Friday, 24 February 2017

Manager, Company Announcements
ASX Limited
Level 4
20 Bridge Street
SYDNEY NSW 2000

Via E-Lodgement

Dear Sir/Madam

Mayne Pharma Group Limited
Interim Results

Please find attached the Appendix 4D Half Year Report, Directors' Report, the Financial Report and Auditor's Independent Review Report relating to the results for the half-year ended 31 December 2016.

This information should be read in conjunction with Mayne Pharma Group Limited's 2016 Annual Report.

This announcement comprises the information required by ASX Listing Rule 4.2A and the statement required by Rule 4.2C.2.

Yours faithfully,
Mayne Pharma Group Limited

Mark Cansdale
Group CFO & Company Secretary

RESULTS FOR ANNOUNCEMENT TO THE MARKET
APPENDIX 4D – HALF YEAR REPORT

		% Change	Dec 2016 $'000	Dec 2015 $'000
Revenue from ordinary activities	up	132%	**294,831**	127,261
Profit from ordinary activities before income tax expense	up	237%	**90,811**	26,986
Profit from ordinary activities after income tax expense	up	298%	**71,323**	17,905
Attributable to:				
Equity holders of the parent	up	278%	**72,736**	19,231
Non-controlling interests		6%	**(1,413)**	(1,326)
	up	**298%**	**71,323**	17,905
Other comprehensive income after income tax expense			**57,781**	6,889
Total comprehensive income after income tax expense			**129,104**	24,794
Attributable to:				
Equity holders of the parent			**130,245**	25,551
Non-controlling interests			**(1,141)**	(757)
			129,104	24,794

Net tangible assets per ordinary share	**$0.051**	$0.040

	2016 Cents	2015 Cents
Basic earnings per share	**5.15**	2.46
Diluted earnings per share	**5.03**	2.39
Final dividend in respect of the financial year ended 30 June per share	**Nil**	Nil
Interim dividend in respect of the period ended 31 December per share	**Nil**	Nil

No dividend has been declared in relation to the period ended 31 December 2016.

Refer to the Directors' Report and the accompanying ASX announcement dated 24 February 2017 for a brief commentary on the results.

MAYNE PHARMA GROUP LIMITED

ABN 76 115 832 963

HALF-YEAR FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

(Prior comparable period: Half-year ended 31 December 2015)

CONTENTS

CORPORATE INFORMATION

DIRECTORS:	Mr Roger Corbett, AO (Chairman) Mr Scott Richards (Managing Director and CEO) Hon. Ron Best Ms Nancy Dolan Mr William (Phil) Hodges Mr Bruce Mathieson Prof Bruce Robinson, AM Mr Ian Scholes
COMPANY SECRETARY:	Mr Mark Cansdale
REGISTERED OFFICE	1538 Main North Road, Salisbury South South Australia 5106
PRINCIPAL PLACES OF BUSINESS:	1538 Main North Road, Salisbury South South Australia 5106 1240 Sugg Parkway Greenville North Carolina 27834 USA
AUDITORS:	Ernst & Young 8 Exhibition Street Melbourne VIC 3000
SOLICITORS:	Minter Ellison Lawyers Rialto Towers 525 Collins Street Melbourne VIC 3000
SHARE REGISTRY:	Computershare Investor Services Pty Ltd Yarra Falls 452 Johnston Street Abbotsford VIC 3067 Telephone: (03) 9415 4184 Facsimile: (03) 9473 2500
BANKER:	Westpac 150 Collins Street Melbourne VIC 3000
ABN:	76 115 832 963
DOMICILE AND COUNTRY OF INCORPORATION:	Australia
LEGAL FORM OF ENTITY:	Public company listed on the Australian Securities Exchange (MYX)

DIRECTORS' REPORT

The Directors of Mayne Pharma Group Limited ("the Company" or "Mayne Pharma") submit their report for the half-year ended 31 December 2016.

DIRECTORS

The names of the Company's Directors in office during the half-year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise noted.

Mr Roger Corbett, AO, Chairman
Mr Scott Richards, Managing Director and CEO
The Hon Ron Best
Ms Nancy Dolan (appointed 21 September 2016)
Mr William (Phil) Hodges
Mr Bruce Mathieson
Prof Bruce Robinson, AM
Mr Ian Scholes

REVIEW OF RESULTS

The Consolidated Entity's net profit attributable to members of the Company for the half-year ended 31 December 2016 was a profit of $72,736,000 (half-year ended 31 December 2015: profit of $19,231,000).

The Company announced on 28 June 2016 that it had entered into an agreement to acquire 37 approved and 5 FDA filed products from Teva Pharmaceutical Industries Limited ("Teva") and Allergan plc ("Allergan"). The Teva and Allergan products acquisition was completed 3 August 2016 and significantly transformed the scope and breadth of the Generic Products Division diversifying Mayne Pharma's earnings across more products, therapeutic areas, dosage forms and complex technologies. The acquisition created new opportunities for further growth through the launch of pipeline products, expanding channels to market and optimising the supply chain through transferring products in-house or to contract manufacturing organisations.

The acquisition was funded by a fully underwritten A$601m 1-for-1.725 entitlement offer, a A$287m placement and an extension of existing debt facilities.

A more detailed analysis of the operating performance is included in the accompanying Investor Presentation dated 24 February 2017.

Operating performance

The Consolidated Entity operates in four operating segments being, Generic Products (GPD), Metrics Contract Services (MCS), Specialty Brands (SBD) and Mayne Pharma International (MPI).

Generic Products Division (GPD)

The Generic Products Division distributes generic pharmaceutical products in the United States of America (USA). Revenue increased by 399% to $222,634,000 ($44,633,000 prior comparative period or "pcp") and gross profit increased by 377% to $125,838,000 ($26,377,000 pcp) for the period. In US dollar terms, sales were up 420% to US$167.8m driven by the acquisition of the Teva product portfolio, the launch of dofetilide in June 2016 and the strong performance of the underlying business.

Metrics Contract Services (MCS)

The Metrics Contract Services segment provides contract pharmaceutical development services to third party customers principally in the USA. Revenue increased by 20% to $28,105,000 ($23,501,000 pcp) and gross profit increased by 25% to $15,445,000 ($12,363,000 pcp) for the period. In US dollar terms, MCS' sales were well ahead of industry growth rates with sales up 25% to US$21.2m. The growth was driven by increased repeat business from existing customers and an increase in late stage development work.

Specialty Brands Division (SBD)

The Specialty Brands Division distributes branded pharmaceutical products in the USA. Revenue decreased by 38% to $26,829,000 ($43,372,000 pcp) and gross profit decreased by 31% to $26,141,000 ($38,128,000 pcp) for the period. In US dollar terms, SBD's revenue was US$20.2m down 36%. The decrease in performance on pcp was driven by the entry of generic competition on the Doryx 50mg and 200mg products.

Mayne Pharma International (MPI)

The MPI operating segment's revenues and gross profit are derived principally from the Australian manufacture and sale of branded and generic pharmaceutical products globally and the provision of contract manufacturing services to third party customers within Australia. Revenue increased by 10% to $17,263,000 ($15,755,000 pcp) and gross profit increased by 6% to $3,750,000 ($3,532,000 pcp) for the period, driven by increased sales of several products around the world.

Gross margin

Gross margin as a percentage of sales revenue was 58%, compared to 63% in the pcp. This decrease was driven by product mix with the decline in SBD sales and the increase of generic sales for Dofetilide which has a profit share arrangement and the Teva portfolio of products all contributing factors.

Expenses

Net research and development expense after qualifying capitalisation (of $10,997,000) was $5,169,000, an increase in the expense of $725,000 (16%) on the pcp. This category includes HPPI research and development expense of $1,303,000 ($1,086,000 pcp).

Marketing and distribution expense was $20,378,000, an increase of $2,505,000 (14%) on the pcp. The major increase was due to the expansion of the GPD portfolio and scaling up for the launch of the SBD foam products.

Administration and other expenses were $75,982,000, an increase of $43,758,000 (136%) on the pcp. This includes amortisation of intangible assets which was $28,815,000, an increase of $20,335,000 on the pcp largely due to the Teva products acquisition in August 2016. Increased head count and insurance costs contributed to the increase to support the expansion and growth of the business. Administration and other expenses includes legal costs (including the US Department of Justice matter) and transaction costs for the Teva/Allegan product portfolio acquisition.

Finance expenses were $5,312,000, an increase of $3,634,000 (217%) on the pcp as a result of increased borrowings supporting the Teva portfolio acquisition.

Tax

The tax expense of $19,488,000 comprised:

- Current period income tax for the six months to 31 December 2016 of $67,367,000; and
- A reduction of $47,879,000 relating to the movement in net tax deferred tax assets and liabilities.

The split between current and deferred tax has been influenced by the timing of assessable income compared to accounting income, particularly the treatment of gross to net sales adjustments and rebates in GPD and SBD.

REVIEW OF BALANCE SHEET

There were a number of significant changes to the Company's balance sheet since 30 June 2016 with the major changes related to Teva portfolio acquisition.

At 30 June 2016, the Company recognised "Contract rights relating to the Teva transaction settled post year-end" (as an Other Current Asset) and a "Settlement obligation in relation to the Teva transaction" (as a Current Payable) as the Company had entered into an agreement to acquire 37 approved and 5 FDA filed products from Teva Pharmaceutical Industries Limited ("Teva") and Allergan plc ("Allergan") for cash consideration of US$652m.

At 30 June 2016, the contract was subject to conditions which were subsequently met and settlement occurred on 3 August 2016. As a result of contract completion, the contract obligation was extinguished (by paying the cash amount due) and the Company de-recognised the Contracts rights asset and recognised the intangible assets acquired (A$866m), the inventory acquired (A$15.9m) and an amount for capital equipment (A$0.7m) acquired.

On 18 August 2016 the Company acquired a portfolio of on-market dermatology Foam Assets from GSK for A$65.3m. This amount has been recognised as intangible assets.

Total Intangible additions were $946m for the period. Currency movements added $46.7m to the value of intangible assets in AUD terms for US assets due to the AUD / USD exchange rate declining from 0.7442 at June to 0.7226 at December. Amortisation of intangible assets was $28.8m for the period.

The Company funded these acquisitions (and part of the resulting working capital investment) via an extension of its existing debt facility, and a fully underwritten equity raise of A$601m, in the form of a 1-for-1.725 accelerated non-renounceable entitlement offer and a A$287m placement.

As a result of the Teva portfolio acquisition and GPD base business growth, the Company invested approximately A$66m in additional inventory (which includes the $15.9m acquired directly as part of the Teva portfolio acquisition noted above). Additional levels of safety stock were purchased to ensure that no stock-outs occurred in the transition to Mayne Pharma distribution.

With the increased level of sales from the Teva portfolio and growth in the GPD base business, the level of trade receivables increased from $89.9m to $209.5m. The level of accrued rebates and allowances (included in Trade and Other Payables) also increased as a result of the increased sales values.

The capital works program, as previously announced, continued during the period with $6.5m of additions capitalised relating to the Salisbury site in South Australia and $41.4m of additions capitalised in relation the Greenville site in North Carolina.

REVIEW OF CASH FLOWS

A summary of the net operating cash flows is as follows –

	A$000's
Operating cash flows before working capital movements	103,462
Less Working capital investment	(170,573)
Net Operating cash flows	(67,111)

The Teva/Allergan portfolio acquisition was the main reason for increased working capital investment. This represents the net impact of increased receivables, increased inventory and increased trade payables and accruals.

Cash on hand at 31 December 2016 (net of restricted cash held as security for letters of credit on issue) was $80,820,000, representing an increase of $33,339,000 from 30 June 2016. Notable cash flows during the period included:

- $47,886,000 in capital expenditure across the Group mainly relating to the facilities upgrades;
- $10,997,000 in capitalised development expenditure;
- Earn-out and deferred settlement payments totalling $4,481,000;
- Payment of $865,984,000 to Teva/Allergan for the acquisition of the product portfolio;
- Payment of $65,288,000 to GSK for the acquisition of the foam products;
- Payments of $4,071,000 relating to the purchase and development of other intangible assets;
- Receipt of $26,175,000 as a result of the litigation settlement (included in operating cash flows);
- Equity raised of $860,487,000 (net of equity raising costs) to fund the Teva products acquisition; and
- Proceeds from borrowings of $234,282,000 (net of fees) to partially fund the Teva and GSK asset acquisitions and the incremental working capital requirements to support these product acquisitions.

Dividend

The Directors have not declared an interim dividend in relation to the period ended 31 December 2016.

ROUNDING

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in this report and in the financial report. Amounts in this report and in the financial report have been rounded off in accordance with that Legislative Instrument to the nearest hundred thousand dollars or, in certain cases, to the nearest dollar.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's independence declaration is included on page 7 of the Financial Report.

EVENTS SUBSEQUENT TO REPORTING DATE

No other matter or circumstance has arisen since the reporting date which is not otherwise reflected in this report that significantly affected or may significantly affect the operations of the consolidated entity.

Signed in accordance with a resolution of the Directors.

Dated at Melbourne, this 24th day of February 2017.

Scott Richards
Director

AUDITOR'S INDEPENDENCE DECLARATION

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Auditor's Independence Declaration to the Directors of Mayne Pharma Group Limited

As lead auditor for the review of Mayne Pharma Group Limited for the half-year ended 31 December 2016, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Mayne Pharma Group Limited and the entities it controlled during the financial period.

Ernst & Young

Ashley Butler
Partner
Melbourne
24 February 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Notes	31 December 2016 $'000	31 December 2015 $'000
Sale of goods		261,335	98,420
Services revenue		32,966	28,182
License fee revenue		81	142
Royalties revenue		449	517
Revenue		**294,831**	**127,261**
Cost of sales		(123,657)	(46,861)
Gross profit		**171,174**	**80,400**
Other income	3	26,478	2,805
Research and development expenses		(5,169)	(4,444)
Marketing and distribution expenses		(20,378)	(17,873)
Administrative and other expenses	4	(75,982)	(32,224)
Finance expenses	4	(5,312)	(1,678)
Profit before income tax		90,811	26,986
Income tax expense	5	(19,488)	(9,081)
Net profit for the period		71,323	17,905
Attributable to:			
Equity holders of the Parent		72,736	19,231
Non-controlling interests		(1,413)	(1,326)
		71,323	17,905
Other comprehensive income for the period, net of tax			
Items which may be reclassified to profit/loss			
Unrealised gain on cash flow hedges		3,741	-
Income tax effect		-	-
Exchange differences on translation		53,768	6,320
Income tax effect		-	-
Items that will not be reclassified to profit or loss in future periods			
Exchange differences on translation		272	569
Income tax effect		-	-
Total comprehensive income for the period		129,104	24,794
Attributable to:			
Equity holders of the Parent		130,245	25,551
Non-controlling interests		(1,141)	(757)
		129,104	24,794
Basic earnings per share		5.15 cents	2.46 cents
Diluted earnings per share		5.03 cents	2.39 cents

This statement should be read in conjunction with the accompanying notes to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Notes	31 December 2016 $'000	30 June 2016 $'000
Current assets			
Cash and cash equivalents	6	80,820	47,481
Trade and other receivables	7	215,028	92,117
Inventories	8	108,851	38,943
Income tax receivable		-	7,399
Other financial assets		5,074	3,458
Other current assets	9	16,862	887,653
Total current assets		426,635	1,077,051
Non-current assets			
Property, plant and equipment		142,336	84,449
Deferred tax assets	5	82,278	31,799
Intangible assets and goodwill	10	1,296,692	332,483
Total non-current assets		1,521,306	448,731
Total assets		1,947,941	1,525,782
Current liabilities			
Trade and other payables	11	141,709	988,954
Interest-bearing loans and borrowings	12	372	503
Income tax payable		47,791	12,308
Other financial liabilities	13	10,209	13,273
Provisions		9,516	9,287
Total current liabilities		209,596	1,024,325
Non-current liabilities			
Interest-bearing loans and borrowings	12	313,075	76,331
Other financial liabilities	13	5,352	5,814
Deferred tax liabilities	5	48,188	41,640
Provisions		1,069	1,451
Total non-current liabilities		367,684	125,236
Total liabilities		577,280	1,149,561
Net assets		1,370,661	376,221
Equity			
Contributed equity	14	1,125,331	263,161
Reserves		98,463	39,058
Retained Earnings		134,266	61,530
Equity attributable to equity holders of the Parent		1,358,060	363,749
Non-controlling interests		12,601	12,472
Total equity		1,370,661	376,221

This statement should be read in conjunction with the accompanying notes to the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Contributed Equity $'000	Share-Based Payment Reserve $'000	Foreign Currency Translation Reserve $'000	Cash Flow Hedge Reserve $'000	Other Reserve $'000	Retained Earnings $'000	Total $000's	Non-Controlling Interests $000's	Total Equity $'000
Balance at 1 July 2016	263,161	7,950	30,792	(864)	1,180	61,530	363,749	12,472	376,221
Profit for the period	-	-	-	-	-	72,736	72,736	(1,413)	71,323
Other comprehensive income									
Foreign exchange translation	-	-	53,768	-	-	-	53,768	272	54,040
Cash flow hedge	-	-	-	3,741	-	-	3,741	-	3,741
Total comprehensive income	-	-	53,768	3,741	-	72,736	130,245	(1,141)	129,104
Transactions with owners in capacity as owners									
Shares issued (net of issue costs)	861,895	-	-	-	-	-	861,895	-	861,895
Change in equity investment in subsidiary	-	-	-	-	(2,513)	-	(2,513)	490	(2,023)
Equity contributions by non-controlling interests	--	-	-	-	-	-	-	780	780
Share options exercised	1,785	(1,785)	-	-	-	-	-	-	-
Tax effect of employee share options	(1,510)	-	-	-	-	-	(1,510)	-	(1,510)
Share-based payments	-	6,194	-	-	-	-	6,194	-	6,194
Balance at 31 December 2016	1,125,331	12,359	84,560	2,877	(1,333)	134,266	1,358,060	12,601	1,370,661
Balance at 1 July 2015	255,834	3,230	27,631	-	-	24,175	310,870	11,332	322,202
Profit for the period	-	-	-	-	-	19,231	19,231	(1,326)	17,905
Other comprehensive income									
Foreign exchange translation	-	-	6,320	-	-	-	6,320	569	6,889
Total comprehensive income	-	-	6,320	-	-	19,231	25,551	(757)	24,794
Transactions with owners in capacity as owners									
Shares issued (net of issue costs)	156	-	-	-	-	-	156	-	156
Share options exercised	62	(62)	-	-	-	-	-	-	-
Tax effect of employee share options	2,660	-	-	-	-	-	2,660	-	2,660
Share-based payments	-	2,341	-	-	-	-	2,341	-	2,341
Balance at 31 December 2015	258,712	5,509	33,951	-	-	43,406	341,578	10,575	352,153

This statement should be read in conjunction with the accompanying notes to the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Notes	31 December 2016 $'000	31 December 2015 $'000
Cash flows from operating activities			
Receipts from customers		201,483	94,109
Payments to suppliers and employees		(259,771)	(46,822)
Interest received		221	253
Interest paid		(4,318)	(1,101)
Tax paid		(22,733)	(13,137)
		(85,118)	33,302
Patent infringement settlement		26,175	-
Payments for research and non-capitalised development expenditure		(4,591)	(2,782)
Transaction and DOJ costs		(3,577)	-
Net cash flows (used in) / from operating activities	6	(67,111)	30,520
Cash flows from investing activities			
Payments for plant and equipment		(47,886)	(6,603)
Payments for intangible assets		(935,343)	(5,186)
Payments for capitalised development costs		(10,997)	(11,447)
Earn-out payments		(4,481)	(17,712)
Net cash flows used in investing activities		(998,706)	(40,948)
Cash flows from financing activities			
Proceeds from issue of shares		890,252	156
Equity raising costs		(28,357)	-
Equity contributions from non-controlling interests		780	-
Repayment of borrowings		(183)	(103)
Proceeds from borrowings (net of fees)		234,282	(47)
Net cash flows from financing activities		1,096,773	6
Net increase/(decrease) in cash and cash equivalents		30,956	(10,422)
Cash and cash equivalents at beginning of period		47,481	59,201
Effect of foreign exchange changes on cash held in foreign currencies		2,383	956
Cash and cash equivalents at end of period	6	80,820	49,735

This statement should be read in conjunction with the accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The financial report for the half-year ended 31 December 2016 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the annual financial report.

Under AASB 134 Interim Financial Reporting, measurement is generally made on an annual reporting period to date basis. However, it is recognised that the interim period is part of a larger annual reporting period not an independent reporting period. Accordingly, interim period income tax expense can be accrued using the estimated average annual effective income tax rate that would be applicable to expected total annual earnings.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2016 and considered together with any public announcements made by Mayne Pharma Group Limited during the half-year ended 31 December 2016 in accordance with the continuous disclosure obligations of the *ASX Listing Rules*.

Where required, items in the June 2016 comparatives have been reclassified to reflect the current presentation and enable better comparison between periods.

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

Changes in accounting policy

From 1 July 2016 the Group has adopted the relevant standards and interpretations mandatory for annual reports beginning on or after 1 July 2016. Adoption of the standards and interpretations did not have any effect on the financial position or performance of the Group.

Change in functional currency

During the period, a subsidiary – Mayne Pharma LLC changed its functional currency from AUD to USD. The change of functional currency was due to the settlement of the Teva products acquisition.

New accounting standards and interpretations

The list of standards issued not yet effective includes three issued standards which are likely to have some impact on future financial reports – AASB 9 Financial Instruments (effective 1 July 2018), AASB 15 Revenue from Contracts with Customers (effective 1 July 2018) and AASB 16 Leases (effective 1 July 2019). Management has not yet completed a full assessment of the impact of these standards and are therefore unable to comment on the impact on future financial reports.

2. SEGMENT REPORTING

The Group has identified its operating segments based on the internal reports that are reviewed and used by the CEO (as the chief operating decision maker) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the nature of revenue flows and responsibility for those revenues. Discrete financial information about each of these operating segments is reported to the chief operating decision maker on at least a monthly basis.

The Consolidated Entity operates in four operating segments being, Generic Products Division (GPD), Metrics Contract Services (MCS), Specialty Brands Division (SBD) and Mayne Pharma International (MPI).

Generic Products Division

The Generic Products operating segment's revenues and gross profit are derived principally from the distribution of generic pharmaceutical products in the US.

Metrics Contract Services

The Metrics Contract Services segment's revenue and gross profit are derived from providing contract pharmaceutical development services to third-party customers principally in the United States.

Specialty Brands Division

The Specialty Brands operating segment's revenues and gross profit are derived principally from the distribution of branded pharmaceutical products in the US.

MPI

The MPI operating segment's revenues and gross profit are derived principally from the Australian manufacture and sale of branded and generic pharmaceutical product globally and provision of contract manufacturing services to third party customers within Australia.

The Consolidated Entity reports the following information on the operations of its identified segments:

	Generic Products	Metrics Contract Services	Specialty Brands	MPI	Total Consolidated
	$'000	$'000	$'000	$'000	$'000
Half Year ended 31 December 2016					
Sale of goods	222,634	-	26,829	11,872	261,335
Services income	-	28,105	-	4,861	32,966
License fee income	-	-	-	81	81
Royalty income	-	-	-	449	449
Revenue	222,634	28,105	26,829	17,263	294,831
Cost of sales	(96,796)	(12,660)	(688)	(13,513)	(123,657)
Gross profit	125,838	15,445	26,141	3,750	171,174
Other income					26,478
Amortisation of intangible assets					(28,815)
Fair value movement in earn-out liability					(536)
Other expenses (refer Statement of Profit or Loss and Other Comprehensive Income)					(77,490)
Profit before income tax					90,811
Income tax expense					(19,488)
Net profit for the period					71,323

	Generic Products	Metrics Contract Services	Specialty Brands	MPI	Total Consolidated
	$'000	$'000	$'000	$'000	$'000
Half Year ended 31 December 2015					
Sale of goods	44,633	-	43,372	10,415	98,420
Services income	-	23,501	-	4,681	28,182
License fee income	-	-	-	142	142
Royalty income	-	-	-	517	517
Revenue	44,633	23,501	43,372	15,755	127,261
Cost of sales	(18,256)	(11,138)	(5,244)	(12,223)	(46,861)
Gross profit	26,377	12,363	38,128	3,532	80,400
Other income					2,805
Amortisation of intangible assets					(8,480)
Fair value movement in earn-out liability					4,759
Other expenses (refer Statement of Profit or Loss and Other Comprehensive Income)					(52,498)
Profit before income tax					26,986
Income tax expense					(9,081)
Net profit for the period					17,905

Geographical segment information

Revenue from external customers	31 December 2016 $'000	31 December 2015 $'000
Australia	12,692	12,930
United States	277,570	111,506
Korea	1,872	381
Other	2,697	2,444
Total external revenue	**294,831**	127,261

Product information

Revenue by product group / service	31 December 2016 $'000	31 December 2015 $'000
Contract manufacturing	4,861	4,681
Analytical and formulation	28,105	23,501
Oral and other pharmaceuticals	261,416	98,562
Other revenue	449	517
Total external revenue	**294,831**	127,261

3. OTHER INCOME

	31 December 2016 $'000	31 December 2015 $'000
Interest income	221	253
Patent infringement settlement	26,175	-
Net gain on foreign exchange	-	2,462
Other income	82	90
	26,478	2,805

The Patent infringement income relates to the settlement agreement reached during the period with Forest Laboratories LLC ("Forest") following the Company's patent infringement lawsuit against Forest.

4. EXPENSES

	31 December 2016 $'000	31 December 2015 $'000
Finance expenses		
Interest expense	3,065	705
Unused line fees	1,238	396
Amortisation of borrowing costs	605	104
Change in fair value attributable to the unwinding of the discounting of the earn-out liabilities	404	473
Total finance expense	**5,312**	1,678
Depreciation[1]	**3,169**	2,616
Employee benefits expense[2]		
Wages and salaries	39,856	29,458
Superannuation expense	1,794	1,382
Share-based payments[3]	6,194	2,340
Other employee benefits expense	4,093	4,254
Total employee benefits expense	**51,937**	37,434
Administration and other expenses		
Administration and other expenses include the following:		
Foreign exchange loss	2,123	-
Settlement costs relating to a distributor dispute	-	6,668
Transaction and DOJ related costs	3,577	-
Share-based payments additional expense due to the rights issue[3]	1,971	-
Amortisation of intangible assets	28,815	8,480
Fair value movement in earn-out liability		
Movement in undiscounted fair value of earn-out liabilities	132	(5,232)

The movement in the undiscounted fair value of earn-out liabilities relates to the re-assessment of the final payment to the former shareholder of Libertas.

Notes:
1. Depreciation expense is included in R&D expenses and cost of sales
2. Employee benefit expense is included in various expense categories and cost of sales.
3. Share-based payments includes $1,971,000 expense relating to the additional expense incurred due to the change in the exercise price of employee options (9.43 cents each) due to the 1 for 1.725 rights issue to fund the Teva products acquisition in accordance with ASX Listing Rule 6.22.

5. INCOME TAX

(a) The major components of income tax expense are:

	31 December 2016 $'000	31 December 2015 $'000
Current income tax		
Current income tax	(68,162)	(18,949)
Adjustment in respect of current income tax of previous years	795	-
Deferred income tax		
Relating to movement in net tax deferred tax assets and liabilities	47,879	9,868
Income tax expense in the consolidated statement of profit or loss and other comprehensive income	(19,488)	(9,081)

(b) Numerical reconciliation between aggregate tax expense recognised in the consolidated statement of profit or loss and other comprehensive income and tax expense calculated per the statutory income tax rate

	31 December 2016 $'000	31 December 2015 $'000
The prima facie tax on operating profit differs from the income tax provided in the accounts as follows:		
Profit before income tax	90,811	26,986
Prima facie tax (expense) at 30%	(27,243)	(8,096)
Effect of R&D concessions	367	174
Over provision in respect of prior years	795	-
Non-assessable items	12,790	1,192
Non-deductible expenses for tax purposes		
Amortisation	(926)	(1,291)
Share-based payments	(493)	(219)
Other non-deductible expenses	(1,816)	(57)
Effect of higher tax rate in USA	(2,000)	323
US State taxes	(2,097)	(431)
US Domestic Production Activity Deduction	2,726	-
Tax loss of HPPI not recognised	(805)	(701)
Restatement of DTA & DTL re US state tax rate changes	(786)	25
Income tax expense	(19,488)	(9,081)

C. Recognised deferred tax assets and liabilities

	31 December 2016 $'000	30 June 2016 $'000
Deferred tax assets		
Intangible assets	3,911	1,883
Provisions	2,509	2,542
Payables	7,141	6,624
Inventory	14,613	14,497
Receivables	58,768	12,320
Employee share options	4,453	7,296
US state taxes	5,561	2,789
Earn-out liability	496	496
Equity raising costs	867	1,145
Other	1,534	55
	99,853	49,647
Reconciliation to the Statement of Financial Position		
Total Deferred Tax Assets	99,853	49,647
Set off of Deferred Tax Liabilities	(17,575)	(17,848)
Net Deferred Tax Assets[1]	**82,278**	31,799
Deferred tax liabilities		
Property, plant and equipment	5,177	4,468
Intangible assets	52,967	46,805
US State taxes	5,455	5,286
Other receivables and prepayments	1,998	-
Unrealised foreign exchange gains	-	663
Other	166	2,266
	65,763	59,488
Reconciliation to the Statement of Financial Position		
Total Deferred Tax Liabilities	65,763	59,488
Set off against Deferred Tax Assets	(17,575)	(17,848)
Net Deferred Tax Liabilities[2]	**48,188**	41,640

Notes: 1. Represents Australian and US Deferred Tax Assets that cannot be offset against US Deferred Tax Liabilities.
2. Represent US Deferred Tax Liabilities that cannot be offset against Australian Deferred Tax Assets.

Deferred tax assets and deferred tax liabilities are presented based on their respective tax jurisdictions.

6. CASH AND CASH EQUIVALENTS

(a) For the purpose of the consolidated statement of cash flows, cash and cash equivalents are comprised of the following:

	31 December 2016 $'000	30 June 2016 $'000
Cash at bank and in hand	80,820	47,481

(b) Reconciliation of net profit after income tax to net cash flow from operating activities

	31 December 2016 $'000	31 December 2015 $'000
Net profit after income tax	71,323	17,905
Adjustments for:		
Depreciation and amortisation	32,592	11,153
Share-based payments	6,194	2,340
Movement in earn-out liabilities	536	(4,759)
Asset impairments	-	1,137
Net unrealised foreign exchange differences	(3,938)	(1,402)
Changes in tax balances:		
(Increase) in deferred tax assets	(49,512)	(12,073)
Decrease in current and deferred tax liabilities	46,267	8,055
Operating cash flows before working capital movements	103,462	22,356
Changes in working capital:		
(Increase in receivables	(115,377)	(33,152)
(Increase) in inventories	(65,696)	(5,215)
(Increase) in other assets	(5,535)	(2,790)
Increase in creditors	16,362	49,384
(Decrease) in provisions	(327)	(62)
Total working capital movements	(170,573)	8,164
Net cash flow (used in) / from operating activities	(67,111)	30,520

7. TRADE AND OTHER RECEIVABLES

	31 December 2016 $'000	30 June 2016 $'000
Trade receivables (net of charge-backs)	209,472	89,895
Trade receivables – profit share	1,066	1,670
Provision for impairment	(24)	(23)
Other receivables	4,514	575
	215,028	92,117

8. INVENTORIES

	31 December 2016 $'000	30 June 2016 $'000
Raw materials and stores at cost	28,268	11,301
Work in progress at cost	11,754	11,525
Finished goods at lower of cost and net realisable value	68,829	16,117
	108,851	38,943

9. OTHER ASSETS

	31 December 2016 $'000	30 June 2016 $'000
Prepayments	16,862	11,509
Contract rights relating to the Teva transaction settled post year-end	-	876,144
	16,862	887,653

10. INTANGIBLE ASSETS AND GOODWILL

	Goodwill $'000	Customer Contracts, Customer Relationships Product Rights & Intellectual Property $'000	Development Expenditure $'000	Marketing & Distribution Rights $'000	Trade Names $'000	Total $'000
Six months ended 31 December 2016						
Balance at beginning of the period net of accumulated amortisation	60,115	85,312	72,048	57,402	57,606	332,483
Additions	-	934,393	10,997	950	-	946,340
Amortisation	-	(23,262)	(1,282)	(1,056)	(3,215)	(28,815)
Exchange differences	1,782	41,534	2,056	1,195	117	46,684
Balance at end of period net of accumulated amortisation	61,897	1,037,977	83,819	58,491	54,508	1,296,692
As at 31 December 2016						
Cost	61,897	1,098,133	90,412	61,840	69,007	1,381,289
Accumulated amortisation	-	(60,156)	(3,397)	(3,349)	(14,444)	(81,346)
Accumulated impairments	-	-	(3,196)	-	(55)	(3,251)
Net carrying amount	61,897	1,037,977	83,819	58,491	54,508	1,296,692

11. TRADE AND OTHER PAYABLES

	31 December 2016 $'000	30 June 2016 $'000
Trade payables	72,730	64,050
Accruals and rebates	61,665	39,859
Other payables	7,314	8,901
Settlement obligation in relation to the Teva transaction	-	876,144
	141,709	988,954

12. INTEREST-BEARING LOANS AND BORROWINGS

	31 December 2016 $'000	30 June 2016 $'000
Current		
Lease liabilities	372	503
	372	503

	31 December 2016 $'000	30 June 2016 $'000
Non-current		
Syndicated loan	318,291	76,999
Borrowing costs (net of amortisation)	(5,344)	(836)
Lease liabilities	128	168
	313,075	76,331

Syndicated loan

The syndicated loan facility was restated and amended in July 2016. The loan facility is now supported by nine individual banks. The loan facility limit was increased to US$400m with working capital facilities of A$10m and U$20m also available. The loan facility can be drawn down in either USD or AUD with USD expected to be the major currency drawn down. The amount drawn at 31 December 2016 was U$230m.

The facility is unsecured and incurs interest based on either LIBOR (for USD) with no floor, or BBSY (for AUD) plus an agreed fixed margin. The loan is subject to certain covenants and has an unused line fee payable based on the undrawn amount.

The Group is in compliance with the covenants at reporting date. The Directors believe there is no risk of default at reporting date.

At 31 December 2016, the variable interest rate was 2.98% (2015: 1.94%). During the period, the Group entered into additional interest rate swap contracts to hedge the interest rate risk exposure with 48% of the outstanding loan amount hedged at 31 December 2016 (30 June 2016: 41%). The interest rate risk is managed using interest rate swaps in which the Group agrees to exchange, at specific intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount.

13. OTHER FINANCIAL LIABILITIES

	31 December 2016 $'000	30 June 2016 $'000
Current		
Earn-out liability – Libertas' former shareholder	-	1,343
Earn-out liability – Oxycodone	4,832	5,230
Earn-out liability – Liothyronine	2,020	3,252
Earn-out liability – various other products/distribution rights	1,281	1,432
Deferred consideration - Liothyronine	2,076	2,016
	10,209	13,273

	31 December 2016 $'000	30 June 2016 $'000
Non-current		
Earn-out liability – Liothyronine	650	1,314
Earn-out liability – various products/distribution rights	2,773	2,829
Deferred consideration – Liothyronine	1,929	1,671
	5,352	5,814

Earn-out liabilities represent the net present value of estimated future payments. Any changes in fair value in the net present value of estimated future payments are recognised in the statement of profit or loss. The earn-out liabilities at reporting date include a charge representing the unwinding of the discounting of the earn-out liabilities of $404,000 (31/12/15: $473,000) for the period representing the change in fair value as a result of the unwinding of the discounting.

The value of the earn-outs has been determined based on expected future cash flows required to be paid for the balance of the earn-out period.

14. CONTRIBUTED EQUITY

(a) Issued capital

	31 December 2016 $'000	30 June 2016 $'000
Ordinary shares, fully paid	1,125,331	263,161

(b) Movements in share capital

	31 December 2016	
	Number	$'000
Balance at beginning of period	810,046,346	263,161
Teva products acquisition funding[1]	661,048,634	860,487
Exercise of employee options	6,671,000	3,067
Tax effect of employee share options	-	(1,510)
Shares issued to employees under the LTI non-recourse loan funded arrangement (subject to risk of forfeiture)	21,164,820	-
LTI shares exercised (and loan repaid)	-	126
Balance at end of period	**1,498,930,800**	**1,125,331**

Notes: 1. Shares issued are net of $28,357,000 equity raising costs.

15. DIVIDENDS

The Board has decided to preserve the Company's capital and no interim dividend has been declared.

16. COMMITMENTS AND CONTINGENCIES

There were no material changes in commitments.

Mayne Pharma is one of numerous generic pharmaceutical companies to receive a subpoena from the Antitrust Division of the US Department of Justice ("DOJ") in the past few years seeking information relating to the marketing, pricing and sales of select generic products. Mayne Pharma has also received a subpoena from the Office of the Attorney General in the State of Connecticut seeking similar information. These investigations are ongoing. Civil complaints have been filed in the past few months by a number of US states and purchasers alleging anticompetitive conduct in the doxycycline hyclate delayed-release market. External counsel has been engaged and the Directors' current assessment remains that these investigations will not have a material impact on Mayne Pharma's future earnings.

17. FINANCIAL INSTRUMENTS

Set out below is an overview of financial instruments, other than cash and short term deposits, held by the Group as at 31 December 2016:

	$'000
Financial assets	
Current	
Warrants	900
Derivatives designated as hedges	2,877
	3,777
Financial liabilities	
Current	
Earn-out liabilities	10,209
	10,209
Non-current	
Earn-out liabilities	5,352
Syndicated loan	312,947
	318,299

Trade and other receivables, trade and other payables, other financial assets and other liabilities are considered short term and their fair values approximates the carrying values.

Fair Value

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are carried in the financial statements.

	Carrying Amount		Fair Value	
	31 Dec 2016 $'000	30 June 2016 $'000	31 Dec 2016 $'000	30 June 2016 $'000
Assets				
Warrants (options) - HPPI	900	2,918	900	2,918
Market to market valuation – interest rate swaps	2,877	-	2,877	-
Liabilities				
Earn-out liability - Libertas' former shareholder	-	1,343	-	1,343
Earn-out liability – Oxycodone	4,832	5,230	4,832	5,230
Earn-out liability – various products	6,724	8,826	6,724	8,826
Market to market valuation – interest rate swaps	-	864	-	864
Interest-bearing syndicated loan	312,947	76,163	318,291	76,999

Warrants, as at reporting date, represent options to purchase an additional 23,504,236 shares (30 June 2016 71,957,138) in HPPI at an exercise price of 12.0 US cents per share. As at 30 June 2016 the warrants available had various exercise prices – 8.78 US cents, 7.5 US cents and 12 US cents per share. During the period, the Company exercised 10,250,569 warrants at 8.78 US cents each, 33,333,333 warrants at 7.5 US cents each and 4,860,000 warrants at 12 US cents each.

Interest rate swaps represent the Mark to Market value of open contracts at reporting date.

The earn-out liabilities payable utilise present value calculation techniques that are not based on observable market data. The key inputs are forecast sales. Based on current data and normal market variations, no reasonable possible change in inputs is expected to have a material impact on earn-out liabilities.

Fair values of the Group's interest-bearing borrowings and loans are determined by using the DCF method using the discount rates applying at the end of the reporting period. The own non-performance risk at reporting date was assessed as insignificant.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Assets and liabilities measured at fair value

As at 31 December 2016, the Group held the following financial instruments carried at fair value in the Statement of Financial Position:

	Level 2		Level 3	
	31 December 2016 $'000	30 June 2016 $'000	31 December 2016 $'000	30 June 2016 $'000
Financial Assets				
Warrants (options) - HPPI	-	-	900	2,918
Market to market valuation – interest rate swaps	2,877	-	-	-
Financial Liabilities				
Earn-out liability - Libertas' former shareholder	-	-	-	1,343
Earn-out liability – Oxycodone	-	-	4,832	5,230
Earn-out liability – various products	-	-	6,724	8,826
Market to market valuation – interest rate swaps	-	864	-	-

Reconciliation of fair value measurements of Level 3 financial instruments

The Group carries earn-out liability classified as Level 3 within the fair value hierarchy.

A reconciliation of the beginning and closing balances including movements is summarised below:

	2016 Warrants $'000	2016 Earn-outs $'000
Opening balance	2,918	15,400
Fair value movement	-	336
Warrants exercised	(2,018)	-
Currency fluctuations	-	301
Payments	-	(4,481)
Closing Balance	900	11,556

During the six-month period ended 31 December 2016, there were no transfers between Level 1 and Level 2 fair value measurements. The fair value increase of $336,000 was recorded in determining profit before tax.

18. EVENTS SUBSEQUENT TO REPORTING DATE

No other matter or circumstance has arisen since the reporting date which is not otherwise reflected in this report that significantly affected or may significantly affect the operations of the consolidated entity.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Mayne Pharma Group Limited, I state that:

In the opinion of the directors:

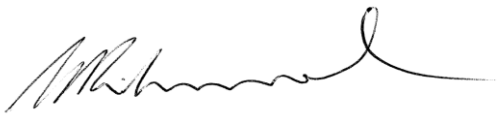
(a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the financial position as at 31 December 2016 and the performance for the half-year ended on that date of the consolidated entity; and

(ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and Corporations Regulations 2001;

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Scott Richards
Director

Melbourne, 24 February 2017

AUDITOR'S INDEPENDENT REVIEW REPORT

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To the members of Mayne Pharma Group Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Mayne Pharma Group Limited, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Mayne Pharma Group Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, 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 Australian Auditing Standards 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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Mayne Pharma Group Limited is not in accordance with the Corporations Act 2001, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Ernst & Young

Ashley Butler
Partner
Melbourne
24 February 2017