Press Release

www.shire.com

Half Yearly Report

August 9, 2013 – In order to meet its obligations under the Disclosure Rules and Transparency Rules of the United Kingdom Financial Conduct Authority, Shire plc ("Shire" or the "Group") (LSE: SHP, NASDAQ: SHPG) is publishing today its Half Yearly Report for the six months ended June 30, 2013.

It should be noted that on July 25, 2013 Shire previously announced its results in respect of the same period.

For further information please contact:

Investor Relations	Eric Rojas (erojas@shire.com)	+1 781 482 0999
	Sarah Elton-Farr (seltonfarr@shire.com)	+44 1256 894 157
Media	Jessica Mann (jmann@shire.com)	+44 1256 894 280

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 provide treatments in Neuroscience, Rare Diseases, Gastrointestinal, Internal Medicine and Regenerative Medicine and we are developing treatments for symptomatic conditions treated by specialist physicians in other targeted therapeutic areas.

For further information on Shire, please visit the Group's website: www.shire.com.

Shire plc

Half Yearly Report 2013

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

Half Yearly Report

Contents

FORWARD - LOOKING STATEMENTS - "SAFE HARBOR" STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

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

- Shire's products may not be a commercial success;
- revenues from ADDERALL XR® are subject to generic erosion;
- 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 and earnings;
- Shire relies on a single source for manufacture of certain of its products and a disruption to the supply chain for those 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;
- Shire uses third party manufacturers to manufacture many of its products and is reliant upon third party contractors for certain goods and services, and any inability of these third party manufacturers to manufacture products, or any failure of these third party contractors to provide these goods and services, in each case in accordance with its respective contractual obligations, could adversely affect Shire's ability to manage its manufacturing processes or to operate its business;
- the development, approval and manufacturing of Shire'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 Shire's ability to sell or market products profitably and fluctuations in buying or distribution patterns by such customers could adversely impact Shire's revenues, financial conditions or results of operations;
- investigations or enforcement action by regulatory authorities or law enforcement agencies relating to Shire's activities in the highly regulated markets in which it operates may result in the distraction of senior management, significant legal costs and the payment of substantial compensation or fines;
- adverse outcomes in legal matters and other disputes, including Shire's ability to obtain, maintain, 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;

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

TRADE MARKS

Half Yearly Report

Chief Executive Officer's review

We are pleased to enclose our financial results for the six-month period ended June 30, 2013. 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").

GOOD PROGRESS: STRONG OPERATIONAL LEVERAGE YEAR TO DATE

- Product sales growth of 4% year on year
- Non GAAP Operating Income +8% reflecting strong operating leverage year to date
- Non GAAP earnings per American Depository Share ("ADS") +8%

EXECUTING OUR STRATEGY

- Further enhanced organic growth and improved operating margins
- Progression of our late stage pipeline addressing unmet needs including:
    - Lifitegrast for dry eye disease and lisdexamfetamine dimesylate ("LDX")[(1)] for binge eating and major depressive disorders
    - Continued but focused research and development ("R&D") investment in other development opportunities
- Focus on growth and value-driving business development
- Good progress integrating three divisions into a simplified 'One Shire' organization to create operating leverage, drive fast decisions and focus on growth-driving products

(1) Lisdexamfetamine ("LDX") currently marketed as VYVANSE® in the US & Canada, VENVANSE® in Latin America and ELVANSE® in certain territories in the EU.

Flemming Ornskov, M.D., Chief Executive Officer, commented:

"On becoming Shire Chief Executive Officer earlier this year, I was pleased to confirm the direction we will take, in order to continue to deliver significantly above industry average growth. We intend to continue to be a high-growth innovation business providing differentiated specialist medicines in areas of high unmet need for patients treated by specialist physicians. Shire's strategic priorities are to grow sales of our existing portfolio and to bring new innovative treatments to market through both R&D and Business Development.

To deliver this we are evolving the way the business works, introducing a flatter and more scalable structure of initially five commercially focused business units (Rare Diseases, Neuroscience, Gastrointestinal, Regenerative Medicine and Internal Medicine) and a single R&D organization supported by centralized corporate functions.

We have made good progress and are pleased with our H1 2013 results. We're successfully executing our strategy to grow by focusing on innovation-driven specialty products through both R&D and M&A. In the first half of the year we added to our pipeline with three acquisitions: Lotus Tissue Repair, Premacure and SARcode BioSciences. We've sharpened our focus on commercial excellence and we're enhancing our pipeline productivity. Our late Phase 3 projects lifitegrast (acquired from SARcode BioSciences) and LDX for binge eating disorder ("BED") are progressing well and are programs in which we have increasing confidence.

Our strategy has been designed to deliver further enhanced growth. We anticipate delivering full year double digit Non GAAP earnings growth in 2013 and are confident in our ability to grow operating margins going forward."

Flemming Ornskov, M.D.,
Chief Executive Officer

Half Yearly Report

Business overview for the six months to June 30, 2013

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, 2013 and recent developments

Products

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

- On May 1, 2013 Shire announced that the US Food and Drug Administration ("FDA") approved VYVANSE as a maintenance treatment in children and adolescents with ADHD. With this new approval, VYVANSE is currently the only stimulant approved for maintenance treatment in children and adolescents aged 6 to 17 years with ADHD, as well as in adults with ADHD.

DERMAGRAFT® – for the treatment of Diabetic Foot Ulcers ("DFU") in Canada

- On March 25, 2013 Shire announced that DERMAGRAFT is now available in Canada for the treatment of DFU, following its approval by Health Canada as a class IV medical device for the treatment of DFU in September 2012.

VPRIV® – for the treatment of Gaucher disease (Type 1)

- On March 21, 2013 the Committee for Medicinal Products for Human Use of the European Medicines Agency issued a positive opinion regarding an update to the clinical efficacy and safety section of the VPRIV Summary of Product Characteristics to include information on long term clinical data relating to efficacy and safety in skeletal pathology from the TKT025 extension study in Type 1 Gaucher patients.

Pipeline

INTUNIV® – for the treatment of ADHD in Canada

- On July 5, 2013 Shire received approval from Health Canada for INTUNIV XR™ (guanfacine hydrochloride extended-release tablets) as monotherapy for the treatment of ADHD in children aged 6 to 12 years and as adjunctive therapy to psychostimulants for the treatment of ADHD in children, aged 6 to 12 years, with a sub-optimal response to psychostimulants. The targeted launch date is November 2013.

SPD602 – for the treatment of transfusion-dependent iron overload

- In June 2013 data from an on-going Phase 2 study was presented at the 18th Congress of the European Hematology Association. Seventy-two-week data in patients with hereditary anemias indicate that the safety, tolerability and efficacy profile of SPD602 supports its continued development. Full data from the ongoing Phase 2 proof-of-concept program will be available mid-2014.

HGT4510 – for Duchenne Muscular Dystrophy ("DMD")

- In April 2013, following analysis of the results of toxicology studies, Shire discontinued development of HGT4510 and returned Shire's rights in the asset to Acceleron Pharma Inc. The development of HGT4510 was placed on clinical hold in February 2011, subject to the completion of the toxicology studies.

SRM-003 (formerly referred to as VASCUGEL®) – for the treatment of end-stage renal disease

- In March 2013, Shire enrolled the first patient in its Phase 2 clinical program for SRM-003.

SPD557 – for the treatment of refractory gastroesophageal reflux disease ("rGERD")

- This program has been discontinued following review of headline data from the proof-of-concept study which did not support continued development.

SPD554 (selective α2A agonist) – for the treatment of various central nervous system disorders

- This program has been discontinued as part of ongoing portfolio prioritization assessments.

LDX – for the treatment of negative symptoms of schizophrenia ("NSS")

- Shire has cancelled the NSS Phase 3 program after a review and prioritization of Shire's development portfolio and taking into account investment requirements for recent acquisitions. No patients had been dosed in the studies and this decision was not due to any safety issues with LDX in any patient population. Shire remains committed to continuing Phase 3 trials for major depressive disorder ("MDD") and BED and these are enrolling as expected.

Other Developments

Acquisition of SARcode Bioscience Inc. ("SARcode")

- On April 17, 2013 Shire completed the acquisition of SARcode, a privately held biopharmaceutical company based in Brisbane, California. This acquisition brings a new Phase 3 compound, lifitegrast, currently under development for the signs and symptoms of dry eye disease, into Shire's portfolio. Shire anticipates launching lifitegrast in the United States as early as 2016 pending a positive outcome of the Phase 3 clinical development program and regulatory approvals. Shire is acquiring the global rights to lifitegrast and will evaluate an appropriate regulatory filing strategy for markets outside of the United States. After customary closing adjustments, cash consideration paid on closing amounted to $150 million with further potential contingent payments upon achievement of certain clinical, regulatory, and commercial milestones.

Acquisition of Premacure AB ("Premacure")

- On March 8, 2013 Shire completed the acquisition of Premacure, a privately held biotechnology company based in Uppsala, Sweden, developing PREMIPLEX®, a protein replacement therapy in Phase 2 development for the prevention of retinopathy of prematurity ("ROP"). Shire purchased Premacure for an up-front payment of $31 million with further potential contingent payments based on the achievement of pre-specified development and commercial milestones. Shire will continue the ongoing Phase 2 study, the primary goal of which is to compare the severity of ROP among patients treated with PREMIPLEX, versus an untreated control population matched for gestational age.

  The acquisition of SARcode and Premacure will provide Shire with the foundation to build a potential new business unit in ophthalmology – a growing market with many unmet patient needs.

Acquisition of Lotus Tissue Repair, Inc. ("Lotus")

- On February 12, 2013 Shire completed the acquisition of Lotus, a privately held biotechnology company, based in Cambridge, MA, with a protein replacement therapy in pre-clinical development currently being investigated for the treatment of dystrophic epidermolysis bullosa ("DEB"). DEB is a devastating orphan disease for which there is no currently approved treatment option other than palliative care. Shire purchased the company for an up-front cash payment of $49 million and further contingent cash payments may be payable in future periods, depending on the achievement of certain safety and development milestones.

Share buy-back Program

- In Q4 2012 Shire commenced a share buy-back program, for the purpose of returning funds to shareholders, of up to $500 million, through both direct purchases of Ordinary Shares and through the purchase of Ordinary Shares underlying American Depositary Receipts. As of July 24, 2013 Shire had made on-market repurchases totaling 9,567,253 Ordinary Shares at a cost of $289.9 million (excluding transaction costs).

Legal Proceedings

See Note 13 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, 2013 the Board resolved to pay an interim dividend of 3.00 US cents per Ordinary Share (2012: 2.73 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 1.95 pence per Ordinary Share (an increase of 12% compared to 2012: 1.74 pence) and 9.00 US cents per ADS (an increase of 10% compared to 2012: 8.19 US cents) will be paid on October 3, 2013 to shareholders on the register as at the close of business on September 6, 2013.

Research and development

Products in registration as at June 30, 2013

VYVANSE for the treatment of ADHD in the US
On May 1, 2013, Shire announced that the FDA had approved VYVANSE as a maintenance treatment in children and adolescents with ADHD. With this new approval, VYVANSE is currently the only stimulant approved for maintenance treatment in children and adolescents ages 6 to 17 years with ADHD, as well as in adults with ADHD.

INTUNIV for the treatment of ADHD in Canada
On July 5, 2013, Shire received the Notice of Compliance from Health Canada for INTUNIV XR (guanfacine hydrochloride extended-release tablets) as monotherapy for the treatment of ADHD in children aged 6 to 12 years and as adjunctive therapy to psychostimulants for the treatment of ADHD in children, aged 6 to 12 years, with a sub-optimal response to psychostimulants.

Products in clinical development as at June 30, 2013

Phase 3

LDX for the treatment of inadequate response in MDD
A Phase 3 clinical program to assess the efficacy and safety of LDX as adjunctive therapy in patients with MDD was initiated in the fourth quarter of 2011 and is ongoing.

LDX for the treatment of binge eating disorder ("BED")
A Phase 3 clinical program to evaluate the efficacy and safety of LDX in adults with BED was initiated in the fourth quarter of 2012 and is ongoing.

INTUNIV for the treatment of ADHD in the EU
INTUNIV for the treatment of ADHD in children aged 6 to 17 in the EU was initiated in the fourth quarter of 2011 and is ongoing.

INTUNIV for the treatment of ADHD in Japan
Under a collaboration agreement, Shionogi and Shire will co-develop and sell ADHD products 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.

SPD-606 lifitegrast for the treatment of signs and symptoms of dry eye disease
Added to the Shire pipeline as part of the SARcode acquisition in the second quarter of 2013, a Phase 3 clinical program to further assess the efficacy of SPD 606 for the treatment of signs and symptoms of dry eye disease was initiated in the US in the fourth quarter of 2012 and is on-going.

XAGRID® for the treatment of essential thrombocythaemia in Japan
A Phase 3 clinical program in Japan was initiated in the fourth quarter of 2010 to assess the safety and efficacy of XAGRID 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. The program is ongoing.

RESOLOR® for the treatment of chronic constipation in males
A Phase 3 European clinical trial to further assess the efficacy of RESOLOR for the treatment of chronic constipation in males was initiated in 2010 and is ongoing.

SPD-555 (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.. This product is Phase 3-ready and definitive plans will be implemented following discussions with regulatory authorities.

FIRAZYR® for the treatment for Acute Angiotensin Converting Enzyme Inhibitor-Induced Angioedema (ACE-I AE)
In December 2012, Shire submitted a supplemental Marketing Authorization Application ("MAA"), to the European Medicines Agency ("EMA") seeking approval for FIRAZYR for the treatment of ACE-I AE in Europe. Following discussions with the FDA a US Phase 3 study is expected to commence in the fourth quarter of 2013.

ABH001 for the treatment of epidermolysis bullosa ("EB")
ABH001 is in development for the treatment of EB, a rare genetic skin disease that causes the skin to be so fragile that the slightest friction results in painful blisters and open wounds. The Group initiated a Phase 3 study in the fourth quarter of 2012 and enrolled the first patient in January 2013. The FDA has granted Fast Track designation for this program.

Phase 2

LDX 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.

SPD-554 (selective α2A agonist) for the treatment of various central nervous system ("CNS") disorders
This program has been discontinued as part of ongoing portfolio prioritization assessments.

SPD-557 for the treatment of rGERD
This program has been discontinued following review of headline data from the proof-of-concept study which did not support continued development.

SPD- 602 iron chelating agent for the treatment of iron overload secondary to chronic transfusion
A Phase 2 trial in pediatric and adult patients with transfusional iron overload is ongoing. This product has received orphan drug designation by the EMA and the FDA for the treatment of chronic iron overload requiring chelation therapy.

HGT-2310 for the treatment of Hunter syndrome with CNS symptoms
HGT-2310 is in development as an enzyme replacement therapy ("ERT") delivered intrathecally for Hunter syndrome patients with CNS symptoms. The Group initiated a Phase 1/2 clinical trial in the first quarter of 2010 which has now completed. Shire is currently planning a pivotal clinical trial which is expected to initiate in the second half of 2013, subject to customary regulatory interactions with the FDA and EMA. This product has been granted orphan designation in the US.

HGT-1410 for Sanfilippo A Syndrome (Mucopolysaccharidosis IIIA)
HGT-1410 is in development as an ERT delivered intrathecally for the treatment of Sanfilippo A Syndrome, a Lysosomal Storage Disorder ("LSD"). The Group initiated a Phase 1/2 clinical trial in August 2010 which has now completed. Shire is currently planning the next clinical trial for HGT-1410, designed to measure a clinical response, which is expected to initiate in the second half of 2013, subject to customary regulatory interactions with the FDA and EMA. The product has been granted orphan drug designation in the US and in the EU.

SRM-003 (formerly referred to as VASCUGEL) for the treatment of improvement in patency of arteriovenous ("AV") access in hemodialysis patients
SRM-003 is a novel endothelial cell based therapy in development for enhancing blood vessel repair and improving hemodialysis access for patients with end-stage renal disease ("ESRD"). This product has been granted orphan drug designation in the US and the EU. In March 2013, Shire enrolled the first patients in its two Phase 2 studies designed to evaluate the efficacy and safety of SRM-003 (VASCUGEL) in improving Arteriovenous Fistula (AVF) maturation and AV Graft ("AVG") patency to facilitate hemodialysis in patients with ESRD.

Phase 1

HGT-1110 for the treatment of Metachromatic Leukodystrophy ("MLD")
HGT-1110 is in development as an ERT delivered intrathecally for the treatment of MLD. This product has been granted orphan drug designation in the US and the EU. The Group initiated a Phase 1/2 clinical trial in August 2012. This trial is ongoing.

Other pre-clinical development projects
A number of additional projects are underway in various stages of pre-clinical development.

Results of operations for the six months to June 30, 2013 and June 30, 2012

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, 2013 and 2012.

Total revenues

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

	6 months to June 30, 2013 $'M	6 months to June 30, 2012 $'M	change %
Product sales	2,346.9	2,254.6	+4
Royalties	74.8	112.6	-34
Other revenues	14.7	12.4	+19
Total	2,436.4	2,379.6	+2

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

	6 months to June 30, 2013 $'M	6 months to June 30, 2012 $'M	Product sales growth %	Non-GAAP CER growth %	US prescription growth[1] %	Exit market share[1] %
Net product sales:						
VYVANSE	598.7	526.2	14%	+14	+7	16
ELAPRASE®	263.5	247.8	6%	+9	n/a[2]	n/a[2]
LIALDA/MEZAVANT	238.0	184.1	29%	+29	+13	26
REPLAGAL®	228.1	257.6	-11%	-10	n/a[3]	n/a[3]
ADDERALL XR	212.1	245.3	-14%	-14	-15	5
INTUNIV	168.1	137.6	22%	+22	+11	5
VPRIV	164.1	154.4	6%	+7	n/a[2]	n/a[2]
PENTASA	144.6	129.7	11%	+12	-2	14
FIRAZYR	91.2	51.4	77%	+77	n/a[2]	n/a[2]
FOSRENOL®	84.4	88.7	-5%	-5	-18	4
XAGRID	49.9	48.7	2%	+2	n/a	n/a[2]
DERMAGRAFT	40.8	101.2	-60%	-60	n/a[2]	n/a[2]
Other product sales	63.4	81.9	-23%	-22	n/a	n/a
Total product sales	2,346.9	2,254.6	4%			

(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, 2013.
(2) IMS NPA Data not available.
(3) Not sold in the US in the six months to June 30, 2013.

VYVANSE – ADHD

VYVANSE product sales showed strong growth in the first half of 2013, up 14% compared to the first half of 2012, primarily as a result of higher prescription demand (up 7%) and to a lesser extent[1] the effect of a price increase taken since the first half of 2012, the benefit of which was partially offset by higher sales deductions and higher destocking in the first half of 2013 compared to the first half of 2012.

Litigation proceedings regarding Shire's VYVANSE patents are ongoing. Further information about this litigation can be found in Note 13 of this Half Yearly Report.

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

ELAPRASE – Hunter syndrome

Product sales from ELAPRASE in the first half of 2013 were up 6% compared to the first half of 2012, primarily due to growth in underlying patient numbers.

LIALDA/MEZAVANT – Ulcerative Colitis

Product sales for LIALDA/MEZAVANT showed strong growth in the first half of 2013, up 29%. Increased prescription demand (up 13% in the US) benefited from new Managed Care contracts in the US. First half of 2013 sales also benefited from lower de-stocking compared to the first half of 2012. To a lesser extent[1] sales also benefited from the effect of a price increase taken since the first half of 2012, offset by the effect of higher US sales deductions.

Litigation proceedings regarding Shire's LIALDA patents are ongoing. Further information about this litigation can be found in Note 13 of this Half Yearly Report.

REPLAGAL – Fabry disease

REPLAGAL revenues were down 11% compared to the first half of 2012, primarily due to the return of competition to the Fabry market in Europe and the timing of certain shipments which have distorted quarter on quarter growth rates in both 2013 and 2012. However, recent positive trends in the patient dynamics indicate that the impact of switches to the competitor product is diminishing and Shire continues to see strong growth in the number of new naïve patients starting on REPLAGAL globally.

ADDERALL XR – ADHD

ADDERALL XR product sales decreased in the first half of 2013 (down 14%) compared to the first half of 2012, primarily as a result of lower US prescription demand (down 15%) following the introduction of a new generic competitor in June 2012 and the effect of higher sales deductions.

Litigation proceedings regarding Shire's ADDERALL XR patents are ongoing. Further information about this litigation can be found in Note 13 of this Half Yearly Report.

INTUNIV – ADHD

The strong growth in INTUNIV product sales (up 22%) in the first half of 2013 was driven by both growth in US prescription demand and the effect[1] of price increases taken since the first half of 2012, the benefit of which was partially offset by higher sales deductions and higher destocking in the first half of 2013 compared to the first half of 2012.

Further information about litigation proceedings regarding Shire's INTUNIV patents can be found in Note 13 of this Half Yearly Report.

VPRIV – Gaucher disease

VPRIV product sales increased by 6% in the first half of 2013, primarily due to the continued growth in the number of patients on therapy.

PENTASA – Ulcerative Colitis

PENTASA product sales (up 11%) benefited from both price increases[1] taken since the first half of 2012 and the impact of moderate stocking in the first half of 2013 compared to a small amount of pipeline destocking in the first half of 2012.

FIRAZYR – Hereditary Angioedema ("HAE")

FIRAZYR product sales (up 77%) showed strong growth reflecting the continuing global growth of the product, particularly in the US market.

DERMAGRAFT – DFU

DERMAGRAFT product sales in the first half of 2013 were down by 60% compared to the first half of 2012, reflecting the impact of restructuring of the sales and marketing organization and the implementation of a new commercial model which has recently been completed.

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

Royalties

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

	6 months to June 30, 2013 $'M	6 months to June 30, 2012 $'M	Change %
3TC and ZEFFIX	23.8	24.2	-2
FOSRENOL	19.8	23.0	-14
ADDERALL XR	13.0	51.0	-75
Other	18.2	14.4	+26
Total royalties	74.8	112.6	-34

Royalties from ADDERALL XR in the first half of 2013 were significantly impacted by both reduced sales volume and a lower royalty rate being payable to Shire by Impax Laboratories, Inc. for its authorised generic product following the launch of a new generic product in June 2012.

Cost of product sales

Cost of product sales increased to $331.6 million for the six months to June 30, 2013 (14% of product sales), up from $310.9 million in the corresponding period in 2012 (2012: 14% of product sales). Cost of product sales as a percentage of product sales remained constant.

For the six months to June 30, 2013 cost of product sales included depreciation of $17.8 million (2012: $14.2 million) and amortization of $nil (2012: $0.7 million).

R&D

R&D expenditure increased to $484.3 million for the six months to June 30, 2013 (21% of product sales), compared to $458.9 million in the corresponding period in 2012 (20% of product sales). In the six months to June 30, 2012 R&D included payments of $23.0 million in respect of in-licensed and acquired products and intangible asset impairment charges of $27.0 million compared to impairment charges of $19.9 million in 2013. Excluding these costs R&D increased by $56 million or 14% due to the Group's continued investment in its R&D pipeline, primarily on non-ADHD programs for LDX, SPD-602 for iron overload and development programs acquired through business development in 2013.

R&D in the six months to June 30, 2013 included depreciation of $8.9 million (2012: $12.8 million), and impairment charges in respect of the Group's RESOLOR in process research and development ("IPR&D") intangible assets of $19.9 million (2012: $27.0 million).

Selling, General and Administrative ("SG&A")

SG&A expenditure decreased to $896.3 million (38% of product sales) for the six months to June 30, 2013 from $1,011.0 million (45% of product sales) in the corresponding period in 2012, primarily due to the Group's continuing focus on simplifying its business and delivering efficient growth. In the six months to June 30, 2012 SG&A also included higher legal and litigation costs and higher intangible amortization expense which were not incurred in the same period in 2013.

For the six months to June 30, 2013 SG&A included depreciation of $32.8 million (2012: $28.1 million) and amortization of $91.7 million (2012: $96.6 million).

Goodwill impairment charges

For the six months to June 30, 2013 Shire recorded an impairment charge for goodwill of $198.9 million (2012: $nil) relating to Shire's Regenerative Medicine ("RM") business. Following a review of future forecasts for the RM business unit, management determined in the first quarter of 2013 that future sales were expected to be lower than anticipated at the time of acquisition and consequently in accordance with US GAAP, it was determined that the goodwill attributable to the RM business unit was impaired. Whilst future expectations for long term growth of DERMAGRAFT have been revised downwards, the Group still expects the product to return to growth over coming quarters.

Gain on sale of product rights

For the six months to June 30, 2013 Shire recorded a gain on sale of product rights of $11.0 million (2012: $10.8 million) following re-measurement of the contingent consideration receivable from the divestment of DAYTRANA.

Reorganization costs

For the six months to June 30, 2013 Shire recorded reorganization costs of $43.9 million (2012: $nil), relating to the collective dismissal and business closure at Turnhout, Belgium and the "One Shire" reorganization as the Group transitions to a new operating structure.

Integration and acquisition costs

For the six months to June 30, 2013 Shire recorded integration and acquisition costs of $21.5 million primarily associated with the acquisitions of SARcode and Lotus and the integration of FerroKin in addition to charges related to the change in fair value of contingent consideration. In 2012 integration and acquisition costs ($12.4 million) primarily related to the acquisition of FerroKin and integration of Advanced BioHealing Inc. ("ABH").

Interest expense

For the six months to June 30, 2013 Shire incurred interest expense of $18.0 million (2012: $19.8 million), principally relates to the coupon on Shire's $1,100 million 2.75% convertible bonds due 2014.

Taxation

For interim reporting purposes, the Group calculates its tax expense by estimating its global annual effective tax rate and applies that rate in providing for income taxes on a year-to-date basis. The Group has calculated an expected annual effective tax rate, excluding significant, unusual or extraordinary items, and the tax effect of jurisdictions with losses for which a tax benefit cannot be recognized. In the six months to June 30, 2013 the effective tax rate was 29% (2012: 18%). The effective rate of tax in the six months to June 30, 2013 was higher than the six months to June 30, 2012 primarily due to the impact of the RM goodwill impairment charge (which is not deductible for tax purposes), an increase in unrecognized tax losses, adverse changes in profit mix and changes in estimates of the amount of certain tax liabilities following the finalization of various tax returns. These factors were partially offset by the recognition of the 2012 US R&D credit in the first quarter of 2013. The US R&D credit was recognized following the enactment of legislation on January 2, 2013, approving the extension of the regular R&D credit retrospectively.

Financial condition at June 30, 2013 and December 31, 2012

Accounts receivable, net

Accounts receivable, net increased by $91.0 million to $915.2 million (December 31, 2012: $824.2 million), primarily due to the increase in revenue in the second quarter of 2013. Days sales outstanding remained constant at 50 days (December 31, 2012: 50 days).

Other intangible assets, net

Other intangible assets increased by $610.0 million to $2,998.1 million (December 31, 2012: $2,388.1 million), due to the IPR&D assets acquired with SARcode, Premacure and Lotus, offset by intangible asset amortization, IPR&D impairment and foreign exchange movements.

Convertible bonds

Current liabilities have increased by $1,100 million due to the reclassification of the Group's $1,100 million 2.75% convertible bonds due 2014 (the "Bonds") from non-current to current liabilities in 2013 as the Group is required to redeem the Bonds within twelve months of the balance sheet date.

Non-current deferred tax liabilities

Non-current deferred tax liabilities increased by $210.6 million to $731.4 million (December 31, 2012: $520.8 million), primarily due to deferred tax liabilities arising on the IPR&D assets acquired with SARcode, Premacure and Lotus.

Other non-current liabilities

Other non-current liabilities increased by $382.9 million to $624.5 million (December 31, 2012: $241.6 million) primarily due to the recognition of non-current contingent consideration payable related to the SARcode, Premacure and Lotus business combinations.

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 Employee Benefit Trust ("EBT") of Shire shares in the market to satisfy awards granted under Shire's employee share plans; the timing and quantum of purchases of Shire shares under the share buy-back program; 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 $1,301.9 million of cash and cash equivalents at June 30, 2013. Substantially all of Shire's debt relates to its Bonds. In addition, Shire has a revolving credit facility of $1,200 million which matures in 2015 (the "RCF"), which is currently undrawn.

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, share buy-back program, capital expenditures, tax and interest payments, lease obligations 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 existing cash resources, the RCF and possibly through new borrowings and the issue of new equity if necessary.

Share buy-back program

Shire has a strong balance sheet and continued robust cash generation, and considers efficient use of capital on behalf of shareholders an important objective. Therefore, during the year to December 31, 2012 the Group commenced a share buy-back program, for the purpose of returning funds to shareholders, of up to $500 million through both direct purchases of Ordinary Shares and through the purchase of Ordinary Shares underlying American Depository Receipts.

At June 30, 2013 the Group had made on-market repurchases totaling 9,432,043 Ordinary Shares at a cost of $285.5 million (excluding transaction costs). This represents 1.68% of the issued share capital of the Group as at June 30, 2013. Ordinary Shares purchased may be cancelled or be held as treasury shares, in accordance with the authority renewed by shareholders at the Group's Annual General Meeting ("AGM"). At its AGM on April 24, 2012 the Group was authorized to make market purchases of up to 56,253,208 of its own Ordinary Shares. That authority expired at the AGM held on April 30, 2013 and was renewed. Under the new authority, which expires at the 2014 AGM, the Group was authorized to make market purchases of up to 55,741,587 of its own Ordinary Shares.

Sources and uses of cash

The following table provides an analysis of the Group's gross and net cash/ debt position (excluding restricted cash), as at June 30, 2013 and December 31, 2012:

	June 30, 2013 $'M	December 31, 2012 $'M
Cash and cash equivalents[1]	1,301.9	1,482.2
Convertible bonds	1,100.0	1,100.0
Other	8.9	9.3
Total debt	1,108.9	1,109.3
Net cash	193.0	372.9

(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.

Cash flow activity

Net cash provided by operating activities for the six months to June 30, 2013 decreased by 42% or $303.8 million to $419.0 million (2012: $722.8 million), as higher cash receipts from gross product sales were more than offset by higher cash tax payments, lower royalty receipts, the payment to settle the litigation with Impax ($48 million) (see note 13 for details), the timing of receipts from large distributors in the US and the timing of operating expenses payments. The second quarter of 2012 also included strong cash receipts from government-supported healthcare providers in Spain.

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 Property, plant and equipment ("PP&E").

Net cash used in investing activities was $179.9 million in the six months to June 30, 2012, relating to the payment of $97.0 million to acquire Ferrokin and certain assets and liabilities from Pervasis, $43.5 million for the purchase of intangible assets, and $64.4 million on the purchase of PP&E.

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.

Net cash used in financing activities was $48.6 million for the six months to June 30, 2012, principally due to the dividend payment and the purchase of shares by the EBT, which more than offset the excess tax benefit associated with the exercise of stock options.

Obligations and commitments

During the six months to June 30, 2013 there have been no material changes outside the ordinary course of the Group's business to the contractual obligations previously disclosed in the Financial review of Shire's Annual Report and Accounts for the year ended December 31, 2012.

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 2013 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, 2012 will change in respect of the second half of 2013.

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, 2012. Some of these risks are specific to the Group and others are more generally applicable to the pharmaceutical industry or specific markets 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
- 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 and earnings
- The Group relies on a single source for manufacture of certain of its products. A disruption to the supply chain for these 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
- The Group uses third party manufacturers to manufacture many of its products and is reliant upon third party contractors for certain goods and services. Any inability of these third party manufacturers to manufacture products, or any failure of these third party contractors to provide these goods and services, in each case in accordance with its respective contractual obligations, could adversely affect the Group's ability to manage its manufacturing processes or to operate its business
- The development, approval and manufacturing of the Group's products is subject to extensive oversight by various regulatory agencies
- 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 the distraction of senior management, significant legal costs and the payment of substantial compensation or fines
- Adverse outcomes in legal matters and other disputes could have a material adverse effect on the Group's revenues, financial condition or results of operations

Risk factors related to the pharmaceutical 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 nonpayment 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
- Loss of highly qualified personnel could cause the Group subsequent financial loss

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, 2012.

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 9, 2013

Graham Hetherington
Chief Financial Officer

August 9, 2013

Unaudited consolidated balance sheets

	Notes	June 30, 2013 $'M	December 31, 2012 $'M
ASSETS			
Current assets:			
Cash and cash equivalents		1,301.9	1,482.2
Restricted cash		17.6	17.1
Accounts receivable, net	4	915.2	824.2
Inventories	5	492.2	436.9
Deferred tax asset		212.5	229.9
Prepaid expenses and other current assets	6	289.1	221.8
Total current assets		3,228.5	3,212.1
Non-current assets:			
Investments		33.2	38.7
Property, plant and equipment, net		953.1	955.8
Goodwill	7	611.6	644.5
Other intangible assets, net	8	2,998.1	2,388.1
Deferred tax asset		44.5	46.5
Other non-current assets		33.9	31.5
Total assets		7,902.9	7,317.2
LIABILITIES AND EQUITY			
Current liabilities:			
Accounts payable and accrued expenses	9	1,456.7	1,501.5
Convertible bonds	10	1,100.0	-
Other current liabilities	11	158.8	144.1
Total current liabilities		2,715.5	1,645.6
Non-current liabilities:			
Convertible bonds	10	-	1,100.0
Deferred tax liability		731.4	520.8
Other non-current liabilities	12	624.5	241.6
Total liabilities		4,071.4	3,508.0
Commitments and contingencies	13		

Unaudited consolidated balance sheets (continued)

	Notes	June 30, 2013 $'M	December 31, 2012 $'M
Equity:			
Common stock of 5p par value; 1,000 million shares authorized; and 562.8 million shares issued and outstanding (2012: 1,000 million shares authorized; and 562.5 million shares issued and outstanding)		55.8	55.7
Additional paid-in capital		3,024.1	2,981.5
Treasury stock: 14.5 million shares (2012: 10.7 million shares)		(476.9)	(310.4)
Accumulated other comprehensive income	14	52.2	86.9
Retained earnings		1,176.3	995.5
Total equity		3,831.5	3,809.2
Total liabilities and equity		7,902.9	7,317.2

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

Unaudited consolidated statements of income

	Notes	6 months to June 30, 2013 $'M	6 months to June 30, 2012 $'M
Revenues:			
Product sales		2,346.9	2,254.6
Royalties		74.8	112.6
Other revenues		14.7	12.4
Total revenues		2,436.4	2,379.6
Costs and expenses:			
Cost of product sales		331.6	310.9
Research and development ("R&D")[1]		484.3	458.9
Selling, general and administrative ("SG&A")[1]		896.3	1,011.0
Goodwill impairment charge	7	198.9	-
Gain on sale of product rights		(11.0)	(10.8)
Reorganization costs	3	43.9	-
Integration and acquisition costs		21.5	12.4
Total operating expenses		1,965.5	1,782.4
Operating income		470.9	597.2
Interest income		1.2	1.4
Interest expense		(18.0)	(19.8)
Other (expense)/ income, net		(2.5)	0.1
Total other expense, net		(19.3)	(18.3)
Income before income taxes and equity in earnings of equity method investees		451.6	578.9
Income taxes		(129.6)	(103.0)
Equity in earnings of equity method investees, net of taxes		0.9	0.3
Net income		322.9	476.2
Earnings per ordinary share - basic		58.6c	85.8c
Earnings per ordinary share - diluted		57.5c	82.8c
Weighted average number of shares (millions):			
Basic		550.5	555.2
Diluted		587.5	594.8

(1) R&D includes intangible asset impairment charges of $19.9 million (2012: $27.0 million) for the six months to June 30, 2013. SG&A costs includes amortization of intangible assets relating to intellectual property rights acquired of $91.7 million for the six months to June 30, 2013 (2012: $96.6 million).

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

Unaudited consolidated statement of comprehensive income

	6 months to June 30, 2013 $'M	6 months to June 30, 2012 $'M
Net income	322.9	476.2
Other comprehensive income:		
Foreign currency translation adjustments	(34.5)	(17.7)
Unrealized holding gain/(loss) on available-for-sale securities (net of taxes of $1.1 million and $2.9 million)	(0.2)	6.0
Comprehensive income	288.2	464.5

The components of accumulated other comprehensive income as at June 30, 2013 and December 31, 2012 are as follows:

	June 30, 2013 $'M	December 31, 2012 $'M
Foreign currency translation adjustments	50.6	85.1
Unrealized holding gain on available-for-sale securities, net of taxes	1.6	1.8
Accumulated other comprehensive income	52.2	86.9

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

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, 2013	562.5	55.7	2,981.5	(310.4)	86.9	995.5	3,809.2
Net income	-	-	-	-	-	322.9	322.9
Foreign currency translation	-	-	-	-	(34.5)	-	(34.5)
Options exercised	0.3	0.1	-	-	-	-	0.1
Share-based compensation	-	-	37.2	-	-	-	37.2
Tax benefit associated with exercise of stock options	-	-	5.4	-	-	-	5.4
Shares purchased by employee benefit trust ("EBT")	-	-	-	(50.0)	-	-	(50.0)
Shares purchased under share buy-back program	-	-	-	(179.3)	-	-	(179.3)
Shares released by EBT to satisfy exercise of stock options	-	-	-	62.8	-	(62.9)	(0.1)
Unrealized holding loss on available-for-sale securities, net of taxes	-	-	-	-	(0.2)	-	(0.2)
Dividends	-	-	-	-	-	(79.2)	(79.2)
As at June 30, 2013	562.8	55.8	3,024.1	(476.9)	52.2	1,176.3	3,831.5

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

Dividends per share

During the six months to June 30, 2013 Shire plc declared and paid dividends of 14.60 US cents per ordinary share (equivalent to 43.80 US cents per ADS) totalling $79.2 million.

Unaudited consolidated statements of cash flows

6 months to June 30,	2013 $'M	2012 $'M
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	322.9	476.2
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	151.2	152.4
Share based compensation	36.4	43.4
Impairment of intangible assets	19.9	27.0
Goodwill impairment charge	198.9	-
Gain on sale of product rights	(11.0)	(10.8)
Other	20.9	4.3
Movement in deferred taxes	21.2	(24.1)
Equity in earnings of equity method investees	(0.9)	(0.3)
Changes in operating assets and liabilities:		
(Increase)/decrease in accounts receivable	(102.6)	22.4
Increase in sales deduction accrual	40.0	27.6
Increase in inventory	(53.9)	(67.0)
(Increase)/decrease in prepayments and other assets	(66.5)	32.1
(Decrease)/increase in accounts and notes payable and other liabilities	(160.7)	34.7
Returns on investment from joint venture	3.2	4.9
Net cash provided by operating activities [(A)]	419.0	722.8
CASH FLOWS FROM INVESTING ACTIVITIES:		
Movements in restricted cash	(0.5)	6.2
Purchases of subsidiary undertakings and businesses, net of cash acquired	(227.8)	(97.0)
Purchases of property, plant and equipment ("PP&E")	(65.0)	(64.4)
Purchases of intangible assets	-	(43.5)
Proceeds received on sale of product rights	10.3	10.4
Returns from equity investments	3.7	8.4
Net cash used in investing activities [(B)]	(279.3)	(179.9)

Unaudited consolidated statements of cash flows

	2013 $'M	2012 $'M
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments to acquire shares under share buy-back program	(177.7)	-
Payment of dividend	(79.2)	(70.7)
Payments to acquire shares by the Employee Benefit Trust ("EBT")	(50.0)	(10.7)
Excess tax benefit associated with exercise of stock options	6.1	35.2
Contingent consideration payments	(8.8)	-
Other	(7.5)	(2.4)
Net cash used in financing activities[C]	(317.1)	(48.6)
Effect of foreign exchange rate changes on cash and cash equivalents [D]	(2.9)	(1.6)
Net (decrease)/increase in cash and cash equivalents [A+B+C+D]	(180.3)	492.7
Cash and cash equivalents at beginning of period	1,482.2	620.0
Cash and cash equivalents at end of period	1,301.9	1,112.7

Supplemental information associated with continuing operations:

6 months to June 30,	**2013 $'M**	**2012 $'M**
Interest paid	(16.9)	(17.3)
Income taxes paid	(196.8)	(68.3)

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

Notes to the unaudited consolidated financial statements

1. Summary of Significant Accounting Policies

(a) Basis of preparation

These interim financial statements of Shire 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, 2012 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 Shire's Annual Report and Accounts for the year to December 31, 2012.

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.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the Half Yearly Report.

(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, the valuation of equity investments, 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

Adopted during the period

Indefinite-Lived Intangible Assets (Other than Goodwill) Impairment Testing

In July 2012 the Financial Accounting Standard Board ("FASB") issued guidance on the testing of indefinite-lived intangible assets for impairment. The guidance permits an entity to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount. If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount, performing the impairment test is unnecessary. The more-likely-than-not threshold is defined as a likelihood of more than 50 percent. An entity also has the option to bypass the qualitative assessment for any indefinite-lived intangible asset in any period and proceed directly to performing the impairment test and may resume performing the qualitative assessment in any subsequent period. The guidance has been adopted prospectively from January 1, 2013. The adoption of the guidance did not impact the Group's consolidated financial position, results of operations or cash flows.

Disclosure about offsetting assets and liabilities

In December 2011 the FASB issued guidance on disclosures about offsetting assets and liabilities. In January 2013 the FASB amended the previous guidance to clarify the scope of guidance issued in December 2011. The amended guidance requires entities to disclose both gross and net information about derivatives including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are either offset in accordance with FASB guidance on topics "Balance Sheet" and "Derivatives and Hedging" or subject to an enforceable master netting arrangement or similar agreement; to enable users of financial statements to understand the effects or potential effects of those arrangements on its financial position. The guidance has been adopted prospectively from January 1, 2013. The adoption of the guidance did not impact the Group's consolidated financial position, results of operations or cash flows. Enhanced disclosure of balance sheet offsetting as required by this guidance is included in Note 15.

Amounts reclassified out of Comprehensive Income

In February 2013 the FASB issued guidance on reporting amounts reclassified out of accumulated other comprehensive income. The guidance requires entities to provide information about the amount reclassified out of comprehensive income by component and presents either on the face of the financial statements or in the notes, significant amounts reclassified out of other comprehensive income by the respective line items of net income, but only if the amount reclassified is required under US GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under US GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under US GAAP that provide additional detail about those amounts. The guidance has been adopted prospectively from January 1, 2013. The adoption of the guidance did not impact the Group's consolidated financial position, results of operations or cash flows.

2. Business combinations

Acquisition of SARcode Bioscience Inc. ("SARcode")

On April 17, 2013 Shire completed the acquisition of 100% of the outstanding share capital of SARcode. The acquisition date fair value of the consideration totaled $368 million, comprising cash consideration paid on closing of $151 million and the fair value of contingent consideration payable of $217 million. The maximum amount of contingent cash consideration which may be payable by Shire in future periods is $525 million dependent upon achievement of certain clinical, regulatory and net sales milestones.

This acquisition brings the new Phase 3 compound, lifitegrast, currently under development for the signs and symptoms of dry eye disease, into Shire's portfolio. Shire anticipates launching lifitegrast in the United States as early as 2016 pending a positive outcome of the Phase 3 clinical development program and regulatory approvals. Shire is acquiring the global rights to lifitegrast and will evaluate an appropriate regulatory filing strategy for markets outside of the United States.

The acquisition of SARcode has been accounted as a business combination using the acquisition method. The assets and liabilities assumed from SARcode have been recorded at their preliminary fair values at the date of acquisition, being April 17, 2013. The Group's consolidated financial statement and results of operations include the result of SARcode from April 17, 2013.

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 in respect of lifitegrast ($412 million), net current liabilities assumed ($8.2 million), net non-current liabilities assumed (including deferred tax liabilities) ($122.4 million) and goodwill ($86.6 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 $86.6 million, which is not deductible for tax purposes, has been assigned to the Specialty Pharmaceuticals ("SP") operating segment. Goodwill includes the value of the assembled workforce and the related scientific expertise in ophthalmology which allows for potential expansion into a new therapeutic area.

In the six months to June 30, 2013 the Group has expensed costs of $4.6 million (2012: $nil) relating to the SARcode acquisition, which have been recorded within integration and acquisition costs in the Group's consolidated income statement.

Acquisition of Premacure AB ("Premacure")

On March 8, 2013 Shire completed the acquisition of 100% of the outstanding share capital of Premacure. The acquisition date fair value of the consideration totaled $140.2 million, comprising cash consideration paid on closing of $30.6 million, and the fair value of contingent consideration payable of $109.6 million. The maximum amount of contingent cash consideration which may be payable by Shire in future periods, dependent upon the successful completion of certain development and commercial milestones, is $169 million. Shire will also pay royalties on relevant net sales.

Premacure is developing a protein replacement therapy ("PREMIPLEX"), currently in Phase 2 development, for the prevention of Retinopathy of Prematurity ("ROP"). ROP is a rare and potentially blinding eye disorder that primarily affects premature infants and is one of the most common causes of visual loss in childhood. Together, the acquisitions of SARcode and Premacure build Shire's presence in the ophthalmology therapeutic area.

The acquisition of Premacure has been accounted for as a business combination using the acquisition method. The assets and the liabilities assumed from Premacure have been recorded at their preliminary fair values at the date of acquisition, being March 8, 2013. The Group's consolidated financial statements and results of operations include the results of Premacure from March 8, 2013.

The purchase price allocation is preliminary pending final determination of the fair values of certain assets acquired and liabilities assumed. The purchase price has been allocated on a preliminary basis to acquired IPR&D in respect of PREMIPLEX ($151.8 million), net current liabilities assumed ($11.7 million), net non-current liabilities assumed (including deferred tax liabilities) ($29.5 million) and goodwill ($29.6 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 $29.6 million, which is not deductible for tax purposes, has been assigned to the Human Genetic Therapies ("HGT") operating segment.

In the six months to June 30, 2013 the Group expensed costs of $4.2 million (2012: nil) relating to the Premacure acquisition, which have been recorded within integration and acquisition costs in the Group's consolidated income statement.

Acquisition of Lotus Tissue Repair, Inc ("Lotus")

On February 12, 2013 Shire completed the acquisition of 100% of the outstanding share capital of Lotus. The acquisition date fair value of consideration totaled $174.2 million, comprising cash consideration paid on closing of $49.4 million, and the fair value of contingent consideration payable of $124.8 million. The maximum amount of contingent cash consideration which may be payable by Shire in future periods is $275 million. The amount of contingent cash consideration ultimately payable by Shire is dependent upon achievement of certain pre-clinical and clinical development milestones.

Lotus is developing a proprietary recombinant form of human collagen Type VII ("rC7") as the first and only intravenous protein replacement therapy currently being investigated for the treatment of Dystrophic Epidermolysis Bullosa ("DEB"). DEB is a devastating orphan disease for which there is no currently approved treatment option other than palliative care. The acquisition adds to Shire's pipeline a late stage pre-clinical product for the treatment of DEB with global rights. This acquisition is complementary to Shire's existing investment in developing ABH001, which is currently being investigated as a dermal substitute therapy for the treatment of non-healing wounds in patients with Epidermolysis Bullosa ("EB").

The acquisition of Lotus has been accounted for as a business combination using the acquisition method. The assets and the liabilities assumed from Lotus have been recorded at their preliminary fair values at the date of acquisition, being February 12, 2013. The Group's consolidated financial statements and results of operations include the results of Lotus from February 12, 2013.

The purchase price allocation is preliminary pending final determination of the fair values of certain assets acquired and liabilities assumed. The purchase price has been allocated on a preliminary basis to acquired IPR&D in respect of rC7 ($176.7 million), net current assets assumed ($6.8 million), net non-current liabilities assumed (including deferred tax liabilities) ($63.4 million) and goodwill ($54.1 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 $54.1 million, which is not deductible for tax purposes, has been assigned to the HGT operating segment.

In the six months to June 30, 2013 the Group expensed costs of $3.7 million (2012: $nil) relating to the Lotus acquisition, which have been recorded within integration and acquisition costs in the Group's consolidated income statement.

Supplemental disclosure of pro forma information

The unaudited pro forma financial information to present the combined results of the operations of Shire, SARcode Premacure and Lotus are not provided as the collective impacts of these acquisitions were not material to the Group's results of operations for any period presented.

3. Reorganization costs

Turnhout, Belgium site closure

On January 23, 2013 Shire announced that it had decided to proceed with a collective dismissal and business closure at its site in Turnhout, Belgium. This decision follows the conclusion of an information and consultation process. Shire will continue to sell RESOLOR in Europe and the supply of RESOLOR for patients in Europe who rely on the medicine will not be affected. In the three and six months to June 30, 2013 the Group incurred reorganization costs totaling $1.7 million and $19.2 million, respectively relating to employee involuntary termination benefits and other re-organization costs (of which $0.4 million is accrued at June 30, 2013). The closure of the Turnhout site is expected to be completed by the end of 2013.

"One Shire" business re-alignment

On May 2, 2013 the Group announced that there would be a re-alignment of the business to integrate the three divisions into a simplified "One Shire" organization in order to drive future growth and innovation. In the three and six months to June 30, 2013, the Group incurred reorganization costs totaling $24.7 million, relating to contract termination and other re-organization costs (of which $0.4 million is accrued at June 30, 2013). This re-alignment is ongoing and the Group is continuing to evaluate the total costs expected to be incurred and the timeframe.

4. Accounts receivable, net

Accounts receivable at June 30, 2013 of $915.2 million (December 31, 2012: $824.2 million), are stated net of a provision for discounts and doubtful accounts of $41.8 million (December 31, 2012: $41.7 million).

Provision for discounts and doubtful accounts:

	2013 $'M	2012 $'M
As at January 1,	41.7	31.1
Provision charged to operations	150.8	135.0
Provision utilization	(150.7)	(129.5)
As at June 30,	41.8	36.6

At June 30, 2013 accounts receivable included $34.8 million (December 31, 2012: $38.5 million) related to royalty income.

5. Inventories

Inventories are stated at the lower of cost or market and comprise:

	June 30, 2013 $'M	December 31, 2012 $'M
Finished goods	155.0	124.4
Work-in-progress	245.3	220.6
Raw materials	91.9	91.9
	492.2	436.9

6. Prepaid expenses and other current assets

	June 30, 2013 $'M	December 31, 2012 $'M
Prepaid expenses	49.2	31.7
Income tax receivable	175.3	130.6
Value added taxes receivable	20.4	20.9
Other current assets	44.2	38.6
	289.1	221.8

7. Goodwill

	June 30, 2013 $'M	December 31, 2012 $'M
Goodwill arising on businesses acquired	611.6	644.5

In the six months to June 30, 2013 the Group completed the acquisitions of SARcode, Premacure and Lotus, which resulted in goodwill with a value of $86.6 million, $29.6 million and $54.1 million, respectively (see Note 2). On an Interim basis the goodwill of SARcode has been assigned to the SP operating segment and the goodwill of Premacure and Lotus has been assigned to the HGT operating segment.

At June 30, 2013 goodwill of $376.8 million (December 31, 2012: $291.1 million) is held in the SP segment, $234.8 million (December 31, 2012: $154.5 million) in the HGT segment and $nil (December 31, 2012: $198.9 million) is held in the RM segment. The Group is continuing to assess the impact of the ongoing "One Shire" realignment on its operating and reportable segments (see note 18 for details) and the related impact on the allocation of goodwill.

	2013 $'M	2012 $'M
As at January 1,	644.5	592.6
Acquisitions	170.3	48.1
Goodwill impairment charge	(198.9)	-
Foreign currency translation	(4.3)	(4.7)
As at June 30,	611.6	636.0

Goodwill is tested for impairment at least annually as at October 1 each year. This assessment is also performed whenever there is a change in circumstances that indicates the carrying value of these assets may be impaired.

As at October 1, 2012 the Group determined that the fair value of all reporting units exceeded their book value, indicating that the goodwill allocated to each reporting unit was not impaired.

In the first quarter of 2013 the Group identified circumstances which indicated that the carrying value of goodwill in the RM reporting unit may not be recoverable, which triggered an impairment test in advance of the annual testing date.

These circumstances included the results of an independent market research study of the DERMAGRAFT sales potential, commissioned by the Group, which was finalized late in the first quarter of 2013. In addition, while the Group still expects DERMAGRAFT to return to growth over coming quarters, the recently completed restructuring of the RM sales and marketing organization and the implementation of a new commercial model had a more pronounced impact than previously expected. As a result of these and other factors forecast future sales are now lower than at the time of acquisition.

The results of the Group's March 31, 2013 impairment test showed that the carrying amount of the RM reporting unit exceeded its fair value and the implied value of the goodwill was $nil. As a result the Group recorded an impairment charge of $198.9 million related to the goodwill allocated to the RM reporting unit. The RM goodwill impairment charge is not deductible for tax purposes. This is the primary reason that the effective rate of tax in the first half of 2013 (29%) is higher than the same period in 2012 (18%). Accumulated goodwill impairment as at June 30, 2013 was $198.9 million (December 31, 2012: $nil).

Key assumptions used to determine the fair value of the RM reporting unit included expected cash flows for the period from March 31, 2013 to December 31, 2023 and the associated discount rate of 15.1%, which was derived from management's best estimate of the after-tax weighted average cost of capital for the RM reporting unit.

The Group determined the estimated fair value of the RM reporting unit using discounted cash flow analyses. Discounted cash flow analyses are dependent upon a number of quantitative and qualitative factors including estimates of forecasted revenue, profitability, earnings before interest, taxes, depreciation and amortization, and terminal values. The discount rates applied in the discounted cash flow analyses also have an impact on the estimates of fair value, as use of a higher rate will result in a lower estimate of fair value.

8. Other intangible assets, net

	June 30, 2013 $'M	December 31, 2012 $'M
Amortized intangible assets		
Intellectual property rights acquired for currently marketed products	2,446.6	2,462.0
Acquired product technology	710.0	710.0
Other intangible assets	44.5	44.5
	3,201.1	3,216.5
Unamortized intangible assets		
Intellectual property rights acquired for IPR&D	945.8	231.0
	4,146.9	3,447.5
Less: Accumulated amortization	(1,148.8)	(1,059.4)
	2,998.1	2,388.1

As at June 30, 2013 the net book value of intangible assets allocated to the SP segment was $1,582.4 million (December 31, 2012: $1,238.0 million), to the HGT segment was $760.3 million (December 31, 2012: $474.6 million) and to the RM segment was $655.4 million (December 31, 2012: $675.5 million).

The change in the net book value of other intangible assets for the six months to June 30, 2013 and 2012 is shown in the table below:

	Other intangible assets	
	2013 $'M	2012 $'M
As at January 1,	2,388.1	2,493.0
Acquisitions	732.8	272.5
Amortization charged	(91.7)	(97.3)
Impairment charges	(19.9)	(27.0)
Foreign currency translation	(11.2)	(15.6)
As at June 30,	2,998.1	2,625.6

In the six months to June 30, 2013 the Group acquired intangible assets totaling $732.8 million, relating to intangible assets acquired with SARcode, Premacure and Lotus (see Note 2 for further details).

In the second quarter of 2013 the Group reviewed certain IPR&D intangible assets acquired through Movetis N.V. ("Movetis") for impairment and recognized an impairment charge of $19.9 million (2012: $27.0 million) recorded within R&D in the consolidated income statement, to write-down these IPR&D assets to their fair value. These impairment charges have been recorded in the SP operating segment. The fair values of these assets were determined using the income approach, which used significant unobservable (Level 3) inputs (see Note 16 for further details).

Management estimates that the annual amortization charge in respect of intangible assets held at June 30, 2013 will be approximately $170 million for each of the five years to June 30, 2018. 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.

9. Accounts payable and accrued expenses

	June 30, 2013 $'M	December 31, 2012 $'M
Trade accounts payable and accrued purchases	201.7	208.1
Accrued rebates – Medicaid	454.6	455.6
Accrued rebates – Managed care	226.2	184.9
Sales return reserve	93.1	90.5
Accrued bonuses	70.5	109.0
Accrued employee compensation and benefits payable	74.4	64.5
R&D accruals	70.9	73.5
Provisions for litigation losses and other claims	73.5	118.2
Other accrued expenses	191.8	197.2
	1,456.7	1,501.5

10. Convertible Bonds

Shire 2.75% Convertible Bonds due 2014

On May 9, 2007 Shire issued $1,100 million in principal amount of 2.75% convertible bonds due in 2014 and convertible into fully paid ordinary shares of Shire plc (the "Bonds"). The Bonds were issued at 100% of their principal amount, and unless previously purchased and cancelled, redeemed or converted, will be redeemed on May 9, 2014 (the "Final Maturity Date") at their principal amount.

The Bonds are repayable in US dollars, but also contain provisions entitling the Group to settle redemption amounts in Pounds sterling or in the case of Final Maturity Date by delivery of the underlying ordinary shares and, if necessary, a cash top-up amount. As the Bonds will be redeemed within twelve months of the balance sheet date, the Bonds have been presented as a current liability at June 30, 2013.

11. Other current liabilities

	June 30, 2013 $'M	December 31, 2012 $'M
Income taxes payable	24.9	78.4
Value added taxes	18.5	23.6
Contingent consideration payable	86.4	16.0
Other current liabilities	29.0	26.1
	158.8	144.1

12. Other non-current liabilities

	June 30, 2013 $'M	December 31, 2012 $'M
Income taxes payable	63.3	58.9
Deferred revenue	10.7	11.4
Deferred rent	11.2	11.9
Insurance provisions	12.4	12.3
Contingent consideration payable	499.0	120.4
Other non-current liabilities	27.9	26.7
	624.5	241.6

13. Commitments and contingencies

(a) Leases

Future minimum lease payments under operating leases at June 30, 2013 are presented below:

	Operating leases $'M
2013	21.6
2014	40.3
2015	31.2
2016	23.0
2017	17.3
2018	11.8
Thereafter	82.8
	228.0

The Group leases land, facilities, motor vehicles and certain equipment under operating leases expiring through 2032. Lease and rental expense amounted to $25.4 million and $21.5 million for the six months to June 30, 2013 and 2012 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, 2013 the Group had irrevocable standby letters of credit and guarantees with various banks and insurance companies totaling $48.7 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 arrangements

Details of significant updates in collaborative arrangements are included below:

In-licensing arrangements

Collaboration with Acceleron Pharma Inc. ("Acceleron") for activin receptor type IIB class of molecules

In April 2013, following the results of toxicology studies, Shire discontinued development of HGT4510 and returned Shire's rights in the asset to Acceleron.

Out-licensing arrangements

Shire has entered into various collaborative 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 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, 2013 Shire received up-front and milestone payments totaling $3.0 million (2012: $6.0 million). In the six months to June 30, 2013 Shire recognized up-front and milestone income of $4.0 million (2012: $6.0 million) in other revenues and $26.3 million (2012: $38.0 million) in product sales for shipment of product to the relevant licensee.

(d) Commitments

(i) Clinical testing

At June 30, 2013 the Group had committed to pay approximately $398 million (December 31, 2012: $425 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, 2013 the Group had committed to pay approximately $80 million (December 31, 2012: $125 million) in respect of contract manufacturing. The Group expects to pay all of these commitments in 2013.

(iii) Other purchasing commitments

At June 30, 2013 the Group had committed to pay approximately $144 million (December 31, 2012: $145 million) for future purchases of goods and services, predominantly relating to active pharmaceutical ingredients sourcing. The Group expects to pay $134 million of these commitments in 2013.

(iv) Investment commitments

At June 30, 2013 the Group had outstanding commitments to subscribe for interests in companies and partnerships for amounts totaling $17 million (December 31, 2012: $15 million) which may all be payable in 2013, depending on the timing of capital calls.

(v) Capital commitments

At June 30, 2013 the Group had committed to spend $82 million (December 31, 2012: $97 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, 2013 provisions for litigation losses, insurance claims and other disputes totaled $85.9 million (December 31, 2012: $130.5 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"). On December 9, 2011, the District Court of New Jersey consolidated the Sandoz, Roxane, Amneal and Actavis cases. 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. 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, Johnson Matthey Pharmaceutical Materials and Johnson Matthey Inc. in New Jersey. In May 2012, the Mylan case that was filed in the Eastern District of New York was transferred and consolidated with the Mylan, Sandoz, Roxane, Amneal and Actavis cases in New Jersey. In December 2012, the parties completed a Markman briefing but no ruling has been rendered. A Markman hearing took place on August 5, 2013. No trial dates have been set. In February 2013, Shire withdrew its lawsuit against Watson following Watson's withdrawal of its ANDA.

INTUNIV

Between March 2010 and March 2011, Shire was notified that seven separate ANDAs had been submitted to the FDA under the Hatch-Waxman Act seeking permission to market generic versions of all approved strengths of INTUNIV. The ANDA filers were Actavis Inc., Teva Pharmaceuticals USA, Inc., Anchen, Inc., Watson Pharmaceuticals, Inc., Impax Laboratories, Inc., Mylan Pharmaceuticals, Inc., Sandoz, Inc., and certain of their respective affiliates. Shire filed lawsuits against each of these ANDA filers. All of the lawsuits have now been settled. Under the terms of the Actavis settlement, Actavis has a license to make and market Actavis' generic versions of INTUNIV in the United States on December 1, 2014. Such sales will require the payment of a royalty of 25% of gross profits to Shire during the 180 day period of Actavis' exclusivity. All other parties with whom Shire has settled will be able to enter the market with their respective ANDA-approved products after Actavis' 180 day exclusivity period has expired. Each of the settlements included a consent judgment confirming that the proposed ANDA products infringe the patents-in-suit, U.S. Patents 6,287,599 and 6,811,794, and that those patents are valid and enforceable with respect to their respective proposed ANDA products. U.S. Patent 5,854,290, which was originally asserted in some of the litigations, has been dedicated to the public.

FOSRENOL

Between February 2009 and December 2010 Shire was notified that four separate ANDAs had been submitted to the FDA under the Hatch-Waxman Act seeking permission to market generic versions of all approved strengths of FOSRENOL. The ANDA filers were Barr Laboratories, Inc.; Mylan, Inc.; Natco Pharma Limited and Alkem Laboratories Ltd., and certain of their respective affiliates. Shire filed lawsuits against each of these ANDA filers. In April 2011, Shire and Barr reached a settlement and the lawsuit against Barr was dismissed. The settlement provides Barr with a license to market its own generic version of FOSRENOL upon receiving FDA approval in the US on the earlier of the date of entry of another company's generic version of FOSRENOL to the US market, or October 1, 2021. Shire's lawsuits against Mylan, Alkem and Natco have each been dismissed, and consequently, each of Mylan, Alkem and Natco may enter the US market upon FDA approval of their respective ANDA products.

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. As of February 22, 2013, the case has been administratively closed. No further activity will take place until after one of the parties files a motion to reopen the case.

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 date is scheduled to take place on August 22, 2013.

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 has appealed the trial court's ruling to the Court of Appeals of the Federal Circuit but no date for the hearing has been set.

In April 2012, Shire was notified that Mylan Pharmaceuticals, Inc. ("Mylan") 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 begin on June 2, 2014.

ADDERALL XR

On November 1, 2010 Impax Laboratories, Inc. ("Impax") filed suit against Shire in the US District Court for the Southern District of New York claiming that Shire was in breach of its supply contract for the authorized generic version of ADDERALL XR. On February 7, 2013 Shire and Impax settled this dispute and agreed to discontinue all court and related proceedings. Under the terms of the settlement Shire made a one-time cash payment to Impax of $48 million in the first quarter of 2013. Also as part of the settlement, the parties have entered into an amended supply agreement which will govern the supply of authorized generic ADDERALL XR from Shire to Impax until the end of the supply term on September 30, 2014.

In February 2011, 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 all approved strengths of ADDERALL XR. Shire filed a lawsuit in the U.S. District Court for the Southern District of New York against Watson Pharmaceuticals, Inc. and certain of its affiliates for infringement of certain of Shire's ADDERALL XR patents. Par Pharmaceutical, Inc. (the successor in interest to Watson's ANDA for ADDERALL XR) has withdrawn its ANDA, and the litigation was dismissed on January 23, 2013 by agreement between Shire, Watson and Par Pharmaceutical, Inc..

In February 2013, Shire was notified that Neos Therapeutics, Inc. had submitted a New Drug Application under section 505(b)(2) of the Hatch Waxman Act ("505(b)(2) Application"). The 505(b)(2) Application was submitted with a paragraph

IV certification for U.S. Reissued Patent Nos. RE41,148 and 42,096 listed in the Orange Book. Within the requisite 45 day period, Shire filed a lawsuit in the Northern District of Texas against Neos Therapeutics, Inc. for infringement of those patents. The filing of the lawsuit triggered a stay of final approval of the 505(b)(2) Application for 30 months. No trial date has been set.

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 $57.5 million charge comprised of the agreement in principle amount, interest and costs, which has been charged to SG&A in the fourth quarter of 2012. 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.

Investigation related to DERMAGRAFT

Shire understands that 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 ABH relating to DERMAGRAFT. 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.

Civil Investigative Demand for ADDERALL XR, ADDERALL XR Authorized Generics and VYVANSE

On April 5, 2012 Shire received a Civil Investigative Demand ("CID") from the United States Federal Trade Commission ("FTC") requesting that Shire provide it with certain information regarding the supply and reported shortages of ADDERALL XR and its authorized generics and the marketing and sale of ADDERALL XR, its authorized generics and VYVANSE. Shire believes the CID was triggered by reports of product shortages of ADDERALL XR and the authorized generic products in 2011. Shire is cooperating fully with the FTC. At this time, Shire is unable to predict the outcome or duration of this investigation.

14. Accumulated Other Comprehensive Income

The changes in accumulated other comprehensive income, net of their related tax effects, in the six months to June 30, 2013 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, 2013	85.1	1.8	86.9
Current period change:			
Other Comprehensive income before reclassification	(34.5)	(2.1)	(36.6)
Gain recognized in the income statement (within Other (expense)/income, net) on disposal of available-for-sale securities	-	1.9	1.9
Net current period other comprehensive income	(34.5)	(0.2)	(34.7)
As at June 30, 2013	50.6	1.6	52.2

15. 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 restricted cash, cash and cash equivalents and on foreign exchange contracts on which interest is at floating rates. This exposure is primarily related 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, 2013 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.

The Group incurs interest at a fixed rate of 2.75% on its $1,100 million in principal amount convertible bonds due 2014.

No derivative instruments were entered into during the six months to June 30, 2013 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, 2012 there were three customers in the US that accounted for 50% 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, Ireland, 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 to June 30, 2013, including receipts of $37.9 million and $48.6 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 and specific external receivables. 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, 2013 the Group had 25 swap and forward foreign exchange contracts outstanding to manage currency risk. The swaps 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, 2013 the potential effect of rights of set off associated with the foreign exchange contracts would be an offset to both assets and liabilities of $0.7 million, resulting in net derivative assets and derivative liabilities of $2.3 million and $2.0 million, respectively. Further details are included below:

		Fair value June 30, 2013 $'M	Fair value December 31, 2012 $'M
Assets	Prepaid expenses and other current assets	3.0	1.3
Liabilities	Other current liabilities	2.7	3.0

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

	Location of net (loss)/gain recognized in income	Amount of net (loss)/gain recognized in income	
In the six months to		**June 30, 2013 $'M**	**June 30, 2012 $'M**
Foreign exchange contracts	Other income, net	(3.8)	6.9

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

16. Fair value measurement

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

As at June 30, 2013 and December 31, 2012 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, 2013	**$'M**	**Total $'M**	**Level 1 $'M**	**Level 2 $'M**	**Level 3 $'M**
Financial assets:					
Available-for-sale securities[1]	12.3	12.3	12.3	-	-
Contingent consideration receivable [2]	38.6	38.6	-	-	38.6
Foreign exchange contracts	3.0	3.0	-	3.0	-
Financial liabilities:					
Foreign exchange contracts	2.7	2.7	-	2.7	-
Contingent consideration payable[3]	585.4	585.4	-	-	585.4

		Total	Level 1	Level 2	Level 3
At December 31, 2012	**$'M**	**$'M**	**$'M**	**$'M**	**$'M**
Financial assets:					
Available-for-sale securities[1]	14.2	14.2	14.2	-	-
Contingent consideration receivable [2]	38.3	38.3	-	-	38.3
Foreign exchange contracts	1.3	1.3	-	1.3	-
Financial liabilities:					
Foreign exchange contracts	3.0	3.0	-	3.0	-
Contingent consideration payable[3]	136.4	136.4	-	-	136.4

(1) Available-for-sale securities are included within Investments 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:

1. Available-for-sale securities – the fair values of available-for-sale securities are estimated based on quoted market prices for those investments.
2. 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).
3. 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.
4. 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

	2013 $'M	2012 $'M
Balance at January 1,	38.3	37.8
Gain recognized in the income statement (within Gain on sale of product rights) due to change in fair value during the period	11.0	10.8
Reclassification of amounts to Other receivables within Other current assets	(9.7)	(10.0)
Amounts recorded to other comprehensive income (within foreign currency translation adjustments)	(1.0)	(0.7)
Balance at June 30,	38.6	37.9

Contingent consideration payable

	2013 $'M	2012 $'M
Balance at January 1,	136.4	-
Initial recognition of contingent consideration payable	451.4	127.8
Loss recognized in the income statement (within Integration and acquisition costs) due to change in fair value during the period	13.7	2.1
Reclassification of amounts to Other current liabilities	(8.4)	(2.7)
Change in fair value during the period with corresponding adjustment to the associated intangible asset	(7.7)	-
Balance at June 30,	585.4	127.2

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, 2013	**Fair value**	**Valuation Technique**	**Significant unobservable Inputs**	**Range**
	$'M			
Contingent consideration receivable ("CCR")	38.6	Income approach (probability weighted discounted cash flow)	• Probability weightings applied to different sales scenarios	• 10 to 40%
			• Future forecast royalties receivable at relevant contractual royalty rates	• $10 million to $171 million
			• Assumed market participant discount rate	• 6.0%

Financial liabilities:	**Fair Value at the Measurement Date**			
At June 30, 2013	**Fair value**	**Valuation Technique**	**Significant unobservable Inputs**	**Range**
	$'M			
Contingent consideration payable	585.4	Income approach (probability weighted discounted cash flow)	• Cumulative probability of milestones being achieved	• 18 to 57% (Weighted average)
			• Assumed market participant discount rate	• 2.1 to 8.8% (Weighted average)
			• Periods in which milestones are expected to be achieved	• 2014 to 2024
			• Forecast quarterly royalties payable on net sales of relevant products	• $1.7 to $7.6 million

The Group re-measures the CCR (relating to contingent consideration due to the Group following divestment of one 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 product 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 are 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 one 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 second quarter of 2013 the Group reviewed certain IPR&D intangible assets acquired through Movetis for impairment and recognized an impairment charge of $19.9 million, recorded within R&D in the consolidated income statement, to write-down these assets to their fair value. The fair value of these assets was determined using the income approach, which used significant unobservable (Level 3) inputs. These unobservable inputs included, among other things, risk-adjusted forecast future cash flows to be generated by these assets and the determination of an appropriate discount rate to be applied in calculating the present value of forecast future cash flows. The fair value of these assets, determined at the time of the impairment review, was $20.3 million.

Quantitative information about Non-Recurring Level 3 Fair Value Measurements which occurred in the period is included below:

	Fair Value at the Measurement Date			
At June 30, 2013	**Fair value**	**Valuation Technique**	**Significant unobservable Inputs**	**Rate used**
	$'M			
Movetis-related IPR&D intangible assets	20.3	Income approach (discounted cash flow)	• Decline in forecast peak sales since last impairment test	• 50%
			• Assumed market participant discount rate	• 8.9%

Financial assets and liabilities that are not measured at fair value on a recurring basis

The carrying amounts and estimated fair values as at June 30, 2013 and December 31, 2012 of the Group's financial assets and liabilities which are not measured at fair value on a recurring basis are as follows:

	June 30, 2013		December 31, 2012	
	Carrying amount $'M	Fair value $'M	Carrying amount $'M	Fair value $'M
Financial liabilities:				
Convertible bonds (Level 1)	1,100.0	1,211.3	1,100.0	1,228.2
Building financing obligation (Level 3)	7.8	10.5	8.0	10.3

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:

- Convertible bonds – the fair value of Shire's $1,100 million 2.75% convertible bonds due 2014 is determined by reference to the market price of the instrument as the convertible bonds are publicly traded.

- Building finance obligations - the fair value of building finance obligations are estimated based on the present value of future cash flows, and an estimate of the residual value of the underlying property at the end of the lease term, associated with these obligations.

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

17. 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, 2013 $'M	6 months to June 30, 2012 $'M
Numerator for basic earnings per share	322.9	476.2
Interest on convertible bonds, net of tax	15.1	16.2
Numerator for diluted earnings per share	338.0	492.4
Weighted average number of shares:		
	Millions	Millions
Basic [1]	550.5	555.2
Effect of dilutive shares:		
Share based awards to employees [2]	3.3	6.1
Convertible bonds 2.75% due 2014 [3]	33.7	33.5
Diluted	587.5	594.8

1. Excludes shares purchased by the EBT and under the share buy-back program 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, 2013 No. of shares Millions	6 months to June 30, 2012 No. of shares Millions
Share based awards to employees[1]	9.1	4.5

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.

18. Segmental reporting

For the six months to June 30, 2013 Shire's internal financial reporting is in line with its existing business unit and management reporting structure. The Group has three business units and three reportable segments: SP, HGT and RM. The SP, HGT and RM reportable segments represent the Group's revenues and costs for currently promoted and sold products, together with the costs of developing products for future commercialization. 'All Other' has been included in the table below in order to reconcile the three segments to the total consolidated figures.

The Group evaluates performance based on revenue and operating income. The Group does not have inter-segment transactions. Assets that are directly attributable or allocable to the segments have been separately disclosed.

On May 2, 2013 the Group announced that there would be a re-alignment of the Group's business to integrate the three divisions into a simplified "One Shire" organization in order to drive future growth and innovation. The Group is continuing to evaluate the timing and impact that this re-alignment will have on its operating and reportable segments.

6 months to June 30, 2013	SP $'M	HGT $'M	RM $'M	All Other $'M	Total $'M
Product sales	1,559.3	746.8	40.8	-	2,346.9
Royalties	50.3	-	-	24.5	74.8
Other revenues	11.2	3.5	-	-	14.7
Total revenues	1,620.8	750.3	40.8	24.5	2,436.4
Cost of product sales[1]	180.8	130.9	19.8	0.1	331.6
Research and development[1]	329.3	140.3	14.7	-	484.3
Selling, general and administrative[1]	500.1	208.8	94.9	92.5	896.3
Goodwill impairment charge	-	-	198.9	-	198.9
Gain on sale of product rights	(11.0)	-	-	-	(11.0)
Reorganization costs	-	-	-	43.9	43.9
Integration and acquisition costs	11.8	8.0	1.7	-	21.5
Total operating expenses	1,011.0	488.0	330.0	136.5	1,965.5
Operating income/(loss)	609.8	262.3	(289.2)	(112.0)	470.9
Total assets	3,058.6	2,220.2	748.1	1,876.0	7,902.9
Long-lived assets[2]	117.2	684.2	52.5	102.1	956.0
Capital expenditure on long-lived assets[2]	16.9	22.8	24.3	12.2	76.2

(1) Depreciation from manufacturing plants ($17.8 million) is included in Cost of product sales; depreciation of research and development assets ($8.9 million) and impairment of IPR&D intangible assets in the SP reporting segment ($19.9 million) is included in Research and development; and all other depreciation and amortization charges ($124.5 million) is included in Selling, general and administrative.

(2) Long-lived assets comprise all non-current assets (excluding goodwill and other intangible assets, deferred contingent consideration assets, deferred tax assets, investments, income tax receivable and financial instruments).

6 months to June 30, 2012	SP $'M	HGT $'M	RM $'M	All Other $'M	Total $'M
Product sales	1,442.2	711.2	101.2	-	2,254.6
Royalties	87.8	-	-	24.8	112.6
Other revenues	11.9	0.5	-	-	12.4
Total revenues	1,541.9	711.7	101.2	24.8	2,379.6
Cost of product sales[1]	171.9	112.0	27.0	-	310.9
Research and development[1]	289.3	162.3	7.3	-	458.9
Selling, general and administrative[1]	611.6	200.4	84.2	114.8	1,011.0
Gain on sale of product rights	(10.8)	-	-	-	(10.8)
Integration and acquisition costs	4.4	-	8.0	-	12.4
Total operating expenses	1,066.4	474.7	126.5	114.8	1,782.4
Operating income/(loss)	475.5	237.0	(25.3)	(90.0)	597.2
Total assets	2,534.6	1,931.1	980.5	1,594.8	7,041.0
Long-lived assets[2]	130.1	707.9	25.0	64.2	927.2
Capital expenditure on long-lived assets[2]	19.2	26.3	0.1	8.2	53.8

(1) Depreciation from manufacturing plants ($14.2 million) is included in Cost of product sales; depreciation of research and development assets ($12.8 million) and impairment of IPR&D intangible assets in the SP reporting segment ($27.0 million) is included in Research and development; and all other depreciation and amortization charges ($124.7 million) is included in Selling, general and administrative.

(2) Long-lived assets comprise all non-current assets (excluding goodwill and other intangible assets, deferred contingent consideration assets, deferred tax assets, investments, income tax receivable and financial instruments).

Non GAAP Measure

This Half Yearly Report contains a financial measure not prepared in accordance with US GAAP which is: *Non GAAP operating income.* This Non GAAP measure excludes 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.

This 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 directors.

The Non GAAP measures are presented in this Half Yearly Report as Shire's management believe that it 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.

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

Where applicable the following items, including their tax effect, have been excluded from both 2013 and 2012 Non GAAP earnings:

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

Acquisitions and integration activities:
- Upfront 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 interest in consolidated variable interest entities.

Divestments, re-organizations and discontinued operations:
- Gains and losses on the sale of non-core assets;
- Costs associated with restructuring and re-organization 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).

Sales growth at CER, which is a Non GAAP measure, is computed by restating 2013 results using average 2012 foreign exchange rates for the relevant period.

Average exchange rates for the six months to June 30, 2013 were $1.55:£1.00 and $1.31:€1.00 (2012: $1.58:£1.00 and $1.31:€1.00). Average exchange rates for Q2 2013 were $1.53:£1.00 and $1.30:€1.00 (2012: $1.59:£1.00 and $1.30:€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 Report for the six months ended June 30, 2013 which comprises the consolidated balance sheet, consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity, the consolidated statements of cash flows and related notes 1 to 18. We have read the other information contained in the Half Yearly 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 Report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Half Yearly 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 Company 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 Report has been prepared in accordance with the accounting policies the Group intends to use in preparing its next annual 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 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 Report for the six months ended June 30, 2013 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
August 9, 2013