medicines to meet significant unmet patient needs.

We focus on providing treatments in Neuroscience, Rare Diseases, Gastrointestinal, and Internal Medicine and we are developing treatments for symptomatic conditions treated by specialist physicians in other targeted therapeutic areas, such as Ophthalmology.

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Shire plc

Half Yearly Report 2014

Registered in Jersey, No. 99854, 22 Grenville Street, St Helier, Jersey JE4 8PX

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THE "SAFE HARBOR" STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Statements included herein that are not historical facts are forward-looking statements. Such 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 contract manufacturers 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 a number of reasons and, once submitted, may be subjected to lengthy review and ultimately rejected. Moreover, 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 condition 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 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;
- the recommended combination with AbbVie Inc. ("AbbVie") is subject to a number of conditions, including approval by shareholders and regulators;

and other risks and uncertainties detailed from time to time in Shire's filings with the Securities and Exchange Commission, including those risks outlined in Shire's Annual Report on Form 10-K.

TRADE MARKS

All trade marks designated ® and ™ used in this press release are trade marks of Shire plc or companies within the Shire group except for CONCERTA® which is a trade mark of Alza Corporation, 3TC® and ZEFFIX® which are trade marks of GlaxoSmithKline, PENTASA® which is a registered trade mark of FERRING B.V., PLENADREN® which is a trade mark of DuoCourt Pharma AB, LIALDA® and MEZAVANT® which are trade marks of Nogra Pharma Limited, CALCICHEW® which is a trade mark of Takeda Nycomed AS, and DAYTRANA® which is a trade mark of Noven Therapeutics, LLC. Certain trade marks of Shire plc or companies within the Shire group are set out in Shire's Annual Report for the year ended December 31, 2013.

Chief Executive Officer's review

We are pleased to enclose our financial results for the six-month period ended June 30, 2014. This Half Yearly Report includes condensed consolidated financial statements prepared in accordance with generally accepted accounting principles in the United States of America ("US GAAP").

Flemming Ornskov, M.D., Shire's Chief Executive Officer, commented:

"I'm pleased with our strong first half results with product sales growing by 20%, Non GAAP diluted earnings per ADS growth of 40% and Non GAAP cash generation of $990 million.

Our performance is a testament to the value AbbVie sees in Shire. On July 18, 2014 the Boards of Directors of AbbVie and Shire announced their agreement on the terms of the combination of our two companies, and intention to recommend that shareholders of each company vote in favor of the transaction.

We have driven strong sustainable growth in our Rare Diseases, Neuroscience and GI business units. CINRYZE, which came to us from ViroPharma, performed very strongly, generating product sales of $216 million, and we believe this further demonstrates our ability to integrate assets while driving growth.

Our 2014 performance to date means that we have made important early strides toward meeting our target of $10 billion in product sales by 2020 – a target that excludes revenues from our two latest acquisitions, Lumena and Fibrotech.

In summary, our pipeline and half-year results demonstrate that our strategy is delivering. Shire has been transforming our business through growth, efficiency and a focus on commercial execution. Shire has multiple and diverse drivers within our inline portfolio contributing to our overall 20% growth in product sales in the first half of 2014. In addition, we have an innovative pipeline with opportunities in emerging therapeutic areas."

Flemming Ornskov, M.D.
Chief Executive Officer

Business overview for the six months to June 30, 2014

The following discussion should be read in conjunction with the unaudited condensed consolidated financial statements and related notes appearing elsewhere in this Half Yearly Report for Shire plc and its subsidiaries (collectively "Shire" or "the Group").

Significant events in the six months to June 30, 2014 and recent developments

Recommended combination of Shire and AbbVie

- On July 18, 2014 the Boards of AbbVie and Shire announced that they have reached agreement on the terms of a recommended combination of Shire with AbbVie. Under the terms of the combination, Shire shareholders will be entitled to receive £24.44 in cash and 0.8960 shares in the new AbbVie holding company per Shire ordinary share.

Products

VYVANSE® – for the treatment of Attention Deficit Hyperactivity Disorder ("ADHD")

- On July 17, 2014, Shire announced top-line results from two Phase 4 efficacy and safety studies of VYVANSE compared with CONCERTA® (methylphenidate HCl) with a placebo reference arm in adolescents aged 13-17 diagnosed with ADHD. In SPD489-406, the forced-dose titration study, VYVANSE was found to be statistically superior to CONCERTA on the primary efficacy analysis ($p = 0.0013$) with mean reductions on the ADHD RS-IV total score of 25.4 and 22.1 points, respectively. In SPD489-405, the dose optimization study**,** neither VYVANSE nor CONCERTA was found to be statistically superior to the other on the primary efficacy analysis ($p = 0.0717$), with a larger mean improvement found for VYVANSE than CONCERTA (mean reductions on the ADHD-RS-IV total score of 25.6 and 23.5 points, respectively). The primary efficacy endpoint for both studies was defined as the change from baseline in ADHD-RS-IV total score at Week 6 and Week 8, respectively. In both studies, the types of adverse events appear to be generally consistent with the known safety profile for VYVANSE established in studies of adolescents with ADHD. Further evaluation of the data for both studies is under way.

- On June 12, 2014 Shire announced that it had agreed to a written request by the US Food and Drug Administration ("FDA") to conduct pediatric clinical studies to investigate the potential use of VYVANSE for the treatment of ADHD in preschool-age children, ages 4 to 5. Upon FDA confirmation of a timely submission and review of data that adheres to the requirements of the written request, Shire will be entitled to the benefits of the Best Pharmaceuticals for Children Act, including a six-month extension to the exclusivity afforded by Shire's patents for VYVANSE, which expire in 2023.

INTUNIV® – for the treatment of ADHD in children/adolescents

- On March 27, 2014 Shire announced the acceptance of submission of a Marketing Authorization Application by the European Medicines Agency for its once-daily, non-stimulant guanfacine extended release product for the treatment of ADHD in children/adolescents aged 6-17 years.

Pipeline

Lifitegrast (SHP606) – for the treatment of Dry Eye disease

- On April 30, 2014 Shire announced top-line results from the prospective, randomized, double-masked, placebo-controlled SONATA trial which indicated no ocular or drug-related serious adverse events. The safety data indicated in the SONATA trial was entirely consistent with that observed in the Phase 2, OPUS-1 and OPUS-2 studies. Additional data and analyses will be submitted for presentation at upcoming medical meetings.

  Following a meeting with the FDA, on May 16, 2014 Shire announced that it intends to submit a New Drug Application ("NDA") for lifitegrast in 2015 as a treatment for the signs and symptoms of Dry Eye disease in adults. In parallel to preparing for the NDA submission, Shire is assessing the need to collect additional clinical data to further strengthen the filing, marketing claims and rest-of world-opportunity for lifitegrast.

VASCUGEL® (SHP613) – for the treatment of Acute Vascular Repair

- Shire made the decision in Q2 2014 to discontinue further development of VASCUGEL, intended to enhance blood vessel repair in patients undergoing hemodialysis. This decision was made based on portfolio prioritization as well as unexpected challenges and complexities with the development program. No new patients will be enrolled in the two Phase 2 trials, but those currently in the trials will be followed for at least 12 weeks for safety. In addition, the 64 patients enrolled in the Arteriovenous Fistula study will be followed for six months, per the study protocol. Once the studies are closed out Shire will analyze available data then make any further decisions regarding VASCUGEL.

SHP465 for the treatment of ADHD

- SHP465 (mixed salts of a single entity amphetamine) capsules provide an extended-release of amphetamines to provide coverage of ADHD symptoms for adults throughout the day. Based on the FDA feedback received on April 25, 2014, Shire is planning to resubmit the SHP465 NDA as a Class 2 resubmission with a six month FDA review time. SHP465, if approved, will be a once daily, product designed to treat ADHD in adults, with statistically significant endpoints at 16 hours post-dose (statistically significant endpoints in clinical trials beginning at the 4-hour time point).

CINRYZE® life cycle management and new uses

- Shire is pursuing additional new formulations of CINRYZE for routine prophylaxis against Hereditary Angioedema ("HAE") attacks in adolescent and adult patients. Shire plans to initiate discussions with FDA in H2 2014 to determine the appropriate path forward. In addition, Shire is further considering opportunities to pursue additional therapeutic indications that may involve the C1 Inhibitor.

Maribavir (SHP620) for the treatment of cytomegalovirus ("CMV") infection in transplant patients

- Shire is currently conducting two Phase 2 studies in transplant recipients, both of which are fully enrolled. The first is a 160 patient trial in first-line treatment of asymptomatic CMV in transplant recipients. The second is a 120 patient trial for the treatment of resistant/refractory CMV infection/disease in transplant recipients. Preliminary results are expected in the first half of 2015.

SHP602 – for the treatment of Iron Overload

- In March 2014, the SHP602 Phase 2 trial in pediatric and adult patients with transfusion iron overload was placed on clinical hold as Shire evaluates nonclinical toxicology findings. The potential relevance of these findings to humans, if any, is unknown, however this assessment will lead to a delay that will impact the commercial value of this program. Following our decision to put the current trial on clinical hold, an impairment charge relating to the IPR&D intangible asset has been recorded in Q1 2014.

Other developments

Completion of Lumena acquisition

- On June 11, 2014 Shire completed its acquisition of Lumena, a biopharmaceutical company with late stage rare disease pipeline assets. Lumena brings to Shire two new novel, once-daily, orally administered therapeutic compounds: SHP625 (formerly LUM001), in Phase 2 clinical development with four potential orphan indications; and SHP626 (formerly LUM002), ready to enter Phase 2 clinical development later in 2014. SHP625 and SHP626 are both inhibitors of the apical sodium-dependent bile acid transporter ("ASBT"), which is primarily responsible for recycling bile acids from the intestine to the liver. SHP625 works by preventing recycling of bile acids back to the liver and is thought to reduce bile acid accumulation, improve liver function and potentially relieve the extreme itching associated with cholestatic liver disease and is in clinical trials in Alagille Syndrome, Progressive Familial Intrahepatic Cholestasis, Primary Biliary Cirrhosis, and Primary Sclerosing Cholangitis. SHP626 is in development for the treatment of nonalcoholic steatohepatitis, a common and often "silent" liver disease characterized by fat deposits in the liver and inflammation which can progress to significant fibrosis.

Completion of Fibrotech acquisition

- On July 4, 2014 Shire completed its acquisition of Fibrotech, an Australian biopharmaceutical company developing a new class of orally available drugs with a novel mechanism of action which has the potential to address both the inflammatory and fibrotic components of disease processes. Shire will undertake the further development of Fibrotech's lead product candidate SHP627 (formerly FT011), which has completed a Phase 1 study in healthy volunteers and a Phase 1B study in patients with renal impairment. The first Phase 2 study is expected to be initiated to enroll Focal Segmental Glomerulosclerosis ("FSGS") patients next year. In addition to the lead compound SHP627, Shire has acquired Fibrotech's library of novel molecules including FT061, which is in pre-clinical development.

Refunds of US$410 million from the Canadian revenue authorities

- On June 30, 2014, Shire announced that it had received assessments from the Canadian revenue authorities which entitle its Canadian subsidiary, Shire Canada Inc. ("Shire Canada") to total cash refunds equivalent to US$410 million (C$440 million).

  The assessments agreed with original positions adopted by Shire Canada in its Canadian tax returns for the period 1999-2004. On June 24, 2014 Shire received cash refunds of US$248 million (C$266 million)[1]. Shire Canada is entitled to receive additional cash refunds of US$162 million (C$174 million), expected in late 2014. Following receipt of the assessments Shire recorded a net credit to income taxes of US$216 million in the second quarter of 2014.

  The assessments do not impact Shire's current or future income tax profile.

1 Translated using a CAD:USD exchange rate of 1:0.93, being the exchange rate on June 24, 2014.

Transfer of CALCICHEW® product rights

- In Q1 2014 Shire transferred the marketing authorizations for the CALCICHEW range of products in the UK and Ireland to Takeda Pharmaceutical Company Limited. From January 1, 2014 Shire no longer recognized product sales from CALCICHEW. In addition in Q1 2014, Shire sold certain CALCICHEW trade marks to Takeda Nycomed AS ("Takeda") for cash proceeds of $43.5 million and recognized a gain for the same amount.

Legal Proceedings

See note 16 Commitments and contingencies of this Half Yearly Report for details of Shire's legal proceedings.

Dividend

In respect of the six months ended June 30, 2014 the Board resolved to pay an interim dividend of 3.83 US cents per Ordinary Share (2013: 3.00 US cents per Ordinary Share).

Dividend payments will be made in Pounds Sterling to holders of Ordinary Shares and in US Dollars to holders of ADSs. A dividend of 2.24[2] pence per Ordinary Share (an increase of 15% compared to 2013: 1.95 pence) and 11.49 US cents per ADS (an increase of 28% compared to 2013: 9.00 US cents) will be paid on October 3, 2014 to shareholders on the register as at the close of business on September 5, 2014.

2 Translated using a GBP:USD exchange rate of 1.7093.

Research and development

Products in registration as at June 30, 2014

VPRIV® for the treatment of Gaucher disease in Japan

On July 3 2014, Shire received approval to market VPRIV for the treatment of adult and pediatric patients with Gaucher disease in Japan.

AGRYLIN®[1] for the treatment of essential thrombocythaemia in Japan

In the fourth quarter of 2013, Shire submitted a Marketing Authorisation to the Ministry of Health, Labour and Welfare ("MHLW") in Japan, seeking approval for AGRYLIN in adult essential thrombocythaemia patients treated with cytoreductive therapy who have become intolerant to their current therapy or whose platelet counts have not been reduced to an acceptable level.

SHP465 for the treatment of ADHD

Shire's NDA for SHP465 capsules was previously submitted in 2006 to support the use of SHP465 for the treatment of ADHD in adults. With the growing adult ADHD population there is now a larger patient population and commercial need for this type of product than there was seven years ago. Their needs of a longer acting, once daily treatment are not served and Shire believes this provides an opportunity to bring SHP465 forward as an additional choice of treatment. SHP465 (mixed salts of a single entity amphetamine) capsules provide an extended-release of amphetamines to provide coverage of ADHD symptoms for adults throughout the day. The active ingredients found in SHP465 are a mixture of amphetamine salts and dextroamphetamine. Shire recently requested FDA concurrence with the sponsor's proposed plans to address outstanding items previously outlined by the FDA to support approval of this NDA. Based on FDA feedback received on April 25, 2014, Shire is planning to discuss with the FDA plans to resubmit the SHP465 NDA. SHP465 is a once daily, three-component, extended-release, single-entity mixed amphetamine salts product, if approved, designed to treat ADHD in adults with statistically significant endpoints at 16 hours post-dose (statistically significant endpoints in clinical trials beginning at the 4-hour time point).

INTUNIV for the treatment of ADHD in the EU

In March 2014, Shire announced the acceptance of submission of an MAA by the EMA for once-daily, non-stimulant guanfacine extended release for the treatment of ADHD in children/adolescents aged 6-17 years.

Products in clinical development as at June 30, 2014

Phase 3

SHP606 lifitegrast for the treatment of Dry Eye disease

Following a meeting with the FDA, on May 16, 2014 Shire announced that it intends to submit an NDA for lifitegrast in Q1 2015 as a treatment for the signs and symptoms of Dry Eye disease in adults. In parallel to preparing for the NDA submission, Shire is assessing the need to collect additional clinical data to further strengthen the filing, marketing claims and rest-of world-opportunity for lifitegrast.

On April 30, 2014 Shire announced top-line results from the prospective, randomized, double-masked, placebo-controlled SONATA trial which indicated no ocular or drug-related serious adverse events. The safety data indicated in the SONATA trial was entirely consistent with that observed in the Phase 2, OPUS-1 and OPUS-2 studies for lifitegrast. Additional data and analyses will be submitted for presentation at upcoming medical meetings.

LDX[2] for the treatment of Binge Eating Disorder

In November 2013, Shire reported positive top-line results from two identically designed randomized placebo-controlled Phase 3 studies evaluating the efficacy and safety of LDX versus placebo in adults with BED. In both studies LDX was found to be statistically superior to placebo on the primary efficacy analysis (p-value <0.001) of the change from baseline at weeks 11 to 12 in terms of number of binge days per week. The safety for LDX in these two studies appears to be generally consistent with the known profile established in studies in adults with ADHD. Shire anticipates filing for FDA regulatory approval of VYVANSE for the treatment of BED in adults (ages 18 to 55) in the third quarter of 2014.

FIRAZYR® for the treatment of ACE-I AE

A Phase 3 clinical trial to assess the efficacy of FIRAZYR for the treatment of ACE inhibitor-induced angioedema was initiated in the fourth quarter of 2013 and is ongoing.

FIRAZYR for the treatment of Hereditary Angioedema ("HAE") in Japan

Shire plans to initiate a Phase 3 trial to evaluate the efficacy and safety of FIRAZYR for the treatment of HAE in Japanese patients by early 2015.

SHP555 (prucalopride; marketed as RESOLOR in the EU) for the treatment of chronic constipation in the US

On January 10, 2012, Shire announced that it had acquired the rights to develop and market prucalopride in the US in an agreement with Janssen Pharmaceutica N.V. Discussions have been conducted with the FDA to determine the potential clinical development and NDA submission pathway. Planning is underway to confirm program activities and timelines.

INTUNIV for the treatment of ADHD in Japan

Under a collaboration agreement, Shionogi and Shire will co-develop and sell treatments for ADHD in Japan, including INTUNIV. A Phase 3 clinical program to evaluate the efficacy and safety of INTUNIV in Japanese patients aged 6 to 17 was initiated in the second quarter of 2013.

SHP616 (CINRYZE) for routine prophylaxis against HAE attacks in adolescent and adult patients in Japan

CINRYZE is indicated for prophylaxis and acute treatment of angioedema attacks in adolescent and adult patients with HAE. Shire has submitted a Clinical Trial Notification ("CTN") to the Pharmaceutical and Medical Devices Agency ("PMDA") in Japan. Based on feedback from PMDA, Shire plans to resubmit the CTN in the second half of 2014 and initiate a Phase 3 trial in the first quarter of 2015.

Phase 2

LDX[2] for the treatment of ADHD in Japan

Under a collaboration agreement, Shionogi and Shire will co-develop and sell ADHD products in Japan, including LDX. A Phase 2 clinical program to evaluate the efficacy and safety of LDX in Japanese patients aged 6 to 17 was initiated in the second quarter of 2013 and is ongoing.

SHP602 iron chelating agent for the treatment of iron overload secondary to chronic transfusion

A Phase 2 trial in pediatric and adult patients with transfusion iron overload is currently on clinical hold as Shire evaluates nonclinical toxicology findings. The potential relevance of these findings to humans, if any, is unknown. This product has received orphan drug designation by the EMA and the FDA for the treatment of chronic iron overload requiring chelation therapy.

SHP613 (formerly SRM-003 or VASCUGEL) for the treatment of improvement in patency of arteriovenous ("AV") access in hemodialysis patients

SHP613 has been terminated as a result of the decision in the second quarter of 2014 to discontinue further development of this asset based on portfolio prioritization as well as unexpected challenges and complexities with the development program.

SHP607 (formerly HGT-ROP-001 or PREMIPLEX) for the treatment of Retinopathy of Prematurity ("ROP")

SHP607 is in development as a protein replacement therapy for the preventative treatment of ROP, a rare eye disorder associated with premature birth. This product has been granted orphan drug designation both in the US and EU. A Phase 2 clinical trial is ongoing.

SHP609 for the treatment of Hunter syndrome with CNS symptoms

SHP609 is in development as an enzyme replacement therapy ("ERT") delivered intrathecally for Hunter syndrome patients with cognitive impairment. Shire initiated a pivotal Phase 2/3 clinical trial in the fourth quarter of 2013 which is ongoing. This product has been granted orphan designation in the US.

1 Currently marketed as XAGRID in the EU for the treatment of essential thrombocythaemia

2 Currently marketed as VYVANSE in the US and ELVANSE in certain countries in the EU for the treatment of ADHD

SHP610 for Sanfilippo A Syndrome (Mucopolysaccharidosis IIIA)

SHP610 is in development as an ERT delivered intrathecally for the treatment of Sanfilippo A Syndrome, a Lysosomal Storage Disorder. Shire initiated a Phase 1/2 clinical trial in August 2010 which has now completed. Shire has initiated the Phase 2B clinical trial for SHP610, which is designed to measure a clinical response. The product has been granted orphan designation in the US and in the EU.

SHP620 (Maribavir) for the treatment of cytomegalovirus infection ("CMV") in transplant patients

SHP620 was acquired as part of the recent acquisition of ViroPharma. Shire is currently conducting two Phase 2 studies in transplant recipients, both of which are fully enrolled. The first is a 160 patient trial in first-line treatment of asymptomatic CMV in transplant recipients. The second is a 120 patient trial for the treatment of resistant/refractory CMV infection/disease in transplant recipients. Preliminary results are expected in early-2015. This product has been granted orphan drug designation both in the US and EU.

SHP625 (formerly LUM001) for the treatment of cholestatic liver disease

SHP625 was acquired as part of the recent acquisition of Lumena. Shire is currently conducting Phase 2 studies in the following indications: Alagille Syndrome, Progressive Familial Intrahepatic Cholestasis, Primary Biliary Cirrhosis, and Primary Sclerosing Cholangitis. This product has been granted orphan drug designation both in the US and EU. These phase 2 clinical trials are ongoing.

Phase 1

SHP611 for the treatment of Metachromatic Leukodystrophy ("MLD")

SHP611 is in development as an ERT delivered intrathecally for the treatment of the late infantile form of MLD. This product has been granted orphan designation in the US and the EU. Shire initiated a Phase 1/2 clinical trial in August 2012. This trial is fully enrolled and is ongoing.

SHP616 (CINRYZE) life cycle management and new uses

Shire is pursuing additional new formulations of CINRYZE for routine prophylaxis against HAE attacks in adolescent and adult patients. Shire plans to initiate discussions with the FDA in the second half of 2014 to determine the appropriate path forward. In addition, Shire is further considering opportunities to pursue additional therapeutic indications that may involve the C1 Inhibitor. These new uses include Acute Neuromyelitis Optica (NMO), Paroxysmal Nocturnal Hemoglobinuria (PNH), and Acute Antibody Mediated Rejection (AMR). In NMO, a Phase 1b investigator sponsored trial study was completed in 10 patients for acute therapy, and Shire plans to solicit FDA feedback in the fourth quarter of 2014 on advancing to Phase 3. In PNH, an ex-vivo POC study in 6 patients has been completed, and Shire plans to advance to IND filing in 2015 based on the results of an additional preclinical study. In AMR, a Phase 2 study in 18 patients was completed, and Shire plans to solicit FDA feedback by the end of the year on advancing to Phase 2/3.

SHP622 (formerly VP 20629) for the treatment of Friedreich's Ataxia ("FA")

SHP622 is in development for the treatment of Friedreich's Ataxia and was acquired as part of the recent acquisition of ViroPharma. This product is a naturally occurring small molecular weight drug compound that prevents oxidative stress OX1 (indole-3-propionic acid) by a combination of hydroxyl radical scavenging activity and metal chelation. Phase I studies in healthy adults were completed in 2010. The drug was found to be generally well tolerated, and the pharmacokinetics revealed that the drug was rapidly absorbed and distributed in the body after oral administration. ViroPharma launched a Phase 1 trial of its VP20629 in adults with FA in September 2013. This trial is ongoing.

SHP626 (formerly LUM002) for the treatment of nonalcoholic steatohepatitis ("NASH")

SHP626 was acquired as part of the recent acquisition of Lumena and is in development for the treatment of NASH, a common and often "silent" liver disease characterized by fat deposits in the liver and inflammation which can progress to significant fibrosis. This product is expected to enter Phase 2 clinical trials in patients with NASH during the second half of 2014.

Other pre-clinical development projects

A number of additional early development projects, focused on Rare Diseases, are underway in various stages of pre-clinical development.

Going Concern

As stated in Note 1 to the consolidated financial statements, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis of accounting in preparing the half-yearly report.

Results of operations for the six months to June 30, 2014 and June 30, 2013

The financial information contained within the Half Yearly Report has been prepared under US GAAP, being the accounting principles under which the Group will prepare or prepared its annual financial statements for the years ended December 31, 2014 and 2013.

Total revenues

The following table provides an analysis of the Group's total revenues by source:

	6 months to June 30, 2014 $'M	6 months to June 30, 2013 $'M	change %
Product sales	2,777.7	2,306.1	+20
Royalties	61.5	74.8	-18
Other revenues	9.7	14.7	-34
Total	2,848.9	2,395.6	+19

Product sales

The following table provides an analysis of the Group's key product sales:

	6 months to June 30, 2014 $'M	6 months to June 30, 2013 $'M	Product sales growth %	Non-GAAP CER growth %	US prescription growth[1] %	Exit market share[1] %
Net product sales:						
VYVANSE	710.7	598.7	19%	+19	+4	16
ELAPRASE®	280.7	263.5	7%	+7	n/a[2]	n/a[2]
LIALDA® /MEZAVANT®	272.5	238.0	14%	+15	+30	31
REPLAGAL®	244.8	228.1	7%	+7	n/a[3]	n/a[3]
CINRYZE	215.5	-	n/a	n/a	n/a[2]	n/a[2]
INTUNIV	182.3	168.1	8%	+9	+3	4
ADDERALL XR®	184.9	212.1	-13%	-12	+1	5
VPRIV	176.6	164.1	8%	+8	n/a[2]	n/a[2]
FIRAZYR	163.9	91.2	80%	+79	n/a[2]	n/a[2]
PENTASA®	135.5	144.6	-6%	-6	-3	13
FOSRENOL®	88.1	84.4	4%	+3	-10	3
XAGRID	55.0	49.9	10%	+4	n/a[2]	n/a[2]
Other product sales	67.2	63.4	6%	+5	n/a	n/a
Total product sales	2,777.7	2,306.1	20%			

(1) Data provided by IMS Health National Prescription Audit ("IMS NPA") relates solely to US-based prescriptions. Exit market share represents the average monthly US market share in the month ended June 30, 2014.

(2) IMS NPA Data not available.
(3) Not sold in the US in the first half of June 30, 2014.

VYVANSE – ADHD

VYVANSE product sales grew strongly in the six months to June 30, 2014 (up 19% compared to the same period in 2013) due to price increases[1] taken since 2013 and to a lesser extent higher prescription demand and good growth in international sales. The benefit of these positive factors was partially offset by slight destocking in the first half of 2014 compared to the stocking in the first half of 2013.

Litigation proceedings regarding VYVANSE are ongoing. Further information about this litigation can be found in note 16 of this Half Yearly Report.

1 The actual net effect of price increases on current period net sales compared to the comparative period is difficult to quantify due to the various managed care rebates, Medicaid discounts, other discount programs in which the Shire participates and fee for service agreements with wholesalers customers.

ELAPRASE – Hunter syndrome

ELAPRASE product sales in the six months to June 30, 2014 were up 7% compared to the same period in 2013 driven by continued growth in the number of treated patients. Growth in the six months to June 30, 2014 was held back due to the timing of shipments to certain markets which order less frequently, which benefited sales in the six months to June 30, 2013.

LIALDA/MEZAVANT – Ulcerative Colitis

Product sales for LIALDA/MEZAVANT in the six months to June 30, 2014 were up 14%, primarily due to higher US prescription demand (up 30%), as LIALDA reached a US exit market share of 31% at June 30, 2014, and to a lesser extent the effect of a price increase[1] taken since 2013. Product sales grew at a lower rate than the strong US prescription demand as a result of higher sales deductions as a percentage of product sales and destocking in the six months to June 30, 2014 compared to stocking in the six months to June 30, 2013.

Litigation proceedings regarding LIALDA are ongoing. Further information about this litigation can be found in note 16 of this Half Yearly Report.

REPLAGAL – Fabry disease

REPLAGAL sales were up 7% in the six months to June 30, 2014 compared to the same period in 2013 as Shire continues to see good growth in emerging markets and to a lesser extent higher volume demand in Europe, offset by lower pricing. The six months to June 30, 2014 also benefited from larger bulk orders for Asian markets compared to the same period in 2013.

CINRYZE – prophylactic treatment of HAE

Shire acquired CINRYZE through its acquisition of ViroPharma in first quarter of 2014, and CINRYZE sales were $215.5 million in the six months to June 30, 2014. On a proforma basis[2] CINRYZE grew 26% in the six months to June 30, 2013 primarily driven by an increase in the number of patients on therapy, a return to standard levels of inventory and to a lesser extent, a price increase[1] in the US.

INTUNIV – ADHD

The growth in INTUNIV product sales (up 8%) in the six months to June 30, 2014 was driven by a combination of price increases[1] taken since 2013 and higher US prescription demand. The benefit of these positive factors was offset by higher sales deductions as a percentage of product sales in the first half of 2014.

Litigation proceedings regarding INTUNIV are ongoing. Further information about litigation proceedings regarding INTUNIV can be found in note 16 of this Half Yearly Report.

ADDERALL XR – ADHD

ADDERALL XR product sales decreased (down 13%) in the six months to June 30, 2014 primarily due to lower stocking and higher sales deductions compared to the same period in 2013. Market share has remained relatively stable over the past six months, Shire expects ADDERALL XR to remain competitive in its market.

Litigation proceedings regarding ADDERALL XR are ongoing. Further information about this litigation can be found in note 16 of this Half Yearly Report.

VPRIV – Gaucher disease

VPRIV product sales in the six months to June 30, 2014 were up 8% compared to the same period in 2013 as the Group continues to add naïve patients and gain patients switching from other therapies.

FIRAZYR – acute treatment of HAE

FIRAZYR strong product sales growth (up 80%) was primarily due to growth in patients on therapy, the effect of a price increase[1] and a higher number of treated attacks, particularly in the US market.

PENTASA – Ulcerative Colitis

PENTASA product sales decreased in the six months to June 30, 2014 (down 6%) driven by a decrease in US prescription demand, higher sales deductions and lower stocking in the six months to June 30, 2014 as compared to the same period in 2013, partially offset by price increases[1] taken since 2013.

1 The actual net effect of price increases on current period net sales compared to the comparative period is difficult to quantify due to the various managed care rebates, Medicaid discounts, other discount programs in which the Shire participates and fee for service agreements with wholesaler customers.

2 Proforma revenue includes revenues recorded by ViroPharma prior to the acquisition by Shire.

Royalties

The following table provides an analysis of Shire's royalty income:

	6 months to June 30, 2014 $'M	6 months to June 30, 2013 $'M	Change %
FOSRENOL	22.2	19.8	+12
3TC® and ZEFFIX®	15.8	23.8	-34
ADDERALL XR	13.5	13.0	+4
Other	10.0	18.2	-45
Total royalties	61.5	74.8	-18

Cost of product sales

Cost of product sales increased to $506.5 million for the six months to June 30, 2014 (18% of product sales), up from $311.7 million in the corresponding period in 2013 (14% of product sales). Cost of product sales as a percentage of product sales was four percentage points higher compared to the same period in 2013. In the six months to June 30, 2014 Cost of product sales was impacted by inventory write offs, inclusion of lower margin CINRYZE acquired with ViroPharma and charges of $72.5 million on the unwind of the fair value adjustment on acquired ViroPharma inventories.

For the six months to June 30, 2014 cost of product sales included depreciation of $28.0 million (2013: $16.3 million).

Research and Development ("R&D") expenditure

R&D expenditure increased to $597.4 million for the six months to June 30, 2014 (22% of product sales), compared to $477.1 million in the corresponding period in 2013 (21% of product sales). The first quarter of 2014 included impairment charges of $166.0 million (first quarter of 2013: $nil) relating to the SHP602 IPR&D intangible asset, following the current Phase 2 trial being placed on clinical hold. The second quarter of 2014 included impairment charges of $22.0 million (second quarter of 2013: $19.9 million) relating to the SHP613 IPR&D intangible asset, following the decision to discontinue further development based on portfolio prioritization as well as unexpected challenges and complexities with the development program. Excluding these impairment charges, R&D expenditure in the six months to June 30, 2014 decreased by 10% or by $48 million, due to the completion of several large Phase 3 programs since the same period in 2013, including new uses for LDX, the effect of portfolio prioritization decisions taken during 2013 and lower overheads due to the One Shire reorganization, partially offset by the inclusion of programs acquired with ViroPharma.

R&D in the six months to June 30, 2014 included depreciation of $11.6 million (2013: $8.9 million).

Selling, General and Administrative "SG&A" expenditure

SG&A expenditure increased to $926.5 million for the six months to June 30, 2014 from $801.7 million in the corresponding period in 2013 due to the inclusion of ViroPharma SG&A costs for the first time in the first half of 2014, higher intangible asset amortization, costs incurred in connection with the recommended combination of Shire and AbbVie and commercial spending in advance of anticipated product launches for certain products, which offset lower overheads following the One Shire reorganization. SG&A as a proportion of product sales was lower at 33% of product sales for the six months to June 30, 2014 compared with 35% of product sales in the corresponding period in 2013, as the Shire continues to see benefits from the One Shire reorganization and the focus on operational discipline in the six months to June 30, 2014.

For the six months to June 30, 2014 SG&A included depreciation of $41.9 million (2013: $31.7 million) and amortization of $119.0 million (2013: $72.0 million).

Gain on sale of product rights

For the six months to June 30, 2014 Shire recorded a net gain on sale of product rights of $40.2 million (2013: $11.0 million), primarily a gain of $43.5 million from the sale of certain CALCICHEW trade marks to Takeda, offset by the re-measurement of the contingent consideration receivable from the divestment of DAYTRANA®.

Reorganization costs

For the six months to June 30, 2014 Shire recorded reorganization costs of $95.2 million (2013: $35.2 million), related to the One Shire reorganization as the Group continues the implementation of its new operating model.

Integration and acquisition costs

For the six months to June 30, 2014 Shire recorded integration and acquisition costs of $118.7 million (2013: $21.5 million), comprising costs of $97.3 million primarily related to the acquisition and integration of ViroPharma and a net charge of $21.4 million relating to the change in fair values of contingent consideration liabilities. The change in fair value of contingent consideration liabilities in the first half of 2014 principally relates to the acquisition of SARcode (as described in Note 5) and the acquisition of FerroKin BioSciences, Inc. ("FerroKin"), reflecting the decision to place the ongoing Phase 2 clinical trial for SHP602 on clinical hold.

In the six months to June 30, 2013 integration and acquisition costs primarily related to the acquisition of SARcode and Lotus in addition to net charges related to the change in fair values of contingent consideration liabilities.

Interest income

For the six months to June 30, 2014 Shire recorded interest income of $19.2 million (2013: $1.2 million), principally due to the recognition of interest income on cash deposited with the Canadian revenue authorities prior to the settlement in the second quarter of 2014 ($18.6 million).

Interest expense

For the six months to June 30, 2014 Shire incurred interest expense of $18.9 million (2013: $18.3 million), primarily related to interest and the amortization of issue costs incurred on borrowings to fund the ViroPharma acquisition. Interest expense in 2013 principally related to the coupon and amortization of costs on Shire's convertible bonds which were fully redeemed or converted in the fourth quarter of 2013.

Taxation

The effective rate of tax was -19% (2013: 22%)

The negative effective rate of tax in the six months to June 30, 2014 is due to the recognition of a net tax credit of $216.0 million following the settlement of certain tax positions with the Canadian revenue authorities.

Financial condition at June 30, 2014 and December 31, 2013

Cash & cash equivalents

Cash and cash equivalents decreased by $2,085.8 million to $153.6 million (December 31, 2013: $2,239.4 million). Cash provided by operating activities of $1,080.1 million, and by financing activities of $773.3, million was offset by the cost of acquiring ViroPharma and Lumena.

Accounts receivable, net

Accounts receivable, net increased by $90.3 million to $1,051.5 million (December 31, 2013: $961.2 million), primarily due to the increase in revenue. Days sales outstanding increased only slightly to 47 days (December 31, 2013: 46 days).

Inventories

Inventories increased by $129.7 million to $585.0 million (December 31, 2013: $455.3 million), primarily due to the inclusion of CINRYZE inventories following the acquisition of ViroPharma.

Prepaid expenses and other current assets

Prepaid expenses and other current assets increased by $155.6 million to $418.6 million (December 31, 2013: $263.0 million), principally due to an increase in income tax receivables following the settlement with the Canadian revenue authorities.

Goodwill

Goodwill increased by $1,658.8 million to $2,283.4 million (December 31, 2013: $624.6 million), due to the acquisitions of ViroPharma and Lumena.

Other intangible assets, net

Other intangible assets increased by $3,012.9 million to $5,325.5 million (December 31, 2013: $2,312.6 million), due to the intangible assets acquired with ViroPharma and Lumena, offset by the impairments of the SHP602 and SHP613 IPR&D assets and intangible asset amortization.

Short term borrowings

Short term borrowings increased from $nil at December 31, 2013 to $210.8 million at June 30, 2014 reflecting the utilization of the RCF and a short term debt facility to part fund the acquisition of ViroPharma.

Other current liabilities

Other current liabilities increased by $103.3 million to $228.8 million (December 31, 2013: $119.5 million) principally due to the recognition of contingent consideration liabilities in respect of the Lumena acquisition.

Long term borrowing

Long term borrowings increased from $nil at December 31, 2013 to $850.0 million at June 30, 2014 reflecting the utilization of a long term debt facility to part fund the acquisition of ViroPharma.

Non-current deferred tax liabilities

Non-current deferred tax liabilities increased by $843.0 million to $1,403.6 million (December 31, 2013: $560.6 million), primarily due to deferred tax liabilities arising on the intangible assets acquired with ViroPharma and Lumena.

Other non-current liabilities

Other non-current liabilities increased by $166.6 million to $755.1 million (December 31, 2013: $558.5 million) principally due to an increase in non-current income tax liabilities, the recognition of contingent consideration payable in respect of the Lumena acquisition and changes in the fair value of contingent consideration payable in respect of prior acquisitions.

Liquidity and capital resources

General

The Group's funding requirements depend on a number of factors, including the timing and extent of its development programs; corporate, business and product acquisitions; the level of resources required for the expansion of certain manufacturing and marketing capabilities as the product base expands; increases in accounts receivable and inventory which may arise with any increase in product sales; competitive and technological developments; the timing and cost of obtaining required regulatory approvals for new products; the timing and quantum of milestone payments on collaborative projects; the timing and quantum of tax and dividend payments; the timing and quantum of purchases by the EBT of Shire shares in the market to satisfy awards granted under Shire's employee share plans; and the amount of cash generated from sales of Shire's products and royalty receipts.

An important part of Shire's business strategy is to protect its products and technologies through the use of patents, proprietary technologies and trademarks, to the extent available. The Group intends to defend its intellectual property and as a result may need cash for funding the cost of litigation.

The Group finances its activities through cash generated from operating activities; credit facilities; private and public offerings of equity and debt securities; and the proceeds of asset or investment disposals.

Shire's balance sheet includes $153.6 million of cash and cash equivalents at June 30, 2014.

Shire has a revolving credit facility ("RCF") of $1,200 million which matures in 2015, of which $85 million was utilized at June 30, 2014.

In connection with its acquisition of ViroPharma on November 11, 2013 Shire entered into a $2,600 million Facilities Agreement with, among others, Morgan Stanley Bank International Limited (acting as lead arranger and agent) (the "Facilities Agreement"). The Facilities agreement was subsequently reduced to $975 million. At June 30, 2014 the Facilities Agreement comprises two credit facilities: (i) a $125 million term loan facility which matures on November 10, 2014, which was fully utilized and recorded within short term borrowing, and (ii) an $850 million term loan facility which

matures on November 11, 2015, which was fully utilized and recorded within long term borrowing. The $125 million term loan facility was subsequently reduced in July 2014 to $nil.

On January 24, 2014 ViroPharma commenced a tender offer to repurchase, at the option of each holder, any and all of ViroPharma's outstanding 2.00% Convertible Senior Notes Due 2017 (the "Convertible Notes") and notified the holders of their separate right to convert the Convertible Notes. As of June 30, 2014, Convertible Note holders had voluntarily converted approximately $205 million aggregate principal amount of the Convertible Notes for a total consideration of $551.3 million. The remaining outstanding Convertible Notes total an aggregate principal amount of $26,000.

Financing

Shire anticipates that its operating cash flow together with available cash, cash equivalents and the RCF will be sufficient to meet its anticipated future operating expenses, capital expenditures, tax and interest payments, lease obligations, repayment of the term loans and milestone payments as they become due over the next twelve months.

If the group decides to acquire other businesses, it expects to fund these acquisitions from cash resources, the RCF and possibly through new borrowings or the issuance of new equity if necessary.

Sources and uses of cash

The following table provides an analysis of the group's gross and net (debt)/cash position (excluding restricted cash), as at June 30, 2014 and December 31, 2013:

	June 30, 2014 $'M	December 31, 2013 $'M
Cash and cash equivalents[1]	153.6	2,239.4
Long term borrowings	(850.0)	-
Short term borrowings	(210.8)	-
Other debt	(13.1)	(8.9)
Total debt	(1,073.9)	(8.9)
Net (debt)/cash[2]	(920.3)	2,230.5

(1) Substantially all of the group's cash and cash equivalents are held by foreign subsidiaries (i.e, those subsidiaries incorporated outside of Jersey, Channel Islands, the jurisdiction of incorporation of Shire plc, Shire's holding company). The amount of cash and cash equivalents held by foreign subsidiaries has not had, and is not expected to have, a material impact on the group's liquidity and capital resources.

(2) Net(debt)/ cash is a Non-GAAP measure. The group believes that Net (debt)/cash is a useful measure as it indicates the level of borrowings after taking account the cash and cash equivalents that could be utilized to pay down the outstanding borrowings.

Cash flow activity

Net cash provided by operating activities for the six months to June 30, 2014 increased by $661.1 million or 158% to $1,080.1 million (2013: $419.0 million), primarily due to higher cash receipts from gross product sales and net cash tax receipts as a result of the $248 million refund from the Canadian revenue authorities, offset by payments for sales deductions, payments of acquisition and integration costs in respect of the acquisition of ViroPharma and cash payments in respect of the One Shire reorganization.

Net cash used in investing activities was $3,938.1 million in the six months to June 30, 2014, principally relating to the cash paid for the acquisition of ViroPharma of $3,997 million (net of cash acquired with ViroPharma of $233 million) and for the acquisition of Lumena of $300 million (net of cash acquired with Lumena of $46 million).

Net cash used in investing activities was $279.3 million in the six months to June 30, 2013, principally relating to the cash paid (net of cash acquired) for the acquisitions of SARcode, Premacure and Lotus and for purchases of PP&E.

Net cash provided by financing activities was $773.3 million for the six months to June 30, 2014, principally due to the drawings, net of subsequent repayments, made under the RCF and Facilities to partially fund the ViroPharma acquisition.

In addition the Group paid cash of $551.5 million to settle the convertible debt assumed with ViroPharma, received cash of $346.7 million upon settlement of a purchased call option acquired with ViroPharma and made a dividend payment of $99.6 million.

Net cash used in financing activities was $317.1 million for the six months to June 30, 2013, principally due to the purchase of shares under the share buy-back program, purchase of shares by the EBT and the dividend payment.

Obligations and commitments

Other than the debt drawings outlined above, and the assumption of certain purchase and contract manufacturing commitments of approximately $330 million and $396 million, respectively, following the acquisition of ViroPharma, during the six months to June 30, 2014 there have been no material changes to the Group's contractual obligations previously disclosed in the Review of our Business of Shire's Annual Report and Accounts for the year ended December 31, 2013.

Principal risks and uncertainties

The Group has adopted a risk management strategy designed to identify, assess and manage the significant risks that it faces. While the Group aims to identify and manage such risks, no risk management strategy can provide absolute assurance against loss.

The principal risks and uncertainties affecting the Group for the remaining six months of 2014 are those described under the headings below. It is not anticipated that the nature of the principal risks and uncertainties disclosed in the Annual Report and Accounts of Shire plc for the year ended December 31, 2013 will change in respect of the second half of 2014, except as indicated below.

The Group's process for managing these risks is consistent with those processes as outlined in the Annual Report and Accounts of Shire plc for the year ended December 31, 2013. Some of these risks are specific to the Group and others are more generally applicable to the healthcare industry in which the Group operates. The Annual Report and Accounts are available on the Group's website, www.shire.com.

In summary, these risks and uncertainties were as follows:

Risk factors related to Shire's business:

- The Group'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 the Group's products may impact future revenues, financial condition and results of operations.
- The Group conducts its own manufacturing operations for certain of its Rare Diseases products and is reliant on third party contract manufacturers to manufacture other products and to provide goods and services. Some of the Group's products or ingredients are only available from a single approved source for manufacture. Any disruption to the supply chain for any of the Group's products may result in the Group being unable to continue marketing or developing a product or may result in the Group being unable to do so on a commercially viable basis for some period of time.
- The development, approval and manufacturing of the Group's products is subject to extensive oversight by various regulatory agencies and 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 the Group's ability to sell or market products profitably. Fluctuations in buying or distribution patterns by such customers can adversely impact the Group's revenues, financial conditions or results of operations
- Investigations or enforcement action by regulatory authorities or law enforcement agencies relating to the Group's activities in the highly regulated markets in which it operates may result in 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 the Group's revenues, financial condition or results of operations
- The Group faces intense competition for highly qualified personnel from other companies, academic institutions, government entities and other organizations. The Group is undergoing a corporate reorganization and the consequent uncertainty could adversely impact the Group's ability to attract and/or retain the highly skilled personnel needed for the Group to meet its strategic objectives
- Failure to achieve the Group's strategic objectives with respect to the acquisition of ViroPharma may adversely affect the Group's financial condition and results of operations.

Risk factors related to the healthcare industry in general:

- The actions of governments, industry regulators and the economic environments in which the Group operates may adversely affect its ability to develop and profitably market its products
- A slowdown of global economic growth, or continued instability of the Eurozone, could have negative consequences for the Group's business and increase the risk of non-payment by the Group's customers
- The introduction of new products by competitors may impact future revenues
- The successful development of products is highly uncertain and requires significant expenditures and time
- The failure of a strategic partner to develop and commercialize products could result in delays in development, approval or loss of revenue
- The failure to secure new products or compounds for development either through in-licensing, acquisition or internal research and development efforts, or the failure to realize expected benefits from acquisitions of businesses or products, may have an adverse impact on the Group's future results
- The Group may fail to obtain, maintain, enforce or defend the intellectual property rights required to conduct its business
- If a marketed product fails to work effectively or causes adverse side effects, this could result in damage to the Group's reputation, the withdrawal of the product and legal action against the Group

In addition to above risk factors, the Group considers that the following additional risk and uncertainty is also relevant for the remaining six months of 2014:

- The recommended combination with AbbVie Inc. is subject to a number of conditions, including approval by shareholders and regulators.

Directors' responsibility statement

The Directors confirm that this condensed consolidated set of financial statements has been prepared in accordance with US GAAP and that the Half Yearly Report herein includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R.

The Directors of Shire plc are listed in Shire's Annual Report and Accounts for the year ended December 31, 2013, with the exception of the following changes:

- Matthew Emmens retired from the Board on April 29, 2014;
- Susan Kilsby was appointed chairman of the Board on April 29, 2014; and
- Graham Hetherington stepped down from the Board on March 1, 2014.

Details of all current Directors are available on Shire's website at www.shire.com.

On behalf of the Board:

Flemming Ornskov, M.D.
Chief Executive Officer
August 1, 2014

SHIRE PLC
UNAUDITED CONSOLIDATED BALANCE SHEETS

	Notes	June 30, 2014 $'M	December 31, 2013 $'M
ASSETS			
Current assets:			
Cash and cash equivalents		153.6	2,239.4
Restricted cash		34.1	22.2
Accounts receivable, net	6	1,051.5	961.2
Inventories	7	585.0	455.3
Assets held for sale		-	31.6
Deferred tax asset		370.2	315.6
Prepaid expenses and other current assets	9	418.6	263.0
Total current assets		2,613.0	4,288.3
Non-current assets:			
Investments		40.1	31.8
Property, plant and equipment, net		852.5	891.8
Goodwill	10	2,283.4	624.6
Other intangible assets, net	11	5,325.5	2,312.6
Deferred tax asset		145.7	141.1
Other non-current assets		84.2	32.8
Total assets		11,344.4	8,323.0
LIABILITIES AND EQUITY			
Current liabilities:			
Accounts payable and accrued expenses	12	1,783.0	1,688.4
Short term borrowings	14	210.8	-
Other current liabilities	13	222.8	119.5
Total current liabilities		2,216.6	1,807.9
Non-current liabilities:			
Long term borrowings	14	850.0	-
Deferred tax liability		1,403.6	560.6
Other non-current liabilities	15	755.1	588.5
Total liabilities		5,225.3	2,957.0
Commitments and contingencies	16		

SHIRE PLC
UNAUDITED CONSOLIDATED BALANCE SHEETS (continued)

	Notes	June 30, 2014 $'M	December 31, 2013 $'M
Equity:			
Common stock of 5p par value; 1,000 million shares authorized; and 598.3 million shares issued and outstanding (2013: 1,000 million shares authorized; and 597.5 million shares issued and outstanding)		58.6	58.6
Additional paid-in capital		4,271.1	4,186.3
Treasury stock: 11.4 million shares (2013: 13.4 million shares)		(368.1)	(450.6)
Accumulated other comprehensive income	17	124.1	110.2
Retained earnings		2,033.4	1,461.5
Total equity		6,119.1	5,366.0
Total liabilities and equity		11,344.4	8,323.0

The accompanying notes are an integral part of these unaudited consolidated financial statements.

SHIRE PLC
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

	Notes	6 months to June 30, 2014 $'M	6 months to June 30, 2013 $'M
Revenues:			
Product sales		2,777.7	2,306.1
Royalties		61.5	74.8
Other revenues		9.7	14.7
Total revenues		2,848.9	2,395.6
Costs and expenses:			
Cost of product sales		506.5	311.7
Research and development[1]		597.4	477.1
Selling, general and administrative [1]		926.5	801.7
Goodwill impairment charge		-	7.1
Gain on sale of product rights	3	(40.2)	(11.0)
Reorganization costs	4	95.2	35.2
Integration and acquisition costs	5	118.7	21.5
Total operating expenses		2,204.1	1,643.3
Operating income from continuing operations		644.8	752.3
Interest income		19.2	1.2
Interest expense		(18.9)	(18.3)
Other income/(expense), net		8.0	(2.3)
Total other income/(expense), net		8.3	(19.4)
Income from continuing operations before income taxes and equity in earnings of equity method investees		653.1	732.9
Income taxes	22	125.9	(161.9)
Equity in earnings of equity method investees, net of taxes		2.4	0.9
Income from continuing operations, net of taxes		781.4	571.9
Loss from discontinued operations, net of taxes	8	(27.9)	(249.0)
Net income		753.5	322.9

(1) Research and development ("R&D") includes intangible asset impairment charges of $188.0 million for the six months to June 30, 2014 (2013: $19.9 million). Selling, general and administrative ("SG&A") costs include amortization of intangible assets relating to intellectual property rights acquired of $119.0 million for the six months to June 30, 2014 (2013: $72.0 million).

SHIRE PLC
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME (continued)

	Notes	6 months to June 30, 2014	6 months to June 30, 2013
Earnings per ordinary share - basic			
Earnings from continuing operations		133.6c	103.9c
Loss from discontinued operations		(4.8c)	(45.3c)
Earnings per ordinary share - basic		128.8c	58.6c
Earnings per ordinary share - diluted			
Earnings from continuing operations		132.3c	99.9c
Loss from discontinued operations		(4.7c)	(42.4c)
Earnings per ordinary share - diluted		127.6c	57.5c
Basic	20	585.3	550.5
Diluted	20	590.3	587.5

The accompanying notes are an integral part of these unaudited consolidated financial statements.

SHIRE PLC
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	6 months to June 30, 2014 $'M	6 months to June 30, 2013 $'M
Net income	753.5	322.9
Other comprehensive income:		
Foreign currency translation adjustments	10.2	(34.5)
Unrealized holding (loss)/gain on available-for-sale securities (net of taxes of $0.4 million, $0.9 million, $2.1 million and $1.1 million)	3.7	(0.2)
Comprehensive income	767.4	288.2

The components of accumulated other comprehensive income as at June 30, 2014 and December 31, 2013 are as follows:

	June 30, 2014 $'M	December 31, 2013 $'M
Foreign currency translation adjustments	120.6	110.4
Unrealized holding gain/(loss) on available-for-sale securities, net of taxes	3.5	(0.2)
Accumulated other comprehensive income	124.1	110.2

The accompanying notes are an integral part of these unaudited consolidated financial statements.

SHIRE PLC
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(In millions of US dollars except share data)

	Shire plc shareholders' equity						
	Common stock Number of shares M's	Common stock $'M	Additional paid-in capital $'M	Treasury stock $'M	Accumulated other comprehensive income $'M	Retained earnings $'M	Total equity $'M
As at January 1, 2014	597.5	58.6	4,186.3	(450.6)	110.2	1,461.5	5,366.0
Net income	-	-	-	-	-	753.5	753.5
Other comprehensive income, net of tax	-	-	-	-	13.9	-	13.9
Options exercised	0.8	-	-	-	-	-	-
Share-based compensation	-	-	55.7	-	-	-	55.7
Tax benefit associated with exercise of stock options	-	-	29.1	-	-	-	29.1
Shares released by Employee Benefit Trust ("EBT") to satisfy exercise of stock options	-	-	-	82.5	-	(82.0)	0.5
Dividends	-	-	-	-	-	(99.6)	(99.6)
As at June 30, 2014	598.3	58.6	4,271.1	(368.1)	124.1	2,033.4	6,119.1

The accompanying notes are an integral part of these unaudited consolidated financial statements.

Dividends per share

During the six months to June 30, 2014 Shire plc declared and paid dividends of 16.93 US cents per ordinary share (equivalent to 50.79 US cents per ADS) totalling $99.6 million.

SHIRE PLC
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	6 months to June 30, 2014 $'M	6 months to June 30, 2013 $'M
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	753.5	322.9
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	204.8	151.2
Share based compensation	55.7	36.4
Change in fair value of contingent consideration	21.4	13.7
Impairment of intangible assets	188.0	19.9
Goodwill impairment charge	-	198.9
Write down of assets	13.0	8.3
Gain on sale of product rights	(40.2)	(11.0)
Unwind of ViroPharma inventory fair value step-up	72.5	-
Other, net	14.1	(1.1)
Movement in deferred taxes	25.3	21.2
Equity in earnings of equity method investees	(2.4)	(0.9)
Changes in operating assets and liabilities:		
Increase in accounts receivable	(37.3)	(102.6)
Increase in sales deduction accruals	106.0	40.0
Increase in inventory	(11.7)	(53.9)
Increase in prepayments and other assets	(137.5)	(66.5)
Decrease in accounts and notes payable and other liabilities	(145.1)	(160.7)
Returns on investment from joint venture	-	3.2
Net cash provided by operating activities [(A)]	1,080.1	419.0
CASH FLOWS FROM INVESTING ACTIVITIES:		
Movements in restricted cash	(11.9)	(0.5)
Purchases of subsidiary undertakings and businesses, net of cash acquired	(4,018.3)	(227.8)
Purchases of non-current investments	(3.1)	(6.7)
Purchases of property, plant and equipment ("PP&E")	(19.1)	(65.0)
Proceeds from short-term investments	56.3	-
Proceeds from disposal of non-current investments	8.0	7.7
Proceeds received on sale of product rights	52.8	10.3
Other, net	(2.8)	2.7
Net cash used in investing activities [(B)]	(3,938.1)	(279.3)

SHIRE PLC
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

	6 months to June 30, 2014 $'M	6 months to June 30, 2013 $'M
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from revolving line of credit, long-term and short-term borrowings	2,310.8	-
Repayment of revolving line of credit	(1,251.6)	-
Repayment of debt acquired through business combinations	(551.5)	-
Proceeds from ViroPharma call options	346.7	-
Payment of dividend	(99.6)	(79.2)
Excess tax benefit associated with exercise of stock options	29.1	6.1
Contingent consideration payments	(10.3)	(8.8)
Payments to acquire shares under the share buy-back program	-	(177.7)
Payments to acquire shares by the EBT	-	(50.0)
Other, net	(0.3)	(7.5)
Net cash provided by/(used in) financing activities[C]	773.3	(317.1)
Effect of foreign exchange rate changes on cash and cash equivalents [D]	(1.1)	(2.9)
Net decrease in cash and cash equivalents [A+B+C+D]	(2,085.8)	(180.3)
Cash and cash equivalents at beginning of period	2,239.4	1,482.2
Cash and cash equivalents at end of period	153.6	1,301.9

Supplemental information associated with continuing operations:

	6 months to June 30, 2014 $'M	6 months to June 30, 2013 $'M
Interest paid	(7.7)	(16.9)
Income taxes received/(paid)	82.9	(196.8)

The accompanying notes are an integral part of these unaudited consolidated financial statements.

SHIRE PLC
NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

(a) Basis of preparation

These interim financial statements of Shire plc and its subsidiaries (collectively "Shire" or the "Company") and other financial information included in this Half Yearly Report are unaudited. They have been prepared in accordance with generally accepted accounting principles in the United States of America ("US GAAP") and US Securities and Exchange Commission ("SEC") regulations for interim reporting.

The balance sheet as at December 31, 2013 was derived from audited financial statements but does not include all disclosures required by US GAAP.

These interim financial statements should be read in conjunction with the consolidated financial statements and accompanying notes included in the Shire's Annual Report and Accounts for the year to December 31, 2013.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with US GAAP have been condensed or omitted from these interim financial statements. However, these interim financial statements include all adjustments, which are, in the opinion of management, necessary to fairly state the results of the interim period and the Group believes that the disclosures are adequate to make the information presented not misleading. Interim results are not necessarily indicative of results to be expected for the full year.

(b) Use of estimates in interim financial statements

The preparation of interim financial statements, in conformity with US GAAP and SEC regulations, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are primarily made in relation to the valuation of intangible assets, sales deductions, income taxes (including provisions for uncertain tax positions and the realization of deferred tax assets), provisions for litigation and legal proceedings, contingent consideration receivable from product divestments and contingent consideration payable in respect of business combinations and asset purchases. If actual results differ from the Group's estimates, or to the extent these estimates are adjusted in future periods, the Group's results of operations could either benefit from, or be adversely affected by, any such change in estimate.

(c) New accounting pronouncements

To be adopted in future periods

Reporting discontinued operations and disclosures of disposals of components of an entity

In April 2014 the Financial Accounting Standard Board ("FASB") issued guidance on the reporting of discontinued operations and disclosures of disposals of components of an entity. The amendments in this update revise the definition of discontinued operations by limiting discontinued operations reporting to disposals of components of an entity that represent strategic shifts that have (or will have) a major effect on an entity's operations and financial results. The guidance requires expanded disclosures for discontinued operations which provide users of financial statements with more information about the assets, liabilities, revenues, and expenses of discontinued operations. The guidance also requires an entity to disclose the pre-tax profit or loss of an individually significant component of an entity that does not qualify for discontinued operations reporting.

The guidance will be effective for disposals (or classifications as held for sale) of components of an entity that occur within annual periods beginning on or after December 15, 2014, and interim periods within annual periods beginning on or after December 15, 2015. Early adoption is permitted, but only for disposals (or classifications as held for sale) that have not been reported in financial statements previously issued or available for issuance. The Group does not expect the adoption of this guidance to have a material effect on its consolidated financial position, results of operations and cash flows.

Revenue from Contracts with Customers

In May 2014 the FASB and the International Accounting Standard Board (together as the "Accounting Standard Board") issued a new accounting standard that is intended to clarify and converge the financial reporting requirements for revenue from contracts with customers. The core principle of the standard is that an "entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services". To achieve that core principle the Accounting Standard Board developed a five-step model (as presented below) and related application guidance, which will replace most existing revenue recognition guidance in US GAAP.

Five-step model:

Step 1: Identify the contract(s) with a customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

The Accounting Standard Board also issued new qualitative and quantitative disclosure requirements as part of the new accounting standard which aims to enable financial statement users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The guidance is effective for annual periods beginning after December 15, 2016. Early adoption is not permitted. The Group is currently evaluating the impact of adopting this guidance.

Elimination of Certain Financial Reporting Requirements, Including an Amendment to Variable Interest Entities Guidance in Topic 810, Consolidation

In June 2014 the FASB issued guidance on the reporting requirements for development stage entities. The amendments in this update simplify the existing guidance by removing all incremental financial reporting requirements for development stage entities. The amendments also eliminate an exception provided to development stage entities in Topic 810, Consolidation, for determining whether an entity is a variable interest entity on the basis of the amount of equity that is at risk. The elimination of the exception may change the consolidation analysis, consolidation decision, and disclosure requirements for a reporting entity that has an interest in an entity in the development stage. The guidance is effective for annual reporting periods beginning after December 15, 2014, and interim periods therein. The guidance to eliminate the exception to the sufficiency-of-equity-at-risk criterion for development stage entities should be applied retrospectively for annual reporting periods beginning after December 15, 2015, and interim periods therein. Early application of each of the amendments is permitted for any annual reporting period or interim period for which the entity's financial statements have not yet been issued. The Group is currently evaluating the impact of adopting this guidance.

(d) Going concern

Shire anticipates that its operating cash flow together with available cash, cash equivalents and the RCF will be sufficient to meet its anticipated future operating expenses, capital expenditures, tax and interest payments, lease obligations, repayment of the term loans and milestone payments as they become due over the next twelve months.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis of accounting in preparing the half-yearly report.

2. Business combinations

Acquisition of ViroPharma Incorporated ("ViroPharma")

On January 24, 2014, Shire completed its acquisition of 100% of the outstanding share capital of ViroPharma. The acquisition-date fair value of cash consideration paid on closing was $3,997 million.

The acquisition of ViroPharma added CINRYZE (C1 esterase inhibitor [human]) to Shire's portfolio of currently marketed products. CINRYZE is a leading brand for the prophylactic treatment of Hereditary Angioedema ("HAE") in adolescents and adults.

The acquisition of ViroPharma has been accounted for as a purchase business combination using the acquisition method. The assets acquired and the liabilities assumed from ViroPharma have been recorded at their preliminary fair values at the date of acquisition, being January 24, 2014. The Group's consolidated financial statements include the results of ViroPharma from January 24, 2014.

The amount of ViroPharma's post acquisition revenues and pre-tax losses included in the Group's consolidated statement of income for the six months to June 30, 2014 were $234.3 million and $79.2 million, respectively. The pre-tax loss is stated after charges on the unwind of inventory fair value adjustments of $72.5 million, intangible asset amortization of $50.1 million and integration costs of $60.7 million.

The Group's preliminary allocation of the purchase price to the assets acquired and liabilities assumed, including certain immaterial measurement period adjustments recorded in the second quarter of 2014, is outlined below:

	Preliminary Fair value $'M
Identifiable assets acquired and liabilities assumed	
ASSETS	
Current assets:	
Cash and cash equivalents	232.6
Short term investments	57.8
Accounts receivable	52.2
Inventories	203.6
Deferred tax assets	100.2
Purchased call option	346.7
Other current assets	42.9
Total current assets	1,036.0
Non-current assets:	
Property, plant and equipment	24.7
Goodwill	1,535.8
Other intangible assets	
- Currently marketed products	2,320.0
- In-process research and development ("IPR&D")	530.0
Other non-current assets	10.4
Total assets	5,456.9
LIABILITIES	
Current liabilities:	
Accounts payable and other current liabilities	116.5
Convertible bond	551.4
Non-current liabilities:	
Deferred tax liabilities	695.9
Other non-current liabilities	96.1
Total liabilities	1,459.9
Fair value of identifiable assets acquired and liabilities assumed	3,997.0
Consideration	
Cash consideration paid	3,997.0

The purchase price allocation is preliminary pending final determination of the fair values of certain assets and liabilities. The final determination of these fair values will be completed as soon as possible but no later than one year from the acquisition date.

(a) Other intangible assets – currently marketed products

Other intangible assets totaling $2,320.0 million relate to intellectual property rights acquired for ViroPharma's currently marketed products, primarily attributed to CINRYZE, for the routine prophylaxis against HAE attacks in adolescent and adult patients. Shire also obtained intellectual property rights to three other commercialized products, PLENADREN, an orphan drug for the treatment of adrenal insufficiency in adults, BUCCOLAM, an oromucosal solution for the treatment of prolonged, acute, and convulsive seizures in infants, toddlers, children and adolescents and VANCOCIN, an oral capsule formulation for the treatment of C. difficile-associated diarrhea ("CDAD"). The preliminary fair value of currently marketed products has been estimated using an income approach, based on the present value of incremental after tax cash flows attributable to each separately identifiable intangible asset.

The estimated useful lives of the CINRYZE, PLENADREN, BUCCOLAM and VANCOCIN intangible assets range from 3 to 23 years (weighted average 21 years), with amortization being recorded on a straight line basis.

(b) Other intangible assets – IPR&D

IPR&D relates to development projects acquired with ViroPharma that have been initiated and have achieved material progress and whose fair value is estimable with reasonable certainty but (i) have not yet reached technological feasibility or have not yet received the relevant regulatory approval and (ii) have no alternative future use.

IPR&D, totaling $530.0 million principally relates to Maribavir, an investigational antiviral product for cytomegalovirus and VP20621, a non-toxigenic strain of C.difficile for the treatment and prevention of CDAD. The preliminary fair value of these IPR&D assets has been estimated based on an income approach, using the present value of incremental after tax cash flows expected to be generated by these development projects after the deduction of contributory asset charges for other assets employed in these projects. The estimated cash flows have been probability adjusted to take into account their stage of completion and the remaining risks and uncertainties surrounding their future development and commercialization.

The major risks and uncertainties associated with the timely completion of the acquired IPR&D projects include the ability to confirm the efficacy of the technology based on the data from clinical trials, and obtaining the relevant regulatory approvals as well as other risks as described in the Principal risks and uncertainties section of this Half Yearly Report. The valuation of IPR&D has been based on information available at the time of the acquisition and on expectations and assumptions that (i) have been deemed reasonable by the Group's management and (ii) are based on information, expectations and assumptions that would be available to a market participant. However, no assurance can be given that the assumptions and events associated with such assets will occur as projected. For these reasons, the actual cash flows may vary from forecast future cash flows.

The estimated probability adjusted after tax cash flows used in fair valuing other intangible assets have been discounted at rates ranging from 9.5% to 10.0%.

(c) Goodwill

Goodwill arising of $1,535.8 million, which is not deductible for tax purposes, includes the expected operational synergies that will result from combining the operations of ViroPharma with the operations of Shire; other synergies expected to be realized due to Shire's structure; intangible assets that do not qualify for separate recognition at the time of the acquisition; and the value of the assembled workforce.

In the six months to June 30, 2014 the Group expensed costs of $95.0 million (2013: $nil) relating to the acquisition and post-acquisition integration of ViroPharma, which have been recorded within Integration and acquisition costs in the Group's consolidated statement of income.

Supplemental disclosure of pro forma information

The following unaudited pro forma financial information presents the combined results of the operations of Shire and ViroPharma as if the acquisition of ViroPharma had occurred as at January 1, 2013. The unaudited pro forma financial information is not necessarily indicative of what the consolidated results of operations actually would have been had the acquisition been completed at the date indicated. In addition, the unaudited pro forma financial information does not purport to project the future results of operations of the combined Company.

	6 months to June 30, 2014 $'M	6 months to June 30, 2013 $'M
Revenues	2,880.7	2,606.4
Net income from continuing operations	770.8	379.0
Per share amounts:		
Net income from continuing operations per share - basic	131.8c	68.8c
Net income from continuing operations per share - diluted	130.5c	64.5c

The unaudited pro forma financial information above reflects the following pro forma adjustments:

(i) an adjustment to decrease net income by $33.8 million for the period to June 30, 2013 to reflect acquisition costs incurred by Shire, and increase net income by $23.2 million for the period to June 30, 2014 to eliminate acquisition costs incurred;

(ii) an adjustment to decrease net income by $46.8 million for the period to June 30, 2013, to reflect charges on the unwind of inventory fair value adjustments as acquisition date inventory is sold, and a corresponding increase in net income for the period to June 30, 2014;

(iii) an adjustment of $24.1 million in the period to June 30, 2013 to reflect additional interest expense associated with the drawdown of debt to partially finance the acquisition of ViroPharma and the amortization of related deferred debt issuance costs;

(iv) an adjustment to increase amortization expense by approximately $4.7 million in the period to June 30, 2014 and $24.6 million in the period to June 30, 2013, related to amortization of the fair value of identifiable intangible assets acquired and the elimination of ViroPharma's historical intangible asset amortization expense;

(v) an adjustment to reflect the additional depreciation expense ($0.1 million and $0.3 million in the period to June 30, 2014 and June 30, 2013 respectively) related to the fair value adjustment to property, plant and equipment acquired;

(vi) adjustments to reflect the tax effects of the above adjustments, where applicable.

Acquisition of Lumena Pharmaceuticals, Inc. ("Lumena")

On June 11, 2014 Shire completed the acquisition of 100% of the outstanding share capital of Lumena. The acquisition date fair value of the consideration totalled $464.3 million, comprising cash consideration paid on closing of $300.3 million and the fair value of contingent consideration payable of $164 million. The maximum amount of contingent cash consideration which may be payable by Shire in future periods is $265 million dependent upon achievement of certain clinical development milestones.

This acquisition brings two novel, orally active therapeutic compounds SHP625 (formerly LUM001), in Phase 2 clinical development and SHP626 (formerly LUM002), ready to enter Phase 2 clinical development later in 2014. Both products

are inhibitors of the apical sodium-dependent bile acid transport ("ASBT"), which is primarily responsible for recycling bile acids from the intestine to the liver. SHP625 is being investigated for the potential relief of the extreme itching associated with cholestatic liver disease. SHP626 is in development for the treatment of nonalcoholic steatohepatitis.

The acquisition of Lumena has been accounted as a business combination using the acquisition method. The assets and liabilities assumed from Lumena have been recorded at their preliminary fair values at the date of acquisition, being June 11, 2014. The Group's consolidated financial statements and results of operations include the results of Lumena from June 11, 2014.

The purchase price allocation is preliminary pending the determination of the fair values of certain assets and liabilities assumed. The purchase price has been allocated on a preliminary basis to acquired IPR&D ($467 million), net current assets assumed ($47.6 million, including cash of $46.3 million), net non-current liabilities assumed (including deferred tax liabilities) ($174.2 million) and goodwill ($123.9 million). The final determination of these fair values will be completed as soon as possible but no later than one year from the acquisition date. Goodwill arising of $123.9 million is not deductible for tax purposes.

In the six months to June 30, 2014 the Group has expensed costs of $1.5 million (2013: $nil) relating to the Lumena acquisition, which have been recorded within Integration and acquisition costs in the Group's consolidated income statement.

Unaudited pro forma financial information to present the combined results of operations of Shire and Lumena are not provided as the impact of this acquisition is not material to the Group's results of operations for any period presented.

Acquisition of Fibrotech Therapeutics Pty Ltd. ("Fibrotech")

On July 4, 2014 Shire completed its acquisition of Fibrotech, an Australian biopharmaceutical company developing a new class of orally available drugs with a novel mechanism of action which has the potential to address both the inflammatory and fibrotic components of disease processes. The acquisition of Fibrotech is expected to strengthen the Group's growing and innovative portfolio targeting renal and fibrotic diseases, and leverage existing renal capabilities.

Cash consideration paid on closing was $75.0 million. Further contingent cash consideration of up to $482.5 million may be payable by the Group in future periods dependent upon the achievement of certain clinical development and regulatory milestones.

The acquisition of Fibrotech will be accounted for as a business combination using the acquisition method. The assets acquired and liabilities assumed from Fibrotech will be recorded at the date of acquisition, at their fair value. Shire's consolidated financial statements will reflect these fair values at, and the results of Fibrotech will be included in Shire's consolidated statement of income from, July 4, 2014. As the initial accounting for this business combination has not yet been completed, further disclosures relating to this acquisition will be included in Shire's Annual Report and Accounts for the year to December 31, 2014.

Acquisition of Bikam Pharmaceuticals, Inc. ("Bikam")

On July 9, 2014 Shire completed the acquisition of Bikam, a biopharmaceutical company with pre-clinical compounds that could provide an innovative approach to treating autosomal dominant retinitis pigmentosa (adRP). Cash consideration paid on closing was $2.5 million. Further contingent consideration of up to $92.0 million may be payable by the Group in future periods dependent upon the achievement of certain development, regulatory and sales milestones. As the initial accounting for this business combination has not yet been completed, further disclosures relating to this acquisition will be included in Shire's Annual Report and Accounts for the year to December 31, 2014.

3. Divestment of product rights

On January 1, 2014 the Group transferred the marketing authorizations for the CALCICHEW range of products in the UK and Ireland to Takeda Pharmaceutical Company Limited. In addition in the first quarter of 2014 Shire received cash consideration of $43.5 million from the sale of certain CALCICHEW trade marks to Takeda, resulting in a gain (net of taxes) of $43.5 million being recorded in the consolidated statement of income.

In the six months to June 30, 2014 the Group recorded total gains on the sale of product rights of $40.2 million (2013: $11.0 million), related to the sale of CALCICHEW trademarks to Takeda and the re-measurement of contingent consideration receivable from the divestment of DAYTRANA.

4. Reorganization costs

One Shire business reorganization

On May 2, 2013, the Group initiated the reorganization of its business to integrate the three divisions into a simplified One Shire organization in order to drive future growth and innovation.

As part of the One Shire reorganization, the Group undertook a review of all of its pipeline programs and identified those projects that fit with the Group's new strategic direction and have an acceptable likelihood of success. Shire's pre-clinical investments are now primarily focused on Rare Diseases, meaning that the majority of other pre-clinical projects have been discontinued. Several clinical programs have also been discontinued. The impact of the prioritization and rationalization of the Group's development portfolio means many of the R&D programs previously run from Basingstoke, UK have ceased. Taken together with the overall streamlining of the R&D organization, this has resulted in a significant number of R&D roles in Basingstoke being eliminated and some positions being re-located. A small number of functional roles that support R&D in Basingstoke have also been affected.

In addition the Group has also relocated its international commercial hub from Nyon, Switzerland to Zug, Switzerland. All Nyon-based employees have been impacted by the One Shire transition and the move to Zug. Shire is now in the new Zug office and is providing employees with a reasonable period of time to manage their relocations.

In the six months to June 30, 2014 the Group incurred reorganization costs totaling $95.2 million respectively, relating to employee involuntary termination benefits and other reorganization costs. Reorganization costs of $159.8 million have been incurred since May 2013. The One Shire reorganization is expected to be substantially completed by the end of 2014. Currently, the Group estimates that further costs in respect of the One Shire reorganization of approximately $55 million will be expensed as incurred during 2014.

The liability for reorganization costs arising from the One Shire business reorganization at June 30, 2014 is as follows:

	Opening liability at January 1, 2014 $'M	Amount charged to re-organization $'M	Paid/Utilized $'M	Closing liability at June 30, 2014 $'M
Involuntary termination benefits	15.3	83.7	(92.9)	6.1
Other reorganization costs	9.5	11.5	(20.2)	0.8
	24.8	95.2	(113.1)	6.9

At June 30, 2014 the closing reorganization cost liability was recorded within accounts payable and accrued expenses ($6.9 million).

5. Integration and acquisition costs

For the six months to June 30, 2014 Shire recorded integration and acquisition costs of $118.7 million (2013: $21.5 million), comprising costs of $97.3 million primarily related to the acquisition and integration of ViroPharma and a net charge of $21.4 million relating to the change in fair values of contingent consideration liabilities. The change in fair value of contingent consideration liabilities in the first half of 2014 principally relates to the acquisition of SARcode (as described above) and the acquisition of FerroKin, reflecting the decision to place the ongoing Phase 2 clinical trial for SHP 602 on clinical hold.

In the six months to June 30, 2013 integration and acquisition costs primarily related to the acquisition of SARcode and Lotus Tissue Repair Inc. ("Lotus Tissue Repair") in addition to net charges related to the change in fair values of contingent consideration liabilities.

6. Accounts receivable, net

Accounts receivable at June 30, 2014 of $1,051.5 million (December 31, 2013: $961.2 million), are stated net of a provision for discounts and doubtful accounts of $45.3 million (December 31, 2013: $47.9 million).

Provision for discounts and doubtful accounts:

	2014 $'M	2013 $'M
As at January 1,	47.9	41.7
Provision charged to operations	163.1	150.8
Provision utilization	(165.7)	(150.7)
As at June 30,	45.3	41.8

At June 30, 2014 accounts receivable included $29.4 million (December 31, 2013: $37.8 million) related to royalty income.

7. Inventories

At June 30, 2014 inventories include $21.9 million in respect of the fair value of inventories acquired with ViroPharma, stated at fair value (being estimated selling price less estimated costs to complete and sell). All other inventories are stated at the lower of cost or market. Inventories comprise:

	June 30, 2014 $'M	December 31, 2013 $'M
Finished goods	191.8	156.6
Work-in-progress	279.9	240.5
Raw materials	113.3	58.2
	585.0	455.3

8. Results of discontinued operations

Following the divestment of the Group's DERMAGRAFT® business in January 2014, the Group recorded charges of $27.9 million in the six months to June 30, 2014, primarily relating to costs associated with the divestment. These costs have been presented within discontinued operations in the consolidated income statement.

The operating results associated with the DERMAGRAFT business have been classified as discontinued operations in the consolidated statements of income for all periods presented. The components of discontinued operations which relate to the DERMAGRAFT business are as follows:

	6 months to June 30, 2014 $'M	6 months to June 30, 2013 $'M
Revenues:		
Product revenues	1.9	40.7
Loss from discontinued operations before income taxes	(43.9)	(281.3)
Income taxes	16.0	32.3
Loss from discontinued operations, net of taxes	(27.9)	(249.0)

The loss from discontinued operations before income taxes in the six months to June 30, 2013 includes a charge of $191.8 million, being the proportion of the Regenerative Medicine ("RM") reporting unit goodwill impairment charge that related to the DERMAGRAFT business.

9. Prepaid expenses and other current assets

	June 30, 2014 $'M	December 31, 2013 $'M
Prepaid expenses	57.4	29.4
Income tax receivable	286.2	177.4
Value added taxes receivable	14.5	14.5
Other current assets	60.5	41.7
	418.6	263.0

10. Goodwill

	June 30, 2014 $'M	December 31, 2013 $'M
Goodwill arising on businesses acquired	2,283.4	624.6

In the six months to June 30, 2014 the Group completed the acquisition of ViroPharma and Lumena, which resulted in goodwill with a preliminary value of $1,535.8 million and $123.9 million, respectively (see Note 2 for details).

	2014 $'M	2013 $'M
As at January 1,	624.6	644.5
Acquisitions	1,662.7	170.3
Goodwill impairment charge related to continuing operations	-	(7.1)
Goodwill impairment charge related to DERMAGRAFT business recorded to discontinued operations	-	(191.8)
Foreign currency translation	(3.9)	(4.3)
As at June 30,	2,283.4	611.6

In the six months to June 30, 2013 the Group recorded an impairment charge of $198.9 million related to the goodwill allocated to the former RM reporting unit. Following the divestment of the DERMAGRAFT business, $191.8 million of the impairment charge was reclassified to discontinued operations, being the portion of the former RM reporting unit goodwill impairment charge that related to the DERMAGRAFT business.

11. Other intangible assets, net

	June 30, 2014 $'M	December 31, 2013 $'M
Amortized intangible assets		
Intellectual property rights acquired for currently marketed products	4,911.7	2,573.3
Other intangible assets	30.0	46.1
	4,941.7	2,619.4
Unamortized intangible assets		
Intellectual property rights acquired for IPR&D	1,760.5	951.5
	6,702.2	3,570.9
Less: Accumulated amortization	(1,376.7)	(1,258.3)
	5,325.5	2,312.6

The change in the net book value of other intangible assets for the six months to June 30, 2014 and 2013 is shown in the table below:

	Other intangible assets	
	2014 $'M	2013 $'M
As at January 1,	2,312.6	2,388.1
Acquisitions	3,321.4	732.8
Amortization charged	(119.0)	(72.0)
Amortization charged on DERMAGRAFT product technology, presented within discontinued operations in the consolidated income statement	-	(19.7)
Impairment charges	(188.0)	(19.9)
Foreign currency translation	(1.5)	(11.2)
As at June 30,	5,325.5	2,998.1

In the six months to June 30, 2014 the Group acquired intangible assets totaling $3,321.4 million, primarily relating to the preliminary fair value of currently marketed intangible assets of $2,320.0 million and IPR&D assets of $997 million, which were acquired with ViroPharma and Lumena (see Note 2 for further details).

The Group reviews its intangible assets for impairment whenever events or circumstances suggest that their carrying value may not be recoverable. In the six months to June 30, 2014 the Group identified indicators of impairment in respect of its SHP602 (iron chelating agent for the treatment of iron overload secondary to chronic transfusion) and SHP613 (for the treatment of improvement in patency of arteriovenous access in hemodialysis patients) IPR&D assets.

The indicators of impairment related to SHP602 included the decision in the first quarter of 2014 to place the ongoing Phase 2 clinical trial in pediatric and adult patients on hold while certain nonclinical findings are analyzed and evaluated. The Group therefore reviewed the recoverability of its SHP602 IPR&D asset in the first quarter of 2014 and recorded an impairment charge of $166.0 million within R&D expenses in the consolidated statement of income to record the SHP602 IPR&D asset to its revised fair value. This fair value was based on the revised discounted cash flow forecasts associated with SHP602, which included a reduced probability of commercial launch, and an overall delay in the forecast timing of launch.

The indicators of impairment related to SHP613 comprised the decision in the second quarter of 2014 to discontinue further development of this asset based on portfolio prioritization as well as unexpected challenges and complexities with the development program. In the second quarter of 2014 the Group recorded an impairment charge of $22.0 million within R&D expenses in the consolidated statement of income to fully write-off the SHP613 IPR&D asset.

Management estimates that the annual amortization charge in respect of intangible assets held at June 30, 2014 will be approximately $232 million for each of the five years to June 30, 2019. Estimated amortization expense can be affected by various factors including future acquisitions, disposals of product rights, regulatory approval and subsequent amortization of acquired IPR&D projects, foreign exchange movements and the technological advancement and regulatory approval of competitor products.

12. Accounts payable and accrued expenses

	June 30, 2014 $'M	December 31, 2013 $'M
Trade accounts payable and accrued purchases	232.1	202.6
Accrued rebates – Medicaid	570.9	549.1
Accrued rebates – Managed care	362.2	258.1
Sales return reserve	89.1	98.8
Accrued bonuses	68.3	130.9
Accrued employee compensation and benefits payable	95.2	79.4
R&D accruals	66.3	69.6
Provisions for litigation losses and other claims	65.6	71.7
Other accrued expenses	233.3	228.2
	1,783.0	1,688.4

13. Other current liabilities

	June 30, 2014 $'M	December 31, 2013 $'M
Income taxes payable	58.6	69.0
Value added taxes	26.1	15.8
Contingent consideration payable	112.3	12.9
Other current liabilities	25.8	21.8
	222.8	119.5

14. Borrowings

Term Loan Agreement

In connection with its acquisition of ViroPharma on November 11, 2013 Shire entered into a $2,600 million Facilities Agreement with, among others, Morgan Stanley Bank International Limited (acting as lead arranger and agent) (the "Facilities Agreement"). The Facilities Agreement was subsequently reduced to $975 million. At June 30, 2014 the Facilities Agreement comprises two credit facilities: (i) a $125 million term loan facility which matures on November 10, 2014, which was fully utilized and recorded within short term borrowing, and (ii) an $850 million term loan facility which matures on November 11, 2015, which was fully utilized and recorded within long term borrowing. The $125 million term loan facility was subsequently reduced in July 2014 to $nil.

Revolving Credit Facility ("RCF")

On November 23, 2010 the Group entered into a committed multicurrency revolving and swingline facilities agreement with a number of financial institutions, for which Abbey National Treasury Services Plc (trading as Santander Global Banking and Markets), Bank of America Securities Limited, Barclays Capital, Citigroup Global Markets Limited, Lloyds TSB Bank plc and The Royal Bank of Scotland plc acted as mandated lead arrangers and bookrunners. The RCF, which is for an aggregate amount of $1,200 million and includes a $250 million swingline facility, may be used for general corporate purposes and matures on November 23, 2015. As at June 30, 2014 Shire had drawn loans totaling $85 million under the RCF, which are recorded within short term borrowing.

15. Other non-current liabilities

	June 30, 2014 $'M	December 31, 2013 $'M
Income taxes payable	187.1	115.7
Deferred revenue	8.3	9.8
Deferred rent	10.7	11.3
Contingent consideration payable	479.5	393.0
Other non-current liabilities	69.5	58.7
	755.1	588.5

16. Commitments and contingencies

(a) Leases

Future minimum lease payments under operating leases at June 30, 2014 are presented below:

	Operating leases $'M
2014	20.2
2015	41.8
2016	30.8
2017	24.1
2018	18.8
2019	14.7
Thereafter	109.3
	259.7

The Group leases land, facilities, motor vehicles and certain equipment under operating leases expiring through 2032. Lease and rental expense amounted to $20.8 million and $25.4 million for the six months June 30, 2014 and 2013 respectively, which is predominately included in SG&A expenses in the Group's consolidated income statement.

(b) Letters of credit and guarantees

At June 30, 2014 the Group had irrevocable standby letters of credit and guarantees with various banks and insurance companies totaling $60.0 million, providing security for the Group's performance of various obligations. These obligations are primarily in respect of the recoverability of insurance claims, lease obligations and supply commitments.

(c) Collaborative and other licensing arrangements

Details of significant updates in collaborative and other licensing arrangements are included below:

Out-licensing arrangements

Shire has entered into various collaborative and out-licensing arrangements under which the Group has out-licensed certain product or intellectual property rights for consideration such as up-front payments, development milestones, sales milestones and/or royalty payments. In some of these arrangements Shire and the licensee are both actively involved in the development and commercialization of the licensed product and have exposure to risks and rewards dependent on its commercial success. Under the terms of these collaborative and out-licensing arrangements, the Group may receive development milestone payments up to an aggregate amount of $39.0 million and sales milestones up to an aggregate amount of $71.5 million. The receipt of these substantive milestones is uncertain and contingent on the achievement of certain development milestones or the achievement of a specified level of annual net sales by the licensee. In the six months to June 30, 2014 Shire received up-front and milestone payments totaling $1.0 million (2013: $3.0 million). In the six months to June 30, 2014 Shire recognized milestone income of $2.0 million (2013: $4.0 million) in other revenues and $26.4 million (2013: $26.3 million) in product sales for shipment of product to the relevant licensee.

(d) Commitments

(i) Clinical testing

At June 30, 2014 the Group had committed to pay approximately $331 million (December 31, 2013: $346 million) to contract vendors for administering and executing clinical trials. The timing of these payments is dependent upon actual services performed by the organizations as determined by patient enrollment levels and related activities.

(ii) Contract manufacturing

At June 30, 2014 the Group had committed to pay approximately $443 million (December 31, 2013: $109 million) in respect of contract manufacturing. The Group expects to pay $82 million of these commitments in 2014. The increase in contract manufacturing commitments arises principally from commitments with ViroPharma's contract manufacturer of CINRYZE.

(iii) Other purchasing commitments

At June 30, 2014 the Group had committed to pay approximately $612 million (December 31, 2013: $128 million) for future purchases of goods and services, predominantly relating to active pharmaceutical ingredients sourcing. The Group expects to pay $317 million of these commitments in 2014. The increase in other purchasing commitments arises principally from commitments with ViroPharma's suppliers of blood plasma used in the manufacturing of CINRYZE.

(iv) Investment commitments

At June 30, 2014 the Group had outstanding commitments to subscribe for interests in companies and partnerships for amounts totaling $32 million (December 31, 2013: $14 million) which may all be payable in 2014, depending on the timing of capital calls. The investment commitments include additional funding to certain variable interest entities of which Shire is not the primary beneficiary. These entities control and conduct all related research up to achievement of pre-defined development success criteria at which point Shire will have an option to acquire the entity for pre-defined purchase consideration, including consideration contingent upon achievement of certain development and commercial milestones.

(v) Capital commitments

At June 30, 2014 the Group had committed to spend $8 million (December 31, 2013: $12 million) on capital projects.

(e) Legal and other proceedings

The Group expenses legal costs as they are incurred.

The Group recognizes loss contingency provisions for probable losses when management is able to reasonably estimate the loss. When the estimated loss lies within a range, the Group records a loss contingency provision based on its best estimate of the probable loss. If no particular amount within that range is a better estimate than any other amount, the minimum amount is recorded. Estimates of losses may be developed substantially before the ultimate loss is known, and are therefore refined each accounting period as additional information becomes known. In instances where the Group is unable to develop a reasonable estimate of loss, no loss contingency provision is recorded at that time. As information becomes known a loss contingency provision is recorded when a reasonable estimate can be made. The estimates are reviewed quarterly and the estimates are changed when expectations are revised. An outcome that deviates from the Group's estimate may result in an additional expense or release in a future accounting period. At June 30, 2014 provisions for litigation losses, insurance claims and other disputes totaled $66.8 million (December 31, 2013: $72.7 million).

The Group's principal pending legal and other proceedings are disclosed below. The outcomes of these proceedings are not always predictable and can be affected by various factors. For those legal and other proceedings for which it is considered at least reasonably possible that a loss has been incurred, the Group discloses the possible loss or range of possible loss in excess of the recorded loss contingency provision, if any, where such excess is both material and estimable.

VYVANSE

In May and June 2011, Shire was notified that six separate Abbreviated New Drug Applications ("ANDAs") were submitted under the Hatch-Waxman Act seeking permission to market generic versions of all approved strengths of VYVANSE. The notices were from Sandoz, Inc. ("Sandoz"); Amneal Pharmaceuticals LLC ("Amneal"); Watson Laboratories, Inc.; Roxane Laboratories, Inc. ("Roxane"); Mylan Pharmaceuticals, Inc.; and Actavis Elizabeth LLC and Actavis Inc. (collectively, "Actavis"). Within the requisite 45 day period, Shire filed lawsuits for infringement of certain of Shire's VYVANSE patents in the US District Court for the District of New Jersey against each of Sandoz, Roxane, Amneal and Actavis; in the US District Court for the Central District of California against Watson Laboratories, Inc.; and in the US District Court for the Eastern District of New York against Mylan Pharmaceuticals, Inc. and Mylan Inc. (collectively "Mylan"). The filing of the lawsuits triggered a stay of approval of all six ANDAs for up to 30 months from the expiration of the new chemical entity exclusivity, which will expire on August 23, 2014.

The District Court of New Jersey consolidated the cases against Sandoz, Roxane, Amneal and Actavis. Shire amended its complaints in all of the pending cases to add Johnson Matthey Inc. and Johnson Matthey Pharmaceutical Materials (collectively "Johnson Matthey"), API manufacturers and suppliers to each of Sandoz, Roxane, Amneal, Mylan and Actavis as defendants. The lawsuit filed against Watson was transferred to the District Court of New Jersey but was not consolidated with the case against the other ANDA filers and the case was subsequently dismissed in view of the withdrawal of Watson's ANDA.

In December 2011 and February 2012, Shire received additional notifications that Mylan had filed further certifications challenging other VYVANSE patents listed in the Orange Book. Within the requisite 45 day period, Shire filed a new lawsuit against Mylan and Johnson Matthey in the US District Court for the District of New Jersey which was subsequently consolidated with the pending case in New Jersey against Sandoz, Roxane, Amneal and Actavis. In May 2012, the case that was filed against Mylan in the Eastern District of New York was transferred and consolidated with the pending case in New Jersey against Mylan, Sandoz, Roxane, Amneal and Actavis. In December 2012, the parties completed a Markman briefing. A Markman hearing took place on August 5, 2013 and a ruling was rendered on August 8, 2013. No trial dates have been set.

On June 23, 2014, the US District Court for the District of New Jersey granted Shire's summary judgment motion holding that 18 claims of the patents-in-suit were both infringed and valid. The ruling prevents all five ANDA filers (Sandoz, Roxane, Amneal, Actavis and Mylan) from launching generic versions of VYVANSE until the earlier of either a successful

appeal to the US Court of Appeals for the Federal Circuit, or the expiration of these patents in 2023. To appeal successfully, the ANDA-defendants must overturn the court's rulings for each of these 18 patent claims.

The court's summary judgment ruling concerning Shire's motion included 18 patent claims from four of the FDA Orange Book-listed patents for VYVANSE, which cover VYVANSE's active ingredient, the lisdexamfetamine dimesylate compound, and a method of using lisdexamfetamine dimesylate for the treatment of ADHD. Shire's summary judgment motion did not include every patent claim in the litigation and, accordingly, the court's decision did not dispose of the litigation in its entirety. In addition to Shire's motion, the court also ruled on five summary judgment motions filed by the defendants. The court's rulings denied Johnson Matthey's motion to dismiss certain indirect infringement claims, dismissed Shire's willful infringement claims, granted the defendants' motion concerning non-infringement of certain method of use claims, and denied the defendants' two invalidity motions.

LIALDA

In May 2010 Shire was notified that Zydus Pharmaceuticals USA, Inc. ("Zydus") had submitted an ANDA under the Hatch-Waxman Act seeking permission to market a generic version of LIALDA. Within the requisite 45 day period, Shire filed a lawsuit in the US District Court for the District of Delaware against Zydus and Cadila Healthcare Limited, doing business as Zydus Cadila.

The case had been administratively closed since February 22, 2013, but was reopened on February 27, 2014. A Markman hearing is scheduled to take place on January 12, 2015. A trial is scheduled to begin on July 6, 2015.

In February 2012, Shire was notified that Osmotica Pharmaceutical Corporation ("Osmotica") had submitted an ANDA under the Hatch-Waxman Act seeking permission to market a generic version of LIALDA. Within the requisite 45 day period, Shire filed a lawsuit in the US District Court for the Northern District of Georgia against Osmotica. The filing of the lawsuit triggered a stay of approval of the ANDA for up to 30 months. The court has appointed a special master to assist with a Markman hearing and to preside over any discovery disputes. A Markman hearing took place on August 22, 2013 but no ruling has been rendered. No trial date has been set.

In March 2012, Shire was notified that Watson Laboratories Inc.-Florida had submitted an ANDA under the Hatch-Waxman Act seeking permission to market a generic version of LIALDA. Within the requisite 45 day period, Shire filed a lawsuit in the US District Court for the Southern District of Florida against Watson Laboratories Inc.-Florida and Watson Pharmaceuticals, Inc. The filing of the lawsuit triggered a stay of approval of the ANDA for up to 30 months. In August 2012, Shire filed an amended complaint adding Watson Pharma, Inc. and Watson Laboratories, Inc. as defendants. A Markman hearing was held on December 20, 2012 and a written Markman decision was given by the court on January 17, 2013. A trial took place in April, 2013 and on May 9, 2013 the trial court issued a decision finding that the proposed generic product infringes the patent-in-suit and that the patent is not invalid. Watson appealed the trial court's ruling to the Court of Appeals of the Federal Circuit ("CAFC") and a hearing took place on December 2, 2013. The ruling of the CAFC was issued on March 28, 2014 overruling the trial court on the interpretation of two claim terms and remanding the case for further proceedings.

In April 2012, Shire was notified that Mylan Pharmaceuticals, Inc. had submitted an ANDA under the Hatch-Waxman Act seeking permission to market a generic version of LIALDA. Within the requisite 45 day period, Shire filed a lawsuit in the US District Court for the Middle District of Florida against Mylan. The filing of the lawsuit triggered a stay of approval of the ANDA for up to 30 months. No date for a Markman hearing has been set. A trial is scheduled to occur in October 2014.

Subpoena related to ADDERALL XR, DAYTRANA and VYVANSE

On September 23, 2009 the Group received a civil subpoena from the US Department of Health and Human Services Office of Inspector General in coordination with the US Attorney for the Eastern District of Pennsylvania seeking production of documents related to the sales and marketing of ADDERALL XR, DAYTRANA and VYVANSE. The investigation covered whether Shire engaged in off-label promotion and other conduct that may implicate the civil False Claims Act.

On February 1, 2013 the Group announced it had reached an agreement in principle to resolve this matter. The agreement also addresses sales and marketing practices relating to LIALDA and PENTASA pursuant to a subsequent voluntary disclosure made by the Group. Shire cooperated with the US Government throughout the process that led to this agreement in principle.

The Group has recorded a $58.5 million charge comprised of the agreement in principle amount, interest and costs, which has been charged to SG&A. The agreement in principle is subject to change until this matter is finally resolved. Discussions between the Group and the US Government are ongoing to establish a final resolution to the investigation.

Louisiana Complaint related to ADDERALL, ADDERALL XR, DAYTRANA, VYVANSE and INTUNIV

On July 22 and July 23, 2013, the State of Louisiana served Shire LLC and Shire US Inc., respectively, with a civil complaint filed in the 19th Judicial District Court for the Parish of East Baton Rouge. The complaint alleges that Shire's sales, marketing, and promotion of ADDERALL, ADDERALL XR, DAYTRANA, VYVANSE and INTUNIV violated state law. The State is seeking monetary relief for its claims of fraud, redhibition, and unjust enrichment, as well as violations of Louisiana's Medical Assistance Programs Integrity Law, Unfair Trade Practices Act, and anti-trust laws. Shire intends vigorously to defend these claims. Shire is not in a position at this time to predict the timing, result or outcome of these claims.

Investigation related to DERMAGRAFT

The Department of Justice, including the US Attorney's Office for the Middle District of Florida, Tampa Division and the US Attorney's Office for Washington, DC, is conducting civil and criminal investigations into the sales and marketing practices of Advanced BioHealing Inc. ("ABH") relating to DERMAGRAFT.

Following the disposal of the DERMAGRAFT business, Shire has retained certain legacy liabilities including any liability that may arise from this investigation. Shire is cooperating fully with these investigations. Shire is not in a position at this time to predict the scope, duration or outcome of these investigations.

17. Accumulated Other Comprehensive Income

The changes in accumulated other comprehensive income, net of their related tax effects, in the six months to June 30, 2014 are included below:

	Foreign currency translation adjustment $M	Unrealized holding gain/(loss) on available-for-sale securities $M	Accumulated other comprehensive income $M
As at January 1, 2014	110.4	(0.2)	110.2
Current period change:			
Other Comprehensive income before reclassification	10.2	6.9	17.1
Gain transferred to the income statement (within Other income/(expense), net) on disposal of available-for-sale securities	-	(3.2)	(3.2)
Net current period other comprehensive income	10.2	3.7	13.9
As at June 30, 2014	120.6	3.5	124.1

18. Financial instruments

Treasury policies and organization

The Group's principal treasury operations are coordinated by its corporate treasury function. All treasury operations are conducted within a framework of policies and procedures approved annually by the Board. As a matter of policy, the Group does not undertake speculative transactions that would increase its currency or interest rate exposure.

Interest rate risk

The Group is exposed to interest rate risk on its $1,200 million RCF, its $125 million term loan facility (which was reduced to $nil in July 2014) and its $850 million term loan facility (the "Facilities") on which interest is at floating rates, to the extent the RCF or the Facilities are utilized. At June 30, 2014 the Group fully utilized the $125 million and $850 million term loan Facilities and utilized $85 million of the RCF. This exposure is to US dollar interest rates.

The Group has evaluated the interest rate risk on the RCF and the Facilities and considers the risks associated with floating interest rates on the instruments as appropriate and no derivative instruments have been entered into to manage this risk. A hypothetical one percentage point increase or decrease in the interest rates applicable to drawings under the RCF and the Facilities at June 30, 2014 would increase or decrease interest expense by a maximum of $11 million per annum.

The Group is also exposed to interest rate risk on its restricted cash, cash and cash equivalents and on foreign exchange contracts on which interest is at floating rates. This exposure is primarily to US dollar, Pounds sterling, Euro and Canadian dollar interest rates. As the Group maintains all of its cash, liquid investments and foreign exchange contracts on a short term basis for liquidity purposes, this risk is not actively managed. In the six months to June 30, 2014 the average interest rate received on cash and liquid investments was less than 1% per annum. The largest proportion of these cash and liquid investments was in US dollar money market and liquidity funds.

No derivative instruments were entered into during the six months June 30, 2014 to manage interest rate exposure. The Group continues to review its interest rate risk and the policies in place to manage the risk.

Credit risk

Financial instruments that potentially expose Shire to concentrations of credit risk consist primarily of short-term cash investments, derivative contracts and trade accounts receivable (from product sales and from third parties from which the Group receives royalties). Cash is invested in short-term money market instruments, including money market and liquidity funds and bank term deposits. The money market and liquidity funds in which Shire invests are all triple A rated by both Standard and Poor's and by Moody's credit rating agencies.

The Group is exposed to the credit risk of the counterparties with which it enters into derivative instruments. The Group limits this exposure through a system of internal credit limits which vary according to ratings assigned to the counterparties by the major rating agencies. The internal credit limits are approved by the Board and exposure against these limits is monitored by the corporate treasury function. The counterparties to these derivatives contracts are major international financial institutions.

The Group's revenues from product sales in the US are mainly governed by agreements with major pharmaceutical wholesalers and relationships with other pharmaceutical distributors and retail pharmacy chains. For the year to December 31, 2013 there were three customers in the US that accounted for 52% of the Group's product sales. However, such customers typically have significant cash resources and as such the risk from concentration of credit is considered acceptable. The Group has taken positive steps to manage any credit risk associated with these transactions and operates clearly defined credit evaluation procedures. However, an inability of one or more of these wholesalers to honor their debts to the Group could have an adverse effect on the Group's financial condition and results of operations.

A substantial portion of the Group's accounts receivable in countries outside of the United States is derived from product sales to government-owned or government-supported healthcare providers. The Group's recovery of these accounts receivable is therefore dependent upon the financial stability and creditworthiness of the relevant governments. In recent years the creditworthiness and general economic condition of a number of Eurozone countries (including Greece, Italy, Portugal and Spain (the "Relevant Countries")) has deteriorated. As a result, in some of these countries the Group is experiencing delays in the remittance of receivables due from government-owned or government-supported healthcare providers. The Group continued to receive remittances in relation to government-owned or government-supported healthcare providers in all the Relevant Countries in the six months June 30, 2014, including receipts of $52.5 million and $62.7 million in respect of Spanish and Italian receivables, respectively.

To date the Group has not incurred significant losses on accounts receivable in the Relevant Countries, and continues to consider that such accounts receivable are recoverable. The Group will continue to evaluate all its accounts receivable for potential collection risks and has made provision for amounts where collection is considered to be doubtful. If the financial condition of the Relevant Countries or other Eurozone countries suffer significant deterioration, such that their ability to make payments becomes uncertain, or if one or more Eurozone member countries withdraws from the Euro, additional allowances for doubtful accounts may be required, and losses may be incurred, in future periods. Any such loss could have an adverse effect on the Group's financial condition and results of operations.

Foreign exchange risk

The Group trades in numerous countries and as a consequence has transactional and translational foreign exchange exposures.

Transactional exposure arises where transactions occur in currencies different to the functional currency of the relevant subsidiary. The main trading currencies of the Group are the US dollar, Pounds Sterling, Swiss Franc and the Euro. It is the Group's policy that these exposures are minimized to the extent practicable by denominating transactions in the subsidiary's functional currency.

Where significant exposures remain, the Group uses foreign exchange contracts (being spot, forward and swap contracts) to manage the exposure for balance sheet assets and liabilities that are denominated in currencies different to the functional currency of the relevant subsidiary. These assets and liabilities relate predominantly to intercompany financing. The foreign exchange contracts have not been designated as hedging instruments. Cash flows from derivative instruments are presented within net cash provided by operating activities in the consolidated cash flow statement, unless the derivative instruments are economically hedging specific investing or financing activities.

Translational foreign exchange exposure arises on the translation into US dollars of the financial statements of non-US dollar functional subsidiaries.

At June 30, 2014 the Group had 46 swap and forward foreign exchange contracts outstanding to manage currency risk. The swap and forward contracts mature within 90 days. The Group did not have credit risk related contingent features or collateral linked to the derivatives. The Group has master netting agreements with a number of counterparties to these foreign exchange contracts and on the occurrence of specified events, the Group has the ability to terminate contracts and settle them with a net payment by one party to the other. The Group has elected to present derivative assets and derivative liabilities on a gross basis in the consolidated balance sheet. As at June 30, 2014 the potential effect of rights of set off associated with the foreign exchange contracts would be an offset to both assets and liabilities of $0.6 million, resulting in net derivative assets and derivative liabilities of $6.7 million and $0.6 million, respectively. Further details are included below:

		Fair value June 30, 2014 $'M	Fair value December 31, 2013 $'M
Assets	Prepaid expenses and other current assets	7.3	4.0
Liabilities	Other current liabilities	1.2	2.8

Net gains/(losses) (both realized and unrealized) arising on foreign exchange contracts have been classified in the consolidated statements of income as follows:

	Location of net gains/(losses) recognized in income	Amount of net gains/(losses) recognized in income	
In the six months to		**June 30, 2014 $'M**	**June 30, 2013 $'M**
Foreign exchange contracts	Other income, net	13.9	(3.8)

These net foreign exchange gains/(losses) are offset within Other income, net by net foreign exchange (losses)/gains arising on the balance sheet items that these contracts were put in place to manage.

19. Fair value measurement

Assets and liabilities that are measured at fair value on a recurring basis

As at June 30, 2014 and December 31, 2013 the following financial assets and liabilities are measured at fair value on a recurring basis using quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3).

	Carrying value	Fair value			
At June 30, 2014	**$'M**	**Total $'M**	**Level 1 $'M**	**Level 2 $'M**	**Level 3 $'M**
Financial assets:					
Available-for-sale securities[1]	13.2	13.2	13.2	-	-
Contingent consideration receivable [2]	57.5	57.5	-	-	57.5
Foreign exchange contracts	7.3	7.3	-	7.3	-
Financial liabilities:					
Foreign exchange contracts	1.2	1.2	-	1.2	-
Contingent consideration payable[3]	591.8	591.8	-	-	591.8

		Total	Level 1	Level 2	Level 3
At December 31, 2013	**$'M**	**$'M**	**$'M**	**$'M**	**$'M**
Financial assets:					
Available-for-sale securities[1]	6.7	6.7	6.7	-	-
Contingent consideration receivable [2]	36.1	36.1	-	-	36.1
Foreign exchange contracts	4.0	4.0	-	4.0	-
Financial liabilities:					
Foreign exchange contracts	2.8	2.8	-	2.8	-
Contingent consideration payable[3]	405.9	405.9	-	-	405.9

(1) Available-for-sale securities are included within Investments and Prepaid expenses and other current assets in the consolidated balance sheet.
(2) Contingent consideration receivable is included within Prepaid expenses and other current assets and Other non-current assets in the consolidated balance sheet.
(3) Contingent consideration payable is included within Other current liabilities and Other non-current liabilities in the consolidated balance sheet.

Certain estimates and judgments were required to develop the fair value amounts. The fair value amounts shown above are not necessarily indicative of the amounts that the Group would realize upon disposition, nor do they indicate the Group's intent or ability to dispose of the financial instrument.

The following methods and assumptions were used to estimate the fair value of each material class of financial instrument:

- Available-for-sale securities – the fair values of available-for-sale securities are estimated based on quoted market prices for those investments.
- Contingent consideration receivable – the fair value of the contingent consideration receivable has been estimated using the income approach (using a probability weighted discounted cash flow method).

- Foreign exchange contracts – the fair values of the swap and forward foreign exchange contracts have been determined using an income approach based on current market expectations about the future cash flows.
- Contingent consideration payable – the fair value of the contingent consideration payable has been estimated using the income approach (using a probability weighted discounted cash flow method).

Assets and Liabilities Measured at Fair Value on a Recurring Basis Using Significant Unobservable Inputs (Level 3)

The change in the fair value of the Group's contingent consideration receivable and payables, which are measured at fair value on a recurring basis using significant unobservable inputs (Level 3), are as follows:

Contingent consideration receivable

	2014 $'M	2013 $'M
Balance at January 1,	36.1	38.3
Initial recognition of contingent consideration receivable	33.6	-
(Loss)/gain recognized in the income statement (within Gain on sale of product rights) due to change in fair value during the period	(3.3)	11.0
Reclassification of amounts to Other receivables within Other current assets	(8.7)	(9.7)
Amounts recorded to other comprehensive income (within foreign currency translation adjustments)	(0.2)	(1.0)
Balance at June 30,	57.5	38.6

Contingent consideration payable

	2014 $'M	2013 $'M
Balance at January 1,	405.9	136.4
Initial recognition of contingent consideration payable	174.0	451.4
Change in fair value during the period with the corresponding adjustment recognized as a loss in the income statement (within Integration and acquisition costs)	21.4	13.7
Reclassification of amounts to Other current liabilities	(10.9)	(8.4)
Change in fair value during the period with corresponding adjustment to the associated intangible asset	1.4	(7.7)
Balance at June 30,	591.8	585.4

Quantitative Information about Assets and Liabilities Measured at Fair Value on a Recurring Basis Using Significant Unobservable Inputs (Level 3)

Quantitative information about the Group's recurring Level 3 fair value measurements is included below:

Financial assets:	**Fair Value at the Measurement Date**			
At June 30, 2014	**Fair value**	**Valuation Technique**	**Significant unobservable Inputs**	**Range**
	$'M			
Contingent consideration receivable ("CCR")	57.5	Income approach (probability weighted discounted cash flow)	• Probability weightings applied to different sales scenarios	• 10 to 70%
			• Future forecast consideration receivable based on contractual terms with purchaser	• $37 million to $128 million
			• Assumed market participant discount rate	• 8 to 11.5%

Financial liabilities:	**Fair Value at the Measurement Date**			
At June 30, 2014	**Fair value**	**Valuation Technique**	**Significant unobservable Inputs**	**Range**
	$'M			
Contingent consideration payable	591.8	Income approach (probability weighted discounted cash flow)	• Cumulative probability of milestones being achieved	• 25 to 95%
			• Assumed market participant discount rate	• 0.8 to 10.9%
			• Periods in which milestones are expected to be achieved	• 2014 to 2030
			• Forecast quarterly royalties payable on net sales of relevant products	• $2.1 to $7.6 million

The Group re-measures the CCR (relating to contingent consideration due to the Group following divestment of certain of the Group's products) at fair value at each balance sheet date, with the fair value measurement based on forecast cash flows, over a number of scenarios which vary depending on the expected performance outcome of the products following

divestment. The forecast cash flows under each of these differing outcomes have been included in probability weighted estimates used by the Group in determining the fair value of the CCR.

Contingent consideration payable represents future milestones the Group may be required to pay in conjunction with various business combinations and future royalties payable as a result of certain business combinations and licenses. The amount ultimately payable by Shire in relation to business combinations is dependent upon the achievement of specified future milestones, such as the achievement of certain future development, regulatory and sales milestones. The Group assesses the probability, and estimated timing, of these milestones being achieved and re-measures the related contingent consideration to fair value each balance sheet date. The amount of contingent consideration which may ultimately be payable by Shire in relation to future royalties is dependent upon future net sales of the relevant products over the life of the royalty term. The Group assesses the present value of forecast future net sales of the relevant products and re-measures the related contingent consideration to fair value each balance sheet date.

The fair value of the Group's contingent consideration receivable and payable could significantly increase or decrease due to changes in certain assumptions which underpin the fair value measurements. Each set of assumptions and milestones is specific to the individual contingent consideration receivable or payable. The assumptions include, among other things, the probability and expected timing of certain milestones being achieved, the forecast future net sales of the relevant products and related future royalties payable, the probability weightings applied to different sales scenarios of the Group's divested products and forecast future royalties receivable under scenarios developed by the Group, and the discount rates used to determine the present value of contingent future cash flows. The Group regularly reviews these assumptions, and makes adjustments to the fair value measurements as required by facts and circumstances.

Assets Measured At Fair Value on a Non-Recurring Basis in the period using Significant Unobservable Inputs (Level 3)

In the six months to June 30, 2014 the Group reviewed its SHP602 IPR&D intangible asset for impairment and recognized an impairment charge of $166 million, recorded within R&D in the consolidated income statement, to write down this asset to fair value. The fair value was determined using the income approach, which used significant unobservable (Level 3) inputs. These unobservable inputs included, among other things, probabilities of the IPR&D intangible asset receiving regulatory approval, risk-adjusted forecast future cash flows to be generated by this asset and the determination of an appropriate discount rate to be applied in calculating the present value of forecast future cash flows.

	Fair Value at the Measurement Date			
At June 30, 2014	**Fair value**	**Valuation Technique**	**Significant unobservable Inputs**	**Rate/date used**
	$'M			
SHP602 IPR&D intangible assets	$nil	Income approach (discounted cash flow)	• Probability of regulatory approval being obtained	• 11 to 15%
			• Expected commercial launch date	• 2021
			• Assumed market participant discount rate	• 11.3%

In the six months to June 30, 2014 the Group also recognized an impairment charge of $22 million, recorded within R&D in the consolidated income statement, to write down the SHP613 IPR&D intangible asset to a revised fair value of $nil following the decision to discontinue development of this program based on portfolio prioritization as well as unexpected challenges and complexities with the development program.

The carrying amounts of other financial assets and liabilities materially approximate to their fair value because of the short-term maturity of these amounts.

20. Earnings per share

The following table reconciles net income and the weighted average ordinary shares outstanding for basic and diluted earnings per share for the periods presented:

	6 months to June 30, 2014 $'M	6 months to June 30, 2013 $'M
Income from continuing operations, net of taxes	781.4	571.9
Loss from discontinued operations	(27.9)	(249.0)
Numerator for basic earnings per share	753.5	322.9
Interest on convertible bonds, net of tax	-	15.1
Numerator for diluted earnings per share	753.5	338.0
Weighted average number of shares:		
	Millions	Millions
Basic [1]	585.3	550.5
Effect of dilutive shares:		
Share based awards to employees [2]	5.0	3.3
Convertible bonds 2.75% due 2014 [3]	-	33.7
Diluted	590.3	587.5

1 Excludes shares purchased by the EBT and presented by Shire as treasury stock.

2 Calculated using the treasury stock method.

3 Calculated using the "if converted" method.

The share equivalents not included in the calculation of the diluted weighted average number of shares are shown below:

	6 months to June 30, 2014 No. of shares Millions	6 months to June 30, 2013 No. of shares Millions
Share based awards to employees[1]	1.2	9.1

1 Certain stock options have been excluded from the calculation of diluted EPS because (a) their exercise prices exceeded Shire plc's average share price during the calculation period or (b) the required performance conditions were not satisfied as at the balance sheet date.

21. Segmental reporting

Shire comprises a single operating and reportable segment engaged in the research, development, licensing, manufacturing, marketing, distribution and sale of innovative specialist medicines to meet significant unmet patient needs.

This segment is supported by several key functions: a Pipeline group, consisting of R&D and Business Development, which prioritizes its activities towards late stage development programs across a variety of therapeutic areas, while focusing its pre-clinical development activities primarily in Rare Diseases; a Technical Operations group responsible for the Group's global supply chain; and an In-line marketed products group focuses on commercialized products. The In-Line marketed products group currently consists of four commercial units focused exclusively on commercial delivery to drive optimum performance of currently marketed products. The business is also supported by a simplified, centralized corporate function group. None of these functional groups meets all of the criteria to be an operating segment.

This single operating and reportable segment is consistent with the financial information regularly reviewed by the Executive Committee (which is Shire's chief operating decision maker) for the purposes of evaluating performance, allocating resources, and planning and forecasting future periods.

In the periods set out below, revenues by major product were as follows:

6 months to,	**June 30, 2014 $'M**	**June 30, 2013 $'M**
VYVANSE	710.7	598.7
ELAPRASE	280.7	263.5
LIALDA/MEZAVANT	272.5	238.0
REPLAGAL	244.8	228.1
CINRYZE	215.5	-
INTUNIV	182.3	168.1
ADDERALL XR	184.9	212.1
VPRIV	176.6	164.1
FIRAZYR	163.9	91.2
PENTASA	135.5	144.6
FOSRENOL	88.1	84.4
XAGRID	55.0	49.9
Other product sales	67.2	63.4
Total product sales	2,777.7	2,306.1

22. Taxation

The effective rate of tax for the six months to June 30, 2014 was -19% (2013: 22%).

The negative effective rate of tax in six months to June 30, 2014 is due to the recognition of a net tax credit of $216.0 million following the settlement of certain tax positions with the Canadian revenue authorities. This net tax credit includes the release of provisions for uncertain tax positions including interest and penalties of $265.2 million partially offset by associated foreign tax credits.

Interest income of $18.6 million in respect of the cash deposited with the Canadian revenue authorities prior to the settlement has been recorded within interest income.

The Group considers it reasonably possible that certain audits for other territories could also be concluded in the next twelve months, and the total amount of unrecognized tax benefits at June 30, 2014 could decrease by approximately $12 million.

Non GAAP Measure

This Half Yearly report contains financial measures not prepared in accordance with US GAAP. These measures are referred to as "Non GAAP" measures and include: *Non GAAP diluted earnings per ADS and Non GAAP cash generation*. 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 Half Yearly report 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:

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.

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.

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 used by Shire 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).

Independent review report to Shire plc

We have been engaged by Shire plc ("the company") to review the condensed consolidated set of financial statements for the Company and its subsidiaries (the "Group") in the half-yearly financial report for the six months ended 30 June 2014 which comprises the consolidated balance sheet, consolidated statement of income, consolidated statements of comprehensive income, consolidated statements of changes in equity, the consolidated statements of cash flows and related notes 1 to 22. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company 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. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with the accounting policies the Group intends to use in preparing its next financial statements.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

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 inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2014 is not prepared, in all material respects, in accordance with US GAAP and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
1 August 2014