IMPROVING LIVES...

HIKMA PHARMACEUTICALS PLC
ANNUAL REPORT 2012

HIKMA PHARMACEUTICALS PLC

Since Hikma was founded, it has rapidly grown to become a successful multinational pharmaceutical group with operations across the Middle East and North Africa, the United States and Europe. Our business has a broad product portfolio, selling a wide range of branded and non-branded generics as well as innovative, patented products under license. Our robust and diversified business model has quality at the heart of everything we do and will enable us to maintain our track record of strong growth.

FOR MORE INFORMATION, VISIT OUR WEBSITE

WWW.HIKMA.COM

HOW & WHERE WE ARE
IMPROVING LIVES

IMPROVING LIVES...

Strengthening our leading position in the MENA region

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IMPROVING LIVES...

Developing our global product range in growing therapeutic areas

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IMPROVING LIVES...

Building on our world-class manufacturing and API sourcing capabilities

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2012 CONTENTS

HOW WE PERFORMED IN 2012

ANOTHER SUCCESSFUL YEAR

HIKMA DELIVERED EXCELLENT REVENUE AND EARNINGS GROWTH

2012
REVENUE
$1,108.7m

2007–12
REVENUE CAGR
+19.8%

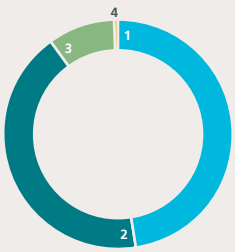
2012
ADJUSTED OPERATING MARGIN
17.5%

2012
PRODUCTS MARKETED
826

2012
OPERATING CASH FLOW
$182.2m

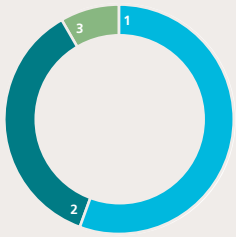
2012
EMPLOYEES
6,649

2012 REVENUE BY SEGMENT (%)



1. Branded	47.7%
2. Injectables	42.4%
3. Generics	9.4%
4. Others	0.5%

2012 REVENUE BY REGION (%)



1. MENA*	55.8%
2. US	36.1%
3. Europe and the rest of the world	8.1%

* Middle East and North Africa region ("MENA")

2012 HIGHLIGHTS

REVENUE ($ MILLION)

+20.8%

ADJUSTED[1] OPERATING PROFIT ($ MILLION)

+32.9%

EBITDA[2] ($ MILLION)

+35.9%

PROFIT ATTRIBUTABLE TO SHAREHOLDERS ($ MILLION)

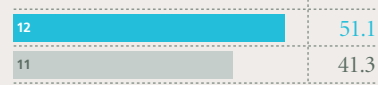
+25.2%

DIVIDEND PER SHARE (CENTS)

+23.1%

EARNINGS PER SHARE (CENTS)

+23.8%



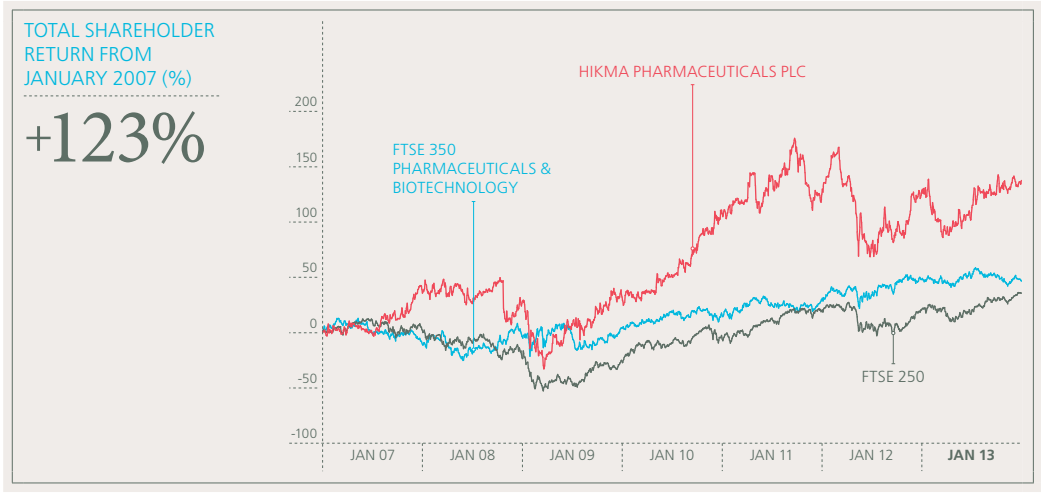
[1] Before the amortisation of intangible assets (excluding software) and exceptional items

[2] Earnings before interest, tax, depreciation and amortisation

AN EXCELLENT PERFORMANCE

WE DELIVERED VERY STRONG GROWTH IN 2012, WITH REVENUE UP 21% AND EPS UP 24%

Samih Darwazah
Non-Executive Chairman



Our robust business model continues to drive high growth as we leverage our diverse geographic presence, broad product portfolio and high quality manufacturing facilities.

Our business in MENA grew by over 20% in 2012. We are seeing the results of our steadfast commitment to the region, demonstrated by the ongoing investment we have been making in these markets. We continue to be the leading regional manufacturer in MENA and we remain focused on strengthening our presence in our key markets through capital expenditure and acquisitions. Our investment has continued in 2013 with the acquisition of the Egyptian Company for Pharmaceuticals and Chemical Industries ("EPCI"), which adds new products and manufacturing capabilities in Egypt.

During 2012, we made excellent progress developing our global Injectables business. We achieved strong revenue growth and delivered transformational improvements to our manufacturing operations, enabling a step-change in the profitability of this business. We maintained our track record of excellent regulatory compliance in our Injectables facilities and proved ourselves to be a reliable supplier of high quality injectable products during a challenging time in the US market. We are encouraged by the prospects for the global Injectables market and believe our Injectables business is well positioned for strong growth over the medium and long-term.

Our US oral Generics business performed below our expectations in 2012, due to ongoing compliance work at our Eatontown facility. Towards the end of the year, the Board initiated a review of the strategic options for this business, which has now been completed. Following this review, remediation of the Eatontown facility remains the priority, as does bringing the facility back to profitability. At the same time, we have initiated strategic discussions with third parties to evaluate alternative options for the business.

As part of our strategy of investing in our people and in recognition of the importance of having highly trained and dedicated employees, we are focused on ensuring that middle management take on greater responsibility and authority. In 2012, we launched a leadership training programme for middle managers with the American University of Beirut (AUB) to provide them with the knowledge and skills required for current and future positions within Hikma.

As we train and empower our managers, we ensure that Hikma's values continue to be well communicated and understood by all of our people. During 2012, the Board initiated a comprehensive review of our Code of Conduct. We have since adopted and published an enhanced Code that demonstrates our commitment to upholding the highest standards of integrity and transparency across the Group.

I was extremely pleased that our commitment to our local businesses and sustainability was recognised when we received the 2012 IFC Client Leadership Award for our sustainable development initiatives, excellence in corporate governance and commitment to local communities. We were also awarded Healthcare Company of the Year by Arabian Business Achievement Awards, where we were chosen from among 900 candidates. This award was presented in recognition of Hikma's performance and growth as a listed company.

The Board is recommending a final dividend of 10.0 cents per share (approximately 6.7 pence per share), which will make a dividend for the full year of 16.0 cents per share, an increase of 23% on 2011. The proposed final dividend will be paid on 23 May 2013 to shareholders on the register on 19 April 2013, subject to approval by shareholders at the Annual General Meeting.

From 1 January 2007 through to the end of 2012, we have delivered a total shareholder return of 123%. We are delighted with this performance, which exceeds that of the FTSE 250 index and the FTSE Pharmaceutical index, which gave a total shareholder return of 31% and 41% respectively, over the same period.

Our ongoing commitment to our MENA business and the investment we have made in our global Injectables business means we are well positioned to drive continued growth in 2013 and beyond.

Samih Darwazah
Non-Executive Chairman

STRATEGIC REVIEW

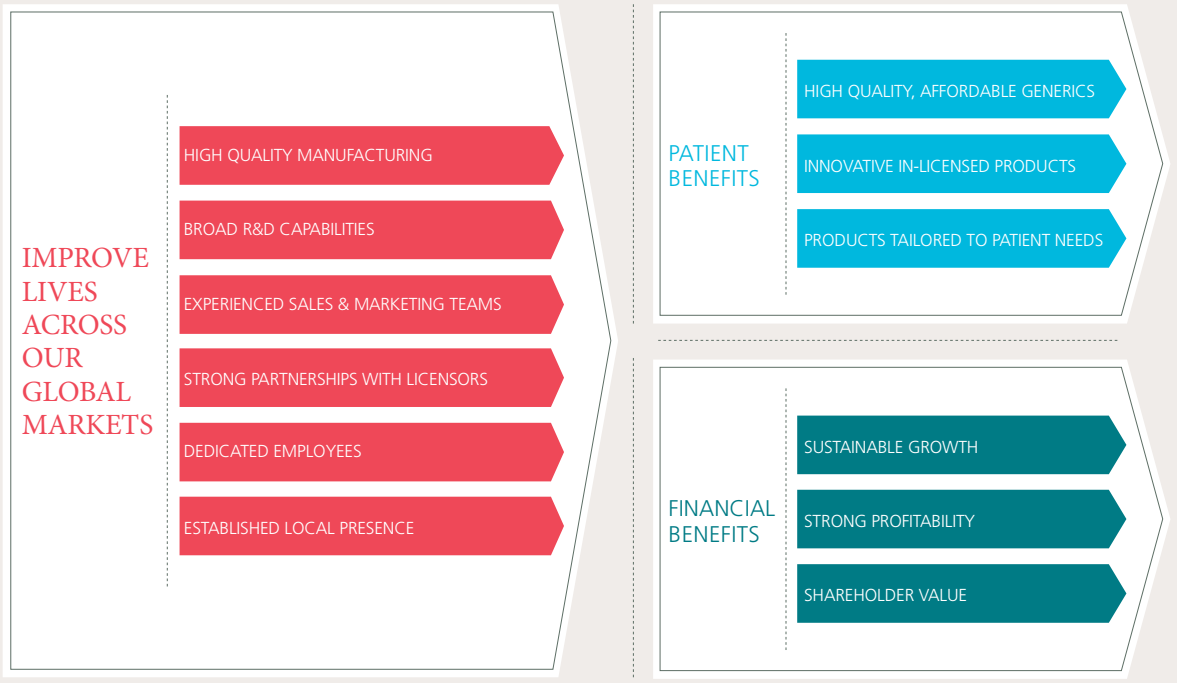
A DIVERSIFIED BUSINESS MODEL AND PROVEN STRATEGY FOR DELIVERING GROWTH AND CREATING SHAREHOLDER VALUE

BUSINESS MODEL

OUR AIM IS TO IMPROVE THE LIVES OF OUR PATIENTS ACROSS OUR GLOBAL MARKETS

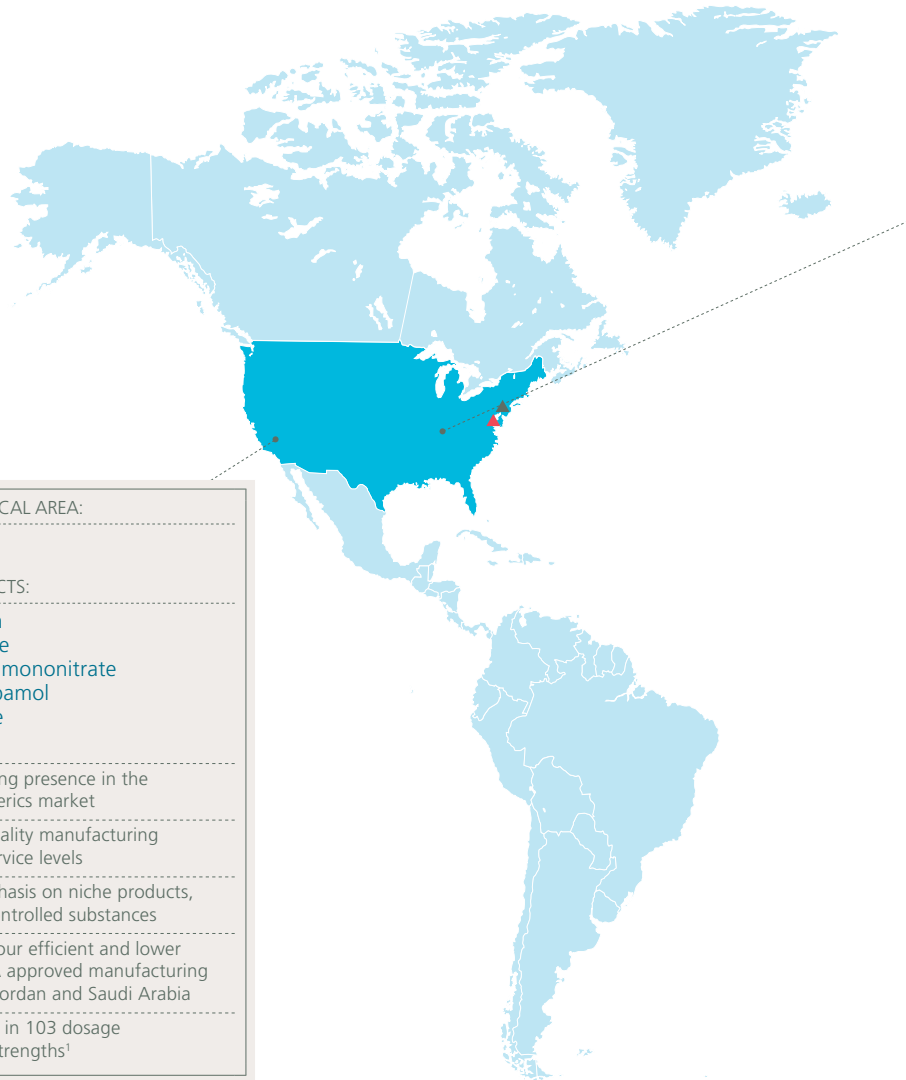
We achieve this through our robust and diversified business model. By selling both innovative and generic products and establishing a unique and differentiated market position, we are able to drive strong and sustainable growth, increase patients' access to high quality, affordable medicines and create shareholder value.

HOW WE CREATE VALUE



WHAT WE DO & WHERE

WE DEVELOP, MANUFACTURE AND MARKET A BROAD RANGE OF BRANDED AND NON-BRANDED GENERIC PHARMACEUTICAL PRODUCTS ACROSS THE MIDDLE EAST AND NORTH AFRICA, THE UNITED STATES AND EUROPE. WE ARE ALSO A LEADING LICENSING PARTNER IN THE MENA REGION. OUR OPERATIONS SPAN OVER 45 COUNTRIES AND ARE CONDUCTED THROUGH THREE BUSINESS SEGMENTS



CORE BUSINESS DIVISION:

GENERICS

SELLING ORAL GENERIC PRODUCTS ACROSS THE US

More information see page 30

View our business model on page 7

GEOGRAPHICAL AREA:

US

TOP PRODUCTS:

Amoxicillin
Doxycycline
Isosorbide mononitrate
Methocarbamol
Prednisone

- Long-standing presence in the US oral generics market
- Focus on quality manufacturing and high service levels
- Strong emphasis on niche products, including controlled substances
- Leveraging our efficient and lower cost US FDA approved manufacturing facilities in Jordan and Saudi Arabia
- 41 products in 103 dosage forms and strengths[1]

CORE BUSINESS DIVISION:

INJECTABLES

SELLING SPECIALISED INJECTABLE PRODUCTS GLOBALLY

More information see page 26

View our business model on page 7

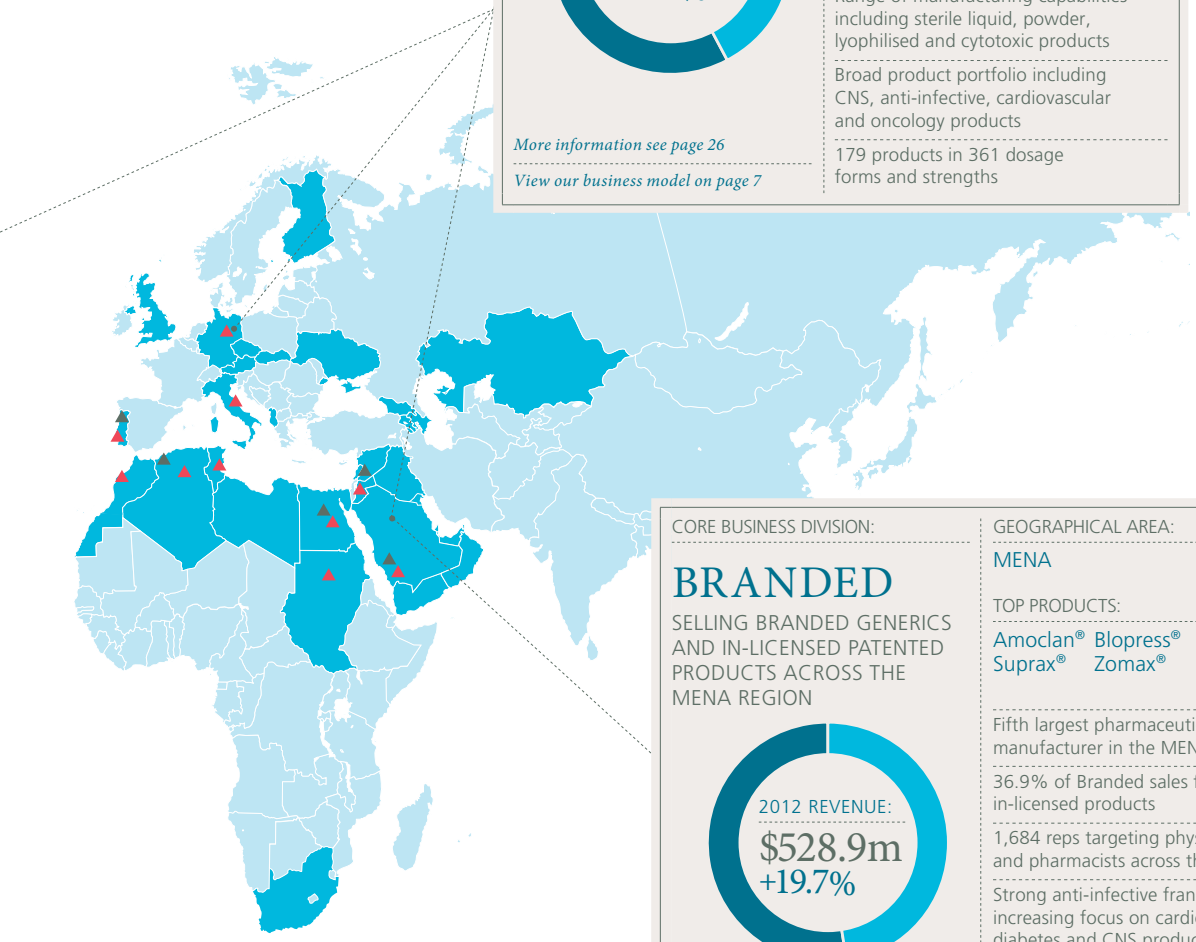
GEOGRAPHICAL AREA:

US, Europe, MENA

TOP PRODUCTS:

Fentanyl
Hydromorphone
Iron gluconate
Morphine
Ondansetron

- A leading global manufacturer of quality sterile injectables
- US FDA approved manufacturing facilities in the US, Portugal and Germany
- Range of manufacturing capabilities including sterile liquid, powder, lyophilised and cytotoxic products
- Broad product portfolio including CNS, anti-infective, cardiovascular and oncology products
- 179 products in 361 dosage forms and strengths



CORE BUSINESS DIVISION:

BRANDED

SELLING BRANDED GENERICS AND IN-LICENSED PATENTED PRODUCTS ACROSS THE MENA REGION

More information see page 21

View our business model on page 7

GEOGRAPHICAL AREA:

MENA

TOP PRODUCTS:

Amoclan® Blopress® Omnicef®
Suprax® Zomax®

- Fifth largest pharmaceutical manufacturer in the MENA region
- 36.9% of Branded sales from in-licensed products
- 1,684 reps targeting physicians and pharmacists across the region
- Strong anti-infective franchise and increasing focus on cardiovascular, diabetes and CNS products
- US FDA approved manufacturing facilities in Jordan and Saudi Arabia
- 606 products in 1,630 dosage forms and strengths

KEY:

▲ 26 MANUFACTURING PLANTS
▲ 6 R&D CENTRES

[1] Products marketed during 2012

DELIVERING
OUR STRATEGY

THROUGH THE DIVERSIFICATION OF OUR OPERATIONS AND OUR UNIQUE BUSINESS MODEL, WE ARE SUCCESSFULLY DELIVERING OUR STRATEGY FOR GROWTH

Said Darwazah
Chief Executive Officer

Our performance this year reflects the excellent results achieved by our Injectables business in the US, the strength of our businesses in MENA and a solid performance in Europe. It also demonstrates the strength of our unique business model and our focus on the strategic priorities we have identified for future growth.

We made good progress delivering our strategy this year. We have continued to strengthen our competitive position and gain share in our key markets, develop our global portfolio of higher value, more differentiated products, expand our manufacturing capacity and drive greater operational efficiencies.

Strengthening our leading position in the MENA region

Since our IPO in 2005, we have made eight acquisitions in MENA. We have invested over $200 million in capex, expanded our geographic reach, strengthened our manufacturing capabilities, developed our product portfolio and grown our sales teams. Through these investments we have built a very strong position in the MENA region.

In 2012, we successfully leveraged these investments and our position as the leading regional pharmaceutical manufacturer to drive revenue growth in the MENA of over 20%. Our performance was strongest in markets such as Egypt and Algeria, where recent investment to expand manufacturing capacity has enhanced our ability to meet the growing demand for our products.

This strong performance was achieved despite the challenges we are facing in many of our MENA markets as competition increases, political and social issues cause disruptions and costs increase due to higher inflation. By continuing to invest in our facilities, optimise our product portfolios and improve operational efficiency, we have been able to build stronger market positions across all our MENA markets.

We remain very positive about the outlook for our businesses in MENA. We have a long track record of operating successfully in this region, despite the economic and geopolitical challenges and we see excellent opportunities to grow our MENA revenue and profitability over the medium and long-term.

Developing our global product range

The development of our global product portfolio, particularly the continuous introduction of new, higher value products, is a key strategic focus across the Group. To achieve this, we have continued to invest in R&D. We are also broadening our sources of new products beyond our own in-house capabilities to include alliances with external partners and product acquisitions. In 2012, we continued to grow our portfolio through the launch of 14 new products and 17 new dosage forms and strengths across the Group and 77 total launches across all countries.

In our MENA markets, we continue to deliver strong sales growth from our leading portfolio of anti-infective products, whilst developing our cardiovascular, diabetes, central nervous system ("CNS"), oncology and respiratory portfolios. Our strategy is to continue bringing new branded generics to market as well as innovative, patented products under license from our growing number of global partners. Acquisitions also contribute to the growth in our product portfolio and can bring new in-license relationships and additional therapeutic categories. In 2012, we launched 47 oral and 15 injectable products across our MENA markets.

In the US, we are continuing to deliver a steady stream of new ANDAs, with four oral and eight injectable approvals in 2012. We are successfully introducing higher value, more differentiated products to our portfolio including products such as argatroban, iron gluconate, phenylephrine and testosterone – all excellent products with strong market positions. In Europe, we launched 10 products during 2012.

Extending our reach and diversity through partnerships

Since Hikma's inception, partnerships have been an integral part of our strategy for developing a portfolio of differentiated, innovative and high quality products for sale across the Group.

STRENGTHENING OUR LEADING POSITION IN THE MENA REGION

IMPROVING LIVES...

...THROUGH A STRONG COMMITMENT TO OUR MENA MARKETS

In recent years, we have been developing our business in Libya, building a strong sales team and good customer relationships. In 2011, Libyan political unrest severely disrupted our sales operations, restricting our ability to operate commercially for most of the year. We maintained our market presence with donations of much needed medicines and kept our employees on the payroll during this time.

As the market stabilised, we were the first pharmaceutical company to re-enter the market and resume sales operations. Our commitment to the Libyan market and the dedication of our employees has enabled us to rapidly rebuild our business and establish Hikma as the number one[1] pharmaceutical company in Libya. Going forward, our Libyan business will increasingly benefit from our ability to leverage our manufacturing facilities in Jordan, Saudi Arabia, Egypt, Tunisia and Morocco to export to Libya.

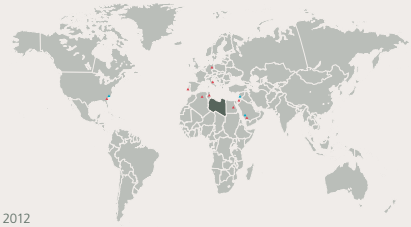
By providing patients with access to a broad portfolio of high quality, affordable pharmaceutical products, across a range of important therapeutic areas, we are helping to improve lives in Libya.

The responsiveness of our local sales team enabled us to very quickly re-establish our operations in Libya.

COUNTRY

LIBYA

POPULATION SIZE (MILLION)[2]	HEALTHCARE EXPENDITURE (% OF GDP)[2]	LIFE EXPECTANCY (YEARS)[2]
6.0	3.9%	78



[1] Advanced marketing statistics, MAT October 2012

[2] CIA – The World Factbook

In MENA, we have continued our track record of working with strategic partners to in-license patented products, supporting our strategy of bringing innovative products to MENA and increasing patients' access to more affordable medicines. In 2012, revenue from in-licensed products grew by 12% and represented 36.9% of our sales in MENA.

The strength of our sales operations and manufacturing capabilities across MENA, including a team of over 1,600 reps, has established Hikma as the partner of choice in the region. As well as continuing to build on our long-term relationships with key licensors, we are actively establishing new partnerships. In 2012, we signed seven new licensing agreements for eight products.

In the US, we have established a successful R&D partnership with Exela, a North Carolina based R&D company that develops and manufactures innovative and generic injectable products. This has resulted in the approval of an NDA for argatroban that we launched towards the end of 2012. We are delighted to have demonstrated the effectiveness of this partnership model and we are continuing to work with Exela on a number of other product opportunities.

In Europe, we are increasingly working with third parties, both to enhance our portfolio through new in-license arrangements, as well as to distribute our products in markets where we do not currently have an established sales presence, successfully enabling us to enter new European markets.

Following the strategic investment we made in Unimark in India in 2011, we signed an agreement with the company in 2012 to collaborate with them on the development of 17 ANDAs for sale in the US market.

Increasing the scale of our specialty Injectables business

In recent years, we have been rapidly growing our global Injectables business through a combination of strategic acquisitions, the expansion of existing manufacturing facilities and focused investment in R&D to develop a broad product portfolio. Having transformed the scale of our global Injectables business, our investment focus is now on building market share, entering new markets, optimising our manufacturing capacity, broadening our technical capabilities, developing our global product portfolio and continuing to drive greater operational efficiencies.

During 2012, we significantly enhanced and expanded our Injectables manufacturing capacity in the US. At the same time we increased production in our European facilities and made good progress with the re-allocation of production across our facilities to maximise utilisation and cost efficiencies. This resulted in a reduction in unit costs, benefiting us across all our geographies.

The regulatory environment remained challenging in 2012 and many of our competitors continued to struggle with compliance issues. Our excellent track record of quality and reliability in Injectables manufacturing provided us with a strong competitive advantage, particularly in the US, and also helped to drive growth in our contract manufacturing business.

During the year, we continued to focus on the development of our product portfolio, through the introduction of more differentiated, higher value products. We also placed a greater focus on the development of global products – where a single product file meets the requirements of multiple regulatory authorities. This increases the cost efficiency of our R&D processes and accelerates the speed at which we can register and launch new products across all of our markets. This approach is proving to be particularly successful in the development of our oncology portfolio.

Leveraging our expertise and capacity in the US market

Our presence in the US, the world's largest pharmaceutical market, has been a key source of diversification for Hikma since we entered this market in the early 1990s. The acquisition of Baxter's Multi-Source Injectables business ("MSI") in May 2011 doubled the size of our existing US business and in 2012, our US sales reached $400 million, over 35% of Group revenue.

Since the MSI acquisition, our strategic focus has been on integrating our sales and marketing teams and leveraging our new local manufacturing platform. Now, as one of the largest suppliers by volume in the US generic injectables market, we have been able to build good relationships with the Group Purchasing Organisations ("GPOs") and wholesalers. These relationships were strengthened in 2012 as we were able to provide our customers with a reliable supply of high quality injectable products at a time of severe market shortages.

A core element of delivering our US sales strategy is our ability to supply the US market from our high quality FDA-approved manufacturing facilities in Jordan, Saudi Arabia, Portugal and Germany. In 2012, approximately 25% of our US sales were manufactured in our overseas facilities.

We have recently completed a review to assess the strategic options for the Generics segment of the Hikma Group, which sells unbranded oral generics products in the US market. Following completion of the review, we have initiated discussions with third parties to evaluate the alternative options for the business.

Building on our world-class manufacturing and API sourcing capabilities

We are committed to maintaining the highest standards of quality and compliance across all of our manufacturing facilities. As industry standards continue to be raised across our geographies, we must work harder every year to make the necessary investment in our facilities and people to ensure we meet the multiple international regulatory requirements across all of our jurisdictions.

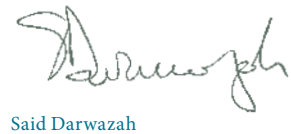
During 2012 our global facilities were subject to multiple regulatory inspections, as well as audits by licensing partners and customers. In particular, our injectables facility in Cherry Hill, New Jersey and our oral solid dosage manufacturing facilities in Amman, Jordan and Riyadh, Saudi Arabia were inspected by the US Food and Drug Administration ("US FDA") and passed successfully.

At our oral solid dosage manufacturing facility in Eatontown, New Jersey we undertook extensive compliance work during 2012, including a voluntary shutdown of the facility during November and December, to address observations made by the US FDA in a warning letter we received in February 2012. The remediation work is ongoing and we are committed to working with the FDA to address the issues raised. Across the Group, we regard our ability to meet highest standards of quality and compliance as critical to our success.

In 2012, we have been developing our relationships with Unimark in India and Haosun in China to strengthen our API sourcing capabilities. We have also made a capex investment to expand our own Chemical facility in Jordan. Making these strategic investments and developing our own in-house capabilities will enable us to increase our access to high quality, reliable API supply for strategic APIs. In particular, this selective vertical integration is an important element in our strategy to accelerate our pipeline of new oncology products.

Looking ahead

The excellent performance we have delivered in 2012 reflects our track record of investing in future growth. Our continued progress in meeting our strategic objectives will support continued growth in 2013 and beyond.

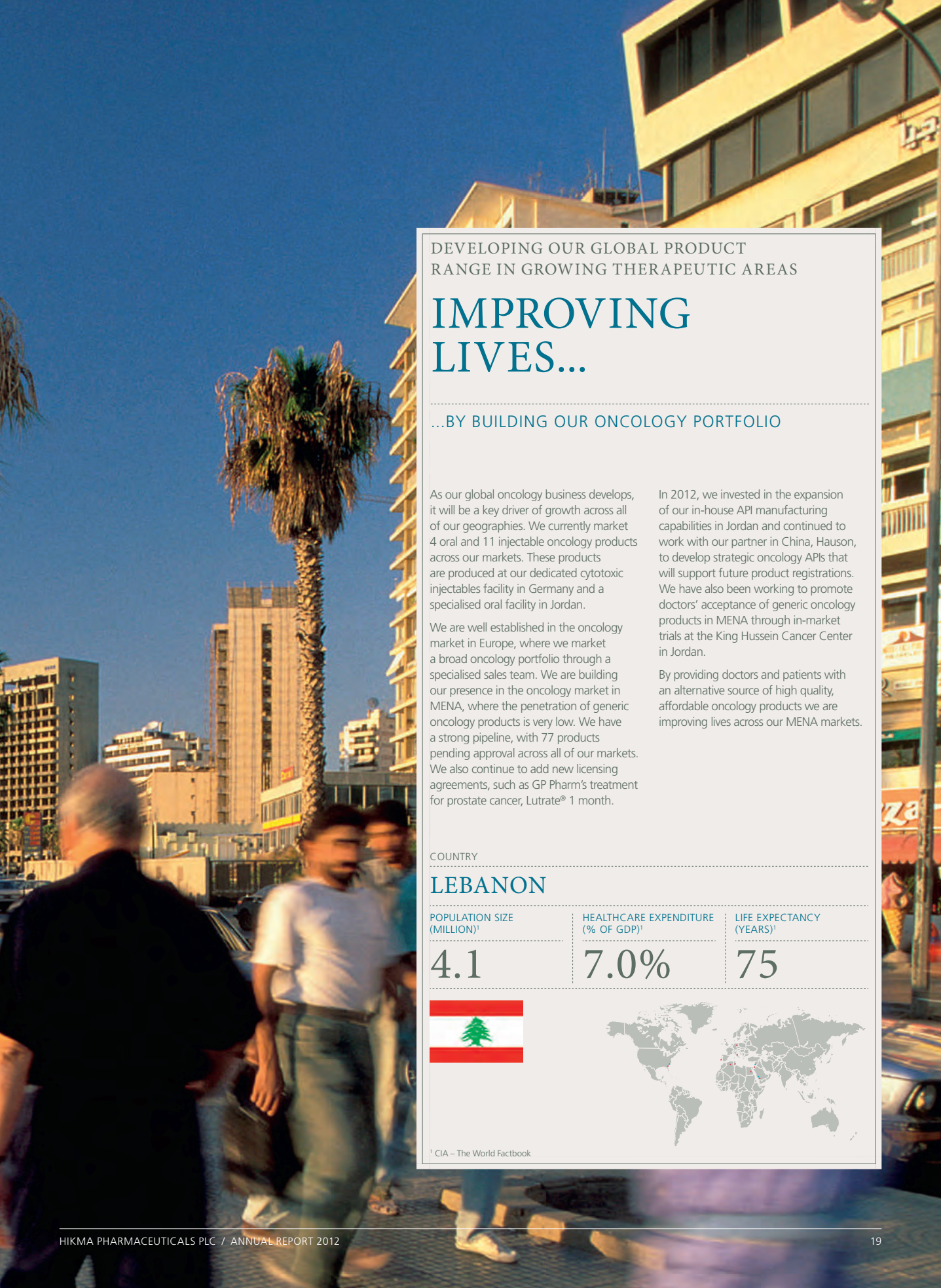


Said Darwazah
Chief Executive Officer

HIKMA'S KEY PERFORMANCE INDICATORS

KPI	DEFINITION	COMMITMENTS	PERFORMANCE	2010	2011	**2012**
REVENUE GROWTH	*Percentage increase or decrease in the current year's revenue compared with the prior year's revenue*	We aim to deliver strong Group revenue growth – organically and through acquisitions	Strong Group revenue growth of 20.8%, with organic growth of 5.3%	+14.8%	+25.6%	+20.8%
ADJUSTED[4] OPERATING PROFIT GROWTH	*Measures the growth in underlying profitability, excluding the impact of amortisation and exceptional items*	We aim to increase our underlying profitability year-on-year whilst driving revenue growth	Significant growth in adjusted operating profit, driven by the excellent performances of our Branded and Injectables businesses	+24.6%	+2.0%	+32.9%
GROWTH IN ADJUSTED DILUTED EARNINGS PER SHARE	*Calculated as growth in adjusted profit attributable to shareholders divided by the weighted average number of shares in issue*	We aim to deliver high growth in earnings and to meet the expectations of our shareholders	Growth in adjusted diluted earnings per share reflects the Group's improved profitability	+21.4%	-2.6%	+19.2%
NET CASH GENERATED FROM OPERATING ACTIVITIES/ REVENUE	*Measures the Group's cash conversion. Calculated as operating cash flow divided by revenue*	We target a cash conversion ratio of 15% to 20%	Our cash conversion improved in 2012, largely as a result of improved profitability	20.9%	13.8%	16.4%
RETURN ON INVESTED CAPITAL	*Measures the Group's efficiency in allocating capital to profitable investments.* *Calculated as operating profit after interest income and tax (including non-controlling interest share of profit) divided by invested capital (calculated as total equity (including the equity attributable to non-controlling interests) plus total debt and obligations under finance leases)*	We aim to maximise shareholder value by investing in long-term growth	Our return on invested capital increased in 2012, benefiting from our long track record of investment in our businesses and facilities across the Group – through company and product acquisitions, capex and R&D	12.4%	8.1%	11.6%

[4] Before the amortisation of intangible assets (excluding software) and exceptional items



DEVELOPING OUR GLOBAL PRODUCT RANGE IN GROWING THERAPEUTIC AREAS

IMPROVING LIVES...

...BY BUILDING OUR ONCOLOGY PORTFOLIO

As our global oncology business develops, it will be a key driver of growth across all of our geographies. We currently market 4 oral and 11 injectable oncology products across our markets. These products are produced at our dedicated cytotoxic injectables facility in Germany and a specialised oral facility in Jordan.

We are well established in the oncology market in Europe, where we market a broad oncology portfolio through a specialised sales team. We are building our presence in the oncology market in MENA, where the penetration of generic oncology products is very low. We have a strong pipeline, with 77 products pending approval across all of our markets. We also continue to add new licensing agreements, such as GP Pharm's treatment for prostate cancer, Lutrate® 1 month.

In 2012, we invested in the expansion of our in-house API manufacturing capabilities in Jordan and continued to work with our partner in China, Hauson, to develop strategic oncology APIs that will support future product registrations. We have also been working to promote doctors' acceptance of generic oncology products in MENA through in-market trials at the King Hussein Cancer Center in Jordan.

By providing doctors and patients with an alternative source of high quality, affordable oncology products we are improving lives across our MENA markets.

COUNTRY

LEBANON

POPULATION SIZE (MILLION)[1]	HEALTHCARE EXPENDITURE (% OF GDP)[1]	LIFE EXPECTANCY (YEARS)[1]
4.1	7.0%	75

[1] CIA – The World Factbook

BUSINESS AND FINANCIAL REVIEW

THE GROUP ONCE AGAIN DELIVERED A VERY STRONG PERFORMANCE

BRANDED

STRONG REVENUE GROWTH IN OUR KEY MENA MARKETS

2012 HIGHLIGHTS

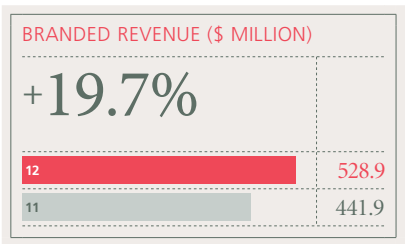
- BRANDED REVENUE INCREASED BY
  19.7%
  WITH ORGANIC REVENUE UP
  11.3%
- BRANDED ADJUSTED OPERATING PROFIT INCREASED BY
  17.6%
  WITH AN ADJUSTED OPERATING MARGIN OF
  23.4%
- LAUNCHED
  47 PRODUCTS
  AND SIGNED FOUR NEW IN-LICENSE AGREEMENTS

Overview of the marketplace

Hikma's Branded business manufactures and markets generic and in-licensed originator products across the MENA region. The pharmaceutical markets in MENA tend to be branded markets in which products, both generic and patented, are marketed under specific brand names through large sales and marketing teams.

In spite of the recent political unrest, pharmaceutical sales for the top nine private retail markets in the MENA region grew by 9.3% in 2012, to reach $10.3 billion, according to IMS Health. This figure does not capture the additional value of sales from government tenders or from other smaller but fast growing MENA markets such as Iraq, Libya and Sudan.

The growth in the MENA pharmaceutical market continues to be underpinned by the favourable demographics of a young, fast growing population, coupled with a sizeable elderly population. Whilst the historically strong demand for anti-infective products remains, economic development in MENA and changes in lifestyle are driving higher incidences of chronic diseases such as diabetes. Pharmaceutical companies in the region are rapidly developing their portfolios to meet the growing demand for cardiovascular, diabetes, central nervous system and oncology products.



Branded performance

Branded revenue increased by 19.7% in 2012 to $528.9 million, compared with $441.9 million in 2011. On a constant currency basis, Branded revenue growth was 23.1%. Organic revenue grew 11.3% to $480.7 million, with the recently acquired Promopharm and Savanna businesses in Morocco and Sudan respectively, contributing a further $48.1 million. Over the year, we delivered particularly strong performances in Algeria, Egypt and Libya. Across all of our MENA markets we have benefited from the recent investments we have made to expand our local manufacturing presence, launch new products and restructure our sales and marketing teams.

Our Egyptian business had an excellent year with over 25% revenue growth, reflecting increased manufacturing capacity and new product launches. The Egyptian team successfully restructured its sales force to enable a greater focus on strategic, higher value products. On 22 January 2013, we completed the acquisition of the Egyptian Company for Pharmaceuticals and Chemical Industries ("EPCI") for an aggregate cash consideration of $20.5 million. This is an important strategic acquisition, bringing a complementary portfolio of 35 products and enhancing our local manufacturing capabilities, including the addition of a dedicated cephalosporin facility. The acquisition of EPCI significantly enhances our growth potential in the Egyptian market.

In Algeria, an increase in the volume of locally manufactured products and investment in our sales force helped drive revenue growth of close to 20%. In Libya, we saw a very strong recovery this year following the political unrest in 2011. Our ongoing commitment to this market enabled us to restart our operations quickly following the disruptions and rapidly establish Hikma as the leading pharmaceutical company in this market.[1] In Morocco, where we have been progressing with the integration of Promopharm, we have successfully submitted six of Hikma's leading products for registration.

In Iraq, whilst sales were disrupted at the beginning of the year due to the change we made to our distributor, we saw accelerating sales in the second half. In Sudan, where a significant devaluation of the Sudanese pound caused pricing uncertainty and delayed shipments during the first half of the year, we were able to deliver much stronger growth in the second half and for the full year overall. We believe that Iraq and Sudan are attractive markets that will offer excellent growth potential over the medium and long-term. We continue to strengthen our sales force in the Iraqi market and build our product portfolio. In Sudan, we are upgrading the manufacturing facility we acquired in 2011, which will further strengthen our leading position in this market.

[1] Advanced Marketing Statistics, MAT October 2012

The MENA[5] pharmaceutical market

	2012 Value $m	Growth
Top 9 MENA markets	10,282	+9.3%
Egypt	2,510	+15.6%
Saudi Arabia	2,351	+11.4%
Algeria	2,110	+8.0%
Morocco	962	-1.0%
UAE	821	+10.6%
Lebanon	585	+1.7%
Tunisia	532	+8.3%
Jordan	228	+5.2%
Kuwait	183	+4.7%

During 2012, the Branded business launched a total of 47 products across all markets, including six new compounds and nine new dosage forms and strengths. The Branded business also received 36 regulatory approvals across the region, including three for new products.

Revenue from in-licensed products increased from $174.8 million to $195.3 million in 2012, supported by the revenue contribution from Promopharm's in-license agreements. In-licensed products represented 36.9% of Branded revenue compared to 39.6% in 2011. Strong revenue growth from our leading in-licensed products is being offset by lower sales of Actos following the withdrawal of this product in some of our markets in 2011. We signed four new licensing agreements for innovative oral products during 2012, which will support our continued focus on growing our portfolio of higher value products in growing therapeutic categories.

Branded gross profit grew by 20.2% to $257.3 million in 2012 and gross margin was 48.7%, compared with 48.4% in 2011. Despite higher inflationary pressure across the region in the wake of the Arab Spring, we maintained a stable gross margin by focusing on higher value, strategic products, reducing procurement costs and driving greater operational efficiencies.

Operating profit in the Branded business increased by 13.1% to $111.4 million, compared with $98.5 million in 2011. Adjusted operating profit increased by 17.6% to $123.6 million. Adjusted operating margin was 23.4%, compared with 23.8% in 2011, after excluding the amortisation of intangibles, integration costs and severance costs incurred as a result of restructuring our MENA operations during 2012. Excluding the impact of adverse currency movements, particularly the Sudanese pound and the Algerian dinar, which reduced adjusted operating profit by around $10.9 million, adjusted operating margin was 24.7%. The impact of higher salaries and benefits and increased operating costs are being more than offset by our ongoing success in restructuring our sales and marketing teams and driving efficiency savings across our operations.

On a constant currency basis, we expect Branded revenue growth of around 11% in 2013 and a slight improvement in adjusted operating margin. This reflects our ability to continue offsetting increased inflationary pressure across the MENA region with the launch of higher value products and by driving cost and operating efficiencies. On a reported basis, taking into account exchange rate movements since the beginning of 2013, Branded revenue growth is currently expected to be around 9% this year, with margins in line with 2012.

[5] All market data sourced from IMS Health YTD December 2012. Figures reflect private retail sales only.

EXTENDING OUR REACH AND DIVERSITY THROUGH PARTNERSHIPS

IMPROVING LIVES...

...BY LEVERAGING OUR LARGE AND EXPERIENCED SALES TEAM

It is the strength of our sales and marketing teams across MENA that establishes us as the partner of choice in the region and enables us to bring innovative new products to our markets. In 2012, we continued to invest in strengthening our sales teams across the region and we are seeing significant benefits from this strategy.

We are restructuring our sales and marketing teams and optimising the allocation of promotional spend across our product portfolio to drive efficiency gains and improve productivity. At the same time, we are implementing an enhanced reward structure that incentivises our reps to focus on higher value products in growing therapeutic areas.

Enhancements to our sales operations are helping to drive strong growth in sales of important in-license products such as Blopress, a leading treatment for hypertension. This is supported by our ongoing efforts to raise doctor and patient awareness of chronic diseases through awareness days and medical symposiums.

By driving growth in the use of innovative in-licensed products to treat chronic illnesses such as heart disease and diabetes, we are improving lives across MENA.

COUNTRY

UAE

POPULATION SIZE (MILLION)[1]	HEALTHCARE EXPENDITURE (% OF GDP)[1]	LIFE EXPECTANCY (YEARS)[1]
5.5	3.7%	77

[1] CIA – The World Factbook

INJECTABLES

VERY STRONG REVENUE GROWTH WITH SIGNIFICANT MARGIN IMPROVEMENT

2012 HIGHLIGHTS

- INJECTABLES REVENUE GREW BY **48.9%** TO $470.0 MILLION, WITH ORGANIC REVENUE UP **22.3%**
- STRONG PERFORMANCES ACROSS OUR GEOGRAPHIES – US, MENA AND EUROPE
- SIGNIFICANT IMPROVEMENT IN INJECTABLES ADJUSTED OPERATING MARGIN, UP FROM **17.4%** TO **26.2%**

Overview of the marketplace

Hikma's Injectables business manufactures and markets branded and non-branded generic injectable products in the US, Europe and MENA. Injectable products represent the second largest segment of the global pharmaceutical market in terms of delivery mechanism after oral products. The value of the global generic injectables market is estimated to exceed $11.0 billion.[1]

Injectable products are produced in either liquid, powder or lyophilized (freeze-dried) forms. The manufacture of injectable products requires specialised and sterile manufacturing facilities and techniques, which must meet the strict quality standards imposed by the regulatory authorities. These factors have created a market with high barriers to entry and, as a result, a limited number of competitors.

The global injectables market is expected to benefit from the key drivers of generics growth as well as from the patent expiries of a number of high value injectable products.

Injectables performance

Injectables revenue by region	2012	2011
US	**63.0%**	51.3%
MENA	**20.5%**	23.9%
Europe	**16.5%**	24.8%

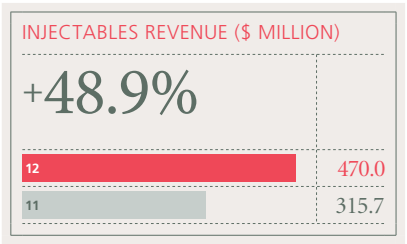
Revenue in our global Injectables business increased by 48.9% to $470.0 million, compared with $315.7 million in 2011. Organic revenue increased by 22.3% to $237.5 million.

US Injectables revenue grew by $134.0 million, or 82.6%, to $296.2 million. This excellent performance reflects a full year contribution from the Multi-Source Injectables ("MSI"), our success in maximising the potential of our existing product portfolio, stronger customer relationships, new product launches and product acquisitions. It is also due to the operational excellence of our Cherry Hill and Portuguese facilities, which significantly increased output through better management and additional capacity. Our strong quality track record has helped to differentiate our business in the US market and enabled us to benefit from the favourable market conditions created by the supply constraints of some of our competitors.

In the MENA region, Injectables revenue increased by 27.5% to $96.1 million, compared with $75.4 million in 2011. This reflects particularly strong growth in Saudi Arabia, Algeria, Libya and Jordan, due to strong demand in the private market and more tender wins, as well as the full year contribution from Promopharm.

Revenue in our European Injectables business of $77.8 million was in line with revenue of $78.2 million in 2011. However, on a constant currency basis, European Injectables revenue grew by 7.3%, reflecting new product growth and continuing demand for contract manufacturing. We also successfully offset double-digit price erosion with strong volume growth.

[1] Espicom Business Intelligence



Injectables gross profit increased by 71.4% to $218.7 million, compared with $127.6 million in 2011. Gross margin increased significantly to 46.5%, compared with 40.4% in 2011. This reflects our efforts to actively manage our existing product portfolio, favourable market conditions, strong operational management, increased plant utilisation and greater economies of scale.

Operating profit of the Injectables business increased by 154.3% to $115.5 million. Adjusted operating profit increased by 123.8% to $123.0 million. Adjusted operating margin increased from 17.4% to 26.2%. This excellent margin expansion reflects the improvement in gross margin, significantly better operating leverage and tight control of operating costs.

We remain focused on strengthening our global Injectables product portfolio, with a particular emphasis on more differentiated products. In 2012, we received approval for a New Drug Application ("NDA") for argatroban injection, which we launched at the end of the year. In May 2012, we purchased the Abbreviated New Drug Application ("ANDA") for sodium ferrous gluconate injection from GeneraMedix Pharmaceuticals. These are both excellent products with strong market positions.

During 2012, the Injectables business launched a total of 41 products across all markets, including 8 new compounds and 8 new dosage forms and strengths. The Injectables business also received a total of 41 regulatory approvals across all regions and markets, namely 11 in MENA, 22 in Europe and 8 in the US. We signed 4 new licensing agreements during 2012 to add innovative injectable products to our MENA portfolio.

We expect our global Injectables business to continue to perform well and currently expect Injectables revenues will grow in the low double-digits in 2013. We also see excellent prospects for the global Injectables business over the medium and long-term.

As previously announced, we are undertaking a review of the strategic options for the Injectables business. We have received a number of unsolicited expressions of interest for the business and will consider the best option for shareholders.


PEARL ST
ONE WAY
ONE

INCREASING THE SCALE OF OUR SPECIALTY INJECTABLES BUSINESS

IMPROVING LIVES...

...BY INCREASING PATIENT ACCESS TO HIGH QUALITY, AFFORDABLE GENERIC INJECTABLES

In recent years we have been rapidly growing our global Injectables business through a combination of strategic acquisitions, the expansion of existing manufacturing facilities and investment in R&D. In May 2011, the acquisition of MSI more than doubled our Injectables business and established Hikma as one of the leading global suppliers by volume of generic injectables.

Since the acquisition, we have significantly increased production output at the Cherry Hill facility through capex investment, productivity gains and efficiency improvements. At the same time, we have built strong relationships with key customers and embedded a nationwide sales team which is enabling us to reach patients across the US market.

We have a broad product portfolio, which we are continuing to expand. Our focused investment in R&D is also enabling us to bring more differentiated products, such as argatroban, to the US market.

The MSI acquisition has significantly increased our ability to supply high quality, cost effective generic injectables to improve the lives of patients in the US.

COUNTRY

US

POPULATION SIZE (MILLION)[1]	HEALTHCARE EXPENDITURE (% OF GDP)[1]	LIFE EXPECTANCY (YEARS)[1]
317	17.9	78

[1] CIA – The World Factbook

GENERICS

PERFORMANCE IMPACTED BY REMEDIATION WORK AT OUR EATONTOWN FACILITY

2012 HIGHLIGHTS

- GENERICS REVENUE DECREASED BY **33.0%** TO **$103.7m**
- OPERATING LOSS OF **$20.9m** REFLECTS THE IMPACT OF ADDITIONAL COMPLIANCE WORK AT OUR EATONTOWN FACILITY
- EXCEPTIONAL COSTS OF **$7.4m** RELATED TO REMEDIATION AND RESTRUCTURING

Overview of the marketplace

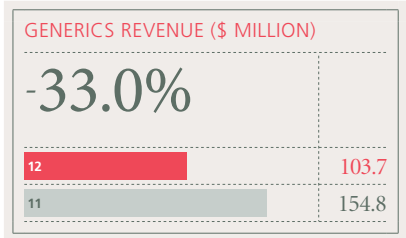
Hikma's Generics business manufactures non-branded oral generic products for sale in the US market. The US represents the world's largest generic market and generics now account for around 79% of all retail prescriptions dispensed in the US.[1] According to IMS Health, the market for oral generic products in the US grew by 22% in 2012, reaching a total market value of $37.9 billion and the number of oral generic prescriptions written grew by 7% in 2012. The growth in the generics market results from the greater availability of molecules in generic form as patents expire, along with patients choosing lower cost options. The US generic pharmaceutical industry is very competitive and has experienced significant pricing pressure in recent years. Going forward, we expect that significant patent expiries and increased demand for cost-effective medicines will offset pricing pressures and drive future generic market growth.

Generics performance

Generics revenue was $103.7 million, down 33.0% compared with $154.8 million in 2011. This decline is due to the slowdown in production at our Eatontown facility during 2012, while we undertook the compliance work necessary to address the observations raised by the US Food and Drug Administration ("US FDA") in its warning letter of February 2012. This led us to voluntarily halt commercial production at this facility during the last two months of 2012.

Generics gross profit was $23.3 million, compared with $52.2 million in 2011, and gross margin was 22.5%, compared with 33.7% in 2011. This reflects reduced operating leverage as a result of the significant slowdown in sales.

The Generics business made an operating loss of $20.9 million in 2012, compared with an operating profit of $17.1 million in 2011. The loss included $7.4 million of one-off costs associated with the remediation and restructuring work.



[1] IMS Health, YTD December 2012

In late December 2012, we restarted manufacturing at the Eatontown facility and we are bringing products back gradually. We expect to complete the remediation work in the second half of the year. As the remediation process has been slower than expected, we remain focused on driving sustainable cost reduction and continue to look for further opportunities to cut costs across the business. Following the completion of a strategic review, we have also initiated discussions with third parties to evaluate the alternative options for this business.

The impact of continued remediation in 2013 is currently being offset by a market opportunity that is driving strong demand for one of our products. We expect to maintain Generics revenue at 2012 levels and to breakeven for the full year.

Other businesses

Other businesses, which primarily comprise Arab Medical Containers, a manufacturer of plastic specialised packaging, International Pharmaceuticals Research Centre, which conducts bio-equivalency studies, and the chemicals division of Hikma Pharmaceuticals Limited, contributed revenue of $6.2 million, compared with $5.6 million in 2011.

These other businesses delivered an operating loss of $3.3 million in 2012, compared with a loss of $2.4 million in 2011.

LEVERAGING OUR EXPERTISE
AND CAPACITY IN THE US MARKET

IMPROVING LIVES...

...THROUGH OUR FOCUS ON QUALITY MANUFACTURING

Our US operations generated $400 million, or just over 35% of Group revenue, in 2012, up from $317 million in 2011. The acquisition of Baxter's Multi-Source Injectables business in May 2011 doubled the size of our existing US business and significantly enhanced our injectables capabilities in the US.

Since the MSI acquisition, we have made investments to significantly increase production output and enhance operational management. Our strategic focus has been on integrating our sales and marketing teams and leveraging our new US manufacturing platform.

Now, as one of the largest suppliers by volume in the US generic injectables market, we have been able to build stronger relationships with Group Purchasing Organisations ("GPOs") and wholesalers. These relationships were strengthened in 2012, as we were able to provide our customers with a reliable supply of high quality injectables products at a time of severe market shortages.

Our high quality and expanding US platform has made us a reliable and valued partner who is committed to improving the lives of patients in the US.

COUNTRY

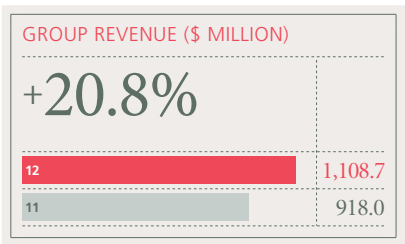
US

POPULATION SIZE (MILLION)[1]	HEALTHCARE EXPENDITURE (% OF GDP)[1]	LIFE EXPECTANCY (YEARS)[1]
317	17.9	78

[1] CIA – The World Factbook

GROUP PERFORMANCE

OUR SUCCESS IS UNDERPINNED BY OUR DIVERSE BUSINESS MODEL, WHICH COMBINES OUR EXTENSIVE PRESENCE IN THE MENA MARKETS AND A GROWING GLOBAL INJECTABLES BUSINESS



Group revenue increased by 20.8% to $1,108.7 million in 2012. Excluding the contributions from MSI in the US, Promopharm in Morocco and Savanna in Sudan, organic revenue growth was 5.2%.

The Group's gross profit increased by 26.8% to $501.1 million, compared with $395.3 million in 2011. Group gross margin was 45.2%, compared with 43.1%, with the significant gross margin improvement of the global Injectables business more than offsetting the lower Generics gross margin.

Group operating expenses grew by 20.8% to $334.3 million, compared with $276.7 million in 2011. Excluding the amortisation of intangible assets (excluding software) and exceptional items, adjusted Group operating expenses grew by 24.0% to $311.7 million. The paragraphs below address the Group's main operating expenses in turn.

Sales and marketing expenses were $152.8 million, or 13.8% of revenue, compared with $125.3 million and 13.6% of revenue in 2011. Excluding non-recurring costs in 2012, sales and marketing expenses represented 13.4% of revenue. The strong growth in our global Injectables business, where relatively low incremental sales and marketing investments required to generate new sales, offset an increase in MENA sales and marketing expenditure due to higher wages and employee benefits.

As a percentage of revenue, general and administrative expenses were 11.2%, compared with 11.7% in 2011. General and administrative expenses increased by $17.0 million, or 15.8%, to $124.6 million in 2012. Excluding non-recurring items, G&A expenses as a percentage of revenue were 10.7% in 2012, compared with 9.9% in 2011. This reflects the increase in employee salaries and benefits in MENA and the high fixed cost base of the Generics business during the slowdown in production during 2012.

We continued to grow our investment in R&D, with a 9.0% increase in expenditure across the Group to reach $34.0 million. Total investment in R&D represented 3.1% of Group revenue, compared with 3.4% in 2011. Whilst this is lower than originally planned, we were able to replace some expected expenditure through product acquisitions. We expect further growth in R&D spend in 2013 as we continue to execute plans to develop our product pipeline, particularly for injectable products.

Other net operating expenses increased by $10.4 million to $23.0 million, reflecting an increase in slow moving inventory provisions, primarily in the US, and higher transactional foreign exchange losses, primarily due to movements in the Sudanese pound against the US Dollar.

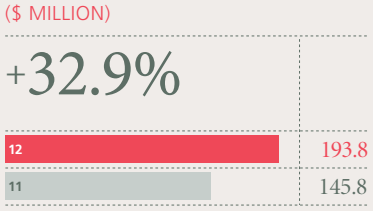
Operating profit for the Group increased by 40.5% to $166.8 million in 2012. Group operating margin increased to 15.0%, compared with 12.9% in 2011. On an adjusted basis, Group operating profit increased by $48.0 million, or 32.9%, to $193.8 million and operating margin increased to 17.5%, up from 15.9% in 2011.

Summary P&L

$ million	2012	2011	Change
Revenue	**1,108.7**	918.0	+20.8%
Gross profit	**501.1**	395.3	+26.8%
Gross margin	*45.2%*	*43.1%*	*+2.1*
Operating profit	**166.8**	118.7	+40.5%
Adjusted[6] operating profit	**193.8**	145.8	+32.9%
Adjusted operating margin	*17.5%*	*15.9%*	*+1.6*
EBITDA[7]	**225.2**	165.7	+35.9%
Profit attributable to shareholders	**100.3**	80.1	+25.2%
Adjusted[8] profit attributable to shareholders	**120.5**	100.9	+19.4%
Earnings per share (cents)	**51.1**	41.3	+23.8%
Dividend per share (cents)	**16.0**	13.0	+23.1%
Net cash flow from operating activities	**182.2**	126.4	+44.1%

GROUP ADJUSTED OPERATING PROFIT ($ MILLION)

+32.9%



Net finance expense

Net finance expense increased to $34.5 million, compared with $22.9 million in 2011. This primarily reflects the annualised interest charge on the loans we acquired to finance the MSI and Promopharm acquisitions made in 2011. We have also increased our loans in local currencies in 2012, which carry higher financing charges but help to reduce our exposure to exchange rate fluctuations in markets such as Algeria and Egypt. This is explained in more detail in the net cash flow, working capital and net debt section below. In 2013, we expect a net finance expense of around $40 million, reflecting a further increase in local loans and additional working capital financing.

Profit before tax

Profit before tax for the Group increased by 40.6% to $132.0 million, compared with $93.9 million in 2011. Adjusted profit before tax increased by 31.5% to $159.1 million.

Tax

The Group incurred a tax expense of $24.8 million, compared with $10.4 million in 2011. The effective tax rate was 18.8%, compared with 11.1% in 2011. The increase in the tax rate is mainly attributable to the increased profitability in higher tax jurisdictions, such as the US, North Africa and Portugal. The operating loss in the Generics business meant that the tax rate in 2012 was slightly lower than our previous expectations, but for 2013, we expect the effective tax rate to increase to between 23% and 24%.

Profit for the year

The Group's profit attributable to equity holders of the parent increased by 25.2% to $100.3 million in 2012. Adjusted profit attributable to equity holders of the parent increased by 19.4% to $120.5 million.

Earnings per share

Basic earnings per share increased by 23.8% to 51.1 cents, compared with 41.3 cents in 2011. Diluted earnings per share increased by 24.9% to 50.6 cents, compared with 40.5 cents in 2011. Adjusted diluted earnings per share was 60.8 cents, an increase of 19.2% over 2011.

Dividend

The Board has recommended a final dividend of 10 cents per share (approximately 6.7 pence per share), which will make a dividend for the full year of 16.0 cents per share, an increase of 23.1% compared with 2011. The proposed final dividend will be paid on 23 May 2013 to eligible shareholders on the register at the close of business on 19 April 2012, subject to approval by shareholders at the Annual General Meeting. The ex-dividend date is 17 April 2013 and the final date for currency elections is 3 May 2013.

[6] Before the amortisation of intangible assets (excluding software) and exceptional items.

[7] Earnings before interest, tax, depreciation and the amortisation of intangible assets.

[8] In 2012, amortisation of intangible assets (excluding software) was $12.7 million (2011: $9.0 million). In 2012, exceptional items included within operating expenses were $9.9 million (2011: $16.4 million).

Net cash flow, working capital and net debt

The Group generated operating cash flow of $182.2 million in 2012, up $55.8 million from $126.4 million in 2011. This significant increase was partly due to the impact of a $21.1 million non-recurring cash injection in 2011 to fund the working capital requirement of MSI at the time of the acquisition, which reduced that year's operating cash flow. Excluding this impact, the underlying increase in cash generation of $34.7 million, or 23.5%, reflects the strong improvement in profitability in 2012.

This excellent growth in cash flow was achieved with relatively flat working capital days of 194 days, compared with 193 days in 2011. Whilst Group receivable and payable days improved – receivable days reduced by 8 days to 97 days at 31 December 2012 and payable days increased by 5 days to 66 days – inventory days increased by 15 days to 164 days. This was primarily driven by our US business, where we significantly increased the production output of the Injectables business and were holding more normalised stock levels at December 2012, compared to December 2011.

Capital expenditure was $51.4 million, compared with $69.0 million in 2011. Around $32.0 million of that was spent in MENA, principally to maintain our manufacturing facilities across the region, to invest in our recently acquired facility in Sudan and to develop our chemical plant in Jordan. Around $13.1 million was spent in the US, primarily at our facility in Cherry Hill, New Jersey, to expand manufacturing capacity. In Portugal, investments included warehouse improvements and new machinery purchases.

The Group purchased $38.8 million of intangible assets during 2012, including around $30.7 million in respect of new products and around $8.1 million related to the implementation of SAP at our Cherry Hill facility.

Group net debt decreased from $421.9 million at 31 December 2011 to $406.5 million at 31 December 2012. This reflects higher cash balances from increased profitability, partially offset by increased borrowings in 2012 to finance capital expenditure, the purchase of intangible assets, the purchase of additional shares in Promopharm, the payment of the deferred consideration related to the MSI acquisition and the EPCI acquisition in January 2013.

Balance sheet

During the period, shareholder equity was negatively impacted by unrealised foreign exchange losses of $21.2 million, primarily reflecting the depreciation of the Sudanese pound, the Egyptian pound and the Algerian dinar against the US Dollar and the revaluation of net assets denominated in these currencies.

Summary and outlook

We delivered a strong performance in 2012, with a 20.8% increase in revenue and a 23.8% increase in earnings per share. This reflects strong growth in the Branded business and the excellent performance of the Injectables business.

We remain confident in our medium and long-term growth prospects. We have made a good start to 2013 and expect to deliver Group revenue growth of around 10% this year.

OPERATING CASH FLOW (GROUP)

$182.2m

UP

$55.8m

Hikma's product portfolio

	Total marketed products		Products launched in 2012		
	Compounds	Dosage forms and strengths	New compounds	New dosage forms and strengths	Total launches across all countries in 2012[11]
Branded	606[10]	1,630[10]	6	9	47
Injectables	179	361	8	8	30
Generics	41	103	–	–	–
Group	**826**	**2,094**	**14**	**17**	**77**

Hikma's product pipeline

	Products approved in 2012			Products pending approval as at 31 December 2012		
	New compounds	New dosage forms and strengths	Total approvals across all countries in 2012[11]	New compounds	New dosage forms and strengths	Total pending approvals across all countries as of 31 December 2012[11]
Branded	3	5	36	139	222	346
Injectables	10	12	41	89	112	327
Generics	4	4	4	22	22	22
Group	**17**	**21**	**81**	**250**	**356**	**695**

Research & Development[9]

The Group's product portfolio continues to grow as a result of our in-house product development efforts. During 2012, we launched 14 new compounds, expanding the Group portfolio to 826 compounds in 2,094 dosage forms and strengths[10]. We manufacture and/or sell 94 of these compounds under-license from the originator.

Across all businesses and markets, a total of 77 products were launched during 2012. In addition, the Group received 81 approvals.

To ensure the continuous development of our product pipeline, we submitted 216 regulatory filings in 2012 across all regions and markets. As of 31 December 2012, we had a total of 695 pending approvals across all regions and markets.

At 31 December 2012, we had a total of 73 new products under development, the majority of which should receive several marketing authorisations for different strengths and/or product forms over the next few years.

[9] Products are defined as pharmaceutical compounds sold by the Group. New compounds are defined as pharmaceutical compounds not yet launched by the Group and existing compounds being introduced into a new segment

[10] Totals include 123 dermatological and cosmetic compounds in 401 dosage forms and strengths that are only sold in Morocco

[11] Totals include all compounds and formulations that are either launched or approved or pending approval across all markets, as relevant

PRINCIPAL RISK & UNCERTAINTIES

THE GROUP'S BUSINESS FACES RISKS AND UNCERTAINTIES

The Group's business faces risks and uncertainties which could have a significant effect on its financial condition, results of operation or future performance and could cause actual results to differ materially from expected and historical results.

OPERATIONAL RISKS

RISK	POTENTIAL IMPACT	MITIGATION
COMPLIANCE WITH REGULATORY REQUIREMENTS *Failure to comply with applicable regulatory requirements and manufacturing standards (often referred to as 'Current Good Manufacturing Practices' or cGMP)*	Delays in supply or an inability to market or develop the Group's products Delayed or denied approvals for the introduction of new products Product complaints or recalls Bans on product sales or importation Disruptions to operations Potential for litigation Plant closure	Commitment to maintain the highest levels of quality across all manufacturing facilities Strong global compliance function that oversees compliance across the Group Remuneration and reward structure that helps retain experienced personnel Continuous staff training and know-how exchange On-going development of standard operating procedures
REGULATION CHANGES *Unanticipated legislative and regulatory actions, developments and changes affecting the Group's operations and products*	Restrictions on the sale of one or more of our products Restrictions on our ability to sell our products at a profit Unexpected additional costs required to produce, market or sell our products Increased compliance costs	Strong oversight of local regulatory environments to help anticipate potential changes Local operations in all of our key markets Representation and/or affiliation with local industry bodies Diverse geographical and therapeutic business model
COMMERCIALISATION OF NEW PRODUCTS *Delays in the receipt of marketing approvals, the authorisation of price and re-imbursement* *Lack of approval and acceptance of new products by physicians, patients and other key decision-makers* *Inability to confirm safety, efficacy, convenience and/or cost-effectiveness of our products as compared to competitive products* *Inability to participate in tender sales*	Slowdown in revenue growth from new products Inability to deliver a positive return on investments in R&D, manufacturing and sales and marketing	Experienced regulatory teams able to accelerate submission processes across all of our markets Highly qualified sales and marketing teams across all markets A diversified product pipeline with 250 compounds pending approval, covering a broad range of therapeutic areas A systematic commitment to quality that helps to secure approval and acceptance of new products and mitigate potential safety issues

OPERATIONAL RISKS *continued*

RISK	POTENTIAL IMPACT	MITIGATION
PRODUCT SAFETY *Unforeseen product safety issues for marketed products, particularly in respect of in-licensed products*	Interruptions to revenue flow Costs of recall, potential for litigation Reputational damage	Diversification of product portfolio across key markets and therapies Working with stakeholders to understand issues as they arise
PRODUCT DEVELOPMENT *Failure to secure new products or compounds for development*	Inability to grow sales and increase profitability for the Group Lower return on investment in research and development	Experienced and successful in-house R&D team, with specifically targeted product development pathways Continually developing and multi-faceted approach to new product development Strong business development team Track record of building in-licensed brands Position as licensee of choice for our key MENA geography
CO-OPERATION WITH THIRD PARTIES *Inability to renew or extend in-licensing or other co-operation agreements with third parties*	Loss of products from our portfolio Revenue interruptions Failure to recoup sales and marketing and business development costs	Investment in long-term relationships with existing in-licensing partners Experienced legal team capable of negotiating robust agreements with our partners Continuous development of new partners for licensing and co-operation Diverse revenue model with in-house R&D capabilities
INTEGRATION OF ACQUISITIONS *Difficulties in integrating any technologies, products or businesses acquired*	Inability to obtain the advantages that the acquisitions were intended to create Adverse impact on our business, financial condition and results of operations Significant transaction and integration costs could adversely impact our financial results	Extensive due diligence undertaken as part of any acquisition process Track record of acquisitions and subsequent business integration Human resources personnel focused on managing employee integration following acquisitions Close monitoring of acquisition and integration costs
INCREASED COMPETITION *New market entrants in key geographies* *On-going pricing pressure in increasingly commoditised markets*	Loss of market share Decreasing revenues on established portfolio	On-going portfolio diversification, differentiation and renewal through internal R&D, in-licensing and product acquisition Continuing focus on expansion of geographies and therapeutic areas
DISRUPTIONS IN THE MANUFACTURING SUPPLY CHAIN *Inability to procure active ingredients from approved sources* *Inability to procure active ingredients on commercially viable terms* *Inability to procure the quantities of active ingredients needed to meet market requirements*	Inability to develop and/or commercialise new products Inability to market existing products as planned Lost revenue streams on short notice Reduced service levels and damage to customer relationships Inability to supply finished product to our customers in a timely fashion	Alternate approved suppliers of active ingredients Long-term relationships with reliable raw material suppliers Corporate auditing team continuously monitors regulatory compliance of API suppliers Focus on improving service levels and optimising our supply chain

OPERATIONAL RISKS *continued*

RISK	POTENTIAL IMPACT	MITIGATION
ECONOMIC AND POLITICAL AND UNFORESEEN EVENTS *The failure of control, a change in the economic conditions (including the Middle East, North Africa and the Eurozone), political environment or sustained civil unrest in any particular market or country* *Unforeseen events such as fire or flooding could cause disruptions to manufacturing or supply*	Disruptions to manufacturing and marketing plans Lost revenue streams Inability to market or supply products	Geographic diversification, with 26 manufacturing facilities and sales in more than 40 countries Product diversification, with 826 products and 2,094 dosage strengths and forms
LITIGATION *Commercial, product liability and other claims brought against the Group*	Financial impact on Group results from adverse resolution of proceedings Reputational damage	In-house legal counsel with relevant jurisdictional experience

FINANCIAL RISKS

RISK	POTENTIAL IMPACT	MITIGATION
FOREIGN EXCHANGE RISK *Exposure to foreign exchange movements, primarily in the European, Algerian, Sudanese and Egyptian currencies*	Fluctuations in the Group's net asset values and financial results upon translation into US Dollars	Entering into currency derivative contracts where possible Foreign currency borrowing Matching foreign currency revenues to in-jurisdiction costs
INTEREST RATE RISK *Volatility in interest rates*	Fluctuating impact on profits before taxation	Optimisation of fixed and variable rate debt as a proportion of our total debt Use of interest rate swap agreements
CREDIT RISK *Inability to recover trade receivables* *Concentration of significant trade balances with key customers in the MENA region and the US*	Reduced working capital funds Risk of bad debt or default	Clear credit terms for settlement of sales invoices Group Credit policy limiting credit exposures Use of various financial instruments such as letters of credit, factoring and credit insurance arrangements
LIQUIDITY RISK *Insufficient free cash flow and borrowings headroom*	Reduced liquidity and working capital funds Inability to meet short-term working capital needs and, therefore, to execute our long-term strategic plans	Continual evaluation of headroom and borrowing Committed debt facilities Diversity of institution, subsidiary and geography of borrowings
TAX *Changes to tax laws and regulations in any of the markets in which we operate*	Negative impact on the Group's effective tax rate Costly compliance requirements	Close observation of any intended or proposed changes to tax rules, both in the UK and in other key countries where the Group operates

SUSTAINABILITY

SUSTAINABILITY REMAINS AN INTEGRAL PART OF OUR APPROACH TO BUSINESS

RESPONSIBILTY

WE AIM TO IMPROVE LIVES BY PROVIDING PATIENTS WITH BETTER ACCESS TO HIGH QUALITY, AFFORDABLE MEDICINES IN KEY THERAPEUTIC AREAS

The table lists some examples of key initiatives in 2012 across our major Corporate Responsibility impact areas and links these initiatives to our strategic goals.

2012 HIGHLIGHTS

	STRENGTHENING OUR LEADING POSITION IN THE MENA REGION	DEVELOP OUR GLOBAL PRODUCT RANGE IN GROWING THERAPEUTIC AREAS
ADDRESSING MAJOR HEALTH ISSUES	Supported nationwide initiatives in Jordan, including the National Strategy to Combat Chronic Diseases	Introduced innovative medicines, including Lutrate® one month from GP Pharm for advanced prostate cancer, and Binosto®, the first buffered solution osteoporosis treatment, from EffRx
PATIENTS	Engaged pharmacovigilance (PV) consultants to review our PV systems in the MENA, EU and US	Introduced the first locally produced oncology generic, Cemivil® (imatinib), into the formulary of Jordan's King Hussein Cancer Center (KHCC)
PEOPLE	Launched leadership training programme for middle managers with the American University of Beirut (AUB)	Raised awareness amongst employees on key health issues such as obesity, breast cancer and heart disease
COMMUNITY	Set corporate responsibility standard in MENA through CR mapping research with universities	Sponsored local events to raise awareness of diabetes and obesity, including blood pressure and glucose testing
ENVIRONMENT	Renewed ISO 14001 certification in Egypt and received the ISO 9001 certificate for quality management	Renewed ISO 14001 and successfully completed a surveillance audit at our main plant in Jordan
BUSINESS ETHICS	Received IFC Client Leadership Award for benefit to patient health and sustainability practices	Updated Code of Conduct with greater focus on integrity

EXTEND OUR REACH AND DIVERSITY AS A PARTNER OF CHOICE IN THE MENA REGION	INCREASE THE SCALE OF OUR SPECIALITY INJECTABLES BUSINESS	LEVERAGE OUR EXPERTISE AND CAPACITY IN THE US MARKET	BUILD OUR WORLD-CLASS MANUFACTURING AND API SOURCING CAPABILITIES
Supported the MENA chapter of the Global Fund to fight AIDS, Tuberculosis and Malaria	Partnered with Genepharm in Greece for Bicalutamide for the treatment of prostate cancer	Collaborated with the Susan Komen for the Cure Foundation in the Mid-South to support breast cancer research	Expanded our chemical plant in Jordan to support the production of strategic oncology APIs
Partnered with AmeriCares to supply medicines to Syria	Received FDA approval for phenylephrine HCl injection and argatroban injection – differentiated products for our US portfolio	Addressed critical supply shortages in the US market through operational improvements and capital investment in our US and Portuguese manufacturing facilities	Maintained high quality standards at our US FDA approved facilities in Jordan and Saudi Arabia, which both passed recent FDA inspections
Active member of the Global Smokefree Partnership, and leader of smokefree initiatives in Jordan. Hikma has been smokefree since 1994	Completed more than 650 employee training hours at our Cherry Hill injectables manufacturing facility	Supported employees impacted by Hurricane Sandy and participated in wider relief efforts	Renewed OHSAS 18001, the employee health and safety certification
Active participant in the World Economic Forum, influencing MENA and global healthcare policies	Supported children with serious illnesses through the collection and recycling of soda and juice cans	Recognised by the Senator of New Jersey, USA as a "stellar example of fruitful partnerships between business and colleges"	Honoured by Libyan Health Ministry for medical donations and community support
Collaborated with international organisations on the implemention of ISO 26000, the Social Responsibility certification, in the MENA	Initiated Renewable Energy Project at our injectables facility in Portugal, using solar power to drive energy savings	Collaborated with global entity to apply optimal ways to save energy	Installed energy efficient and low emission machinery at our facilities in Jordan
Implemented new Social Media Policy to unify image as trusted and responsible company on virtual platforms	Awarded Healthcare Company of 2012 and nominated for Best Investor Communications	Launched speak-up line in US and Europe	Maintained commitment not to undertake in-house animal testing and uphold the 3Rs – Reduce, Refine and Replace

SUSTAINABILITY REPORT

ADDRESSING MAJOR HEALTH ISSUES

As a leading pharmaceutical company with widespread operations, global manufacturing facilities and a network of international partners, we are in a strong position to aid in addressing major health issues in our key markets.

In the MENA, where we generate more than 60% of group sales, demographics are changing rapidly, creating new patient requirements and challenging governments and the private sector to provide relevant and accessible treatments. We are continuously working, through our own R&D and through alliances and partnerships, to bring patients in the region innovative medicines and high quality, affordable generic alternatives that meet their needs across a range of therapeutic areas.

A key driver of our performance in the MENA region this year was our focus on the promotion of cardiovascular and diabetes products. The incidence of heart disease and diabetes has increased significantly in recent years and so has the number of molecules in our portfolio in these therapeutic areas.

In 2012, we also strengthened our oncology pipeline. Through a licensing and supply agreement with GP Pharm, we added Lutrate® 1 month, which prevents tumour growth in patients with advanced prostate cancer. This critical medication will help to address the issue of prostate cancer among men, which is expected to increase as the MENA faces a progressively ageing population.

In 2012, we continued to work with global organisations to find cures for the world's toughest ailments. As in previous years, we contributed to the Global Fund to fight AIDS, Tuberculosis and Malaria. We supported the Global Fund's MENA chapter and collaborated with the public sector in Jordan on the National Strategy to Combat Chronic Diseases, providing full support for awareness and educational initiatives focused on chronic diseases such as diabetes. In the US, we worked with the Susan Komen for the Cure Foundation, the most widely known breast cancer organisation in the United States, in a "Race for the Cure" campaign, raising money to fund the education, prevention and research of breast cancer in the Mid-South.

This year, we hosted a team of fellows from Massachusetts Institute of Technology (MIT) Sloan Business School and the International Finance Corporation (IFC) that were investigating how companies in emerging markets are investing in sustainability and how they are achieving business success. Moreover, Hikma was awarded the IFC Client Leadership Award, which recognised Hikma for its success in helping to treat patients in more than 50 countries through providing vital affordable medicines. It was also recognised for its commitment to local communities, for its support of female workers, for its commitment to applying high environmental standards in production and for its commitment to education and training, especially through internships for young people.

PATIENTS

The well-being of patients is at the heart of everything we do. As we focus on providing high quality, safe and effective medicines at affordable prices, we must implement best practices in our manufacturing processes and adhere to international Good Manufacturing Practices (GMPs). In 2012, our Jordan, Saudi Arabia and Cherry Hill facilities were successfully inspected by the US FDA. Cherry Hill also passed its MHRA inspection, a testament to our ongoing commitment to patient safety and high quality standards.

During the year, we continued our efforts to provide information and patient education in our core therapeutic categories. At conferences held throughout the year in the areas of anti-infectives, oncology, CNS, cardiovascular and diabetes, we brought doctors and specialists together to discuss the latest advancements and treatments in these critical therapeutic areas. These forums help to educate doctors and improve their advice to patients. As in previous years, we also worked at the patient level, through public awareness programmes and events, to raise awareness of increasingly common health risks like obesity and diabetes.

Raising public awareness about preventing and curing coronary problems took place in collaboration with the World Heart Federation in a global World Heart Day across the Group. We also sponsored a campaign with Jordan Breast Cancer Program for educating people about breast cancer, early detection and encouraging women aged 40 years and older to have mammograms.

WORLD HEART DAY

BREAST CANCER PROGRAM

Pharmacovigilance

Our Medical Affairs department is actively engaged in Pharmacovigilance ("PV") practices, relating to the detection, assessment, understanding and prevention of adverse effects or any other drug-related problems. In 2012, we engaged PV consultants to review our PV systems in the US, EU and MENA regions. As we execute the recommendations that came out of this review, we expect to drive better harmonization of PV efforts across all regions.

In February 2012, we sponsored the Dubai MENA Drug Safety Summit in Dubai, United Arab Emirates. In December, a PV group meeting was held in Amman that brought together experts from the Egyptian, Jordanian and Tunisian health authorities and national pharmacovigilance centres. This workshop investigated the legislation and guidelines regarding pharmacovigilance and drug safety in the MENA and how they are being applied.

The Summit and the group meeting provided opportunities for our PV team to build stronger relationships with MENA health authorities, to investigate the potential for collaboration and to creating a channel for the advocacy of more harmonized pharmaceutical regulations.

Clinical research

In the MENA, our Medical Affairs team undertake clinical research activities and work with medical institutions, regulatory authorities and clinical research organisations (CROs) to advance and improve healthcare in the region.

This year, we partnered with Ergomed to conduct the first clinical study in Jordan for one of our key anti-cancer products, Cemivil® (imatinib). In 2012, Cemivil® was the first locally produced oncology generic product to be added to the formulary of the Jordan King Hussein Cancer Center ("KHCC"). Furthermore, we obtained approval of the Cemivil® study protocol, by the Clinical Trial Committee of the Jordan Food and Drug Administration ("JFDA"), to be initiated in the Jordan University Hospital and KHCC.

Our decision to work with Ergomed stems from a strong commitment to continuous medical advancement through the use of clinical studies, especially in the field of oncology, and we have plans to extend this study to other MENA markets.

Security of supply

Maintaining a good supply of our products remains a key priority for us, particularly in the US market, which has suffered from acute supply shortages of injectable products in recent years. In 2012, we increased production at both our Cherry Hill and Portugal injectable facilities in order to meet market demand for our products and address market shortages.

We also worked to alleviate supply shortages in disrupted MENA markets. Through medicinal donations, we worked to bring much needed medicines to areas of crisis. In-kind medicinal donations were donated to Libya, Gaza and Syria.

Medical information

We endeavour to provide our patients with accurate, comprehensive and relevant medical information on our products. These practices ensure the ethical and credible promotion of our products. Our responsibility covers delivering scientific knowledge tailored to the sales representatives' needs.

A key step toward the coordination and harmonization of medical and product information this year was the consolidation of a global pharmaceutical product inventory, containing the generic and Hikma brand names, marketing authorisation holders, manufacturing sites and countries where products are registered. The product inventory information is an essential tool for patients and physicians.

Medical information efforts also comprised a number of clinical and non-clinical overviews and summaries that were developed to fulfil a new requirement in registration applications in several countries including Algeria, Azerbaijan, Jordan, Kazakhstan, Morocco, Saudi Arabia and Tunisia.

PEOPLE

Health and safety

Hikma is committed to its employees' health and safety. We comply with workplace safety standards – OHSAS 18001 standards or their equivalents – in our manufacturing facilities. Mandatory occupational training has been conducted for all manufacturing operators.

To sustain a healthy work environment for our people, Hikma is a member of the Global Smokefree Partnership (GSP), promoting effective smoke-free environments since 1994. This year, Hikma played an active role in promoting smoke-free environments in the private sector by inviting major Jordanian businesses to a session with the Cancer Control Office of the King Hussein Cancer Center to discuss the dangers of smoking in the workplace. As a follow up to this event, an informal coalition of smokefree Jordanian businesses was established.

During the year, we conducted our annual employee welfare week, the "You Are Hikma" campaign. A global initiative staged at Hikma locations worldwide, "You Are Hikma" celebrates the Company's core values by raising awareness among its staff of health, safety and environmental issues. It emphasises personal empowerment, encouraging responsible corporate citizenship among Hikma staff and improving their well being and quality of life through positive and valuable educational activities.

RAISING AWARENESS

DIABETES

OBESITY

Training, education and performance measurement

Through collaboration with HR, CR responsibilities have been officially added to CR champions' KPIs. These responsibilities now represent 30% of their overall job responsibilities. We now have 15 champions across the Group, following the appointment of new champions in Sudan and Tunisia. These champions drive the implementation of our Group-wide CR strategy in Hikma's facilities worldwide.

We held our annual HR and CR training workshops for employees globally in October to touch base on main issues and introduce the latest global trends in sustainable development and further train our CR champions in GRI.

In 2012, we launched a leadership training programme for middle managers with the American University of Beirut (AUB). The training provides managers with the knowledge and skills needed for current and future positions at Hikma, thus ensuring management succession planning. We have completed the training for 41 of our managers this year and have already started to see positive results.

West-Ward Pharmaceuticals, our subsidiary in the US, was recognised by the US Senator of New Jersey as a "stellar example of fruitful partnerships between business and colleges" due to our continuous collaboration with Camden County College for the training of more than 300 employees.

We also established a dedicated IT Training Center that is preparing training courses for our corporate teams on a range of IT needs, from training in Hikma's main production systems to human resources and customer relationship management systems and project management (PMP).

Responsible sales are essential and are achieved by investing in Hikma's sales and marketing teams. We continuously strive to strengthen the capabilities of our sales and marketing team through training. Such trainings aim at ensuring the communication of evidence-based, well supported and balanced messages to HCPs. Training covers our sales and marketing teams in the entire geographical locations of Hikma's entities.

Equal opportunities

We believe in the equal treatment of employees, respect for human rights, and a workplace free from discrimination, favouritism or inequality in any form. At Hikma, it is a priority that employees are comfortable in their work environment. We have an open door policy that ensures that grievances are heard and that actions are taken. Throughout the year, rotational meetings were conducted by the CEO with various departments to better understand potential issues and concerns.

We are an equal opportunity employer, promoting diversity and inclusion. Hikma employs more than 6,500 employees, 83% of which are in the MENA countries, many of which have high unemployment. A quarter of our employees are female, which is double the regional average in the MENA. Females also make up 75% of Portugal's workforce, and they occupy strategic top managerial positions across the Group.

We invest in the communities in which we are located, hiring local talent and developing the skills of the community's youth. 60% of employees were below the age of 30 in 2012.

COMMUNITY

Through community engagement and health awareness campaigns we are investing in the local communities in which we operate. We held our Global Volunteering Day in April for the fifth consecutive year. This year, volunteering activities included donating blood, refurbishing orphanages and participating in public awareness campaigns. Recognition was given to active volunteers who participate every year, to encourage employee engagement in the community.

Our businesses were also active throughout the year in supporting their communities. In Egypt volunteers hosted around 80 children from a local orphanage for a day full of music, puppet-shows and educational games.

In Jordan, we renewed our partnership with the UNRWA in sponsoring 30,000 underprivileged children to enter the Children's Museum, an interactive educational museum for children of all ages.

In Libya, Hikma was honoured by the Libyan Ministry of Health in July 2012 for timely medical donations worth USD 500,000 and continuous community related initiatives. In the US, our team organised and hosted a week long on-site volunteer fair in June. Employees took the time to explore opportunities for community service with different local organisations. In October our US employees took part in the Leukemia and Lymphoma Society's "Light the Night Walk" event and collectively raised over USD 10,000 for the society. In addition to each walker raising money, each facility ran raffles, bake sales, and various other fundraisers.

Hurricane Sandy left many along the New Jersey shore line and around our Eatontown facility with nothing. Monetary donations, toys, clothes and gift cards were collected from our other US facilities to fund relief efforts and support victims of the hurricane. Also in the US, the Annual Thanksgiving Food Drive was held to benefit the FoodBank of Monmouth and Ocean Counties in a "Neighbors Helping Neighbors" campaign. This foodbank supports over 200 food pantries, soup kitchens, and children's meal programmes.

ENVIRONMENT

Across the Group, we aim to minimise our environmental impact by integrating environmental policies and activities into our day-to-day business. New machinery installed in two of our facilities in Jordan will help lower energy consumption and reduce carbon emissions. While providing a clear environmental benefit, this project will also drive cost savings, through reductions in electric, fuel and water consumption.

We are increasingly working to monitor our environmental impact. In 2012, an ISO 14001 surveillance audit was conducted at the main plant in Jordan by SGS Jordan auditors. This was successfully completed, resulting in re-certification. ISO 14001 certification was also renewed in our plant in Egypt. This facility was also granted the ISO 9001 certificate for quality management, valid until 2015.

Hikma partnered with Self Energy and Nakhil Jordanian Investment and Trading Company to explore optimal ways to reduce energy costs, carbon emissions and our reliance on electricity. The project included an energy and power utilisation assessment of our facilities in six markets, including Jordan, Egypt, Saudi Arabia and Algeria.

We also continued to monitor our performance against environmental Key Performance Indicators (KPIs). These KPIs are aligned with the Carbon Disclosure Project (CDP) and the Global Reporting Initiative (GRI) reporting guidelines, which we have been reporting against for three years. Carbon emissions were analysed in our operations and this year we supplied information on the six greenhouse gases.

Initiatives have been put in place to promote the recycling of old computers, printers and furniture. These are redistributed across business units or donated externally to charitable organisations.

Since desertification is an issue in the MENA region, we try to focus on opportunities where we can enhance the local natural environment. This year we hosted an Arbour Day event, encouraging the local community to plant trees and become aware of their natural habitat. We also collaborated with several organisations that promote planting trees.

In 2011, we were invited to collaborate with the International Standards Organization (ISO), the Jordan Standards and Metrology Organization (JSMO) and the Swedish International Development Cooperation Agency (SIDA) on a project about the use and implementation of the ISO 26000 certification for Social Responsibility within the MENA. In 2012, we took part in a related developing country workshop, where we presented our experiences and joined a panel on social responsibility best practices.

"Upholding the highest standards of ethical conduct is one of our core principles. We are continuously working to ensure all aspects of our global operations are carried out with integrity and reliability. We remain committed to our principle of combating corruption."

BUSINESS ETHICS

Our business ethics are central to the way we do our business. As a leading healthcare company, we strive to overcome today's social and economic challenges by staying focused on upholding the highest ethical conduct in everything we do.

Human Rights

Continuing with our ethical journey, we renewed our membership in UN Global Compact in December 2012, renewing our commitment to aligning operations and strategies with the ten universally accepted principles in terms of human rights, labour, environment and anti-corruption. In doing so we have demonstrated how we respect and protect internationally proclaimed human rights, and are not complicit in matters of human rights abuses, child labour, forced and compulsory labour and take proactive measures to eliminate them. For further reading, the Communication On Progress report is available on www.hikma.com and www.unglobalcompact.org.

Our updated Code of Conduct was published in the fourth quarter of 2012. The Code and its supporting policies require that our employees uphold the highest ethical standards in their employment and reflect our commitment to human rights. The Code of Conduct was sent out across the Group and has been translated into the five main languages of our locations: English, Arabic, Portuguese, French and German and it is available on our website.

Animal Welfare

The welfare of animals is an ethical and essential part of our responsibility. Good animal welfare has become a worldwide accepted practice and requirement for pharmaceutical and manufacturing standards as a whole. We are committed to safe guarding the welfare of animals in the choices that it makes.

We do not conduct any in-house testing and, where required in a few specific circumstances, the company requests external organisations to conduct animal testing on our behalf. No animal testing was conducted on our behalf in 2012. A specific animal testing policy formalises our activities, and the following is an excerpt from the policy:

"Where animal testing is required, Hikma is committed to the principles of the 3R Research Foundation – Reduce, Refine and Replace… The 3Rs of animal testing (from the Swiss-based 3R Research Foundation) are:

- Replace: Use alternatives to animal testing whenever possible
- Reduce: Improve existing methods so that fewer laboratory animals are required
- Refine: Refine existing methods so that animals are exposed to as little discomfort and stress as possible."

Board Oversight – Compliance Responsibility and Ethics Committee (CREC)

The CREC oversees our ethical business conduct. Within its oversight fall the functions of Corporate Compliance and Corporate Responsibility.

It is through the Compliance framework adopted by CREC that the Code of Conduct has been updated and launched. For further details of the work of the CREC in relation to corporate compliance, the CREC Report is available on *pages 79 to 81*.

Transparency Measures

We are dedicated to sustain anti-bribery and anti-corruption mechanisms across its business. The CREC and Compliance department along with the Corporate Responsibility division have joined efforts to maintain transparent and stringent measures against corruption and bribery. The updated Code of Conduct obliges employees to abide by transparency measures and has greater focus on integrity. At Hikma, we conduct our business in adherence to principles of quality, integrity, transparency, dignity and respect for all.

Our image as a responsible and trusted organisation is important to us.

Communication standards were formalised in 2012 to maintain a unified image across our platforms, which encompass the virtual online platform as well. An extensive social media policy was distributed to our employees worldwide and has become part of their employment contract to ensure responsible and ethical participation in both Hikma endorsed and other social media platforms. We also created formal Hikma accounts in the main and relevant social media outlets.

We welcome external stakeholder engagement and are transparent in our business activities. Our sense of responsibility and transparency was displayed in our cooperation and openly responding to ethical audit organisations, which in turn helped our ethical investment opportunities making Hikma a more attractive prospect for "green" investors.

As a founding member of Partnering Against Corruption Initiative (PACI), an initiative created by the World Economic Forum, we continued to work with businesses around the globe to combat bribery and corruption, as this initiative requires a commitment to zero tolerance of bribery in all its forms.

Suppliers

The supply chain process at our manufacturing facilities chooses significant suppliers that uphold ethical practices and do not break with internationally proclaimed integrity measures. Our suppliers follow Good Manufacturing Practices (GMP) and our significant suppliers are ISO 14001 and OHSAS 18001 certified or their equivalent.

Recognition

Recognition was received in 2012 for our excellence in implementing ethical standards, transparency measures and high human rights and labour standards in our facilities in all our locations. We were nominated for "Best Investor Communications Award" and were selected for the International Finance Corporation (IFC) Award for being an exemplary company in terms of CR, female employment, community efforts and youth employment.

We were also chosen for the Arabian Business Healthcare company of 2012 Award for our leading position in the MENA.

In April 2012, the CR Department of our Saudi Arabian facility, JPI, was registered in the Chamber of Commerce in Riyadh as one of the pioneers in this field.

BUILDING ON OUR WORLD-CLASS MANUFACTURING AND API SOURCING CAPABILITIES

IMPROVING LIVES...

...THROUGH THE DEVELOPMENT OF A HIGH QUALITY, SECURE SUPPLY CHAIN

In 2012, we invested in developing our in-house Active Pharmaceutical Ingredient ("API") sourcing capabilities by expanding our FDA approved chemical plant in Jordan, we are developing and manufacturing API for certain key strategic products, particularly where there are a limited number of API suppliers in the market or where the API is very expensive or difficult to manufacture.

This facility also allows us to develop and manufacture API at an earlier stage in the formulation process, accelerating the speed at which we are able to bring new products to market. Today, this facility is helping us be vertically integrated on key products like enalaprilat, where we produce the API in Jordan, manufacture the product in Portugal and sell it in the US market.

The expansion of this plant means we can accommodate new lines for manufacturing APIs. This will enable us, for example, to vertically integrate production for certain oncology products in MENA, such as zoledronic acid.

We will continue exploring additional opportunities to leverage our API facilities in the production of products across our therapeutic areas.

This approach to ensuring a high quality, secure supply chain is helping us to improve lives across our markets.

COUNTRY

JORDAN

POPULATION SIZE (MILLION)[1]	HEALTHCARE EXPENDITURE (% OF GDP)[1]	LIFE EXPECTANCY (YEARS)[1]
6.5	8%	80

[1] CIA – The World Factbook

CORPORATE GOVERNANCE

A STRONG APPROACH TO CORPORATE GOVERNANCE

ABOUT THIS GOVERNANCE REPORT

WHAT HAVE WE IMPROVED?

We have continued to develop our approach to reporting during the year in order to increase stakeholder understanding of the way our business is governed. We hope this new governance report helps you understand the way we control and develop our business.

FOR MORE INFORMATION, VISIT OUR WEBSITE

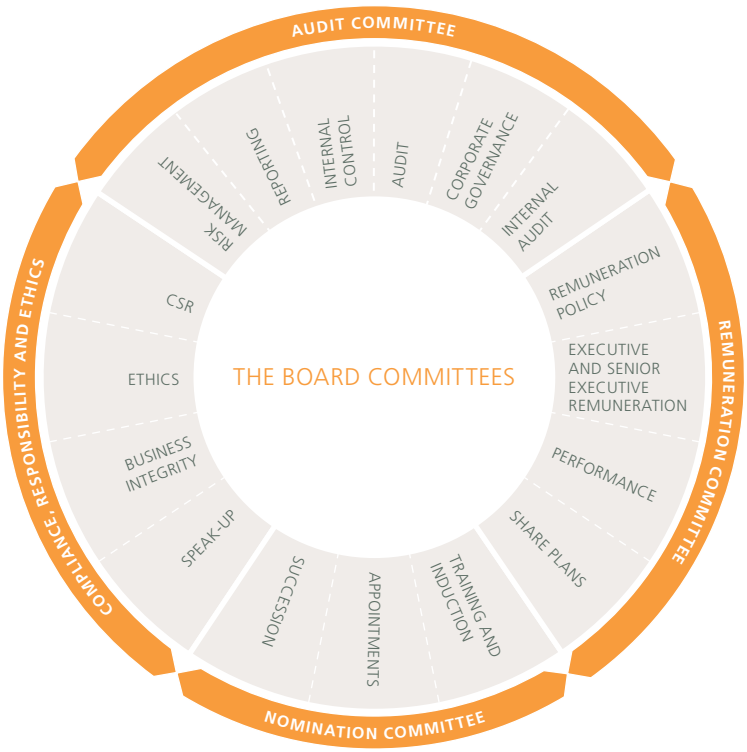
WWW.HIKMA.COM

4.1 GOVERNANCE REPORT

4.2 COMMITTEE REPORTS

4.3 REMUNERATION REPORT

4.4 DIRECTORS' REPORT



GOVERNANCE IN HIKMA

MESSAGE FROM OUR CHAIRMAN

4.1 GOVERNANCE IN HIKMA CONTENTS

Dear Shareholders and Stakeholders

When you look at our Hikma emblem, you will see two words. These are "Quality" and "Hikma", which means "Wisdom". I chose these two words because I wanted them to underpin everything that we do. Being wise and having high standards are, in essence, what good governance is all about. It is not about rushing or planning for the short-term, it is about making sure that the decisions we take today will benefit and keep Hikma strong in the long-term.

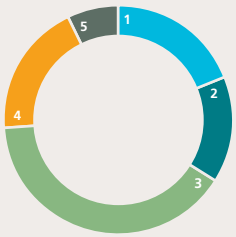
Our approach to governance is focused on our people, as it is our people who make the decisions and take actions that are representative of Hikma. We are careful when recruiting to select people with the right moral and ethical values, as well as technical skills. We invest in our people with the aim of creating long-term partnerships. At the Board, we are very aware that our duties include communicating our values across the Group, empowering our people to fulfil our mission and monitoring the outcomes to ensure that they are in line with our high expectations.

As Hikma has expanded throughout the MENA region, we have become recognised as a thought leader and governance best practice operator in the jurisdictions in which we operate. Hikma takes pride in taking this leading role as well as in learning from others in order to continually improve our performance.

I have set out below some of our key governance achievements of the past year and some of our aims for the coming year. I continue to be impressed with the value the Board adds to the performance of our business and have been pleased with the improvements that have increased our effectiveness during the year. We believe that it is important not only to comply with the rules of the UK Corporate Governance Code, but also its spirit, and to explain clearly if there are circumstances where Hikma's approach on a specific issue is different. In 2012 we complied fully with the governance requirements applicable to Hikma.

Samih Darwazah
Chairman

THE BOARD'S TIME



1. Financial	19%
2. Operational developments	15%
3. Strategy	40%
4. Corporate governance	19%
5. Training	7%

HIGHLIGHTS OF 2012

- We enhanced processes for reviewing strategy, with the appointment of a Vice President for Strategy and increased use of the Executive Committee
- We developed our approach to reporting in order to increase stakeholder understanding of the way our business is governed
- We provided input into several governance and reporting consultations of the Government and other bodies
- We sought to improve corporate communication and transparency on executive pay by changing the format of our remuneration report and clearly separating past pay and future policy
- We appointed a new Company Secretary with a sole focus on governance
- We continued to enhance our externally facilitated board evaluation
- We further developed our Board and senior management succession which is detailed in a new succession manual
- We further developed management level training on Corporate Governance and Business Integrity issues
- We continued to develop the Board Corporate Governance awareness through Corporate Governance presentations and updates on matter relevant to the Board

PRIORITIES IN 2013

- Continue to contribute to governance practice and thought leadership throughout our jurisdictions of operation
- Further develop our Board and senior management succession planning arrangements
- Further advanced our commitment to business integrity through the implementation of relevant procedures, policies and training
- Develop further our externally moderated Board evaluation processes

Governance principles

The Board is committed to meeting the standards of good corporate governance set out in the UK Corporate Governance Code (the "**Code**") and the Corporate Governance Principles set out in the Markets Law of the Dubai Financial Services Authority (the "**Markets Law**"). This report on *pages 54 to 109* describes how the Board applied the Corporate Governance Principles during the year under review.

Throughout the year and up until the date of this report Hikma was in full compliance with the Corporate Governance Principles.

Dialogue with stakeholders

Hikma is committed to communicating with shareholders and stakeholders in a clear and open manner. If there are matters on which additional explanation is required, we are always happy to discuss them.

The Chairman, Senior Independent Director and Committee Chairmen remain open for discussion on matters under their areas of responsibility, either through contacting Hikma or at the Annual General Meeting ("**AGM**"). Each Committee has provided shareholders with a separate report on their activities during the year.

Ongoing communication with shareholders is a high priority. Hikma undertakes a continuous programme of meetings with institutional shareholders in the UK, Europe, the United States and the MENA region. This programme includes, but is not limited to, one-to-one meetings, investor days, conference calls and presentations at investor conferences. The Board receives regular updates on investor relations issues, including feedback from analysts. In addition, Hikma makes formal presentations at the time of its annual and interim results which are webcast and disseminated on Hikma's website. The Chief Executive Officer, Executive Vice-Chairman, Chief Financial Officer and other senior corporate executives have all participated in the investor programme during the period under review.

The principal ongoing communication with shareholders is through the publication of Hikma's Annual Report and Accounts, Interim Results and Interim Management Statements, together with the opportunity to question the Board and Committees at the Annual General Meeting. Shareholders are encouraged to attend the AGM and if unable to do so are encouraged to vote by proxy. Copies of presentations made at the AGM are available on the website after the event together with the results of the voting. Hikma maintains a website which is updated regularly. Additionally, Hikma continues to communicate with the market in respect of the Group's performance and prospects through the release of appropriate press announcements and other updates.

OUR BOARD

Samih Darwazah
Non-Executive Chairman

Age: 82

Appointed: 8 September 2005

Joined Hikma: 1977

Nationality: Jordanian

Skills and experience:

Samih Darwazah founded Hikma Pharmaceuticals in Jordan in 1977 and listed Hikma on the London Stock Exchange in 2005. Samih was Chairman and Chief Executive of Hikma until 2007, when he relinquished his executive responsibilities. In the same year, Samih won Ernst and Young's Middle East Entrepreneur of the Year Award.

A Fulbright scholar, Samih holds a Masters Degree in Industrial Pharmacy from the St. Louis College of Pharmacy, Missouri which he obtained in 1964 and an honorary Doctor of Science degree which he was awarded in 2010. He obtained his BSc Degree in Pharmacy from the American University of Beirut (AUB) in 1954. In 2012, AUB awarded Samih the "Distinguished Alumnus Award" for his accomplishments in the international healthcare industry.

Samih served as Minister of Energy and Mineral Resources in Jordan between 1995 and 1996. He also founded the Jordan Exporters' Association and served as a member of the Senate of the Hashemite Kingdom of Jordan. Samih was employed at Eli Lilly from 1964 to 1976.

Other appointments:

Samih is a member of the Generics Advisory Board of Pictet, the Swiss Bank's Fund.

Said Darwazah
Chief Executive Officer

Age: 55

Appointed: 1 July 2007

Joined Hikma: 1981

Nationality: Jordanian

Skills and experience:

Said was appointed Chief Executive Officer in July 2007. Said was Chairman and Chief Executive of the Hikma Group holding company from 1994 to 2003 and Minister of Health for the Hashemite Kingdom of Jordan from 2003 to 2006.

During his thirty two years at Hikma, Said has undertaken several executive roles which have provided him with extensive experience in each functional area of Hikma's global generic pharmaceuticals business and in the broader strategic leadership of an international entrepreneurial organisation. Said has played a key role in the development of the Group strategy, including the acquisition of West-Ward Pharmaceuticals in the USA and the development of the Injectables business in Europe and the MENA region. Under Said's leadership, Hikma's facilities in the USA, Jordan and Portugal received US FDA approval, the leading international pharmaceutical regulatory standard.

Said has a degree in industrial engineering from Purdue University and an MBA from INSEAD.

Other appointments:

Said is founder of the Healthcare Accreditation Council of Jordan. Said is Chairman of the Dead Sea Touristic and Real Estate Investments. He is a member of the Central Bank of Jordan Board. He is a Director of Endeavour Jordan, a charitable organization that assists in the development of entrepreneurs, and a Trustee of Jordan River Foundation, a charitable organization that aims to empower Jordanian society. Said is a Trustee at the American University of Beirut.

Mazen Darwazah
Executive Vice Chairman, CEO of MENA

Age: 54

Appointed: 8 September 2005

Joined Hikma: 1985

Nationality: Jordanian

Skills and experience:

Mazen was appointed group Executive Vice-Chairman and MENA CEO in 2005. During his 28 years' service at Hikma, he has held an extensive range of positions within the Group starting as a medical representative and working in different capacities including Chairman and CEO of Hikma Pharmaceuticals Limited, a major group operational and holding company.

As Chief Executive of MENA, Mazen is leading the geographical expansion and consolidation of Hikma in MENA region and the formation of strategic business partnerships. Mazen is the executive lead of Hikma's corporate social responsibility and business integrity programmes.

Mazen holds a BA in Business Administration from the Lebanese American University and an AMP from INSEAD. He has served as the President of the Jordanian Association of Manufacturers of Pharmaceuticals and Medical Appliances.

Other appointments:

Mazen is a Senator of the Hashemite Kingdom of Jordan and the Chairman of the Jordan International Insurance Company. He is Vice Chairman of the Capital Bank of Jordan. Mazen is also a Member of Board of Trustees of Yarmouk University (Jordan). He is on the advisory board for the Lebanese American University (LAU) Lebanon, and the Buck Institute for Education, San Francisco.

Committee membership:

Nomination Committee

Compliance, Responsibility and Ethics Committee

Corporate Responsibility Committee (Chairman)

Sir David Rowe-Ham
Senior Independent Non-Executive Director

Age: 77

Appointed: 14 October 2005

Joined Hikma: 2005

Nationality: British

Skills and experience:

Sir David brings to Hikma wide experience in financial matters, corporate governance, public affairs, and the development of listed companies. Sir David is a former Lord Mayor of London, and has held many senior positions in UK financial institutions including serving as Chairman of Brewin Dolphin Holdings PLC and Arden Partners PLC. He is a past President of The Crown Agents Foundation and a former regional director of Lloyds Bank plc.

Other appointments:

Sir David is Chairman of Olayan Europe Ltd.

Committee membership:

Audit Committee
Nomination Committee (Chairman)
Remuneration Committee

Ali Al-Husry
Non-Executive Director

Age: 55

Appointed: 14 October 2005

Joined Hikma: 1981

Nationality: Jordanian

Skills and experience:

Ali joined Hikma as director of Hikma Pharma Limited in 1981 and has held various directorships within the Group. Ali brings great financial experience to the Board as well as an in-depth knowledge of the MENA region and Hikma Pharmaceuticals. Ali was a founder of The Capital Bank of Jordan, which offers commercial and investment banking services, and served as Chief Executive Officer of the Bank until 2007.

Ali has a degree in Mechanical Engineering from the University of Southern California and an MBA from INSEAD.

Other appointments:

Ali is Chairman of Endeavour Jordan, a not for profit organisation that assists in the development of entrepreneurs and a director of the Microfund for Women, which provides microfinance to low-income female entrepreneurs. Also, he is a member of the Board of Trustees of the Jordan Museum. Ali is a director of the Capital Bank of Jordan.

Michael Ashton
Independent Non-Executive Director

Age: 67

Appointed: 14 October 2005

Joined Hikma: 2005

Nationality: Australian

Skills and experience:

Michael has over 30 years' experience in the pharmaceutical industry, holding senior executive positions with Pfizer and Merck. Michael was Chief Executive Officer of SkyePharma PLC from November 1998 to March 2006 and prior to that was Chairman, President and Chief Executive Officer of Faulding. He has held a number of non-executive and advisory positions across the pharmaceutical industry.

Michael has a Bachelor of Pharmacy degree from Sydney University, and his MBA degree from Rutgers University, New Jersey.

Other appointments:

Michael is a non-executive director at Transition Therapeutics, a therapeutics biopharmaceutical company. He is also Chairman of PuriCore plc, water-based clean technology company, and Komix, a children's educational organisation.

Committee membership:

Audit Committee
Nomination Committee
Remuneration Committee (Chairman)

Breffni Byrne
Independent Non-Executive Director

Age: 67

Appointed: 14 October 2005

Joined Hikma: 2005

Nationality: Irish

Skills and experience:

Breffni is a chartered accountant with over 30 years of experience in public practice, including significant international responsibilities. Breffni served as the Managing Partner of the Audit and Business Advisory practice of Arthur Andersen in Ireland and as Director of Risk Management of Andersen's audit practice in Middle East, India, Africa and the Nordic countries. Breffni has extensive experience in financial reporting, international operations, corporate governance and general financial and commercial matters. He is a former non-executive director of Irish Life and Permanent plc. He is considered by the Board to have recent and relevant financial experience.

Breffni holds a Masters degree in Economic Science from the University College, Dublin and is a Chartered Accountant.

Other appointments:

Breffni is a non-executive director of Aviva Life and Pensions Ireland and NCB Stockbrokers, an independent financial services company. He is also a non-executive director of Tedcastles Holdings, an oil distribution company, and Cpl Resources plc, a human resources company. He chairs the audit committee of all of the above companies.

Committee membership:

Audit Committee (Chairman)
Compliance, Responsibility and Ethics Committee
Remuneration Committee

Dr. Ronald Goode
Independent Non-Executive Director

Age: 69

Appointed: 12 December 2006

Joined Hikma: 2006

Nationality: American

Skills and experience:

Ron has spent over 30 years in the international pharmaceutical industry, including roles as President of International Operations at Searle and Vice President of Clinical and Scientific Affairs at Pfizer. His extensive experience includes leading companies as CEO and acting as an adviser to companies in the pharmaceutical industry. He also advises companies involved in nanotechnology and in the information technology business sectors.

Ron was formerly President and Chief Executive Officer of Unimed Pharmaceuticals, Inc. and eXegenics Inc. He is a trustee of Thunderbird School of Global Management, which is ranked by the Financial Times as the premier international business school.

Ron has a PhD from the University of Georgia and a MS and BS from the University of Memphis.

Other appointments:

Ron is the Chairman of The Goode Group, advisers to the pharmaceutical industry. Ron is a director of Mercy Ships International, a medical services charity. He is a Senior Business Adviser to The Kinsella Group, an investment banking company.

Committee membership:

Audit Committee,
Compliance, Responsibility and Ethics Committee (Chairman),
Remuneration Committee

Robert Pickering
Independent Non-Executive Director

Age: 53

Appointed: 1 September 2011

Joined Hikma: 2011

Nationality: British

Skills and experience:

Robert spent 23 years at Cazenove & Co., becoming the first Chief Executive of Cazenove Group PLC in 2001. He subsequently served as Chief Executive of JP Morgan Cazenove, until his retirement in 2008. He has extensive experience of capital raising, mergers and acquisitions and of the relationship between quoted companies and investors.

Robert is a qualified solicitor with a law degree from Lincoln College, Oxford.

Other appointments:

Robert is a non-executive director of Neptune Investment Management, a fund management company and Itau BBA International PLC, the investment bank of the Itaú Unibanco group. He is Chairman of the Trustees of Lincoln College Oxford 2027 Trust.

Committee membership:

Audit Committee
Nomination Committee
Compliance, Responsibility and Ethics Committee

SENIOR MANAGEMENT

Majda Labadi
Corporate Vice President, Human Resources

Appointed to current role: 2009

Joined Hikma: 1985

Nationality: Jordanian

Skills and experience:

During her 28 years at Hikma, Majda has held a variety of roles including Purchasing Manager at Hikma Pharmaceuticals Limited, Strategy Manager at Hikma Investment, General Manager of Hikma Farmaceutica and Vice President of Injectables. In February 2009 Majda assumed her current position as Corporate Vice President, Human Resources. She has been responsible for establishing a central human resource practice and leading the development of several group wide initiatives, including the grading structure, performance evaluation process and the group bonus scheme.

Majda has completed the Advanced Management Program (AMP) program at INSEAD, holds a BA from the American University of Beirut and masters degree from Hochschule Für Okonomie in Berlin, Germany.

Khalid Nabilsi
Chief Financial Officer

Appointed to current role: 2011

Joined Hikma: 2001

Nationality: Jordanian

Skills and experience:

Prior to assuming his current role, Khalid held several senior positions in the Hikma finance department including Corporate Vice President, Finance and was a key member of the IPO team in 2005. Following qualification as a CPA he held a variety of roles in financial accounting, reporting and financial advisory services, and with Atlas Investment Group (now AB Invest) where he was involved in mergers and acquisitions advisory services. Prior to Atlas, Khalid had managed several multinational audit engagements at Arthur Andersen in Amman, Jordan. As Chief Financial Officer, Khalid has integrated several acquisitions into the financial reporting structure, developed the group internal control framework and implemented new leverage arrangements to fund acquisitions and capital investment.

Khalid is a US Certified Public Accountant and has an MBA from the University of Hull.

Other appointments:

Khalid is a founder of the Jordan Association for Management Accountants and a board member of the Jordan Armed Forces and Security Apparatuses Credit Union.

Susan Ringdal
Vice President, Corporate Strategy and Investor Relations

Appointed to current role: 2012

Joined Hikma: 2005

Nationality: American

Skills and experience:

Susan joined Hikma as Investor Relations Director, having previously worked for the pharmaceutical distribution and retail pharmacy group Alliance UniChem plc as Investor Relations Manager. She also has experience as an equity analyst at Morgan Stanley in London. In early 2012 Susan assumed responsibility for corporate strategy.

Susan holds a BA in History from Cornell University and an MBA from London Business School.

Bassam Kanaan
President and Chief Operating Officer for the MENA and EU regions

Appointed to current role: 2011

Joined Hikma: 2001

Nationality: Jordanian

Skills and experience:

Bassam started his career in 1986 with Deloitte & Touche (Los Angeles) where he held a variety of roles prior to joining PADICO in 1994 as CFO. Bassam joined Hikma as CFO in 2001 and played a leading role in preparing for Hikma's IPO in 2005 and in its subsequent M&A activity. In February 2009, in addition to his responsibilities as CFO, Bassam assumed responsibility for Operations, Manufacturing and Supply Chain management in Europe & MENA. In January 2011, Bassam was promoted to the position of President and Chief Operating Officer for the MENA and EU regions. Bassam has led the growth, acquisition, and operational improvement strategy in the MENA region. He also implemented management restructuring initiatives aimed at strengthening local management teams which proved very effective in improving performance.

Bassam is qualified as a Certified Public Accountant (CPA) and Chartered Financial Analyst (CFA). Bassam has a BA from Claremont McKenna College and an International Executive MBA from Kellogg/Recanati Schools of Management.

Other appointments:

Bassam currently holds non-executive directorships in Arab Bank. He has previously served on the Boards of Aqaba Development Co., Jordan Dubai Properties, Zara Holding, Capital Bank of Jordan, CEGCO and Paltel. Bassam is active in several non-profit and charity organizations and is currently a member of the Board of Trustees of the Welfare Association in Jordan.

Michael Raya
President and CEO of the USA

Appointed to current role: 2008

Joined Hikma: 1992

Nationality: American

Skills and experience:

Michael joined Hikma's US subsidiary West-Ward from Vitarine Pharmaceuticals where he had worked from 1984 until 1992 in various roles, including Vice President, Quality Control. Prior to this, Michael worked at Schering-Plough and Hoffman LaRoche. At Hikma Michael has previously been responsible for all West-Ward's operations as well as quality/compliance for all worldwide Hikma facilities until his appointment as President and CEO of West-Ward in 2008.

Michael holds a Masters degree in Industrial Pharmacy from Long Island University and a Bachelor's degree in Chemistry from St. Francis College. Michael is also a graduate of INSEAD's International Executive Program.

Riad Mishlawi
EU Vice President and Global Head of Injectables

Appointed to current role: 2011

Joined Hikma: 1990

Nationality: Lebanese

Skills and experience:

Riad joined Hikma as a Project Engineer in the engineering department where he was involved in the construction of Hikma's facility in Portugal. Riad spent a significant period in the manufacturing operations of many Hikma sites, was general manager of Hikma Italy and became Head of Injectables Manufacturing Operations before assuming his current role. Riad was an executive director at Watson Pharmaceuticals from 1998 to 2005, responsible for Injectables operations. Riad has led the injectables divisional through a period of rapid growth and has integrated operations into a global operation.

Riad has a BSc in Engineering and a Masters in Engineering and Management from George Washington University.

Henry Knowles
General Counsel

Appointed to current role: 2005

Joined Hikma: 2005

Nationality: British

Skills and experience:

Since joining Hikma, Henry has advised on all legal aspects of the Group's business, including commercial negotiations, litigation and regulatory matters as well as contributing to the execution of the Group's acquisitions. More recently Henry has been responsible for developing the Group's enhanced corporate compliance programme. Before joining Hikma, Henry worked for the international law firm, Ashurst, where he specialised in mergers & acquisitions, equity capital markets and corporate law.

Henry is admitted as a solicitor in England and Wales and holds an MA in Social and Political Science from Trinity College, Cambridge.

Peter Speirs
Company Secretary

Appointed to current role: 2012

Joined Hikma: 2010

Nationality: British

Skills and experience:

Peter joined Hikma as a Deputy Company Secretary in 2010. Prior to joining Hikma, he worked in the Corporate Secretariat of Barclays and Pool Re, the UK terrorism re-insurer. He also worked at Manifest, a leading Corporate Governance Agency. In 2012, Peter assumed the role of Company Secretary. Peter is responsible for advising on governance at the Board and across the Group, as well as the share-based compensation arrangements.

Peter is a Fellow of the Institute of Chartered Secretaries and Administrators and holds a law degree from University of East Anglia.

Dr Ibrahim Jalal
Senior Corporate Vice President, Technical Affairs

Appointed to current role: 2000

Joined Hikma: 1979

Nationality: Jordanian

Skills and experience:

Ibrahim joined Hikma as Technical Director and has held a variety of roles including Corporate Technical Vice President for Compliance and Senior Corporate Vice President for R&D. He has played a leading role in Hikma securing FDA approval for its manufacturing units.

Ibrahim holds a PhD in Pharmacy from the University of Wisconsin-Madison.

Fadi Nassar
Corporate Vice President, Active Pharmaceutical Ingredients

Appointed to current role: 2007

Joined Hikma: 1988

Nationality: Jordanian

Skills and experience:

Fadi has worked in various roles within the Group including Operations, Purchasing and Business Development. He was promoted to Corporate Vice President, API in 2007. Fadi is a Director of Hubei Haosun Pharmaceutical Co. Ltd., an Active Pharmaceutical Ingredient manufacturing company in which Hikma purchased a significant minority interest in 2011.

Fadi holds a BSc in Chemical Engineering from Newcastle University and an MSc in Chemical Engineering from Leeds University. Fadi is also a graduate of INSEAD's International Executive Program.

Ragheb Al-Shakhshir
Corporate Vice President, Research & Development

Appointed to current role: 2009

Joined Hikma: 2000

Nationality: Jordanian

Skills and experience:

Ragheb joined Hikma as a Research & Development Manager. Prior to joining Hikma he held a variety of roles as Senior Scientist at Novartis Pharmaceuticals, and at Alcon Labs in the United States. From 2003–2008 Ragheb led the Hikma R&D Injectable team and from February 2009 assumed the responsibility of Corporate Vice President, Research & Development.

Ragheb has a PhD in Industrial and Physical Pharmacy from Purdue University, Masters in Engineering from the University of Massachusetts-Amherst and a BSc in Chemical Engineering from the University of Wisconsin-Madison.

ROLES AND RESPONSIBILITIES

The Board is responsible for setting the strategic direction and monitoring the financial performance of the Group against its targets. The Board promotes good governance within the Group, and seeks to ensure that Hikma meets its responsibilities to shareholders, employees, suppliers, customers and other stakeholders. There is a formal schedule of matters reserved for the Board, which was reviewed in 2012 as part of the annual corporate governance review conducted by the Audit Committee and approved by the Board. The schedule includes approval of strategic plans, financial statements, budget, material investment decisions, acquisitions and divestments, and responsibility for the effectiveness of the Group's systems of internal control.

The Board delegates its authority to the Chief Executive who is responsible for delivering Hikma's strategic objectives. The Chief Executive is assisted in this task by the Executive Committee the members of which meet with the Chief Executive to set strategy and key objectives for their areas of responsibility. The Chief Executive reports on operational progress and corporate actions to the Board. Where appropriate, the Chief Executive is assisted by internal and external advisers in presenting operational progress and key strategic decisions to the Board.

INTERNAL ADVISERS	EXTERNAL ADVISERS
▶ CEO US	▶ Ashurst
▶ CFO	▶ Addleshaw Goddard
▶ COO MENA	▶ Bank of America Merrill Lynch
▶ Company Secretary	▶ Citigroup
▶ General Counsel	▶ CenterView Partners
▶ VP EU and Injectables	▶ Deloitte
▶ VP Human Resources	▶ Ernst & Young
▶ VP IR and Strategy	▶ Lintstock
	▶ PwC

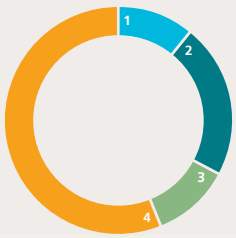
Board Composition

During 2012, the Board comprised nine Directors:

BOARD

- One Non-Executive Chairman
- Two Executive Directors
- One Non-Independent Non-Executive Director
- Five Independent Non-Executive Directors

THE BOARD COMPOSITION



1. Chairman	11%
2. Executive directors	22%
3. Non-Independent NED	11%
4. Independent NEDs	56%

The names of the Directors, their biographical details and dates of appointment are set out on *pages 60 to 62*.

The Senior Independent Director is Sir David Rowe-Ham who remains available to shareholders should they have concerns that they do not wish to raise directly with the Chairman. Sir David is also responsible for chairing the meetings of the Non-Executive Directors conducted without the presence of the Chairman or executive management.

Chairman and Chief Executive

The roles of the Chairman and Chief Executive Officer are separate, and the Board has approved statements of their respective responsibilities in writing. These statements were reviewed during 2012 as part of the annual corporate governance review.

The Chairman previously held the role of Chairman and Chief Executive. In 2007, he relinquished his executive responsibilities and continued as Non-Executive Chairman.

Prior to the appointment of the current Chief Executive Officer the Board undertook consultation with its major shareholders and external advisers regarding the continuation of Samih Darwazah in his role as Chairman.

The Board concluded that his former executive role should not prevent him from remaining as Chairman, especially as he has an in-depth understanding of the Group and the business and is able to provide a valuable contribution in his capacity as Non-Executive Chairman.

Independence

The Board considers Sir David Rowe-Ham, Michael Ashton, Ronald Goode, Breffni Byrne and Robert Pickering to be independent. These individuals provide extensive experience of international pharmaceutical, financial, corporate governance and regulatory matters and were not associated with Hikma prior to the listing of Hikma in 2005.

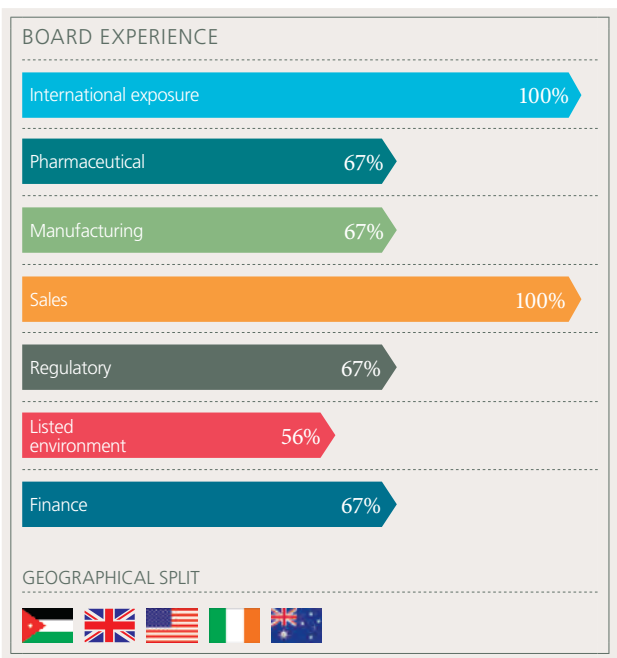
The Board reviewed and considered the independence of the Non-Executive Directors during the year as part of the annual corporate governance review. The Board considers that their diverse business backgrounds, skills and experience enable all the Non-Executive Directors to continue to bring independent judgement to bear on issues of strategy, performance, resources, key appointments, standards of conduct and other matters presented to the Board.

The Board does not classify Ali Al-Husry as an Independent Director because of his involvement with Darhold Limited, Hikma's largest shareholder. He was also a Director of Hikma prior to listing. However, he continues to bring to the Board broad financial experience and a detailed knowledge of the MENA region which represents the majority of the Group's business.

EFFECTIVENESS

Skills and Experience

The Board keeps the skills and experience of its members under constant review. The Directors believe in the necessity for challenge and debate in the boardroom and consider that existing Board dynamics and processes encourage honest and open debate with the Executive Directors.



Hikma Knowledge

Board members are encouraged to visit the business units and to meet management teams in order to facilitate a better understanding of the key issues facing the business.

The Non-Executive Directors undertook several operational visits during the year, and maintain an excellent understanding of the way the business operates.

The Chairman, Mr. Ali Al-Husry and the Executive Directors have extensive experience of Hikma from its earliest days to its current day.

The directors maintain an appropriate dialogue amongst themselves and senior management, which ensures that non-executive directors are kept up to date with major developments in the Group's business.

Training

The main Board training and development activities this year were:

- External training on the legal and regulatory landscape.
- External training on Anti-Bribery and Anti-Corruption.
- The Company Secretary made regular updates to the Directors on relevant regulatory and governance matters.
- Directors attended several externally provided seminars and discussion forums. Further training is scheduled for 2013.
- Hikma's brokers and financial advisers presented industry and market updates to the Board on several occasions.
- The Investor Relations department reported to the Board on its activities and issues arising in the market on a regular basis.

Evaluation

The Board and the Committee undertake an externally moderated evaluation each year. The key points of the programme are:

- The process is coordinated by the Senior Independent Director at the request of the Chairman.
- Lintstock, our external moderator prepared online questionnaires for both the Directors and Senior Management designed to build on previously identified themes.
- In 2012 the Board enhanced the evaluation with new questionnaires which were sent to senior management. Such an extra participation injected a wider perspective into the evaluation.
- Lintstock managed the process and reported independently to the Chairman and the Senior Independent Director. Lintstock presented the results and findings to the full Board in the context of Hikma's business and that of its peers.
- In the FTSE and international markets and provided their independent feedback on the results.
- A similar process was followed for each Committee.

The main elements of the questionnaire were:

- Board composition
- Time management
- Board information
- Strategic oversight
- Operational oversight
- Succession planning and human resource management
- Case study
- Priorities for change

The key conclusions and observations from the 2012 evaluation were:

- The Board continues to operate effectively
- The views of each member were openly communicated and appropriately taken into account
- The Board will continue to work on Strategy, Risk and Succession

Significant progress had been made on previously identified issues:

OBSERVATIONS	ACTION TAKEN
Focus upon Board and executive succession planning	A succession manual has been approved by the Board and lays down the procedures for Board and executive succession.
Duplication in reviewing detailed financial information at the Board and Audit Committee	Financial presentation format was changed to improve clarity of information and presentation style.
Increased communication on Hikma Strategy	Enhanced use of the Executive Committee to consider Group Strategy.

In 2013 the Board will consider whether to enhance the externally moderated evaluation with face-to-face Director interviews, based on the continued added value this could bring to the Board's operations.

The results of the evaluation process formed part of the Chairman's appraisal of the overall effectiveness of the Board and its members.

The Senior Independent Director met with the Non-Executive Directors to undertake a formal appraisal of the performance of the Chairman. This review addressed the effectiveness of his leadership, the setting of the Board agenda, communication with shareholders, internal communication and Board efficiency. The Non-Executives concluded that the Chairman gave clear leadership and direction to the Board, and that the Board is run in an appropriate and effective manner.

MEETINGS

Information Flow

The Company Secretary supports the Chairman in setting the Board agenda, ensuring appropriate reports from executive management and advisors are delivered in a timely manner and that Directors have the information they need in order to make fully-informed decisions. During the year the Board received presentations and considered the following matters:

- Financial performance
- Divisional operational performance and business development
- Legal update
- Corporate governance update
- Executive Committee and Strategic updates
- Committee Chairmen report
- Acquisitions
- Investor relations
- Financial markets performance/broker update
- Risk management
- Insurance
- Human resources
- Compliance
- Research and development
- Tax

The Board Governance Manual contains the policy for Directors to obtain independent legal advice at Hikma's expense.

Company Secretary

The Company Secretary reports to the Chairman. All directors have access to the advice and services of the Company Secretary, who is responsible for ensuring good information flow to the Board and its committees, and that sound Board procedures are followed. The appointment and removal of the Company Secretary is a matter reserved for the Board.

Non-Executives

The Chairman holds meetings with Non-Executive Directors (without the executive management present) to discuss issues affecting the Group. As in previous years, the Independent Non-Executive Directors have met without the Chairman or Executive Directors being present on several occasions during the year.

Attendance

During the year under review the Board held nine scheduled meetings and one unscheduled meeting. The annual cycle of the Board's work is detailed in the Calendar section below.

The Company Secretary attended all Board Meetings and Committee Meetings. At the discretion of the Board or relevant committee, senior management are invited to attend meetings and make presentations on developments and results in their business divisions.

The table below shows attendance at the Board and Committee meetings. To the extent directors were unable to attend additional meetings called on short notice, or were prevented from doing so by prior commitments, they received and read the papers for consideration at that meeting, relayed their comments in advance and, where necessary, followed up with the Chairman on the decisions taken.

DIRECTOR	BOARD	AUDIT	REMUNERATION	NOMINATION	COMPLIANCE
Samih Darwazah	100%	–	–	–	–
Said Darwazah	100%	–	–	–	–
Mazen Darwazah	100%	–	–	75%*	100%
Ali Al-Husry	100%	–	–	–	–
Sir David Rowe-Ham	100%	100%	100%	100%	–
Breffni Byrne	100%	100%	100%	–	100%
Michael Ashton	100%	100%	100%	100%	–
Ronald Goode	100%	100%	100%	–	100%
Robert Pickering	100%	100%	100%	100%	100%
Total Meetings Held	**9**	**10**	**7**	**4**	**7**

* Mr. Mazen Darwazah was unavailable for one Nomination Committee meeting due to his attendance being required at an Executive Committee meeting

DIRECTORS

Terms of Appointment

Details of the Executive Directors' service arrangements and Non-Executive Directors' letters of appointment are contained in the Remuneration Report on *pages 91 to 93*. They are made available for inspection before the Annual General Meeting and during business hours at Hikma's registered office at 13 Hanover Square, London.

External Commitments

The Directors' external commitments are detailed in their profiles on *pages 60 to 62*. The Audit Committee operates, monitors and reviews the conflicts of interest procedures, which have operated effectively during the year. A register of external commitments is maintained by the Company Secretary and is reviewed, updated at each Audit Committee and Board meeting. Where new commitments are proposed, these are reviewed in advance by the Audit Committee and where appropriate, recommendations on necessary controls are made to the Board.

The Board considers that a degree of outside commitments enhances a Director's ability to perform the role.

Duties and Commitment

The Directors commit an appropriate amount of time to their roles and are readily available at short notice. The letters of appointment require Non-Executive Directors to commit 20 days during each year to the execution of their duties. However, all of the Non-Executive Directors devote at least 30 days per annum to their Hikma responsibilities. In addition, the committee chairmen spend a significant amount of time on their respective areas of responsibility and Non-Executive Directors take time to meet with management and visit operations where there have particular areas of interest. Consequently, the independent Non-Executive Directors dedicate substantially more time to Hikma than their appointment requires.

The duties of the directors, Chief Executive, Chairman and Committee chairmen are set out in the Board Governance Manual.

Remuneration

The Remuneration Report is on *pages 82 to 103*.

Indemnities and Insurance

Hikma maintains an appropriate level of Directors' and Officers' insurance. The Directors benefit from qualifying third party indemnities made by Hikma which were in force during the year and as at the date of this report. These indemnities are uncapped in amount in relation to losses and liabilities which Directors may incur to third parties in the course of the performance of their duties.

DELEGATION OF AUTHORITY

MATTERS RESERVED TO THE BOARD

Hikma maintains a formal schedule of matters reserved to the Board in the Board Governance Manual. This includes the following items:

- **Operational Management**
  Approval of strategy, operations oversight, performance review
- **Structure & Capital**
  Approval of changes to Group structure or changes to capital structure
- **Financial Reporting & Controls**
  Approval of financial announcements, accounts, dividends, conducting significant changes to treasury and accountancy practice
- **Internal Controls**
  Reviewing the effectiveness of the Group's risk and control processes, including an annual assessment
- **Contracts**
  Approval of significant contracts, investments and projects which meet pre-set monetary thresholds
- **Communication**
  Approval of certain press releases, and all circulars and prospectuses
- **Board Membership and Other Appointments**
  Approval of changes to board structure and composition, succession, auditors, company secretary
- **Remuneration**
  Determining remuneration policy for senior management and Directors and officers, amending or introducing share incentive plans
- **Corporate Governance**
  Annually reviewing Board, Committees and individual Director performance, and reviewing corporate governance arrangements

Introduction to the Committees

The Board has an extensive workload and, therefore, has delegated the detailed oversight of certain items to four committees:

- Audit Committee
- Nomination Committee
- Remuneration Committee
- Compliance, Responsibility and Ethics Committee ("**CREC**")

Each committee has terms of reference which were reviewed during the year. Copies are published on the Group's website and are available for inspection at the registered office at 13 Hanover Square, London.

Reporting to the Board

The Chairmen of each Committee report on that Committee's business at every Board meeting. The minutes of each Committee are made available to the entire Board. Each Committee makes a formal annual report to shareholders in the Annual Report.

For and on behalf of the Board of Directors of Hikma Pharmaceuticals PLC

Peter Speirs
Company Secretary
12 March 2013

AUDIT

OPEN FOR DISCUSSION

Call +44 20 7399 2760
or E-mail: investors@hikma.uk.com

LETTER FROM THE CHAIRMAN

AUDIT REPORT

Dear Shareholder

I would like to give you an overview of the operation and scope of the Audit Committee and report on its work over the past year.

The membership of the Audit Committee has not changed during the year, it comprised Sir David Rowe-Ham, Michael Ashton, Ronald Goode, Robert Pickering and myself. The Committee's written terms of reference are available on Hikma's website.

The Committee met ten times during the year. We invited the Chief Financial Officer, Auditors, Internal Auditors and certain members of the finance team to attend meetings as required. As in previous years, the Committee met with the internal and external auditors without management present.

The Committee has an annual cycle of work relating to reviewing financial performance and forecasting, results announcements, internal control, risk management and internal and external audit.

The finance department has continued to provide first rate reporting, whilst working on the complex integration of our acquisitions and the development and output of management reporting systems.

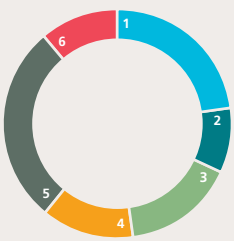
As an organization Hikma is committed to clear and open communication. As I mentioned last year, I remain open to discussion with shareholders should they have any concerns that they wish to raise directly with me.

Breffni Byrne
Chairman of the Audit Committee

OUR HIGHLIGHTS

- Reviewed the corporate governance of the Group and made recommendations to the Board
- Monitored the performance and findings of the external and internal auditors
- Implemented the results of the 2012 Audit Committee's evaluation exercise
- Participated in the Financial Reporting Council (FRC) consultation on changes to the UK Corporate Governance Code and the accompanying guidance on audit committees
- Responded to an FRC survey on the role of internal audit in providing assurance over the control of risks associated with executive remuneration
- Monitored the non-audit services provided by the auditor
- Reviewed the preliminary statement, the Interim Financial Statements and the Interim Management Statements

ALLOCATION OF COMMITTEE'S TIME



1. Financial performance	23%
2. Announcements/ financial results	9%
3. Forecasts	16%
4. Internal audit	13%
5. External audit	28%
6. Corporate governance	11%

Membership and attendance

The Audit Committee consists of five Independent Non-Executive Directors – Breffni Byrne (Committee Chairman), Michael Ashton, Sir David Rowe-Ham, Ronald Goode and Robert Pickering.

MEMBERS	MEETINGS ATTENDANCE
Breffni Byrne (Chairman)	100%
Michael Ashton	100%
Sir David Rowe-Ham	100%
Ronald Goode	100%
Robert Pickering	100%
Total meetings	10

INTERNAL ADVISERS	EXTERNAL ADVISERS
▶ Chief Financial Officer	▶ Deloitte (Audit)
▶ Company Secretary	▶ Ernst & Young (Internal Audit)
▶ Financial Reporting Director	
▶ Treasury Director	
▶ Budget Director	

All members of the Committee have extensive financial experience, including international operations. The Committee has significant financial experience. The Chairman has over 30 years' experience as a public accountant and is considered by the Board to have recent and relevant financial experience. All members have spent a significant portion of their careers in leading positions at financial or pharmaceutical companies.

Responsibilities

The Audit Committee assists the Board in discharging its responsibilities with regard to financial reporting, external and internal audit, internal control and corporate governance. The Committee reviews Hikma's annual report, financial statements, interim report, interim management statements and trading updates, monitors any non-audit work undertaken by external auditors, and monitors the effectiveness and output of Hikma's internal audit activities, internal controls and risk management systems. The Committee is responsible for overseeing corporate governance arrangements across the group, including the annual corporate governance review.

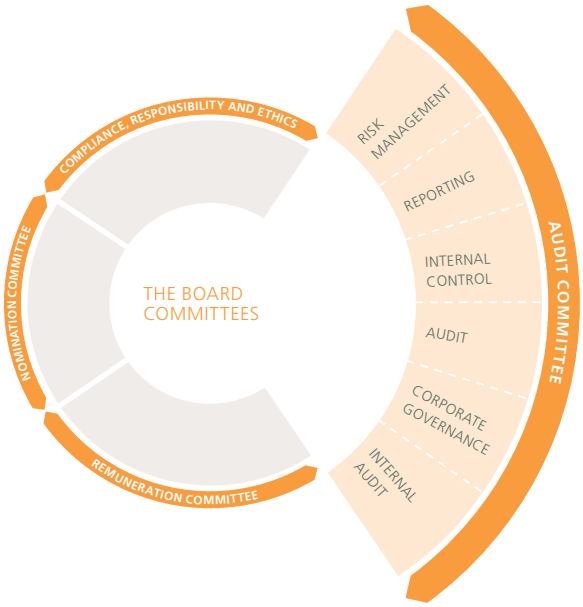
The Audit Committee advises the Board on the appointment, re-appointment and removal of the external auditors, as well as the effectiveness of the audit process. The Committee operates Hikma's policies on monitoring Directors' conflicts of interest.

Terms of reference

The Audit Committee terms of reference include all matters indicated by the Corporate Governance Principles and clearly set out its authority and duties. They are approved and reviewed by the Board as part of the annual corporate governance review and one addition was made this year in respect of ensuring the annual report is fair and balanced. The terms of reference are available on the Hikma website and by contacting *investors@hikma.uk.com*.

They are summarised as follows:

- monitor the integrity of the financial statements and any other formal announcement relating to the Group's financial performance; review summary financial statements and Interim Management Statements
- review and challenge the adoption of accounting standards, estimates and judgements and the clarity of disclosure in financial reports
- review and challenge compliance with stock exchange, UK Listing Authority and legal requirements including the requirements of the Code and Markets Law
- monitor and review the internal financial controls and the Group's overall risk identification and management systems



Terms of reference continued

- consider and approve the remit and effectiveness of the internal audit function, its annual plan, its resources and access to information and its freedom from management or other restrictions
- review and monitor management's responsiveness to the findings and recommendations of the internal auditors
- consider and make recommendations for appointment, re-appointment and removal of Hikma's external auditor, and oversee the relationship with the external auditor
- review and monitor the quality, independence and objectivity of the external auditor and approve their remuneration and terms of engagement
- review and monitor the directors' potential conflicts of interest and make recommendations to the Board for the management of those interests
- develop and implement a policy on the supply by the external auditor of non-audit services, taking into account relevant ethical guidance and potential conflicts of interest

Risk

The Committee oversees Hikma's risk management framework in the context of its responsibilities for internal control and annually reviews the strategic risks facing the Group. Part of the work of the group Internal Audit function is, in consultation with management, to prepare an annual assessment of the risks facing the group, identified both as a result of their assurance work on the Group's control environment and through discussions with senior management. Their report covers the Group's approach to strategic, operational, compliance and financial risk. This review is presented to the Audit Committee and forms the basis for subsequent corrective actions and informs the work to be undertaken in the subsequent audit year. Additionally, the Audit Committee discusses business and operational risks with the external auditors to the extent that these are identified by the audit work that they perform. Details of the principal risks facing Hikma and action taken to mitigate and control those risks are detailed on *pages 38 to 40*.

Internal Audit

During the year under review, Ernst & Young continued its management and execution of the Group's internal audit function on a global basis under a three year contract which commenced in 2009. The internal audit process focuses on reviewing areas of business risk, internal controls, and financial reporting across the Group's systems. The internal auditors report directly to the Chairman of the Audit Committee, with regular reports of its findings made to the Audit Committee. The internal audit programme operates as follows:

- The internal auditors, in consultation with management, prepare an annual Risk Assessment, which gives the focus for the Audit Plan and the entities to be targeted. It covers the principal risks and uncertainties facing the Group, details of previous geographical and functional reviews, whether new assets/entities have been acquired, the situation and risks identified arising from previous audits
- The Risk Assessment and the resulting Internal Audit Plan are presented to the Audit Committee Chairman for review
- Following the Chairman's comments, the final assessment and Audit Plan is presented to and approved by the Audit Committee
- Following completion of each review, the Internal Auditors identify areas for remedial action and action plans are discussed and agreed with management. The findings and actions are used to create an Internal Audit Report for each subsidiary/geography
- The Internal Audit Reports and progress on Action Plans are submitted to the Audit Committee, including reporting if management fall behind agreed action plans
- The Audit Committee reports to the Board on internal audit matters

Internal Control

The Board reviewed the effectiveness of the Group's systems of internal controls and risk management during the year and confirms that it accords with the relevant guidance.

The Board has overall responsibility for the Group's systems of internal control and has established a continuous process for identifying, evaluating and managing the risks the Group faces. This draws on the ongoing output of the finance department on Group performance, the work of the internal auditors and issues identified by the external auditors to the extent covered by their audit work. The Board is responsible for monitoring the ongoing effectiveness of these systems and for conducting a formal annual review of the Group's policies on internal control. The system of internal control provides reasonable but not absolute assurance against material misstatement or loss.

The key elements are as follows:

- A documented and disseminated reporting structure with clear procedures, authorisation limits, segregation of duties and delegated authorities
- Annual budgets, updated forecasting, and long-term business plans for the Group that identify risks and opportunities which are reviewed and approved by the Board
- A comprehensive system of internal financial reporting which includes regular comparison of results and against budget and forecast, and a review of KPIs, each informed by management commentary
- A system of documented reporting controls over our joint ventures and associates together with direct support from the Hikma finance function
- A defined process for controlling capital expenditure and other financial commitments, including appropriate authorisation levels, which are monitored and approved by the Board as appropriate
- Written policies and procedures for material functional areas with specific responsibility allocated to individual managers

The Group continues to grow through acquisition. Accordingly, the Board and the Committee place significant importance on the swift integration of acquired businesses in terms of internal and financial control. This builds on information gathered in the legal, financial, business and regulatory due diligence undertaken in advance of any transaction, and focuses on financial personnel support, imposition of Hikma reporting policies, IT consistency and subsequent internal audit work.

External Audit

The Audit Committee is responsible for the development, implementation and monitoring of the Group's policy on external audit, which is undertaken by Deloitte LLP and for monitoring the independence and objectivity of the external auditors. The Audit Committee is also the primary point of contact for the auditors with the Board. The Group has adopted a policy on the provision of non-audit services by the external auditors, which is included in the Board Governance Manual, setting out which non-audit services the external auditors may and may not provide to the Group. The Group also maintains a policy requiring prior approval by the Audit Committee for recruitment of a senior member of the audit team or the recruitment of an employee of the external auditors to a senior finance position within the Group.

There are no contractual provisions that restrict the Committee's choice of auditors. It is also the Committee's policy to consider every year whether there should be an audit tender process and whether using auditors from one audit network continues to ensure the quality of the audit. The Committee reviewed this during the year and concluded that the existing team continue to conduct an effective audit, that the team's knowledge of the Group, particularly the Group's diverse international operations, is advantageous in terms of its ability to identify issues of importance and relay them clearly to the Committee. The Committee believes that there is a strong and open relationship between the audit team leadership and the Audit Committee. The Committee recommended to the Board the re-appointment of the existing external auditor, who has been in place since Hikma listed in 2005. The external auditor is required to rotate the audit partner responsible for the engagement every five years. This is the second year of the current lead audit partner. There are no contractual obligations that restrict the Company's choice of external auditor.

Fees paid in respect of audit, audit-related and non-audit services are outlined in Note 6 to the Consolidated Financial Statements. Audit-related services are services carried out by the external auditor by virtue of its role as auditor and principally include assurance-related work. During the period under review the Group used members of the global Deloitte network in certain jurisdictions for non-audit services. Deloitte are instructed for advisory work only after a competitive tender process and with the approval of the Audit Committee. The Committee regularly reviews the independence safeguards of Deloitte and only authorises non-audit work where the Committee considers it would not be able to obtain advice of similar quality for a reasonable cost.

Should shareholders wish to discuss the situation with Hikma, the Chairman of the Audit Committee will be happy to make himself available.

For and on behalf of the Audit Committee

Breffni Byrne
Audit Committee Chairman
12 March 2013

NOMINATION

OPEN FOR DISCUSSION

Call +44 20 7399 2760
or E-mail: investors@hikma.uk.com

LETTER FROM THE CHAIRMAN

NOMINATION REPORT

Dear Shareholder

During 2012, the Nomination Committee's time has primarily focused on medium-term succession considerations. We have adopted a new, internal succession manual, which outlines certain key policy considerations when considering how to develop the Board. Whilst we did not make any changes to the Board over the year, we have considered potential scenarios over the medium-term.

As I mentioned last year, when we were seeking a new non-executive, our priority on recruitment is to identify a person who fits with the diverse international culture and management style of Hikma. We are cognisant of the significant advantages of diversity at the level of the Board, senior management and the Group as a whole, which assists us in ensuring that the right person is appointed to the role. Hikma has an excellent record leading on diversity across the MENA region. Increasing gender diversity at the board level is high on the list of considerations in our medium-term plans.

On other matters during the year under review, Dr. Ron Goode reached six years' service. We carefully considered his performance, as well as the diverse range of skills, experience and background required to run our international company. We were pleased to recommend the extension of his term for a further period of three years.

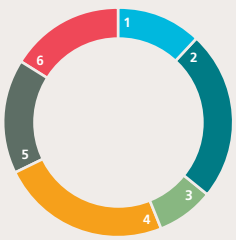
As an organisation, Hikma is committed to clear and open communication, and, as the Senior Independent Director, I am open at any time to discussion with shareholders should they have concerns which they wish to raise.

Sir David Rowe-Ham
Chairman of the Nomination Committee

OUR HIGHLIGHTS

- Created a succession manual detailing the main governance and operational considerations for each board position
- Continued consideration to medium-term succession developments
- Reviewed the composition, diversity and balance of skills on the Board
- Enhanced our oversight and thought on diversity at all levels within Hikma
- Developed the board evaluation process

ALLOCATION OF TIME



1. Diversity	12%
2. Board evaluation	24%
3. Skills and experience	8%
4. Succession	24%
5. Independence	16%
6. Corporate governance	16%

Membership and attendance

The Nomination Committee consists of four Directors. Three are independent non-executive directors: Sir David Rowe-Ham, Michael Ashton and Robert Pickering. The fourth is Mazen Darwazah, the Executive Vice Chairman. Sir David Rowe-Ham is the Chairman of the Committee. The Committee met four times during the year. With the exception of one meeting where Mr Darwazah had a prior Executive Committee engagement, full attendance was achieved.

MEMBERS	MEETINGS ATTENDANCE
Sir David Rowe-Ham (Chairman)	100%
Michael Ashton	100%
Mazen Darwazah	75%
Robert Pickering	100%
Total meetings	4

INTERNAL ADVISERS

- Chairman
- Chief Executive
- Company Secretary

EXTERNAL ADVISERS

- Odgers Berndtson
- Lintstock

* Mr Mazen Darwazah was unavailable for one Nomination Committee meeting due to his attendance being required at an Executive Committee meeting

Responsibilities

The Nomination Committee is responsible for succession planning, including the progressive refreshing of the Board, for ensuring that all appointments to the Board are made on objective criteria and that candidates have sufficient time to devote to their prospective responsibilities. It is also charged with reviewing the appropriateness of the size, structure and composition of the Board.

The Nomination Committee terms of reference include all matters indicated by the Corporate Governance Principles and clearly set out its authority and duties. The Committee's terms of reference are approved and reviewed by the Board on a regular basis. The terms of reference are available on the Hikma website and by contacting *investors@hikma.uk.com*.

Succession

The Committee has continued its work on planning for board and oversight of senior executive succession. The Committee reviewed and discussed the external guidance and internal processes in place for succession at Board level. During the year the Committee developed a new succession manual which provides a framework for changes at the board level and the key considerations for each position.

The Committee continues to actively consider succession and has an appropriate dialogue with the Board and the Chairman in this regard. The Committee continues to plan and review potential scenarios for board change over a three year time horizon. Once a plan of action becomes sufficiently established and to the extent considered necessary, Hikma will consult major shareholders and stakeholders.

In terms of the process for identifying candidates, the Committee has the necessary authority to advance the search process to the extent that a shortlist of candidates or a candidate is proposed to the Board. The final decision on any director's appointment rests with the Board. Whilst the selection process may differ depending on the nature of the appointment, the main elements of the selection process are:

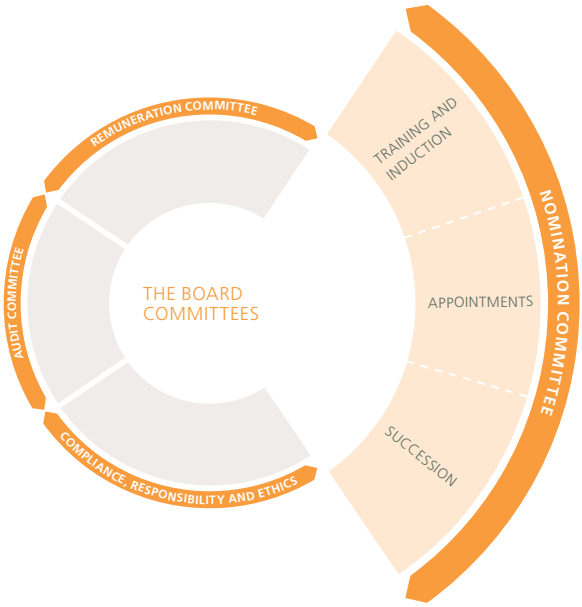
- it is led by the Senior Independent Director, in consultation with the Board Chairman
- a role and experience profile is established
- an appropriate process for internal and external search is selected
- a short-list of candidates is created and considered
- the identified candidates are interviewed
- the Committee makes a proposal to the Board

Re-election

Each member of the Board will submit himself for re-election at the 2013 AGM.

Composition

The Board continues to keep its composition under review. During the year the Nomination Committee reviewed the skills of its Directors, and the experience they bring the Board for setting the strategic direction of the Group, and achieving its objectives. The Committee concluded that together the Directors have a very broad spread of experience, consistent with the needs of the Group. For further information on the diverse skills and experience of our Directors, please see the biographical details on *pages 60 to 62*.



Diversity

Hikma is committed to employing and engaging the best people, irrespective of background, gender, orientation, race, age or disability. Hikma has always operated a discrimination-free working environment and is committed to gender diversity at all levels and in all areas of its business.

As part of our commitment to diversity, we have improved our internal monitoring and increased the level of information on diversity available to our stakeholders in this report. We consider that our diversity continues to be demonstrated by the broad range of people in our organisation.

Board Diversity

The Committee considered board diversity at several stages through the year. Whilst the Board has excellent diversity in terms of culture, age, background, skills and experience, the Committee is cognisant of the need to improve gender diversity at the board level.

We continue to believe that diversity targets are inappropriate, as they are unfair to candidates and may prevent Hikma from employing the person who best suits the role.

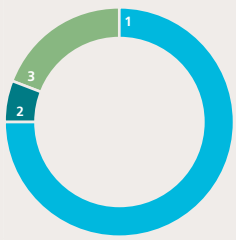
For and on behalf of the Nomination Committee

Sir David Rowe-Ham
Nomination Committee Chairman
12 March 2013

EMPLOYEE PROFILE

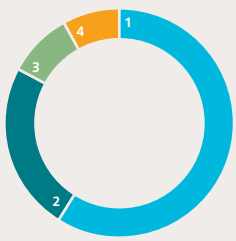
Age, culture and gender diversity

CULTURAL DIVERSITY



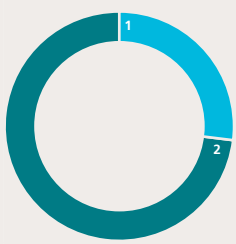
1. Middle Eastern	75%
2. European	6%
3. US	19%

AGE DIVERSITY



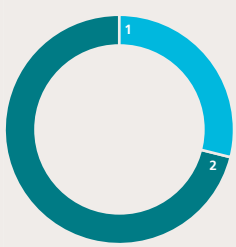
1. 19–30	59%
2. 31–40	24%
3. 41–50	9%
4. 50+	8%

GENDER DIVERSITY OVERALL



1. Women	27%
2. Men	73%

GENDER DIVERSITY IN EXECUTIVE MANAGEMENT



1. Women	29%
2. Men	71%

COMPLIANCE, RESPONSIBILITY AND ETHICS

OPEN FOR DISCUSSION

Call +44 20 7399 2760
or E-mail: investors@hikma.uk.com

LETTER FROM THE CHAIRMAN

COMPLIANCE, RESPONSIBILITY AND ETHICS REPORT

Dear Shareholder

This has been the second full year of operation for the Compliance, Responsibility and Ethics Committee. Over the year we have continued to develop our programme for Anti-Bribery and Anti-Corruption (ABC) compliance and formalised our oversight of Hikma's Corporate Responsibility (CR) programme. I am pleased to report on the progress we have made towards linking Hikma's strong culture of ethics with formal processes and procedures to help ensure ABC compliance and strengthen our marketplace activities. Our ABC Programme moved on significantly during the year, following the completion of the risk assessment in 2011. The major developments have been the:

1. Adoption and publication of an enhanced Code of Conduct, which has been translated into the functional languages of Hikma and fully implemented across the Group. The new Code of Conduct is available on our website;
2. Drafted a full suite of ABC policies designed to meet the requirements identified by our risk assessment. This was undertaken with the assistance of an external consultant with significant industry experience in this area; and
3. Continuing steps forward in the training and education of our employees enhancing both their understanding of ABC matters and our processes for the discussion of concerns.

Our oversight of and input into Hikma's CR programme has moved to another level over the course of the year. The key points I would like to highlight to you are:

1. We formalised the reporting relationship for the Corporate Responsibility Committee to the CREC; and
2. The Corporate Responsibility team's regular presentation of developments in Corporate Responsibility initiatives to the CREC.

In 2013, the CREC will be focused on the on-going development of our compliance programme, and further training and education of our employees to build understanding of compliance issues across the Group.

This will continue to give our people the tools and information they need to make good decisions when they are faced with ethical issues.

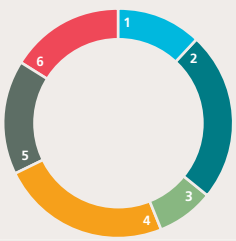
As an organization Hikma is committed to clear and open communication. I remain open to discussion with shareholders should there be any concerns that they wish to raise directly.

Dr. Ronald Goode
Chairman of the Compliance, Responsibility and Ethics Committee

OUR HIGHLIGHTS

- 64% employees certification against the new Code of Conduct
- Increased understanding and engagement with the ABC programme across Hikma
- Full management consultation on the standardisation of ABC policies
- Initiated externally facilitated "speak up" hotlines
- Direct oversight of the CSR programme, with frequent reports and updates.

ALLOCATION OF TIME



1. Diversity	12%
2. Board evaluation	24%
3. Skills and experience	8%
4. Succession	24%
5. Independence	16%
6. Corporate governance	16%

Membership and attendance

MEMBERS	MEETINGS ATTENDANCE
Dr Ronald Goode (Chairman)	100%
Mazen Darwazah	100%
Breffni Byrne	100%
Robert Pickering	100%
Total meetings	7

INTERNAL ADVISERS

- General Counsel
- Group Compliance Manager
- Company Secretary
- Director of Communications

EXTERNAL ADVISERS

- Compliance Consultant

The Compliance, Responsibility and Ethics Committee ("**CREC**") consists of four members. Three are independent Non-Executive Directors: Ronald Goode (Committee Chairman), Breffni Byrne and Robert Pickering. The fourth member is the Executive Vice Chairman, Mazen Darwazah. The CREC met seven times during the year, and full attendance was achieved.

As the CREC is not a committee mandated by the Code, its membership is not subject to published requirements. However, Hikma believes that the requisite challenge to operational effectiveness is achieved by having an independent non-executive director membership majority. The Chairmanship of the CREC is held by an independent Non-Executive Director, Dr Ronald Goode, and the Chairman of the Audit Committee is a standing member. Within the Company, the Executive Vice Chairman champions Hikma's Anti-Bribery and Corruption (**ABC**) and Corporate Responsibility (**CR**) programmes. The CREC first met in November 2010.

Responsibilities

The CREC sets the overall strategy for the Group's response to bribery and corruption risks and is responsible for approving the contents of all of the business's policies in areas where ethical judgements are important. The CREC therefore oversees the Group's ABC Compliance Programme, together with Group policies on ethics and business conduct. The CREC reviews Group policy in the area of CR at a Board level and is supported in this work by the CR Committee. The CREC is responsible for overseeing the development of the Group's Code of Conduct (the "**Code**"), though formal ownership, and final approval of the Code, or any changes to it, lies with the Board of Directors. It is the CREC's responsibility to own the framework for ABC compliance within the Group and to ensure that it operates adequately and effectively. The CREC also oversees Hikma's Speak-Up process for employees to raise ethical concerns, and, where relevant, oversees their investigation. The CREC's terms of reference are reviewed by the Board on a regular basis. The terms of reference are available on the Hikma website and by contacting *investors@hikma.uk.com*.

Anti-Bribery and Anti-Corruption (ABC)

Quality and excellence have been the heart of Hikma since its foundation, and Hikma has always been committed to the highest standards of integrity and ethics in the conduct of its business. Hikma has a zero tolerance of bribery and corruption. Hikma will not penalise any individual for complying with the principles enshrined in the Code or in our ABC policies, even at the cost of forgoing a business opportunity, losing revenue or profit or disobeying a superior's instructions. Hikma will discipline staff for ethical breaches in order to maintain its high standards of integrity.

Compliance Architecture

The Group has created a framework that sets out the structure of leadership, delegated authority and ownership for Hikma's ABC compliance programme. Operational responsibility and oversight for compliance is assigned by the Board to the Executive Vice Chairman, who then delegates responsibility to his management team. The Head of Compliance reports directly to the CREC on compliance matters and his leadership of ABC issues is overseen by the CREC Chairman and the Executive Vice Chairman. He is supported by a Group Compliance Manager.

The heads of each business division have taken responsibility to be the compliance champion for their division. They set the tone for business integrity in their operations. Our Compliance Champions are:

Bassam Kanaan	Branded
Riad Mishlawi	Injectables
Michael Raya	US & Generics

This aligns the ownership of good compliance behaviours with the day-to-day business operations.

ABC Risk Assessment

As reported in last year's Annual Report, in 2011 Hikma undertook a full ABC risk assessment. This was performed by the Good Corporation, an independent body who have specialized in business ethics and integrity for over a decade. Good Corporation visited each of our major areas of operation to perform this risk assessment.

As reported, a significant conclusion from the exercise was that Hikma has a strong ethical culture that is deeply embedded within its operations.

Code of Conduct

In conjunction with undertaking the development of our ABC policies, we undertook a full review of Hikma's existing code of conduct. We benchmarked this code against good industry practice and a peer group of international companies. We also undertook a full internal consultation, encompassing a broad cross-section of management – and benefitted from the input of our external Compliance Consultant. The updated Code was reviewed by the CREC and proposed to the Board, where it was fully supported. The new Code has now been translated into the major functional languages of Hikma: English, Arabic, French, German and Portuguese.

Each year Hikma employees are required to confirm that they have read the Code, have understood it and will abide by its terms. Employees also confirm that they understand their obligations to report events of suspected non-compliance with the Code. This was performed in 2012 using the new Code, covering 64 per cent of the employees of the business.

The Code is available on our website:
http://www.hikma.com/en/corporate-responsibility/code-of-conduct

ABC Policies and Procedures

Using the information gained from the ABC risk assessment, our primary focus in 2012 has been the design and development of new ABC policies, aimed to link our ethical culture to more formal processes.

We engaged an external Compliance Consultant to assist with thought leadership for the development of our framework and policies. He brought considerable industry expertise to the Group – both in relation to the design of effective mechanisms for the management of ABC risks, and also the implementation processes required for the resulting policies and their supporting procedures.

During the year, the Compliance Consultant worked with the compliance function to produce a full suite of ABC policies, together with a framework for their operation and procedures for their implementation. A full consultation with executive management is on-going, encompassing the advice and support of the Compliance Champions, and senior functional and line management within each business division and each significant geography. This process has been undertaken in order to ensure that the policies can and will be applied consistently at every level throughout Hikma.

The focus of the Compliance Department and the Compliance Champions for 2013 will be to finalise these policies and commence their implementation across the Group.

Training

The development of our policies has been undertaken in conjunction with our on-going focus on education and dissemination of ABC compliance information across the business.

During the year, our employee induction programmes have been updated to ensure that each new employee can clearly understand the Group's ethical expectations. In addition, increasing awareness has been built within the business for the processes and issues of ABC compliance, with training given to functional and geographical teams across the group, with a particular focus on the MENA region. Formal board training on ABC compliance issues was also performed during the year. This training and communication continues to enhance employees' understanding of bribery and corruption risks, and increases the penetration of compliance issues into the decision-making process for business departments as they consider existing and new business structures.

Speak-up

The Board understands that it is critical for employees to be able to raise concerns on issues of integrity without retribution and that appropriate methods of voicing such concerns be available to them.

Hikma has always encouraged an environment in which full, free, and frank discussions can be held on issues that concern its employees. Therefore, Hikma has an open door policy regarding communication so that it can hear from those who have any questions or concerns about the ethics and integrity of the business.

As part of their commitment to the Code employees understand that they have a duty to report any suspected violations of the Code, of Hikma's policies or any applicable law or regulations.

Hikma encourages employees to report these concerns, and where employees believe that it is not possible or appropriate to report to line management, they may make reports confidentially to any senior manager within the business.

In 2012 we implemented a dedicated and anonymous telephone reporting line in the US, and added to this with additional telephone and online reporting processes in the EU at the beginning of 2013. We also tested a MENA region reporting line, which we are assessing for roll out over the course of this year. Reports coming through these lines are reviewed by a management Compliance Committee established for this purpose and by the Chairman of CREC for potential consideration by the full Committee.

Hikma investigates all reports of non-compliance and takes appropriate action. We continue to encourage all our employees to improve our business by taking advantage of our desire for an open and constructive dialogue.

Corporate Responsibility

The Executive Vice Chairman champions Hikma's Corporate Responsibility programme within the Company and is Chairman of Hikma's Corporate Responsibility Committee. The Director of Communications is responsible for CR at an operational level.

The CREC Chairman, Director of Communications, divisional and functional heads, and Company Secretary are members of the CR Committee. The CR Committee reviews, supports and promotes Hikma's CR activities and reports directly to the CREC.

The CR team, led by the Director of Communications, regularly present developments to the CREC. Please *see pages 41 to 53* for the Group's Corporate Responsibility report.

For and on behalf of the Compliance Responsibility and Ethics Committee

Dr. Ronald Goode
Committee Chairman
12 March 2013

REMUNERATION

OPEN FOR DISCUSSION

Call +44 20 7399 2760
or E-mail: investors@hikma.uk.com

LETTER FROM THE CHAIRMAN

Dear Shareholder

In the last year, we completed a thorough review of Hikma's executive remuneration arrangements with a focus on competitive remuneration linked to performance. We also sought to improve transparency and to provide a clear report on past pay and future policy.

We decided to move this report in line with the Department for Business, Innovation and Skills regulations one year early. We developed and implemented clawback arrangements for all bonus and executive share schemes as well as share ownership requirements for Directors and senior management. We also reviewed the performance of our remuneration adviser and conducted a tender exercise.

This follows the significant enhancements we implemented last year which enabled us to be nominated for a transparency award.

Shareholders will recall that we froze salaries for Executive Directors and senior management in 2009 to 2011 and made an increase in 2012 which was linked to salary rises across the MENA region. At the same time we have continued to review salaries for operational employees to remain competitive and reflect the pressure that exists in a number of our markets. We have established a new bonus scheme throughout the Group with enhanced linkage to personal and group objectives and underlying group and business unit performance.

The Committee has spent a significant amount of time reviewing potential adjustments to enhance the performance linkage of the existing cash bonus structure. Whilst we are not proposing to change the basis of the schemes, we aim to develop our process for linking awards and performance. This builds on last year's implementation of additional financial performance targets for our long-term incentive plan.

[1] This report has been prepared on behalf of the Board in accordance with Regulation 11 and Schedule 8 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 (the "Regulations"). The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the principles and complied with the provisions of the UK Corporate Governance Code and Markets law relating to Directors' remuneration. As required by the Regulations, an advisory resolution to approve this report will be proposed at the Company's Annual General Meeting on 16 May 2013. The Auditors are required to report on the certain "auditable" sections of this report and to state whether, in their opinion, that these sections of the report have been properly prepared in accordance with the Companies Act 2006 and the Regulations. The auditable sections have been identified in this report.

Building Public Trust Awards 2012
Highly commended
Executive Remuneration Reporting
in the FTSE 250

We have fully engaged with several of the consultations of BIS and other governance bodies.

There have been several significant worldwide events during the year and the continuation of the impacts of the Arab Spring and the Eurozone crisis. With Hikma's focus in the MENA region and significant operations in the EU, the Committee has been impressed with management's ability to perform in a turbulent time.

As an organisation Hikma is committed to clear and open communication. I have always been available to shareholders to raise matters directly and I remain open to discussion with shareholders should there be any concerns that they wish to raise directly.

Why is the remuneration structure appropriate for Hikma?

We continue to believe that our remuneration structure is appropriate for Hikma. We have maintained our policy from last year setting remuneration at the median to upper quartile compared to our comparator group. We have a regular programme of meetings with shareholders regarding all aspects of Hikma. During the year and to date, shareholders have not raised any matters of concern. Should we significantly change policy or introduce new share incentive arrangements, we will consult shareholders first.

In respect of executive remuneration there have been no departures from normal policy or use of special discretion during the year.

Michael Ashton
Chairman of the Remuneration Committee

HIGHLIGHTS OF 2012

- Reviewed and established remuneration policies in respect of clawback provisions, minimum shareholdings requirements and joiners & leavers' remuneration provisions
- Nominated for an ifs ProShare award for the most effective communication of an employee share plan
- Highly recommended for the Building Trust Award for best Remuneration Disclosure
- Reviewed and developed the usage of KPIs, the bonus plan and share scheme usage across the Group
- Reviewed the performance and competitiveness of our Remuneration Advisers
- Changed structure and lay out of the report
- Developed the linkage between incentive compensation and performance across the Group
- Responded to the Department for Business Innovation and Skills consultation on Executive Remuneration
- Reviewed and revised the comparator group composition to enhance the linkage with our comparator criteria
- Benchmarked executive director, non-executive and senior management compensation
- Acted as a sounding board for significant projects undertaken by the Human Resources department

Membership and attendance

The Remuneration Committee consists of four Independent Non-Executive Directors, with an Independent Non-Executive Director holding the chairmanship of the Committee.

All members of the Committee have held positions at the highest levels in multi-national organisations and hence have experienced working life at all levels. They have spent a significant proportion of their careers leading teams and in executive management. They understand the need to incentivise top management appropriately, whilst ensuring that rewards are fair throughout all levels of Hikma's business.

MEMBERS	MEETINGS ATTENDANCE
Michael Ashton (Chairman)	100%
Sir David Rowe-Ham	100%
Breffni Byrne	100%
Ronald Goode	100%
Total meetings	7

REMUNERATION AND PERFORMANCE SUMMARY

PERFORMANCE COMPONENTS

	2011		2012	NOTES
Sales	$918m	+21%	$1,109m	
Profit	$146m	+33%	$194m	▸ Adjusted operating profit
Share price	620p	+23%	761p	▸ Last quarter average (dividend excluded)
Dividend	13 cents	+23%	16 cents	
Employees compensation	$38,600	+14%	$43,950	▸ Average per employee ▸ It is not possible to estimate 2013 employee remuneration ▸ The Arab Spring impacted wage settlements in the MENA region
Shareholder approval	99.1%		96.1%	▸ Shareholder approval of the remuneration report at the 2011 and 2012 AGM ▸ 2012 was the year of the "shareholder spring"

TOTAL REMUNERATION

EXECUTIVE DIRECTOR	2011 ($000)		2012 ($000)		2013 ($000) (ESTIMATED)	NOTES
Said Darwazah	2,629	+25%	3,296	+10%	3,609	
Mazen Darwazah	1,748	+21%	2,114	+3%	2,167	

COMPONENTS

SALARY	2011 ($000)		2012 $000)		2013 ($000) (ESTIMATED)	NOTES
Said Darwazah	630	+20%	750	+7%	803	▸ Salaries were frozen for three years (2009-2011), which explains the 2012 20% increase ▸ Hikma is lower quartile against our comparator group
Mazen Darwazah	420	+20%	504	+7%	539	
BONUS						
Said Darwazah	1,008	+19%	1,200	+7%	1,285	▸ 2013 bonuses are predicted by using an average of 2011 and 2012 percentage of salary applied to the 2013 salary
Mazen Darwazah	672	+20%	806	+7%	862	
LTIPS						
Said Darwazah	972	+36%	1,324	+13%	1,500	▸ Figures represent exercised LTIPs during the year at Fair Market Value ▸ These options were granted 3 years prior to being exercised in the following years
Mazen Darwazah	648	+23%	794	-5%	756	

COMPONENTS continued

PENSIONS

Said Darwazah	8.5	+20%	10.1	+7%	10.8	▸ Pension contributions are fixed at up to 2% of salary ▸ Executives participate in the same pension plan as Jordanian employees ▸ Significantly below the comparator group
Mazen Darwazah	7.8	+20%	9.3	+7%	10.0	

OTHER BENEFITS

Said Darwazah	10.5	0%	10.5	0%	10.5
Mazen Darwazah	0	0%	0	0%	0

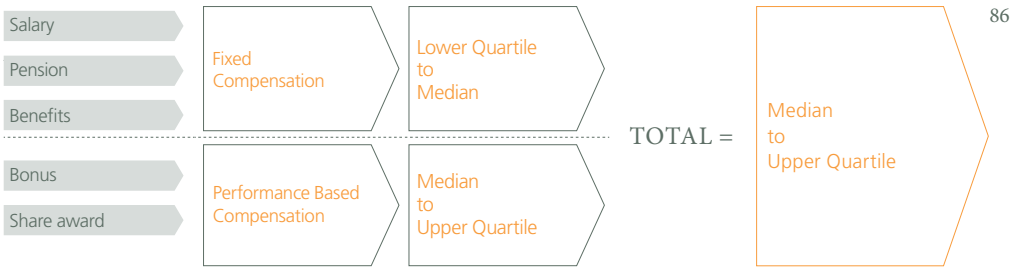
NON-EXECUTIVE DIRECTORS FEES

NON-EXECUTIVES	2011 (£000)		2012 (£000)		2013 (£000)	NOTES
Chairman	157.5	0%	157.5	+27%	200.0	▸ No change in the chairman fee since 2009 ▸ The Chairman waived payment of his fee increase for 2013 to £200k and will be paid £158k ▸ Total directors fee includes basic fee, Committee and Chairmanship fee ▸ Increase of fees to move toward the level set by Group policy ▸ Ensure competitiveness of non-executive directors' fees ▸ Fee increased in line with average increases for executives within the Company
Non-Executive Directors average total fee	79.5	+5%	83.5	+7%	88.5	

REMUNERATION POLICY (2013) SUMMARY

POLICY OVERVIEW

HOW THE COMMITTEE SETS REMUNERATION



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- The Committee benchmarks compensation against comparable companies ("Comparator Group") and ensure that directors' fixed compensation is set within the lower/median quartile in the Comparator Group.
- The Committee puts a strong bias on performance based compensation, encouraging executives to perform to the highest of their abilities; only if this occurs will total remuneration exceed the median.

FIXED COMPENSATION

SALARY

Salary reference points are reviewed annually and include:

- Salary levels of the Comparator Group
- Director's role, experience and performance
- Pay at Group level
- General economic environment
- Group performance

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PENSIONS

- Hikma's contributions to the Defined Contribution Retirement Benefit Plan in respect of Executive Directors match those of employees.
- The Directors do not receive personal pension contributions from the Group.

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BENEFITS

- Benefits include healthcare, company cars and life insurance.

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PERFORMANCE BASED COMPENSATION

BONUS

Bonus potential:		Level of bonus determined by:	
▸ Target	100% of Salary	▸ Financial Performance	(50%)
▸ Exceptional	200% of Salary	▸ Operational Milestones	(30%)
		▸ Individual Performance	(20%)

Bonus is subject to clawback provisions.

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SHARE AWARDS

- Long Term Incentive Plan ("LTIP") awards vest after three years and are subject to the following performance conditions:

	WEIGHT %
TSR performance against the Comparator Group	50%
Sales growth	17%
EPS Growth	17%
Return on invested capital	17%

- Maximum award is 300% of salary (exceptional circumstances) – the operational maximum has been 200%.
- The level of award depends on threshold performance requirements and no award will be released if the threshold conditions for each criterion are not met.
- The award is also subject to the clawback provisions.

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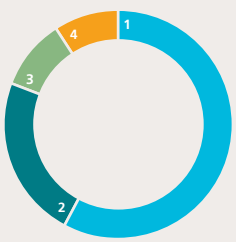
REMUNERATION POLICY ENHANCEMENTS 2012		
CLAWBACK PROVISIONS	▶ The Committee has implemented clawback provisions for the annual bonuses and LTIP awards of Executive Directors and certain key Executives.	89
SHARE OWNERSHIP REQUIREMENTS	▶ All Executive Directors are required to build up and maintain a minimum shareholding in Hikma equal to three times base salary.	89

Responsibilities

The Committee is responsible for setting Group remuneration policy and overseeing its application. It takes responsibility for setting the remuneration of the Executive Directors and Chairman and makes recommendations on reward for the senior management team. The Committee reviews performance and strives to ensure Hikma's remuneration structures mean that the interests of management and shareholders are aligned.

The Remuneration Committee terms of reference include all matters indicated by the Corporate Governance Principles and clearly set out its authority and duties. The Committee's terms of reference are approved and reviewed by the Board on a regular basis. The terms of reference are available on the Hikma website and by contacting *investors@hikma.uk.com*. The terms of reference are included in the Board Governance Manual.

ALLOCATION OF TIME (%)



1. Setting executive remuneration	58%
2. Remuneration policy	23%
3. Conditions in the group	10%
4. Developing practices	9%

Advice and Support

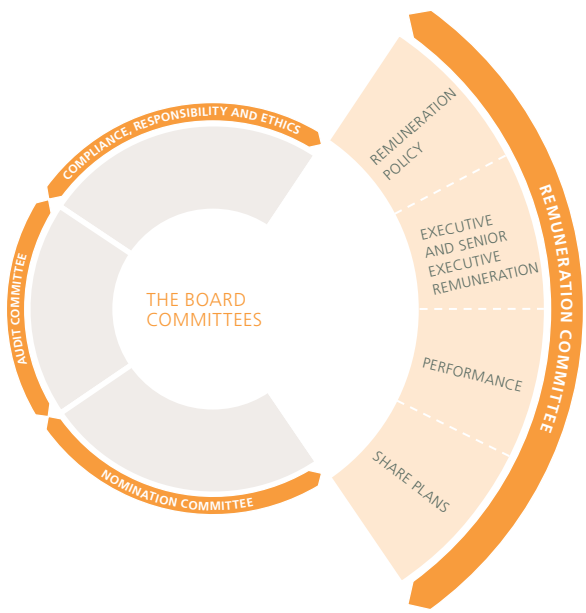
As in previous years, the Remuneration Committee received independent advice on executive compensation from PricewaterhouseCoopers LLP, which supports the committee and Corporate HR in the delivery and development of our reward and human resources strategy. With the exception of certain taxation advice, this is the only service provided to Hikma by PricewaterhouseCoopers LLP during the year. PricewaterhouseCoopers LLP adheres to the Remuneration Consultants Group Code of Conduct, which provides a clear framework for our relationship with our advisers while setting high professional standards.

In addition Addleshaw Goddard provided legal and regulatory advice to the Committee. Addleshaw Goddard has provided other legal advisory services to Hikma during the year, chiefly relating to financing.

The Committee undertook an exercise to review remuneration advice. Proposals were obtained from several potential advisers and meetings held. The Committee concluded that the current advisers remained independent and continued to provide high quality service to the Committee. Therefore, no change is justified at this stage.

As in previous years, the Committee sought the assistance of senior management on matters relating to policy performance and remuneration in respect of the period under review and maintained a strong contact with management to ensure that its deliberations were fully informed. The Committee ensures that no Director, Executive or employee takes part in discussions or advice relating to his own remuneration or benefits.

INTERNAL ADVISERS	EXTERNAL ADVISERS
▶ Chief Executive	▶ PwC
▶ VP Human Resources	▶ Addleshaw Goddard
▶ Company Secretary	



POLICY

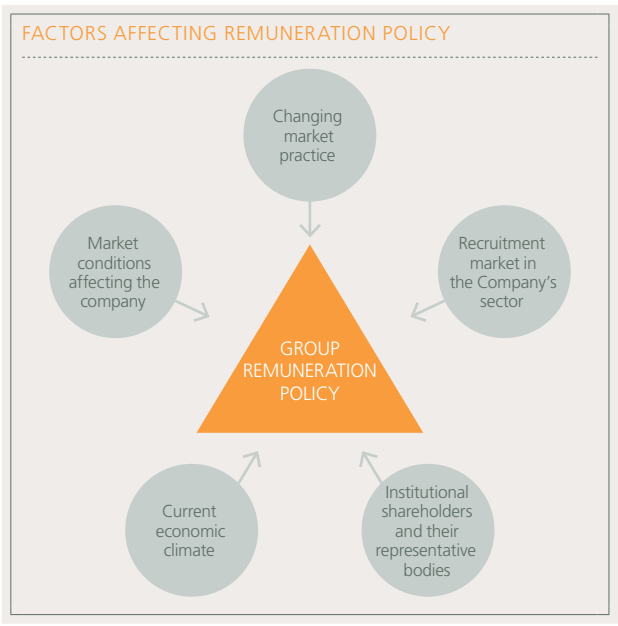
Our Core Principles

The Remuneration Committee reviews Group remuneration policy on an annual basis to ensure it remains appropriate. The Committee aims to ensure that remuneration for the Executive Directors and senior management:

- Enhances the achievement of Hikma's **strategic aims**
- Takes account of **employment conditions** both inside and outside Hikma
- Aligns the interests of all employees, management and directors **with those of shareholders**
- Takes account of Hikma's **Corporate Social Responsibility** programme, including environmental, social and governance issues
- Is aligned with Hikma's founding principle of **Business Integrity**

The Remuneration Committee has oversight of the main compensation structures throughout the Group. In addition, in respect of the Committee's specific review for Executive Directors, the Committee is satisfied that the Group's incentive structures are consistent with the risk profile of Hikma and encourage a long-term sustainable view to be taken by participants. Hikma continues to encourage employees to increase share ownership throughout the Group, using its share incentive plans.

The Committee has been particularly sensitive to the external factors set out above affecting a number of the countries in which it has operations and has ensured that throughout the Group any short-term risks have appropriately been reflected in the remuneration structures.



Executive Directors' Remuneration Policy

The Committee reviewed Hikma's compensation policy during the year, made certain enhancements and concluded that the policy continues to remain appropriate.

The Committee believes that:

- **Fixed Compensation** (salary, pension and benefits) must be sufficient to attract individuals of the right calibre and ensure that they are not significantly under remunerated when compared to their peers. Compensation that is too low can be a distraction and retention disadvantage. However, fixed compensation is not the prime driver of performance;
- **Performance Based Compensation** (bonus and share plans) provide executives with the potential to be compensated in line with their peers, providing the overall performance of the Group is strong, taking into account the long-term trajectory of the Group. Such compensation is discretionary and not pensionable.

The Committee views that by putting a strong bias on performance related compensation, executives are encouraged to perform to the highest of their abilities.

The policy supports the performance based culture of Hikma. Fixed costs are minimised and total short-term compensation (salary, benefits and bonus) will only reach and exceed the median if the performance-based bonus is earned for the relevant financial year.

The policy in respect of long-term incentives and potential compensation value is an extension of the policy on total short-term compensation. Executives will receive a market competitive package only if solid performance is achieved.

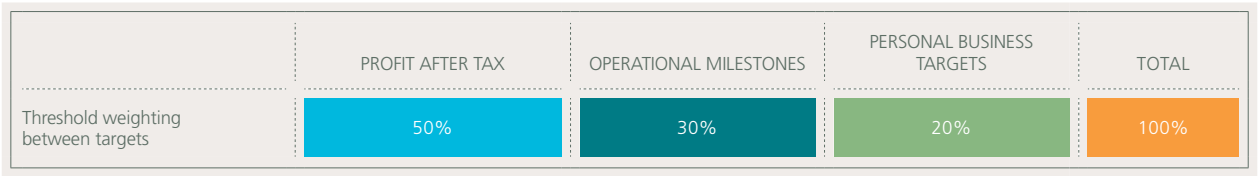
In formulating the application of its policy for 2012 and future years, the Remuneration Committee has been cognisant of the evolving landscape in compensation. The Remuneration Committee also believes that many of the principles proposed by the Department of Business, Innovation and Skills, UK Corporate Governance Code and by institutional shareholders and their representative bodies are already in operation or embedded within Hikma's compensation framework.

Bonus

The Committee's policy position is for bonuses to be in the Median to Upper Quartile range and be subject to fulfilment of performance. The maximum levels of bonus that executives may receive are dependent on performance:

- **On target**: maximum bonus is **100%** of salary
- **Exceptional**: maximum bonus is **200%** of salary

The performance metrics for the annual bonus plan are reviewed and agreed by the Remuneration Committee each year to ensure that they are appropriate to the current market conditions and position of Hikma and in order to ensure that they continue to remain challenging. The performance metrics applied in 2012 were:



The Remuneration Committee, as stated earlier in the report, will be using the same maximum bonus potential and type of performance conditions for 2013.

Hikma Employee Context

The Committee ensures that employee's remuneration across the Group is taken into consideration when reviewing executive remuneration policy. Disclosing a range of what is actually received for each HR Grade is likely to give rise to ever greater remunerations increases across the whole of Hikma and reduces the ability to reward for superior performance.

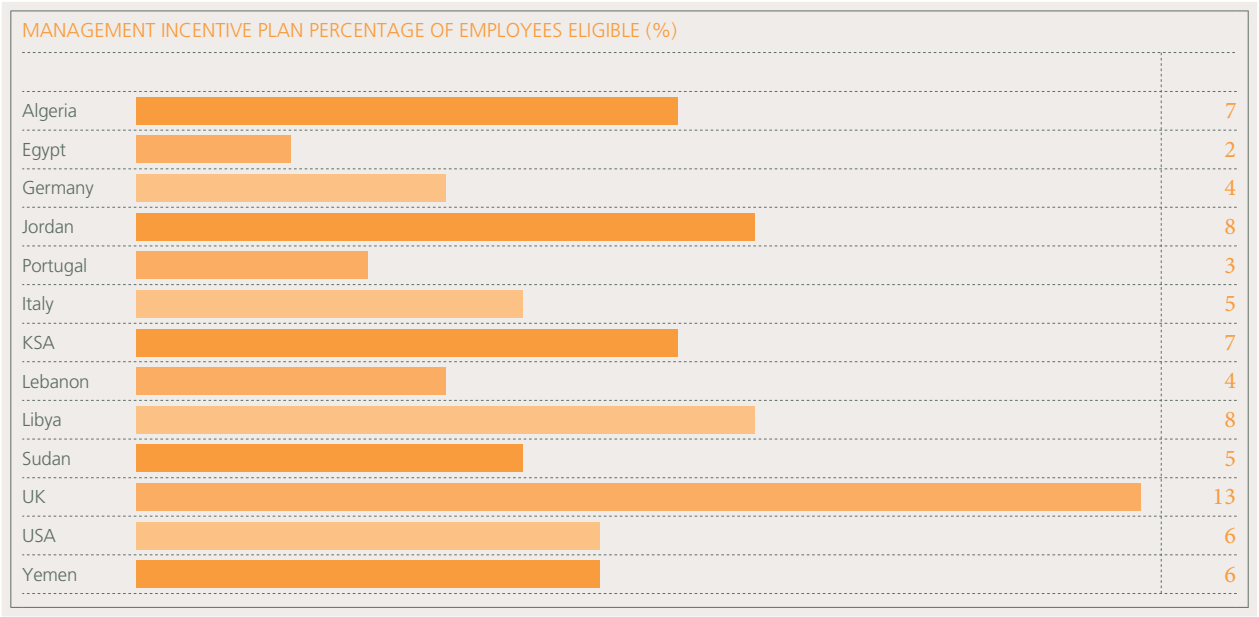
The Committee reviews internal data of the sort described and is satisfied that the level of remuneration is proportionate across the HR grades. We have disclosed the potential performance related pay below.

	BONUS	SHARE AWARD
Executive Directors	200%	300%
Senior Management	150%	200%
Management	75%	50%
Other	25%	0%

The pay of employees in the MENA region increased significantly during the year, chiefly as a result of the Arab Spring. As the Executive Directors are based in this region, an element of this rise was taken into account. The Committee does not directly consult employees, but receives regular updates on employee feedback through the Group HR department.

Management Incentive Plan

The 2009 Management Incentive Plan ("**MIP**") was approved by shareholders at the 2010 Annual General Meeting, whereby shareholders consented to Hikma satisfying awards under the MIP from newly issued shares. Under the MIP, Hikma makes grants of conditional awards to management across the Group below senior management level. Awards are subject to the satisfaction of individual and group performance targets.



Comparator Group

During 2012, the Committee reviewed its Comparator Group to ensure that it remained appropriate for Hikma on an ongoing basis, reflecting the increase in size of Hikma and increasing internationalisation of the business. The Committee has resolved that, having taken account of those companies that have been acquired during the period, the Comparator Group did not remain appropriate for the Group as the benchmark for 2013. Centerview, Citigroup and Bank of America Merrill Lynch assisted in the selection of comparable Companies.

Criteria taken into account by the Remuneration Committee when selecting the current Comparator Group included the:

- Type of pharmaceutical specialism
- International nature of Hikma's operations
- International nature of the executive team
- Market capitalisation and turnover
- Number of employees
- Consolidation in the pharmaceutical industry affecting the number of comparable companies
- UK listing environment.

The Committee seeks to benchmark executive compensation against companies of a similar status, sector, and performance. The Committee is cognisant of the fact that a too slavish devotion to comparators can lead to executive compensation continually rising above those of wider employee compensation. Therefore, the Comparator Group is used as a guide to set parameters for compensation and ensure executives are incentivised to perform to the best of their abilities for the long-term. In this context it is only one of a number of factors taken into account by the Committee when determining the level and elements of Hikma's compensation policy.

Compensation practices in the Comparator Group are used to:

- **Rank Hikma Compensation** against the Comparator Group. This enables the Committee to determine Hikma's position in relation to other companies and, hence, assess the compensation of Hikma executives to ensure that the Policy is being met (e.g. lower quartile to median salary)
- **Assess TSR Performance**. The Total Shareholder Return ("**TSR**") of Hikma compared to its Comparator Group is used as the performance target in respect of the executive share scheme ("**LTIP**"). Only upper quartile performance results in 100% vesting of the TSR components of LTIP awards.

The constituents of Hikma's Comparator Group for 2012 were as follows:

NAME		
Adcock Ingram Holdings Ltd*	Gedeon Richter Plc*	Novartis AG
Aspen Healthcare Limited*	Grilfols SA	Sanofi Aventis
AstraZeneca PLC	Hospira Inc	Shire Pharmaceuticals PLC
BTG PLC	Impax Labs Inc	STADA Arzneimittel AG*
EGIS PLC*	Krka*	UCB SA
Endo Pharmaceuticals Holdings	Merck KgaA	Watson Pharmaceuticals Inc
Forest Laboratories Inc	Mylan Inc	

* Six companies added to the Comparator Group in 2012

Throughout this report, references to quartiles are to quartiles in the Comparator Group.

Clawback Policy

The Committee has certain clawback arrangements in place for the annual bonuses and LTIP awards of Executive Directors and certain key executives. In the event of any of the following situations occurring, the Remuneration Committee would reduce or cancel the next bonus and/or reduce or cancel the next vesting of LTIP awards:

- Hikma's financial statement or results being negatively restated
- a participant having deliberately misled management or the market regarding Hikma's performance
- a participant causing significant damage to Hikma
- a participant's actions amounting to serious misconduct

Share Ownership

During the year, the Committee decided to require all executive directors to build and maintain a minimum shareholding equal to three times base salary. The Committee believes that this policy strongly links executive and shareholders' interests and decided to set the shareholding targets at a level higher than the majority of our peers. This minimum holding must be achieved as quickly as possible and in any case within two years following appointment as a director.

Share ownership requirements also apply to Hikma Executive Management who are required to build up and maintain a minimum shareholding equal to two times base salary. These limits will be reviewed periodically by the Committee.

The table below demonstrates that the target shareholdings as a percentage of salary were met in full by the Executive Directors.

EXECUTIVE DIRECTOR	TIME FROM APPOINTMENT	TARGET	ACTUAL	REQUIREMENT FULFILLED?
Said Darwazah	6 years 9 months	3x	176x	✓
Mazen Darwazah	8 years 7 months	3x	152x	✓

Service Contracts

Details of the service contracts of the Executive Directors of Hikma in force at the end of the year under review, which have not changed during the year, are as follows:

NAME	COMPANY NOTICE PERIOD	CONTRACT DATE	UNEXPIRED TERM OF CONTRACT	POTENTIAL TERMINATION PAYMENT
Said Darwazah	12 months	1 July 2007	Rolling contract	12 months salary and benefits
Mazen Darwazah	12 months	25 May 2006	Rolling contract	12 months salary and benefits

The Executive Directors' contracts are on a rolling basis, unless terminated by 12 months' written notice. This arrangement is in line with best corporate practice for listed companies. In the event of the termination of an Executive's contract, salary and benefits will be payable during the notice period (there will, however, be no automatic entitlement to bonus payments or share incentive grants during the period of notice other than in accordance with the rules of the relevant incentive plan). There are no special provisions in the contracts of employment extending notice periods on a change of control, liquidation of Hikma or cessation of employment.

Recruitment of Executives

In normal circumstances, new Executive Directors will receive a compensation package in accordance with Hikma remuneration policy for salary, benefits, pension, bonuses and LTIP. In exceptional circumstances, the Remuneration Committee has discretion to consider higher remuneration levels necessary to attract, retain and motivate high calibre executives. In the event that the Committee exercises this discretion, the Committee will provide an explanation of the exceptional circumstances in the next remuneration report.

Leaver's Remuneration Policy

When considering termination payments, the Remuneration Committee takes account of the best interests of Hikma and the individual's circumstances including the reasons for termination, contractual obligations and LTIPs and pension plan rules. The Remuneration Committee will ensure that there are no unjustified payments for failure on an Executive Director's termination of employment. The Committee's policy in relation to leavers can be summarised as follows:

- In the normal course of events, the Executive Director will work their notice period and receive usual compensation payments and benefits during this time.
- In the event of the termination of an Executive's contract and Hikma requesting the Executive to cease working immediately, payment in lieu of notice equal to fixed pay, pension entitlements, other benefits and, on a discretionary basis and only where it is in Hikma's interest, a pro-rated performance related bonus will be payable.
- The Executive Director may also be considered for a variable pay award upon termination of employment. However, the Executive would not be entitled to any variable pay in situations where the Executive resigned or where Hikma has terminated the Executive's employment with the contractual right to do so. The performance of Hikma in terms of finance and meeting of operational targets is the prime driver for determining whether to make an award and quantum.
- In the event of termination for gross misconduct, neither notice nor payment in lieu of notice will be given and the executive will cease to perform his services immediately.

In the event that the Committee exercises the discretion detailed in this section, the Committee will provide an explanation in the next remuneration report.

External Appointments

The Committee recognises that Executive Directors may be invited to take up non-executive directorships or public sector and not-for-profit appointments, and that these can broaden the experience and knowledge of the Director, from which Hikma can benefit. Executive Directors may therefore accept such appointments as long as they do not lead to a conflict of interest, and Executive Directors are allowed to retain any fees paid under such appointments. During the year under review, Said Darwazah and Mazen Darwazah received fees of $10,000 (2011: $10,000) and $10,000 (2011: $10,000) respectively, in respect of such appointments which are detailed in their Director profiles on *page 60*. External appointments are kept under review by the Audit Committee and the process for controlling these appointments is described in the Governance Statement on *page 73*.

Non-Executive

The policy for Non-Executive fees is set by the Board taking into account recommendations from the Chief Executive Officer and Executive Vice Chairman and the limits set by the Articles of Association.

The "Time Commitments" (see *page 70*) of the Non-Executive Directors to Hikma are above those of an average non-executive. The nature of Hikma's business is international, requiring the Non-Executive Directors to travel to the USA, Middle East, North Africa and Europe. The Board is therefore made up of Non-Executive Directors with a wide range of experience both in the UK and internationally. The use of options for Non-Executive Directors is prevalent in the US and also to some extent internationally. However, as a UK listed company complying with UK best practice it is not considered appropriate to grant options to Hikma's Non-Executive Directors. To ensure that Hikma remains able to attract the appropriate calibre of candidate and to take account of its inability to grant options, the Board has therefore set its fee policy at the upper quartile.

Non-Executive Directors' fees are structured into three elements:

- **Directorship**: a base fee for undertaking the duties of a Director of Hikma, chiefly regarding board, strategy and shareholder meetings.
- **Committee membership**: a one-off fee for taking additional responsibilities in relation to Committee membership. Usually Non-Executives are members of three committees.
- **Committee Chairmanship**: committee chairmen undertake additional responsibilities in leading a committee and are expected to act as a sounding board for the Executive that reports to the relevant committee. The chairmanship fee is paid in addition to the membership fee with a higher fee paid to the Audit Committee chairman to reflect the significant demands of this position.

Letters of Appointment

The Non-Executive Directors do not have service contracts, but have letters of appointment with Hikma. Each appointment is terminable on one months' notice from either Hikma or the Director, but is envisaged to be for an initial period of up to 36 months. This period can be renewed and extended for not more than two further three-year terms, unless exceptional circumstances exist.

NAME	DATE OF ORIGINAL APPOINTMENT	NOTICE PAYMENT
Samih Darwazah	17 July 2007	1 month
Michael Ashton	14 October 2005	1 month
Ali Al-Husry	14 October 2005	1 month
Breffni Byrne	14 October 2005	1 month
Ronald Goode	12 December 2006	1 month
Sir David Rowe-Ham	14 October 2005	1 month
Robert Pickering	1 September 2011	1 month

Senior Management

The policy for senior management compensation is set in line with policy for the Executive Directors, with a degree of discretion for the Committee to take into account particular issues identified by the Chief Executive, such as the performance of a specific individual or business unit.

Policy for 2013

2012 was yet again a turbulent year in global markets and in particular in the MENA region where a significant amount of Hikma's business is conducted. Political upheaval brought pressure on employment conditions across the region. Notwithstanding those significant pressures, Hikma is a global business and the Remuneration Committee remains of the view that its existing Remuneration policy remains appropriate for the Group. Therefore, it is envisaged that no change will be made to the Remuneration Policy in 2013.

EXECUTIVE IMPLEMENTATION

Salary

The Committee's salary **Policy** position is **Lower Quartile** to **Median**.

With the assistance of PricewaterhouseCoopers LLP, the Committee undertook a benchmarking of Executive Director salaries during 2012. The conclusion was that salaries were below the policy range of Lower Quartile to Median, as can be seen in the table below:

	POLICY POSITION	POLICY VALUE	ACTUAL SALARY 2012	ADHERENCE TO POLICY
Said Darwazah (Chief Executive)	Lower Quartile to Median	$742k to $1,155K	$750,000	Within Policy Position
Mazen Darwazah (Executive Vice Chairman)	Lower Quartile to Median	$523k to $631k	$504,000	Below Policy Position

When determining the base salary of the Executives, the main points the Committee takes into consideration are the:

- salary levels of the Comparator Group
- performance of the Executive Director
- performance and development of the Group's business
- Director's experience and responsibilities
- pay and conditions throughout the Group

The Remuneration Committee has access to information on the pay and conditions of other employees in the Group when determining the compensation packages for Executive Directors. The Remuneration Committee actively considers the relationship between general changes to employees' pay and conditions and any proposed changes in the compensation packages for Executive Directors to ensure it can be sufficiently robust in its determinations in light of the position of Hikma as a whole.

In relation to 2012, the Committee has taken into consideration the following important factors in determining that the Executive Directors' salaries should be increased by 7%:

- The robust group performance, with sales and net income growth in excess of 20%.
- The successful integration of strategic acquisitions.
- Being positioned significantly below our policy position from a comparison perspective.
- There being no change to Executive Director salaries during 2009, 2010 and 2011.
- Despite the high level of political and economic turbulence across the world in 2011 and 2012, particularly in the Middle East, the very strong year for Hikma.

	2011-2012	2013	INCREASE	POLICY VALUE	ADHERENCE TO POLICY
Said Darwazah (Chief Executive)	$750,000	$802,500	7%	$742k to $1,155K	Within Policy Range
Mazen Darwazah (Executive Vice Chairman)	$504,000	$539,280	7%	$523k to $631k	Within Policy Range

Pension

The Committee's pension **Policy** position is **Lower Quartile** to **Median** for Executive Directors.

During the year under review, as in previous years, the only pension contributions made by the Group in respect of the Executive Directors were contributions to the Hikma Pharmaceuticals Defined Contribution Retirement Benefit Plan (Jordan). The Executive Directors therefore, do not receive personal pension contributions from the Group.

The Hikma Pharmaceuticals Defined Contribution Retirement Benefit Plan (the "**Benefit Plan**") operates in accordance with the rules relevant to employees of the Group based in Jordan. Under the Benefit Plan the Group matches employee contributions made to the Benefit Plan. These are fixed at a maximum 5% of applicable salary. Participants are entitled to 30% of the Group's contributions to the Benefit Plan after three years of employment with the Group, and an additional 10% in each subsequent year. The participant's interest in the Group's contribution fully vests after ten years of employment. The contributions and their relation to the Comparator Group were as follows:

	2011		2012		POLICY POSITION	POLICY VALUE (% OF SALARY)	ADHERENCE TO POLICY
DIRECTOR	% OF SALARY	US$	% OF SALARY	US$			
Said Darwazah (Chief Executive)	1.35%	8,505	1.35%	10,125	Lower Quartile to Median	25%	Below Policy Position
Mazen Darwazah (Executive Vice Chairman)	1.86%	7,818	1.86%	9,374		15%	Below Policy Position

The information in the above table has been audited by Deloitte.

The pension contributions made by the Group for the Executive Directors are significantly below the Comparator Group. The Executive Directors have indicated that they are content with the existing arrangements and have requested that their pension remains in line with Group employment practice by participating in the same pension plan as other employees in Jordan. The Committee continues to keep this situation under review.

Benefits

The Committee's benefits **Policy** position is **Lower Quartile** to **Median**.

Hikma makes available the normal benefits in kind for Executives of their level in a company of Hikma's size, such as company cars, healthcare and life insurance. Benefits received during the year were:

DIRECTOR	VALUE OF 2012 BENEFITS
Said Darwazah (Chief Executive)	$10,536
Mazen Darwazah (Executive Vice Chairman)	$nil

Bonus

The Committee's bonus **Policy** position is **Median** to **Upper Quartile**.

The 2012 bonuses of the Executive Directors are within the range in the Comparator Group

	BONUS 2012	POLICY POSITION	POLICY VALUE	ADHERENCE TO POLICY
Said Darwazah (Chief Executive)	$1,200k	Median to Upper Quartile	$1,733k to $2,966k	Below Policy Range
Mazen Darwazah (Executive Vice Chairman)	$806k	Median to Upper Quartile	$746k to $977k	Within Policy Range

Achievement of Targets 2012

	PROFIT AFTER TAX	OPERATIONAL MILESTONES	PERSONAL BUSINESS TARGETS	TOTAL
Said Darwazah 2012 (Chief Executive)	50%	30%	20%	100%
Mazen Darwazah 2012 (Executive Vice-Chairman)	50%	30%	20%	100%

In relation to 2012, the Committee has assessed performance against the bonus criteria and determined that the thresholds have been met in respect of on target performance. The Committee has considered the achievement of the following important strategic goals by the Executive team and determined that the Operational Milestones and Personal Business targets were exceeded leading to a total bonus of 160% of salary:

- Adjusted net income achieving the budgeted target of $120m
- Exceeding the group target of 20% revenue growth, building on the strategic target of doubling revenue every four years
- Outstanding performance of the Global Injectables division, including the successful integration of MSI in the US, the development of new product capabilities and operational efficiency improvements
- Expansion of market share in key MENA geographies building on the long-term objective of 5% market share in each jurisdiction
- Successful management of the continued political and cultural disruption in the Arab World
- Significant enhancements to our Research and Development pipeline which will benefit Hikma in the medium-term
- Advancing the Group's business integrity agenda with executive management, including new Anti-Bribery and anti-Corruption (ABC) policies and Code of Conduct

Share Awards

Share award Policy position is Median to Upper Quartile.

Executive directors participated in the 2005 Long Term Incentive Plan ("LTIP").

Grant

The Remuneration Committee proposes to grant the following awards to Executive Directors in 2013.

NAME	NO. SHARES	FACE VALUE (% OF SALARY)	POLICY VALUE	ADHERENCE TO POLICY
Said Darwazah	103,000	187%	265% to 313%	Below Policy Range
Mazen Darwazah	52,000	140%	104% to 399%	Within Policy Range

The information in the above table has been audited by Deloitte.

As in previous years these awards are made subject to a vote of independent shareholders to be taken at the AGM of Hikma to be held on 16 May 2013.

Exercised

It should be noted that the actual value of the shares granted to the Executive Directors that they will receive will depend on the following:

- The level of vesting of shares based on the satisfaction of the performance conditions at the end of the three year period from the date of grant
- The share price of Hikma on the date of vesting

The 2009 LTIP awards were exercised by the Executive Directors during the year. In respect of these awards, Hikma achieved TSR growth of 100% (7th position out of 21) and the level of vesting was 92%:

DIRECTOR	DATE OF GRANT	LTIP EXERCISED	DATE OF EXERCISE	MARKET PRICE	NOTIONAL GAIN
Said Darwazah	19 March 2009	115,000	19 March 2012	£7.27p	£836,050
Mazen Darwazah	19 March 2009	69,000	19 March 2012	£7.27p	£501,630

The information in the above table has been audited by Deloitte.

Options outstanding

In respect of each of the Executive Directors, the aggregate number of shares outstanding at the year-end under option was:

DIRECTOR	NO. OF LTIP SHARES	PRICE PAID FOR AWARD	EXERCISE PRICE	DATE OF AWARD	INITIAL DATE OF VESTING	DATE OF EXPIRY
Said Darwazah	105,000	–	Nil	2 November 2010	2 November 2013	2 November 2020
	108,000	–	Nil	13 May 2011	13 May 2014	13 May 2021
	97,000	–	Nil	18 May 2012	18 May 2015	18 May 2022
Total	310,000					(2011: 338,000)
Mazen Darwazah	70,000	–	Nil	2 November 2010	2 November 2013	2 November 2020
	72,000	–	Nil	13 May 2011	13 May 2014	13 May 2021
	65,000	–	Nil	18 May 2012	18 May 2015	18 May 2022
Total	207,000					(2011: 217,000)

The information in the above table has been audited by Deloitte.

Long Term Incentive Plan

The 2005 Long Term Incentive Plan ("**LTIP**") was approved by shareholders at the 2006 Annual General Meeting. The LTIP is used to incentivise Executive Directors and senior management through the grant of nil-cost options with performance conditions that are measured over a period of three years. Those who participate in the LTIP are excluded from participating in the 2009 Management Incentive Plan.

The Remuneration Committee believes that share awards under the LTIP enable Hikma to provide a competitive incentive and retention tool which is also cost effective in respect of both shareholder dilution and income statement expense. The Performance Conditions are detailed separately on *page 98* of this report. Remuneration Committee's policy is to provide annual share grants to Executive Directors and senior management at a maximum of the upper quartile level compared to the Comparator Group.

During 2010 the Committee reviewed the performance criteria for the LTIP resolving that the performance criteria should be expanded to include financial metrics for 50% of each LTIP award. The Committee consulted major shareholders and the main shareholder representative bodies on the proposed change before it was implemented. The Committee was grateful for the time taken by shareholders on the consultation and welcomed the confirmation received that the majority were supportive of the approach.

The Committee considers that the financial metrics chosen ensure that absolute performance is taken into account and more closely align the LTIP with the Group's strategy. The advantages of Total Shareholder Return ("**TSR**") were retained in respect of 50% of the award.

The Awards under the LTIP for 2012 and those that will be made in 2013, are therefore subject to the following performance conditions which are measured over a three year period from the date of grant:

- Comparative **TSR performance** against the Comparator Group
- Financial metrics
  - Sales growth
  - EPS growth
  - Return on invested capital

The **threshold and maximum performance** requirements for each of the performance conditions is detailed in the table below. Each criterion is independent of the other criteria.

PERFORMANCE CRITERIA	ELEMENT OF AWARD	THRESHOLD REQUIREMENT	MAXIMUM REQUIREMENT
TSR (against comparator)	50%	Median	Upper Quartile
Sales Growth	17%	9%	13%
EPS Growth	17%	15%	20%
Return on Invested Capital	17%	10%	12%

Basis of Performance Condition Selection & Measurement

Comparative TSR was selected as a performance condition for the proposed awards by the Remuneration Committee as it ensures that irrespective of general market conditions the Executives have outperformed their peers over the measurement period in delivering shareholder value before being entitled to receive any of their awards. The Committee believes that the financial metrics link the final award of the LTIPs more closely to the underlying financial performance of the Group. The combination of TSR performance and financial metrics allows comparable performance and absolute performance to be taken into account in equal measure.

The Remuneration Committee determines whether the performance conditions for share awards are satisfied. The Committee has appointed PricewaterhouseCoopers LLP to assist in the ongoing calculation of TSR and newly introduced financial metrics in accordance with the rules of the LTIP. The Committee will review and, if appropriate, approve these figures prior to the release of any award.

In terms of performance and the vesting of awards in three years time:

- **0%** of Awards will be released for achieving **below threshold performance**
- **20%** of Awards will be released for achieving **threshold performance**
- **100%** of Awards will be released for achieving **maximum performance**
- Between threshold performance and maximum performance awards vest on a straight line basis

Where the threshold requirement is achieved, 20% of this element of the award vests and becomes exercisable. Where the maximum requirement is achieved all of this element of the award vests and becomes exercisable. Therefore, the performance conditions ensure that:

- Hikma's comparative TSR performance against the Comparator Group is at least at the upper quartile before executives receive the full benefit of this element of their share incentives; and
- The underlying financial performance of the Group supports the comparative performance before Executives receive their full award.

This structure demonstrates the Remuneration Committee's desire to correlate incentive arrangements with the achievement of substantial performance and align incentives with the objectives of shareholders.

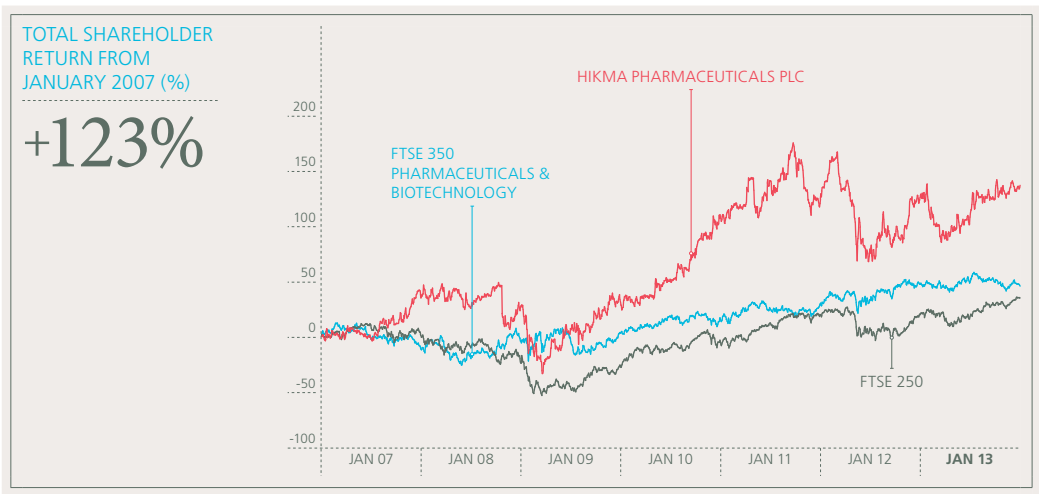
The following chart sets out the level of release of existing LTIP awards if Hikma's performance measured as at 31 December 2012 for the financial metrics and as at 13 February 2013 (the last available data) for TSR was applied for the whole period.

	TSR	SALES GROWTH	EPS GROWTH	ROIC	TOTAL
2012 LTIP Grant	12%	17%	0%	17%	46%
2011 LTIP Grant	0%	17%	0%	17%	34%
2010 LTIP Grant	35%	17%	0%	17%	69%

It should be noted that the real value received by Executive Directors under the share incentive arrangements is dependent upon satisfaction of performance conditions and the share price of Hikma at that time.

Total Shareholder Return Performance Graph

The graph shows Hikma's performance, measured by Total Shareholder Return ("**TSR**") compared to the FTSE 250 Index and the FTSE 350 Pharmaceuticals & Biotechnology Index from 1 January 2007 to 31 January 2013. The FTSE 250 and 350 Indices have been selected to provide a broader comparator of Hikma's performance.



Share prices

The applicable share prices for Hikma during the period under review were:

	MARKET PRICE (CLOSING PRICE)
1 January 2012	620.0p
31 December 2012	761.0p
2012 Range (low to high)	605.5p to 776.5p
12 March 2013	975.0p

The information in the above table has been audited by Deloitte.

Dilution

In accordance with the guidelines set out by the Association of British Insurers ("**ABI**") Hikma can issue a maximum of 10% of its issued share capital in a rolling ten year period to employees under all its share plans and a maximum of 5% of this 10% for discretionary share plans. The following table summarises the current level of dilution resulting from Company share plans following the Listing of Hikma in 2005:

TYPE OF PLAN	GRANTED IN A ROLLING TEN YEAR PERIOD	GRANTED DURING THE YEAR
Discretionary Share Plans (5% Limit)	3.06%	0.49%

It is Hikma's current intention that LTIP awards and MIP granted in 2013 will be satisfied by newly issued shares on vesting. Hikma has not implemented any all-employee share incentive arrangements.

Non-Executive Fees

The Board's Non-Executive fee Policy is Upper Quartile.

The individual basic and committee fees, which are paid in pounds Sterling, are as follows:

	2012				2013
NAME	TOTAL FEE £000	BASIC FEE £000	CHAIRMANSHIP FEE £000	COMMITTEE FEE £000	TOTAL FEE £000
Samih Darwazah*	157.5	200.0	–	–	200.0
Sir David Rowe-Ham	86.0	76.0	7.5	7.5	91.0
Breffni Byrne	93.5	76.0	15.0	7.5	98.5
Michael Ashton	86.0	76.0	7.5	7.5	91.0
Ali Al-Husry	71.0	76.0	–	–	76.0
Ronald Goode	86.0	76.0	7.5	7.5	91.0
Robert Pickering	78.5	76.0	–	7.5	83.5

* The Chairman's fee has remained unchanged since 2009, despite the fee that has been paid being significantly below the market rate.
The Committee reviewed the fee during the year and raised it to £200,000. The Chairman elected to waive payment of the increase of £32,500 for 2013.

The Board has resolved that from 1 January 2013, the basic fees of Non-Executive Directors should be increased to the amounts set out above. The increases continue to move non-executive fees back towards the Group's stated policy, though overall non-executive fees remain below the level set by Group policy. The rises proposed are in line with the general level of rise for senior management across the Group. The Board continues to believe that it is important to ensure that the fees paid to non-executives remain competitive, that they reflect the increasingly important role played by non-executives and allow the Nomination Committee to recruit Non-Executive Directors of the appropriate calibre in accordance with the requirements of succession planning. The Non-Executive Directors are not eligible to participate in the Group pension arrangements and do not receive personal pension contributions by the Group.

The non-executive fees are within the median to upper quartile range of the comparator group, below the policy position of upper quartile:

NAME	2013 TOTAL FEE £000	COMPARATOR M-UQ £000	POLICY POSITION	ACTUAL POSITION	ADHERENCE TO POLICY
Samih Darwazah	200.0	194 to 268	Upper Quartile	Median	Within policy
Michael Ashton	91.0	91 to 179	Upper Quartile	Median	Within policy
Ali Al-Husry	76.0	61 to 147	Upper Quartile	Median to Upper Quartile	Within policy
Breffni Byrne	98.5	91 to 180	Upper Quartile	Median	Within policy
Ronald Goode	91.0	91 to 176	Upper Quartile	Median	Within policy
Robert Pickering	83.5	90 to 169	Upper Quartile	Median	Below policy
Sir David Rowe-Ham	91.0	92 to 170	Upper Quartile	Median	Below policy

Share Ownership

The table below details all the Directors' holdings in the share capital of Hikma up until 12 March 2013.

	ORDINARY SHARES OF 10 PENCE		
DIRECTOR	1 JANUARY 2012	31 DECEMBER 2012	12 MARCH 2013
Samih Darwazah	11,481,746	11,286,299	11,286,299
Said Darwazah	11,168,445	11,593,445	11,593,445
Mazen Darwazah	6,517,225	6,733,225	6,733,225
Sir David Rowe-Ham	10,000	10,000	10,000
Breffni Byrne	10,000	10,000	10,000
Michael Ashton	18,566	18,566	18,566
Ronald Goode	22,700	22,700	22,700
Ali Al Husry	5,684,748	5,684,748	5,684,748
Robert Pickering	7,500	7,500	7,500
Total shares:	**34,920,930**	**35,366,483**	**35,366,483**

The information in the above table has been audited by Deloitte.

Samih Darwazah, Said Darwazah, Mazen Darwazah and Ali Al-Husry are Directors and shareholders of Darhold Limited. Darhold Limited holds 57,183,028 Ordinary Shares of Hikma. The table below breaks down their shareholding in Hikma by shares effectively owned through Darhold and shares held personally.

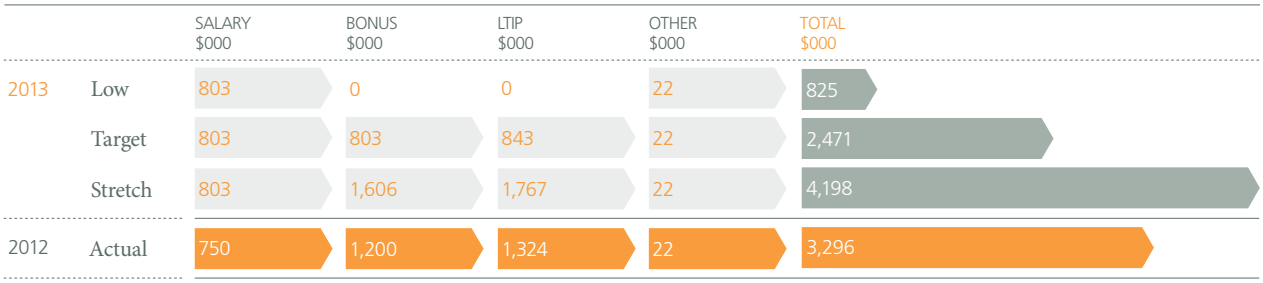
				ORDINARY SHARES OF 10 PENCE	
DIRECTOR	% OF DARHOLD	EFFECTIVE NO OF HIKMA SHARES	MAX AWARD UNDER LTIP	HOLDING IN OWN NAME/NOMINEE	TOTAL SHAREHOLDING
Samih Darwazah	16%	9,150,000		2,136,299	11,286,299
Said Darwazah	19%	10,865,000	310,000	418,445	11,593,445
Mazen Darwazah	10%	5,718,000	207,000	808,225	6,733,225
Ali Al Husry	8%	4,575,000		1,109,748	5,684,748

The information in the above table has been audited by Deloitte.

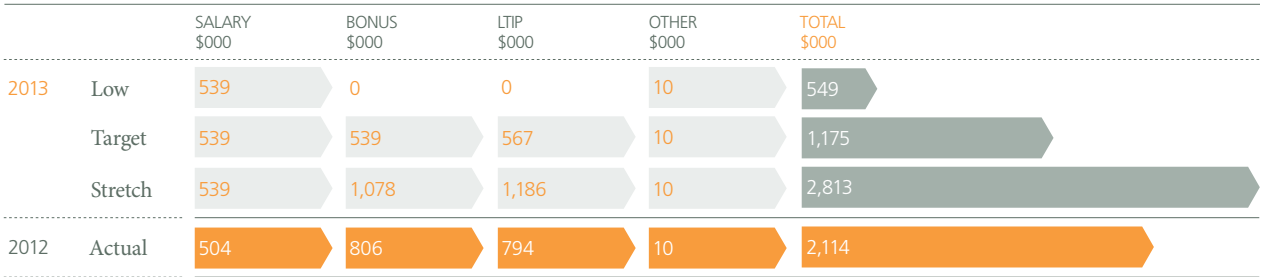
TOTAL COMPENSATION

The following charts show the value of each of the main elements of the compensation package provided to the Executive Directors during 2012 and the potential available for 2013 (dependent upon performance).

SAID DARWAZAH



MAZEN DARWAZAH



The following table shows the total compensation package for the Executive Directors during the year ended 31 December 2012 compared to the on target package provided at the median and upper quartile of the Comparator Group:

	POLICY POSITION	POLICY VALUE	ACTUAL TOTAL COMPENSATION 2012	ADHERENCE TO POLICY
Said Darwazah (Chief Executive)	Median to Upper Quartile	$5,677k to $6,865k	$3,296k	Below Policy Position
Mazen Darwazah (Executive Vice Chairman)	Median to Upper Quartile	$4,376k to $6,201k	$2,114k	Below Policy Position

This can be broken down amongst the Directors as follows:

DIRECTOR	2011 TOTAL US$	FEES/BASIC SALARY US$	OTHER BENEFITS US$	ANNUAL BONUSES US$	2012 TOTAL US$
Executives					
Said Darwazah	1,648,536	750,000	10,536	1,200,000	1,960,536
Mazen Darwazah	1,092,000	504,000	0	806,400	1,310,400
Non-Executives					
Samih Darwazah	252,693	254,648	–	–	254,648
Sir David Rowe-Ham	131,561	139,046	–	–	139,046
Breffni Byrne	143,594	151,172	–	–	151,172
Michael Ashton	131,561	139,046	–	–	139,046
Ali Al-Husry	107,495	114,794	–	–	114,794
Ronald Goode	131,561	139,046	–	–	139,046
Robert Pickering[1]	119,528	126,920	–	–	126,920
Aggregate emoluments	**3,758,529**	**2,318,672**	**[10,536]**	**2,006,400**	**4,335,608**

The information in the above table has been audited by Deloitte.

1 Robert Pickering joined the Board on 1 September 2011 and, therefore, his 2011 fees have been annualised.

Closing Statement

We have further enhanced our approach to remuneration reporting this year and the Committee hopes that this has aided shareholder and stakeholder understanding of our remuneration policy and practices. Hikma remains open to discussion, should there be any areas for further clarification.

For and on behalf of the Remuneration Committee

Michael Ashton
Remuneration Committee Chairman
12 March 2013

DIRECTORS' REPORT

OPEN FOR DISCUSSION

Call +44 20 7399 2760
or E-mail: investors@hikma.uk.com

The Directors submit their Report together with the audited financial statements for the 52 weeks ended 31 December 2012. This report forms the management report for the purposes of the Disclosure and Transparency Rules. Readers are asked to cross refer to the Governance Report, Remuneration Report and sections of other relevant reports which are included in this report to the extent necessary to meet Hikma's reporting obligations.

4.4 COMMITTEE REPORTS

OPERATIONAL

Business Review

Hikma is required by the Companies Act 2006 to set out a fair review of the business during the year and a description of the principal risks and uncertainties facing Hikma, noting the performance and development of Hikma during the year and the position at the year end. The information that fulfils these requirements and which is incorporated in this report by reference, is included in the following sections of the Annual Report:

REVIEW HIGHLIGHTS

- A review of the business and strategy and expected future developments is set out in the Chairman's statement on *pages 4 and 5*, the Chief Executive's Review on *pages 10 to 16* and the Financial Review on *pages 20 to 37*
- The principal risks and uncertainties are set out on *pages 38 to 40* and financial risks are described on *pages 144 to 148*
- Key financial performance indicators are described on *page 17*
- Information on environmental, social and community issues is set out in our Corporate Responsibility report on *pages 41 to 53*, which also provides key performance indicators in this area
- The principal operating subsidiaries are set out on *page 56*

Principal Activity

The principal activities of the Group are the development, manufacture and marketing of a broad range of generic and in-licensed pharmaceutical products in solid, semi-solid, liquid and injectable final dosage forms. The Group's pharmaceutical operations are conducted through three business segments: Branded, Injectable, and Generic. The majority of the Group's operations are in the MENA region, the United States and Europe. The Group does not have overseas branches within the meaning of the Companies Act 2006.

The Group's net sales, gross profit and operating profit are shown by business segment in Note 4 to the consolidated financial statements. Hikma has not capitalised any interest payments.

FINANCIAL

Results

The Group's profit for the year in 2012 was $107.2 million (2011: $83.5 million).

Dividend

The Board is recommending a final dividend of 10 cents per share (approximately 6.7 pence) (2011: 7.5 cents). The proposed final dividend will be paid on 23 May 2013 to shareholders on the register on 19 April 2013, subject to approval at the Annual General Meeting on 16 May 2013.

An interim dividend of 6 cents per share was paid on 8 October 2012 (approximately 3.694 pence per ordinary share) (2011: 5.5 cents) which together with the final dividend will make a total of 16 cents per share for the period (2011: 13 cents)

Creditor Payment Policy

Hikma's policy, which is also applied by the Group and will continue in respect of the 2013 financial year, is to settle terms of payment with all suppliers when agreeing the terms of each transaction and to ensure that suppliers are made aware of and abide by the terms of payment. Trade creditors of Hikma at 31 December 2012 were equivalent to 66 days' purchases (2011: 61 days), based on the average daily amount invoiced by suppliers during the year.

Donations

During the year the Group made charitable donations of approximately $0.7 million (2011: $3.2 million):

	AMOUNT DONATED IN 2011 ($)	AMOUNT DONATED IN 2012 ($)
Local charities serving communities in which the Group operates	1,504,000	304,124
Medical (donations in kind)	1,694,000	363,740
Political	Nil	Nil
Total:	**3,199,000**	667,864

Group policy prohibits the payment of political donations.

Research and Development

The Group's investment in Research & Development ("**R&D**") during 2012 represented 3.1% of Group revenue (2011: 3.4%). Further details on the Group's R&D activities can be found on *page 37*.

Related Party Transactions

Details of related party transactions are included in Note 37 of the Financial Statements on *page 155*.

Going Concern

The Directors believe that the Group is well diversified due to its geographic spread, product diversity and large customer and supplier base. The Group operates in the relatively defensive generic pharmaceuticals industry which the Directors expect to be less affected compared to other industries.

The Group has decreased its year end net debt position to $406.5 million (2011: $421.9 million) following significant capital investment relating to recent acquisitions in 2011. Operating cash flow in 2012 was $182.2 million (2011: $126.4million). The Group has $313.0 million (2011: $396.4 million) of undrawn banking facilities. These facilities are well diversified across the operating subsidiaries of the Group and are with a number of financial institutions. The Group's forecasts, taking into account reasonable possible changes in trading performance, facility renewal sensitivities and maturities of long-term debt, show that the Group should be able to operate well within the levels of its facilities and their related covenants.

After making enquiries, the Directors believe that the Group is adequately placed to manage its business and financing risks successfully despite the current uncertain economic and political outlook. The Directors have formed a judgement that there is reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Directors therefore continue to adopt the going concern basis in preparing the financial statements.

Significant Contracts

Due to the nature of the Group's business, members of the Group are party to agreements that could alter or be terminated upon a change of control of the Group following a takeover. However, none of these agreements is individually deemed to be significant in terms of its potential impact on the business of the Group taken as a whole. The Directors are not aware of any agreements between Hikma and its Directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid. There are no persons, with whom Hikma has contractual or other arrangements, who are deemed to be essential to the business of Hikma.

Auditors

Each person who was a Director of Hikma at the date when this report was approved confirms that:

- So far as the Director is aware, there is no relevant audit information of which Hikma's auditors are unaware; and
- The Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that Hikma's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Deloitte LLP has expressed its willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

DIRECTORS

The names of the Directors as at the date of this report, together with details of their roles, backgrounds and abilities, are set out in the Directors' biographies on *pages 60 to 62*. Details of the independence of Non-Executive Directors are set out in the report on corporate governance on *page 68*. All the Executive and Non-Executive Directors served Hikma throughout the year.

It is the Board's policy that all Directors should retire and seek re-election on an annual basis. Accordingly, Samih Darwazah, Said Darwazah, Mazen Darwazah, Sir David Rowe-Ham, Ali Al-Husry, Breffni Byrne, Michael Ashton, Ronald Goode and Robert Pickering will retire and seek re-election at the Annual General Meeting. Shareholders are referred to the Nomination Committee report on *pages 76 to 78* and the profiles of each of the Directors on *pages 60 to 62*.

Indemnities

The Directors benefit from qualifying third party indemnities made by Hikma which were in force during the year and as at the date of this report. These indemnities are uncapped in amount in relation to losses and liabilities which Directors may incur to third parties in the course of the performance of their duties.

EQUITY

Capital Structure

Details of the issued share capital, together with movements in the issued share capital during the year can be found in Note 31 to the financial statements. Hikma has one class of ordinary shares which carries no right to fixed income. Each share carries the right to one vote at general meetings of Hikma.

As at 31 December 2012:

	NOMINAL VALUE	IN ISSUE	ISSUED DURING THE YEAR
Ordinary	10 pence	197,036,507	1,185,200

During 2012, Hikma issued Ordinary Shares solely pursuant to the exercise of options under the Hikma Pharmaceuticals PLC 2004 Stock Option Plan and 2005 Long Term Incentive Plan.

There are no specific restrictions on the size of a holding or on the transfer of shares, which are both governed by the general provisions of Hikma's Articles of Association (the "**Articles**") and prevailing legislation. The Directors are not aware of any agreements between holders of Hikma's shares that may have resulted in restrictions on the transfer of securities or on voting rights. No person has any special rights with regard to the control of Hikma's share capital and all issued shares are fully paid. Hikma has not placed any shares into treasury during the period under review.

Share Buy Back

At the Annual General Meeting on 17 May 2012, shareholders gave the Directors authority to purchase shares from the market up to an amount equal to 10% of Hikma's issued share capital at that time. This authority expires at the earlier of 30 June 2013 or the 2013 Annual General Meeting, which is scheduled for 16 May 2013. The Directors are proposing to renew this authority at the 2013 Annual General Meeting.

During the year, Hikma did not acquire any of its own shares by direct purchase, nominee purchase or any other means nor did it dispose of such shares previously acquired. Hikma does not have a lien over its own shares.

Share Issuance

At the Annual General Meeting on 17 May 2012, the Directors were authorised to issue relevant securities up to an aggregate nominal amount of £560,220, and to be empowered to allot equity securities for cash on a non pre-emptive basis up to an aggregate nominal amount of £84,033, at any time up to the earlier of the date of the 2013 Annual General Meeting or 30 June 2013. The Directors propose to renew these authorities at the 2013 Annual General Meeting for a further year. In the year ahead, other than in respect of Hikma's obligations to satisfy rights granted to employees under its various share-based incentive arrangements, the Directors have no present intention of issuing any share capital of Hikma.

Details of the employee share schemes are set out in Note 35 to the financial statements. Shares are also held by the Hikma Pharmaceuticals Employee Benefit Trust ("**EBT**") and are detailed in Note 35 to the financial statements. The EBT has waived its right to vote on the shares it holds and also to its entitlement to a dividend. No other shareholder has waived the right to a dividend.

Annual General Meeting

The Annual General Meeting of Hikma will be held at The Westbury, Bond Street, Mayfair, London W1S 2YF on Thursday, 16 May 2013, starting at 11 a.m. The Notice convening the meeting is given in a separate document accompanying this document, and includes a commentary on the business of the AGM, and notes to help shareholders exercise their rights at the meeting.

The powers of the Directors are determined by the Articles, the Code and other relevant UK legislation. The Directors' powers are detailed in the Corporate Governance Report starting on *page 54*. The Articles give the Directors the power to appoint and remove Directors and they also provide for re-election at three-yearly intervals. The power to issue and allot shares contained in the Articles is subject to shareholder approval at each annual general meeting. The Articles, which are available on the website, may only be amended by special resolution of the shareholders.

Directors' Interests

Details of Directors' share-based incentives and interests in the ordinary shares of Hikma are provided in the Directors' Remuneration Report on *pages 82 to 103*.

Substantial shareholdings

As at the date of this document, Hikma had been notified pursuant to sections 89A to 89L of the Financial Services and Markets Act 2000 and Rule 5 of the Disclosure and Transparency Rules of the UKLA of the following interests in the voting rights attaching to the share capital of Hikma:

NAME OF SHAREHOLDER	NUMBER OF SHARES	PERCENTAGE HELD
Darhold Limited*	57,183,028	28.94%
Capita Group International	17,743,904	9.01%
Sectoral Asset Management	8,301,483	4.21%
Norges Bank	7,579,731	3.85%
DuPont Capital Management	5,952,422	3.02%

*Messrs Samih Darwazah, Said Darwazah, Mazen Darwazah and Ali Al-Husry, each being a Director and shareholder of Hikma, are shareholders and Directors of Darhold Limited.

Pre-emptive Issue of Shares

During the year under review, and in the period since 1 November 2005, the date of Hikma's IPO, Hikma did not issue any Ordinary Shares pursuant to an authority given by shareholders at an annual general meeting to issue Ordinary Shares for cash on a non pre-emptive basis, other than in respect of the placing undertaken on 17 January 2008.

Takeover Panel – Rule 9

	LTIP GRANTED 18 MAY 2012	MIP GRANTED 18 MAY 2012
Said Darwazah	97,000	–
Mazen Darwazah	65,000	–
May Darwazah	–	794
Hana Ramadan	–	2,630
Tareq Darwazeh	–	1,296
Zeena Murad	–	1,570

	HOLDING, 13 APRIL 2012		HOLDING, 12 MARCH 2013		HOLDING IF ALL EXISTING SOP, MIP, LTIP ARE EXERCISED		HOLDING IF MAXIMUM AWARD GRANTED IN 2013 EXERCISED	
	NO OF ORDINARY SHARES	PERCENTAGE OF ISSUED SHARE CAPITAL	NO OF ORDINARY SHARES	PERCENTAGE OF ISSUED SHARE CAPITAL	NO OF ORDINARY SHARES	PERCENTAGE OF ISSUED SHARE CAPITAL	NO OF ORDINARY SHARES	PERCENTAGE OF ISSUED SHARE CAPITAL
Darhold Limited	57,183,028	29.06%	57,183,028	28.94%	–	–	–	–
Concert Party	64,790,718	39.92%	64,024,625	32.40%	64,556,432	32.67	64,711,432	32.61%

At the Annual General Meeting held on 17 May 2012, a vote of the independent shareholders of Hikma approved the award of up to an aggregate of 162,000 ordinary shares pursuant to Hikma's 2005 Long Term Incentive Plan to Said Darwazah and Mazen Darwazah (the "**LTIP Holders**") and 20,000 ordinary shares pursuant to the Management Incentive Plan to Hana Ramadan, May Darwazah, Zeena Murad and Tareq Darwazah (the "**MIP Holders**"). Because of the relationship of the LTIP Holders and the MIP Holders with Darhold Limited, who at the time of the Annual General Meeting held 57,183,028 ordinary shares (at 13 April 2012 representing 29.08 per cent. of the issued share capital of Hikma, and as at 12 March 2013 being the latest practicable date prior to the publication of this document, holding 57,183,028 ordinary shares, representing 28.94 per cent. of the issued share capital of Hikma), each of the LTIP Holders and the MIP Holders (together with certain other identified individuals at that date) was treated as acting in concert with Darhold Limited for the purposes of the Takeover Code (the "**Concert Party**"). As at 13 April 2012, the Concert Party held, in aggregate, interests in 64,790,718 ordinary shares in the capital of Hikma (then representing 32.92 per cent. of the then issued share capital of Hikma). As at 12 March 2013 being the latest practicable date prior to the publication of this document, the Concert Party held, in aggregate, interests in 64,024,625 ordinary shares in the capital of Hikma (representing 32.40 per cent. of the then issued share capital of Hikma).
On full exercise of the options under the Hikma Pharmaceuticals 2004 Stock Option Plan (the "**2004 Plan**") and full vesting of the LTIPs and the MIPs, the Concert Party would potentially have, in aggregate, interests in 64,711,432 shares in the capital of Hikma (representing 32.61 per cent. of the enlarged issued share capital of Hikma, on the basis that no ordinary shares were issued other than pursuant to the exercise of such options or vesting of LTIPs/MIPs).

During the period from the Annual General Meeting in 2012 to 12 March 2013, the LTIP/MIP Holders together with other members of the Concert Party who hold options over ordinary shares pursuant to Hikma's 2005 Long Term Incentive Plan (each an "**Option Holder**") exercised, in aggregate, options over 187,800 ordinary shares in the capital of Hikma.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for preparing the Annual Report and the financial statements. The Directors are required to prepare financial statements for the Group in accordance with International Financial Reporting Standards as adopted by the European Union ("**IFRS**") and have also elected to prepare financial statements for Hikma in accordance with the IFRS under EU law. Company law requires the Directors to prepare such financial statements in accordance with IFRS, the Companies Act 2006 and Article 4 of the International Accounting Standard ("**IAS**") Regulations.

IAS 1 requires that financial statements present fairly for each financial year Hikma's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and condition in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Framework for the Preparation and Presentation of Financial Statements". In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRS. Directors are also required to:

- Properly select and apply accounting policies
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- Provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance
- Make an assessment of Hikma's ability to continue as a going concern

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain Hikma's transactions and disclose with reasonable accuracy at any time the financial position of Hikma, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' report and Directors' remuneration report which comply with the requirements of the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of Hikma's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

We confirm to the best of our knowledge:

- The financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of Hikma and the undertakings included in the consolidation taken as a whole; and
- The business review, which is incorporated into the Directors' Report, includes a fair review of the development and performance of the business and the position of Hikma and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face
- Provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance

By order of the Board

Said Darwazah
Chief Executive Officer

Mazen Darwazah
Executive Vice Chairman, CEO MENA

12 March 2013

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HIKMA PHARMACEUTICALS PLC

We have audited the financial statements of Hikma Pharmaceuticals PLC for the year ended 31 December 2012, which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and Company balance sheets, the consolidated and Company statements of changes in equity, the consolidated and Company cash flow statements, and the related Notes 1 to 57. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's 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 and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2012 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in Note 2 to the Group financial statements, the Group in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board ("IASB").

In our opinion the Group financial statements comply with IFRSs as issued by the IASB.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement, contained within the Directors' Report, in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Paul Franek FCA
(Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
12 March 2013

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 $000	2011 $000
Continuing operations			
Revenue	4	1,108,721	918,025
Cost of sales	4	(607,603)	(522,676)
Gross profit	4	501,118	395,349
Sales and marketing costs		(152,763)	(125,295)
General and administrative expenses		(124,560)	(107,540)
Research and development costs		(34,019)	(31,218)
Other operating expenses (net)	8	(23,002)	(12,608)
Total operating expenses		(334,344)	(276,661)
Adjusted operating profit		193,835	145,824
Exceptional items:			
– Acquisition and integration related expenses	5	(3,131)	(16,368)
– Severance expenses	5	(4,469)	–
– Plant remediation costs	5	(6,787)	–
– Inventory related adjustment	5	–	(1,770)
Intangible amortisation*	5	(12,674)	(8,998)
Operating profit	4	166,774	118,688
Share of results of associated companies	16	892	(1,164)
Finance income	9	1,266	468
Finance expense	10	(35,717)	(23,368)
Other expense (net)		(1,174)	(732)
Profit before tax		132,041	93,892
Tax	11	(24,826)	(10,423)
Profit for the year	6	107,215	83,469
Attributable to:			
Non-controlling interests	31	6,895	3,362
Equity holders of the parent		100,320	80,107
		107,215	83,469
Earnings per share (cents)			
Basic	13	51.1	41.3
Diluted	13	50.6	40.5
Adjusted basic	13	61.4	52.0
Adjusted diluted	13	60.8	51.0

*Intangible amortisation comprises the amortisation of intangible assets other than software.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

	2012 $000	2011 $000
PROFIT FOR THE YEAR	107,215	83,469
Cumulative effect of change in fair value of available for sale investments	(23)	(42)
Cumulative effect of change in fair value of financial derivatives	(2,120)	(692)
Exchange difference on translation of foreign operations	(26,547)	(15,294)
Total comprehensive income for the year	78,525	67,441
Attributable to:		
Non-controlling interests	1,585	3,557
Equity holders of the parent	76,940	63,884
	78,525	67,441

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2012

	Note	2012 $000	2011 $000
NON-CURRENT ASSETS			
Intangible assets	14	433,049	408,804
Property, plant and equipment	15	419,943	421,357
Interests in associated companies	16	38,337	37,445
Deferred tax assets	17	45,772	36,072
Financial and other non-current assets	18	11,044	12,079
		948,145	915,757
CURRENT ASSETS			
Inventories	19	272,231	239,260
Income tax asset		1,016	1,486
Trade and other receivables	20	328,147	315,856
Collateralised and restricted cash	21	1,756	2,595
Cash and cash equivalents	22	176,510	94,715
Other current assets		2,307	5,973
		781,967	659,885
Total assets		1,730,112	1,575,642
CURRENT LIABILITIES			
Bank overdrafts and loans	23	192,879	152,853
Obligations under finance leases	27	3,480	3,300
Trade and other payables	24	194,805	169,212
Income tax provision		23,029	14,561
Other provisions	25	10,664	9,398
Other current liabilities		42,097	39,622
		466,954	388,946
Net current assets		315,013	270,939
NON-CURRENT LIABILITIES			
Long-term financial debts	26	372,488	344,895
Obligations under finance leases	27	15,891	18,134
Deferred tax liabilities	17	22,921	23,147
Derivative financial instruments	29	4,008	1,886
		415,308	388,062
Total liabilities		882,262	777,008
Net assets		847,850	798,634
EQUITY			
Share capital	30	35,091	34,904
Share premium		279,116	278,094
Own shares	32	(86)	(2,222)
Other reserves		518,532	465,799
Equity attributable to equity holders of the parent		832,653	776,575
Non-controlling interests	31	15,197	22,059
Total equity		847,850	798,634

The financial statements of Hikma Pharmaceuticals PLC, registered number 5557934, were approved by the Board of Directors and signed on its behalf by:

Said Darwazah
Director

Mazen Darwazah
Director

12 March 2013

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR YEAR ENDED 31 DECEMBER 2012

	Merger reserve $000	Revaluation reserves $000	Translation reserves $000	Retained earnings $000	Total reserves $000	Share capital $000	Share premium $000	Own shares $000	Total equity attributable to equity shareholders of the parent $000	Non-controlling interests $000	Total equity $000
Balance at 1 January 2011	33,920	4,085	(12,080)	409,724	435,649	34,525	275,968	(2,220)	743,922	6,378	750,300
Profit for the year	–	–	–	80,107	80,107	–	–	–	80,107	3,362	83,469
Cumulative effect of change in fair value of available for sale investments	–	–	–	(42)	(42)	–	–	–	(42)	–	(42)
Cumulative effect of change in fair value of financial derivatives	–	–	–	(692)	(692)	–	–	–	(692)	–	(692)
Realisation of revaluation reserve	–	(181)	–	181	–	–	–	–	–	–	–
Currency translation (loss)	–	–	(15,489)	–	(15,489)	–	–	–	(15,489)	195	(15,294)
Total comprehensive income for the year	–	(181)	(15,489)	79,554	63,884	–	–	–	63,884	3,557	67,441
Issue of equity shares	–	–	–	–	–	379	2,126	–	2,505	–	2,505
Purchase of own shares	–	–	–	–	–	–	–	(115)	(115)	–	(115)
Cost of equity settled employee share scheme	–	–	–	7,507	7,507	–	–	–	7,507	–	7,507
Exercise of equity settled employee share scheme	–	–	–	(113)	(113)	–	–	113	–	–	–
Deferred tax arising on share-based payments	–	–	–	(5,644)	(5,644)	–	–	–	(5,644)	–	(5,644)
Current tax arising on share-based payments	–	–	–	3,750	3,750	–	–	–	3,750	–	3,750
Dividends on ordinary shares (Note 12)	–	–	–	(25,201)	(25,201)	–	–	–	(25,201)	(100)	(25,301)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	26,650	26,650
Adjustment arising from change in non-controlling interests	–	–	–	(14,033)	(14,033)	–	–	–	(14,033)	(14,914)	(28,947)
Issue of equity shares of subsidiary	–	–	–	–	–	–	–	–	–	488	488
Balance at 31 December 2011 and 1 January 2012	33,920	3,904	(27,569)	455,544	465,799	34,904	278,094	(2,222)	776,575	22,059	798,634
Profit for the year	–	–	–	100,320	100,320	–	–	–	100,320	6,895	107,215
Cumulative effect of change in fair value of available for sale investments	–	–	–	(23)	(23)	–	–	–	(23)	–	(23)
Cumulative effect of change in fair value of financial derivatives	–	–	–	(2,120)	(2,120)	–	–	–	(2,120)	–	(2,120)
Realisation of revaluation reserve	–	(181)	–	181	–	–	–	–	–	–	–
Currency translation (loss)	–	–	(21,237)	–	(21,237)	–	–	–	(21,237)	(5,310)	(26,547)
Total comprehensive income for the year	–	(181)	(21,237)	98,358	76,940	–	–	–	76,940	1,585	78,525
Issue of equity shares	–	–	–	–	–	187	1,022	–	1,209	–	1,209
Purchase of own shares	–	–	–	–	–	–	–	(158)	(158)	–	(158)
Cost of equity settled employee share scheme	–	–	–	7,961	7,961	–	–	–	7,961	–	7,961
Exercise of equity settled employee share scheme	–	–	–	(2,294)	(2,294)	–	–	2,294	–	–	–
Deferred tax arising on share-based payments	–	–	–	98	98	–	–	–	98	–	98
Current tax arising on share-based payments	–	–	–	1,411	1,411	–	–	–	1,411	–	1,411
Dividends on ordinary shares (Note 12)	–	–	–	(26,550)	(26,550)	–	–	–	(26,550)	(1,271)	(27,821)
Adjustment arising from change in non-controlling interests	–	–	–	(4,833)	(4,833)	–	–	–	(4,833)	(7,176)	(12,009)
Balance at 31 December 2012	33,920	3,723	(48,806)	529,695	518,532	35,091	279,116	(86)	832,653	15,197	847,850

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 $000	2011 $000
Net cash from operating activities	33	182,161	126,397
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(51,405)	(69,032)
Proceeds from disposal of property, plant and equipment		989	696
Purchase of intangible assets		(38,783)	(8,967)
Proceeds from disposal of intangible assets		255	191
Acquisition of interest in associated companies		–	(38,610)
Investment in financial and other non-current assets		151	(287)
Acquisition of subsidiary undertakings net of cash acquired		(11,978)	(217,779)
Payments of costs directly attributable to acquisitions	5	(1,519)	(10,147)
Finance income		1,266	468
Net cash used in investing activities		(101,024)	(343,467)
FINANCING ACTIVITIES			
Decrease in collateralised and restricted cash		839	978
Increase in long-term financial debts		151,997	335,353
Repayment of long-term financial debts		(124,183)	(68,364)
Increase in short-term borrowings		52,390	59,095
Decrease in obligations under finance leases		(2,122)	(2,028)
Dividends paid		(26,550)	(25,201)
Dividends paid to non-controlling shareholders		(1,271)	(100)
Interest paid		(34,188)	(23,758)
Proceeds from issue of new shares		1,051	2,390
Proceeds from non-controlling interest for capital increase in subsidiary		–	488
Acquisition of non-controlling interest in subsidiary		(12,009)	(29,196)
Net cash generated by financing activities		5,954	249,657
Net increase in cash and cash equivalents		87,091	32,587
Cash and cash equivalents at beginning of year		94,715	62,718
Foreign exchange translation movements		(5,296)	(590)
Cash and cash equivalents at end of year		176,510	94,715

1. ADOPTION OF NEW AND REVISED STANDARDS

The following new and revised Standards and Interpretations have been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements but, with the exception of the amendment to IFRS 1 and IFRIC 20, may impact the accounting for future transactions and arrangements.

Amendments to IAS 1 *Presentation of Financial Statements (Amended June 2011)*	The amendment increases the required level of disclosure within the statement of comprehensive income.
IAS 19 *Employee Benefits (revised June 2011)*	The amendments require the recognition of changes in defined benefits obligations and in the fair value of scheme assets when they occur.
Amendments to IFRS 7 *Financial Instruments: Disclosure*	The amendments increase the disclosure requirements for transactions involving the transfer of financial assets in order to provide greater transparency around risk exposures when financial assets are transferred.
Amendments to IAS 12 *Income Taxes*	The amendments provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model in IAS 40 'Investment Property'. The amendments introduce a presumption that an investment property is recovered entirely through sale.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 1 (amended)	*Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
IFRS 1 (amended)	*Government Loans*
IFRS 7 (amended)	*Disclosures – Offsetting of Financial Assets and Financial Liabilities*
IFRS 9	*Financial Instruments*
IFRS 10	*Consolidated Financial Statements*
IFRS 11	*Joint Arrangements*
IFRS 12	*Disclosure of Interests in Other Entities*
IFRS 13	*Fair Value Measurement*
IAS 27 (revised)	*Separate Financial Statements*
IAS 28 (revised)	*Investments in Associates and Joint Ventures*
IAS 32 (amended)	*Offsetting Financial Assets and Financial Liabilities*
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*

The Directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods.

2. SIGNIFICANT ACCOUNTING POLICIES

General Information

Hikma Pharmaceuticals PLC is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on the *inside back cover.*

Basis of accounting

Hikma Pharmaceuticals PLC's consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"). The financial statements have also been prepared in accordance with IFRSs adopted for use in the European Union and therefore comply with Article 4 of the EU IAS Regulation. The financial statements have been prepared under the historical cost convention, except for the revaluation to market of certain financial assets and liabilities.

The Group's previously published financial statements were also prepared in accordance with IFRSs issued by the IASB and also in accordance with IFRSs adopted for use in the European Union.

The presentational and functional currency of Hikma Pharmaceuticals PLC is the US Dollar as the majority of the Company's business is conducted in US Dollars.

Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have 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 financial statements (see *page 105*).

Basis of consolidation

The consolidated financial statements incorporate the results of Hikma Pharmaceuticals PLC (the "Company") and entities controlled by the Company (together the "Group"). Control is achieved where the Company has the ability to govern the financial and operating policies either directly or indirectly of an investee entity so as to obtain benefits from its activities.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the aggregate of consideration, non-controlling interest and fair value of previously held equity interest over the fair values of the identifiable net assets acquired is recognised as goodwill. Non-controlling interests in the net assets of consolidated subsidiaries may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount initially recognised plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the equity shareholders of the parent.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The consideration is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition related costs are recognised in the consolidated income statement as incurred. Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in those fair values can only affect the measurement of goodwill where they occur during the 'measurement period' and are as a result of additional information becoming available about facts and circumstances that existed at the acquisition date. All other changes are dealt with in accordance with relevant IFRSs. This will usually mean that changes in the fair value of consideration are recognised in the consolidated income statement.

2. SIGNIFICANT ACCOUNTING POLICIES *Continued*

Where a business combination is achieved in stages, the Group's previously-held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in the consolidated income statement.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the aggregate of consideration, non-controlling interest and fair value of previously held equity interest over the fair values of the identifiable net assets acquired. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the consideration, the excess is recognised immediately in the consolidated income statement.

The non-controlling interest in the acquiree is initially measured at the non-controlling interest's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

Investment in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee revenue but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the consolidated income statement.

Where a Group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Intangible assets

An intangible asset is recognised if:

- it is identifiable;
- it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group; and
- the cost of the asset can be measured reliably.

The probability of expected future economic benefits is assessed using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Judgement is used to assess the degree of certainty attached to the flow of future economic benefits that are attributable to the use of the asset on the basis of the evidence available at the time of initial recognition, giving greater weight to external evidence.

Expenditures on research and development activities are charged to the consolidated income statement, except only when the criteria for recognising an intangible asset are met, which is usually when approval from the relevant regulatory authority is considered probable.

(a) Goodwill: arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the acquisition-date fair value of the identifiable assets acquired and the liabilities assumed.

2. SIGNIFICANT ACCOUNTING POLICIES *Continued*

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in the consolidated income statement as a bargain purchase gain.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the consolidated income statement on disposal.

(b) Marketing rights: are amortised over their useful lives commencing in the year in which the rights first generate sales (See Note 14).

(c) Customer relationships: represent the value attributed to the long-term relationships held with existing customers at the date of acquisition and are amortised over their useful economic life.

(d) Product related intangibles:

(i) product files and under-licensed products are assigned indefinite useful lives which are reviewed for impairment at least annually; and

(ii) under-licence agreements and product dossiers are amortised over their useful lives from the date of acquisition. Intangible assets recognised from development activities are amortised over their useful economic life.

(e) Purchased software: is amortised over the useful economic life when the asset is available for use.

(f) In process research and development recognised on acquisition: is amortised over the useful life from the date of acquisition.

(g) Trade name: some trade names are assigned indefinite useful lives and others have finite useful lives over which they are amortised where applicable, in the period from acquisition.

Foreign currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in US dollars, the functional currency of Hikma Pharmaceuticals PLC and the presentational currency of the consolidated financial statements.

Transactions in currencies other than a company's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on retranslation of monetary assets and liabilities are recognised in the consolidated income statement in the period in which they arise.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as other comprehensive income and transferred to the Group's translation reserve. Such cumulative translation differences are recognised as income or as expenses in the period in which the operation is disposed of. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Revenue recognition

Revenue is recognised in the consolidated income statement when goods or services are supplied or made available to external customers against orders received and when title and risk of loss have passed.

Revenue represents the amounts receivable after the deduction of discounts, value added tax, other sales taxes, allowances given, provisions for chargebacks and accruals for estimated future rebates and returns. The methodology and assumptions used to estimate rebates and returns are monitored and adjusted regularly in light of contractual and historical information.

2. SIGNIFICANT ACCOUNTING POLICIES *Continued*

Chargebacks
The provision for chargebacks is the most significant and complex estimate used in the recognition of revenue. In the USA the Group sells its products directly to wholesale distributors, generic distributors, retail pharmacy chains and mail-order pharmacies. The Group also sells its products indirectly to independent pharmacies, managed care organisations, hospitals, and group purchasing organisations, collectively referred to as "indirect customers". The Group enters into agreements with its indirect customers to establish pricing for certain products. The indirect customers then independently select a wholesaler from which they purchase the products at agreed-upon prices. The Group will provide credit to the wholesaler for the difference between the agreed-upon price with the indirect customer and the wholesaler's invoice price. This credit is called a chargeback. The provision for chargebacks is based on historical sell-through levels by the Group's wholesale customers to the indirect customers, and estimated wholesaler inventory levels. As sales are made to large wholesale customers, the Group continually monitors the reserve for chargebacks and makes adjustments when it believes that actual chargebacks may differ from estimated reserves.

Returns
In certain countries the Group has a product return policy that allows customers to return the product within a specified period prior to and subsequent to the expiration date. Provisions for returns are recognised in the period in which the underlying sales are recognised, as a reduction of sales revenue.

The Group estimates its provision for returns based on historical experience, representing management's best estimate. While such experience has allowed for reasonable estimations in the past, history may not always be an accurate indicator of future returns. The Group continually monitors the provisions for returns and makes adjustments when it believes that actual product returns may differ from established reserves.

Rebates
In certain countries, rebates are granted to healthcare authorities and under contractual arrangements with certain customers. Products sold in the United States are covered by various programmes (such as Medicaid) under which products are sold at a discount.

The Group estimates its provision for rebates based on current contractual terms and conditions as well as historical experience, changes to business practices and credit terms. While such experience has allowed for reasonable estimations in the past, history may not always be an accurate indicator of future rebate liabilities. The Group continually monitors the provisions for rebates and makes adjustments when it believes that actual rebates may differ from established reserves. All rebates are recognised in the period in which the underlying sales are recognised as a reduction of sales revenue.

Price adjustments
Price adjustments, also known as "shelf stock adjustments", are credits issued to reflect decreases in the selling prices of the Group's products that customers have remaining in their inventories at the time of the price reduction. Decreases in selling prices are discretionary decisions made by Group management to reflect competitive market conditions. Amounts recorded for estimated shelf stock adjustments are based upon specified terms with direct customers, estimated declines in market prices and estimates of inventory held by customers. The Group regularly monitors these and other factors and re-evaluates the reserve as additional information becomes available.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is deferred in equity and released to the consolidated income statement when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalised borrowing costs reflect the hedged interest rate.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

Dividend income
Income from investments is recognised when the shareholders' rights to receive payment have been established.

2. SIGNIFICANT ACCOUNTING POLICIES *Continued*

Leasing

The Group as lessee

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rentals payable under operating leases are charged to income on a straight-line basis over the term of the operating lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a capital lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Government grants

Government grants relating to property, plant and equipment are treated as deferred income and released to the consolidated income statement over the expected useful lives of the assets concerned.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

Tax

The Group provides for income tax according to the laws and regulations prevailing in the countries where the Group operates. Furthermore, the Group computes and records deferred tax assets and liabilities according to IAS 12 'Income Taxes'.

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Share-based payment transactions

Employees (including Directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

2. SIGNIFICANT ACCOUNTING POLICIES *Continued*

Share-based payments

IFRS 2 'Share-Based Payments' requires an expense to be recognised when the Group buys goods or services in exchange for shares or rights over shares ('share-based payments') or in exchange for other equivalent assets.

The cost of share-based payments' transactions with employees is measured by reference to the fair value at the date at which the share-based payments are granted. The fair value of the equity settled stock options scheme is determined using a binomial model. The fair value of the management incentive plan is determined based on the share price as at the date of grant discounted by dividend yield. The fair value of the long-term incentive plan is determined using a Monte Carlo valuation model, for long-term incentive plan awards made from 2010, 50% of the award is subject to a TSR performance condition which is valued by applying the Monte Carlo simulation methodology, the remaining 50% of the award is subject to financial metrics and valued by applying a Black-Scholes model.

The expected life used in the models has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations (further details are given in Note 35). In valuing share-based payments, no account is taken of any performance conditions, other than conditions linked to the market price of the shares of Hikma Pharmaceuticals PLC.

The cost of share-based payments is recognised, together with a corresponding increase in equity, on a straight-line basis over the vesting period based on the Group's estimate of equity instruments that will eventually vest. The Group revises its estimate of the number of equity instruments expected to vest (except for failure to satisfy a market vesting condition) and the impact of the revision of the original estimates, if any, is recognised in the consolidated income statement, such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves. Where the terms of a share-based payments award are modified, as a minimum, an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the modification date. Where a share-based payments award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for a cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described above. The dilutive effect of outstanding share-based payments is reflected as additional share dilution in the computation of diluted earnings per share.

Property, plant and equipment

Property, plant and equipment have been stated at cost on acquisition and are depreciated on a straight-line basis except for land at the following depreciation rates:

Buildings	2% to 4%
Vehicles	10% to 20%
Machinery	5% to 33%
Fixtures and equipment	6% to 33%

A units of production method of depreciation is applied to operations in their start up phase, such as the lyophilised manufacturing plant in Portugal, as this reflects the expected pattern of consumption of the future economic benefits embodied in the assets. When these assets are fully utilised, a straight-line method of depreciation is applied.

Projects under construction are not depreciated until construction has been completed and assets are considered ready for use.

Any additional costs that extend the useful life of property, plant and equipment are capitalised. Property, plant and equipment which are financed by leases giving Hikma Pharmaceuticals PLC substantially all the risks and rewards of ownership are capitalised at the lower of the fair value of the asset and the present value of the minimum lease payments at the inception of the lease, and depreciated in the same manner as other property, plant and equipment over the shorter of the lease term of their useful life. Whenever the recoverable amount of an asset is impaired, the carrying value is reduced to the recoverable amount and the impairment loss is taken to the consolidated income statement. Projects under construction are carried at cost, less any recognised impairment loss.

Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated income statement.

2. SIGNIFICANT ACCOUNTING POLICIES *Continued*

Inventories

Inventories are stated at the lower of cost and net realisable value. Purchased products are stated at acquisition cost including all additional attributable costs incurred in bringing each product to its present location and condition. The cost of own-manufactured products comprises direct materials and, where applicable, direct labour costs and any overheads that have been incurred in bringing the inventories to their present location and condition. In the balance sheet, inventory is primarily valued at standard cost, which approximates to historical cost determined on a moving average basis, and this value is used to determine the cost of sales in the consolidated income statement. Net realisable value represents the estimated selling price in the ordinary course of business, less all estimated costs necessary to make the sale. Provisions are made for inventories with net realisable value lower than cost or for slow moving inventory.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

All financial assets are recognised and derecognised on a trade date, where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through the consolidated income statement, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' ("FVTPL"), 'held-to-maturity' investments, 'available-for-sale' ("AFS") financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Available for sale financial assets

Listed shares and listed redeemable notes held by the Group that are traded in an active market are classified as being AFS and are stated at fair value. Gains and losses arising from changes in fair value are recognised in other comprehensive income, with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in the consolidated income statement. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is reclassified to the consolidated income statement. The Group's investments in unlisted shares that are not traded in an active market and the fair value of which cannot be reliably measured are stated at cost, less a provision for any impairment loss, which is taken to the consolidated income statement.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

2. SIGNIFICANT ACCOUNTING POLICIES *Continued*

Derivative financial instruments

Derivative financial instruments are used to manage the Group's exposure to interest rate and foreign exchange risks. The principal derivative instruments used by the Group are interest rate swaps and foreign exchange forward and option contracts. The Group does not hold or issue derivative financial instruments for trading or speculative purposes.

Hedge accounting

The Group designates certain hedging instruments, in respect of interest rate and foreign currency risk, as cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Note 29 sets out details of the fair values of the derivative instruments used for hedging purposes.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to the consolidated income statement in the periods when the hedged item is recognised in the consolidated income statement, in the same line of the income statement as the recognised hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income at that time is accumulated in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated income statement. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in the consolidated income statement.

Cash and cash equivalents

Cash and cash equivalents include highly liquid investments with original maturities of three months or less and are subject to an insignificant risk of changes in value.

Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligations and a reliable estimate can be made of the amount of the obligation.

Impairment of property, plant and equipment and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease to the extent that it does not exceed the previous revaluation surplus, and any excess is recognised in the consolidated income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The Group's Directors believe that, among others, the following accounting policies that involve Directors' judgements and estimates are the most critical to understanding and evaluating the Group's financial results.

Revenue recognition

The Group's revenue recognition policies require Directors to make a number of estimates, with the most significant relating to chargebacks, product returns, rebates and price adjustments (See Note 2) which vary by product arrangements and buying groups.

Accounts receivable and bad debts

The Group estimates, based on its historical experience, the level of debts that it believes will not be collected. Such estimates are made when collection of the full amount of the debt is no longer probable. These estimates are based on a number of factors including specific customer issues and industry, economic and political conditions. Bad debts are written-off when identified.

Goodwill and intangible assets

The critical areas of judgement in relation to goodwill and intangible assets are the useful economic lives of the product-related intangibles, the growth rates used in the impairment tests and the discount rates used to determine net present values.

Contingent liabilities

The Group is involved in various legal proceedings considered typical to its business relating to employment, product liability and other commercial disputes. Often this litigation is subject to substantial uncertainties, and therefore the probability of a loss, if any, being incurred or an estimate of the amount of any loss is difficult to ascertain. Consequently, it is often not practicable to make a reasonable estimate of the possible financial effect, if any, that could arise from the ultimate resolution of legal proceedings. In such cases, where the Group believes that disclosure is required, information regarding the nature and facts of the case is disclosed. For current matters see Note 34.

4. SEGMENTAL REPORTING

For management purposes, the Group is currently organised into three operating divisions – Branded, Injectables and Generics. These divisions are the basis on which the Group reports its segmental information.

The Group discloses underlying operating profit as the measure of segmental result, as this is the measure used in the decision-making and resource allocation process of the chief operating decision maker, who is the Group's Chief Executive Officer.

Information regarding the Group's operating segments is reported below.

The following is an analysis of the Group's revenue and results by reportable segment in 2012:

Year ended 31 December 2012	Branded $000	Injectables $000	Generics $000	Others $000	Group $000
Revenue	528,854	470,030	103,679	6,158	1,108,721
Cost of sales	(271,508)	(251,302)	(80,339)	(4,454)	(607,603)
Gross profit	257,346	218,728	23,340	1,704	501,118
Adjusted segment result	123,634	122,952	(13,511)	(3,338)	229,737
Exceptional items:					
– Integration related expenses	(701)	(2,430)	–	–	(3,131)
– Severance expenses	(2,527)	(1,380)	(562)	–	(4,469)
– Plant remediation costs	–	–	(6,787)	–	(6,787)
Intangible amortisation*	(9,029)	(3,614)	(31)	–	(12,674)
Segment result	111,377	115,528	(20,891)	(3,338)	202,676
Unallocated corporate expenses					(35,902)
Adjusted operating profit					193,835
Operating profit					166,774
Results from associated companies					892
Finance income					1,266
Finance expense					(35,717)
Other expense (net)					(1,174)
Profit before tax					132,041
Tax					(24,826)
Profit for the year					107,215
Attributable to:					
Non-controlling interest					6,895
Equity holders of the parent					100,320
					107,215

*Intangible amortisation comprises the amortisation of intangible assets other than software.

"Others" mainly comprises Arab Medical Containers Ltd, International Pharmaceutical Research Center Ltd and the chemicals division of Hikma Pharmaceuticals Ltd (Jordan).

Unallocated corporate expenses are primarily made up of employee costs, office costs, professional fees, donations, and travel expenses.

4. SEGMENTAL REPORTING *Continued*

Segment assets and liabilities 2012	Branded $000	Injectables $000	Generics $000	Corporate and others $000	Group $000
Additions to property, plant and equipment (cost)	26,071	16,916	5,193	1,661	49,841
Additions to intangible assets	1,886	35,738	7,056	–	44,680
Total property, plant and equipment and intangible assets (net book value)	503,858	281,588	61,129	6,417	852,992
Depreciation	21,120	12,944	6,710	1,585	42,359
Amortisation (including software)	9,937	5,750	160	185	16,032
Interests in associated companies	–	–	–	38,337	38,337
Balance sheet					
Total assets	1,050,373	481,001	135,214	63,524	1,730,112
Total liabilities	574,526	252,054	5,751	49,931	882,262

The following is an analysis of the Group's revenue and results by reportable segment in 2011:

Year ended 31 December 2011	Branded $000	Injectables $000	Generics $000	Others $000	Group $000
Revenue	441,907	315,728	154,813	5,577	918,025
Cost of sales	(227,830)	(188,151)	(102,609)	(4,086)	(522,676)
Gross profit	214,077	127,577	52,204	1,491	395,349
Adjusted segment result	105,143	54,938	17,124	(2,369)	174,836
Exceptional items:					
– Integration related expenses	(921)	(4,551)	–	–	(5,472)
– Inventory related adjustments	–	(1,770)	–	–	(1,770)
Intangible amortisation*	(5,763)	(3,186)	(39)	(10)	(8,998)
Segment result	98,459	45,431	17,085	(2,379)	158,596
Adjusted unallocated corporate expenses					(29,012)
Exceptional items:					
– Acquisition related expenses					(10,896)
Unallocated corporate expenses					(39,908)
Adjusted operating profit					145,824
Operating profit					118,688
Results from associated companies					(1,164)
Finance income					468
Finance expense					(23,368)
Other expense (net)					(732)
Profit before tax					93,892
Tax					(10,423)
Profit for the year					83,469
Attributable to:					
Non-controlling interest					3,362
Equity holders of the parent					80,107
					83,469

*Intangible amortisation comprises the amortisation of intangible assets other than software.

"Others" mainly comprise Arab Medical Containers Ltd, International Pharmaceutical Research Center Ltd and the chemicals division of Hikma Pharmaceuticals Ltd (Jordan).

Unallocated corporate expenses are primarily made up of employee costs, office costs, professional fees, donations, travel expenses and acquisition related expenses.

4. SEGMENTAL REPORTING *Continued*

Segment assets and liabilities 2011	Branded $000	Injectables $000	Generics $000	Corporate and others $000	Group $000
Additions to property, plant and equipment (cost)	44,869	11,926	12,925	975	70,695
Acquisition of subsidiary's property, plant and equipment (net book value)	24,125	50,071	–	–	74,196
Additions to intangible assets	5,054	2,520	1,106	287	8,967
Intangible assets arising on acquisition	110,900	40,324	–	–	151,224
Total property, plant and equipment and intangible assets (net book value)	527,240	244,725	50,759	7,437	830,161
Depreciation	18,205	10,521	6,250	684	35,660
Amortisation (including software)	7,064	3,748	307	224	11,343
Interests in associated companies	–	–	–	37,445	37,445
Balance sheet					
Total assets	958,709	389,819	168,526	58,588	1,575,642
Total liabilities	490,523	197,271	31,514	57,700	777,008

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services:

	2012 $000	2011 $000
Middle East and North Africa	619,185	508,776
United States	399,877	317,334
Europe and Rest of the World	80,992	87,622
United Kingdom	8,667	4,293
	1,108,721	918,025

The top selling markets were as below:

	2012 $000	2011 $000
United States	399,877	317,334
Saudi Arabia	124,819	121,387
Algeria	120,828	102,495
	645,524	541,216

Included in revenues arising from the Branded and Injectables segments are revenues of approximately $103,971,000 (2011: $101,905,000) which arose from sales to the Group's largest customer, which is located in Saudi Arabia.

The following is an analysis of the total non-current assets excluding deferred tax and financial instruments and an analysis of total assets by the geographical area in which the assets are located:

	Total non-current assets excluding deferred tax and financial instruments as at 31 December		Total assets as at 31 December	
	2012 $000	2011 $000	2012 $000	2011 $000
Middle East and North Africa	563,091	567,935	1,157,406	1,019,288
Europe	144,586	141,481	191,302	197,128
United States	155,604	131,589	372,797	349,705
United Kingdom	345	800	8,607	9,521
	863,626	841,805	1,730,112	1,575,642

5. EXCEPTIONAL ITEMS AND INTANGIBLE AMORTISATION

Exceptional items are disclosed separately in the consolidated income statement to assist in the understanding of the Group's underlying performance.

	2012 $000	2011 $000
Acquisition related expenses	–	(10,896)
Integration related expenses	(3,131)	(5,472)
	(3,131)	(16,368)
Severance expenses	(4,469)	–
Plant remediation costs	(6,787)	–
Inventory related adjustment	–	(1,770)
Exceptional items	(14,387)	(18,138)
Intangible amortisation*	(12,674)	(8,998)
Exceptional items and intangible amortisation	(27,061)	(27,136)
Tax effect	6,852	6,374
Impact on profit for the year	(20,209)	(20,762)

*Intangible amortisation comprises the amortisation of intangible assets other than software.

Acquisition and integration related costs

During the year, the Group incurred $3,131,000 of costs associated with the integration of MSI, Promopharm S.A, and Savanna.

In the previous year, acquisition and integration-related expenses were incurred as a result of the acquisition of MSI, Promopharm, and Savanna.

Acquisition-related expenses are included in unallocated corporate expenses while integration-related expenses are included in segment results. Acquisition-related expenses mainly comprise third party consulting services, legal and professional fees.

Costs of $1,519,000 (2011: $10,147,000) have been classified as investing activities in the cash flow statement relating to the cash outflow in respect of acquisition and integration costs in the period.

Other costs

Other costs include severance expenses related to the restructuring of management teams across all three operating regions.

The Generics segment incurred plant remediation costs for compliance work at our Eatontown facility in response to observations made by the US FDA.

In the prior year, the inventory-related adjustment reflects the fair value uplift of the inventory acquired as part of the MSI acquisition.

6. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging/(crediting):

	2012 $000	2011 $000
Net foreign exchange losses	2,759	111
Research and development costs	34,019	31,218
Loss on disposal of property, plant and equipment	349	22
Loss/(gain) on disposals of intangible assets	67	(91)
Depreciation of property, plant and equipment	42,359	35,660
Amortisation of intangible assets (including software)	16,032	11,343
Inventories:		
Cost of inventories recognised as an expense	367,711	330,537
Write-down of inventories	19,218	12,271
Staff costs (see Note 7)	294,188	237,839
Auditor's remuneration (see below)	1,941	3,734

A more detailed analysis of the Group's auditor's remuneration is provided on the following page.

6. PROFIT FOR THE YEAR *Continued*

The Group's auditor's remuneration on a worldwide basis was as below:

	2012 $000	2011 $000
Audit of the Company's annual accounts	387	324
Audit of the Company's subsidiaries pursuant to legislation	815	825
Total audit fees	1,202	1,149
Audit related services*	128	463
Total audit and audit related fees	1,330	1,612
– Tax compliance services	91	135
– Tax advisory services	266	239
– Other services**	254	1,748
Total non-audit fees	611	2,122
Total fees	1,941	3,734

*Audit related services relate to review procedures in respect of the interim financial information. The prior year figure includes services for the opening balance sheet work in respect of MSI, Promopharm and the prospectus work relating to the Promopharm acquisition.

**Other services include transaction services related to corporate transactions. The previous year's figure includes integration planning performed in the US in respect of the MSI acquisition.

A description of the work of the Audit Committee is set out in the Audit Committee report on *pages 72 to 75* and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditor.

7. STAFF COSTS

The average monthly number of employees (including Executive Directors) was:

	2012 Number	2011 Number
Production	3,716	3,625
Sales and marketing	1,986	1,699
Research and development	285	239
General and administrative	662	602
	6,649	6,165

	2012 $000	2011 $000
Their aggregate remuneration comprised:		
Wages, salaries and bonuses	210,195	175,627
Social security costs	17,938	15,051
Post-employment benefits	5,911	3,559
End of service indemnity	5,585	2,934
Share-based payments	7,961	7,507
Car and housing allowance	14,579	13,483
Other costs and employee benefits	32,019	19,678
	294,188	237,839

8. OTHER OPERATING EXPENSES (NET)

	2012 $000	2011 $000
Other operating expense	(27,864)	(20,579)
Other operating income	4,862	7,971
	(23,002)	(12,608)

Other operating expenses consist mainly of provisions against slow moving inventory items, abnormal manufacturing spoilage, disposal of intangible and fixed assets, and foreign exchange losses. Other operating income consists mainly of foreign exchange gains, other product related income, and commissions and royalties.

9. FINANCE INCOME

	2012 $000	2011 $000
Interest income	1,266	468

10. FINANCE EXPENSE

	2012 $000	2011 $000
Interest on bank overdrafts and loans	20,810	12,884
Interest on obligations under finance leases	1,161	869
Other bank charges	13,417	9,615
Net foreign exchange loss	329	–
	35,717	23,368

11. TAX

	2012 $000	2011 $000
Current tax:		
Foreign tax	30,535	15,541
Prior year adjustments	4,703	(1,358)
Deferred tax (Note 17)	(10,412)	(3,760)
	24,826	10,423

UK corporation tax is calculated at 24.5% (2011: 26.5%) of the estimated assessable profit made in the UK for the year.

The effective tax rate for the Group is 18.8% (2011: 11.10%).

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdiction.

The charge for the year can be reconciled to profit before tax per the consolidated income statement as follows:

	2012 $000	2011 $000
Profit before tax:	132,041	93,892
Tax at the UK corporation tax rate of 24.5% (2011: 26.5%)	32,350	24,881
Profits taxed at different rates	(17,219)	(10,796)
Permanent differences	2,891	(5,158)
Temporary differences for which no benefit is recognised	2,101	2,854
Prior year adjustments	4,703	(1,358)
Tax expense for the year	24,826	10,423

12. DIVIDENDS

	2012 $000	2011 $000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2011 of 7.5 cents (2010: 7.5 cents) per share	14,746	14,497
Interim dividend for the year ended 31 December 2012 of 6.0 cents (2011: 5.5 cents) per share	11,804	10,704
	26,550	25,201

The proposed final dividend for the year ended 31 December 2012 is 10.0 cents (2011: 7.5 cents) per share, bringing the total dividend for the year to 16.0 cents (2011: 13.0 cents) per share.

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 16 May 2013 and has not been included as a liability in these financial statements. Based on the number of shares in issue at 31 December 2012 (196,765,000), the unrecognised liability is $19,677,000.

13. EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit attributable to equity holders of the parent by the weighted average number of ordinary shares. The number of ordinary shares used for the basic and diluted calculations is shown in the table below. Adjusted basic earnings per share and adjusted diluted earnings per share are intended to highlight the adjusted results of the Group before exceptional items and intangible amortisation (excluding software). A reconciliation of the basic and adjusted earnings used is also set out below:

	2012 $000	2011 $000
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent	100,320	80,107
Exceptional items (see Note 5)	14,387	18,138
Intangible amortisation*	12,674	8,998
Tax effect of adjustments	(6,852)	(6,374)
Adjusted earnings for the purposes of adjusted basic and diluted earnings per share being adjusted net profit attributable to equity holders of the parent	120,529	100,869

Number of shares	Number '000	Number '000
Weighted average number of Ordinary Shares for the purposes of basic earnings per share	196,348	194,135
Effect of dilutive potential Ordinary Shares:		
Share-based awards	1,951	3,633
Weighted average number of Ordinary Shares for the purposes of diluted earnings per share	198,299	197,768

	2012 Earnings per share Cents	2011 Earnings per share Cents
Basic	51.1	41.3
Diluted	50.6	40.5
Adjusted basic	61.4	52.0
Adjusted diluted	60.8	51.0

*Intangible amortisation comprises the amortisation of intangible assets other than software.

14. INTANGIBLE ASSETS

	Goodwill $000	Marketing rights $000	Customer relationships $000	Product related intangibles $000	In process R&D $000	Trade names $000	Other acquisition related intangibles $000	Software $000	Total $000
COST									
Balance at 1 January 2011	177,685	8,352	62,737	25,391	4,318	6,949	2,982	14,014	302,428
Additions	–	1,155	–	6,831	–	–	–	981	8,967
Acquisition of subsidiaries	99,311	–	17,216	30,275	–	4,286	73	63	151,224
Disposals	–	–	–	(100)	–	–	–	–	(100)
Translation adjustments	(6,983)	(197)	(1,259)	(715)	(51)	(268)	(65)	(179)	(9,717)
Balance at 1 January 2012	270,013	9,310	78,694	61,682	4,267	10,967	2,990	14,879	452,802
Additions	–	1,245	–	30,850	–	–	230	12,355	44,680
Adjustments*	606	–	–	–	–	–	–	–	606
Reclassification	–	–	–	686	(686)	–	–	–	–
Disposals	(31)	–	–	(150)	–	–	(142)	–	(323)
Translation adjustments	(2,958)	186	(951)	(1,086)	(19)	(68)	26	(62)	(4,932)
Balance at 31 December 2012	267,630	10,741	77,743	91,982	3,562	10,899	3,104	27,172	492,833
AMORTISATION									
Balance at 1 January 2011	(608)	(3,094)	(14,079)	(5,597)	(912)	(127)	(919)	(7,972)	(33,308)
Charge for the year	–	(1,033)	(4,488)	(2,768)	(279)	(228)	(202)	(2,345)	(11,343)
Translation adjustments	–	100	226	139	30	12	29	117	653
Balance at 1 January 2012	(608)	(4,027)	(18,341)	(8,226)	(1,161)	(343)	(1,092)	(10,200)	(43,998)
Charge for the year	–	(884)	(5,195)	(5,625)	(241)	(530)	(199)	(3,358)	(16,032)
Reclassification	–	–	–	(207)	207	–	–	–	–
Translation adjustments	–	(70)	205	29	17	3	37	25	246
Balance at 31 December 2012	(608)	(4,981)	(23,331)	(14,029)	(1,178)	(870)	(1,254)	(13,533)	(59,784)
CARRYING AMOUNT									
At 31 December 2012	267,022	5,760	54,412	77,953	2,384	10,029	1,850	13,639	433,049
At 31 December 2011	269,405	5,283	60,353	53,456	3,106	10,624	1,898	4,679	408,804

The current year additions include licences, new products under development and software, which mainly relates to the Group's ongoing SAP implementation.

*An adjustment of $606,000 was made to the provisional goodwill recognised on the acquisition of MSI as a result of the adjustment to deferred taxes made prior to the end of the measurement period on 2 May 2012 (Note 17).

14. INTANGIBLE ASSETS *Continued*

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ("CGUs") that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated as follows:

	As at 31 December	
	2012 $000	2011 $000
BRANDED		
Arab Pharmaceuticals Manufacturing Co.	74,399	74,399
Al Jazeera Pharmaceutical Industries Ltd	6,752	6,752
Hikma Pharma SAE (Egypt)	30,164	31,745
Societe D'Industries Pharmaceutiques Ibn Al Baytar S.A.	10,580	10,943
SPA Societe Al Dar Al Arabia	14,108	14,495
Société de Promotion Pharmaceutique du Maghreb S.A. (Promopharm)	60,849	59,934
Savanna Pharmaceuticals Industries Co. Ltd.	1,644	3,411
	198,496	201,679
INJECTABLES		
German operations	34,485	34,273
Baxter Healthcare Multi-Source Injectables (MSI)	32,494	31,888
Hikma Italia S.p.A	743	728
	67,722	66,889
OTHERS		
Arab Medical Containers	742	742
IPRC	62	95
	804	837
Total	267,022	269,405

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill may be impaired.

The recoverable amounts of the CGUs are determined from value-in-use calculations. The value-in-use calculations are based on cash flows over five years grown at 2% in perpetuity. The key assumptions for the value-in-use calculations are those regarding the discount rates and compound annual cash flow growth rate for the five-year business plan.

Management estimates discount rates using WACC rates that reflect the current market assessments of the time value of money and the risks specific to the CGUs. The discount rates used varied between 10.1% and 18.8% based on the markets in which the CGU's operate. The compound annual cash flow growth rates range from 1% growth to 37% growth.

The Group has conducted a sensitivity analysis on the impairment test of each CGU's carrying value. In each case the valuations indicate sufficient headroom such that a reasonably possible change to key assumptions is unlikely to result in an impairment of the related goodwill. Whilst there is some uncertainty regarding the short-term impact of the political events in MENA, the Group does not consider that the likelihood of impairment losses in the long-term has increased.

Other intangible assets

Amortisation of all intangible assets with finite useful lives is charged on a straight-line basis.

Marketing rights Marketing rights are amortised over their useful lives commencing on the year in which the rights first generate sales.

The estimated useful life of marketing rights varies from 5 to 10 years.

Customer relationships Customer relationships represent the value attributed to the existing direct customers that the Company acquired on the acquisition of subsidiaries. The customer relationships have an average estimated useful life of 15 years (2011: 15 years).

Product related intangibles Product related intangibles include three types:

a. Product files and under-licensed products: $5,536,000 (2011: $5,739,000) of the product files and under-license products intangibles are assessed as having indefinite useful lives due to the expected longevity of the products. The movement relates to retranslation at year end rates. These assets are reviewed for impairment at least annually.

The product files recognised on the acquisition of MSI have an average estimated useful life of 10 years. The carrying value of these files is $4,646,000 (2011: $5,162,663).

b. Under-license agreements: The estimated useful life of under-license agreements varies from 5 to 11 years (2011: 5 to 11 years).

14. INTANGIBLE ASSETS *Continued*

c. Product dossiers: Product dossiers have an average estimated useful life of 15 years (2011: 15 years).

In-process R&D: In-process R&D represents mainly the pipeline of products under development that were recognised on the acquisition of Arab Pharmaceutical Manufacturing Company and Hikma Pharma SAE- Egypt. The in-process R&D has an average estimated useful life of 15 years (2011: 15 years).

Trade name: Trade names were mainly recognised on the acquisition of Hikma Germany GmbH (Germany), Arab Pharmaceutical Manufacturing Company, Promopharm, Savanna and Ibn Al Baytar.

The trade name recognised on the acquisition of Hikma Germany GmbH (Germany) is expected to have an indefinite economic useful life due to its expected longevity. The carrying value of Hikma Germany GmbH (Germany) trade name is $5,536,000 (2011: $5,423,000). The movement has arisen due to retranslation. The trade names recognised on the acquisition of the other subsidiaries have useful lives that vary from 3 to 20 years.

Software: Software intangibles mainly represent the Enterprise Resource Planning solution that is being implemented in different operations across the Group. The software has an average estimated useful life of five years.

Other acquisition related intangibles: This mainly represents intangible assets recognised on the acquisition of Thymoorgan, which relate to its specialist manufacturing capabilities. The estimated useful life varies from 10 years to an indefinite useful life. The carrying value of assets with indefinite lives is $991,000 (2011: $971,000). The movement relates to retranslation at year end rates.

15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings $000	Vehicles $000	Machinery and equipment $000	Fixtures and equipment $000	Projects under construction $000	Total $000
COST						
Balance at 1 January 2011	174,417	13,345	215,287	43,344	45,126	491,519
Additions	7,915	2,039	22,290	7,444	31,007	70,695
Acquisition of subsidiaries	36,447	120	34,234	3,165	230	74,196
Disposals	(35)	(1,527)	(1,221)	(440)	(53)	(3,276)
Transfers	1,709	549	7,082	(962)	(8,378)	–
Translation adjustment	(2,342)	(150)	(3,393)	(429)	(1,218)	(7,532)
Balance at 1 January 2012	218,111	14,376	274,279	52,122	66,714	625,602
Additions	4,118	1,143	10,527	1,241	32,812	49,841
Disposals	(446)	(1,183)	(10,277)	(3,877)	(248)	(16,031)
Transfers	20,037	130	14,424	3,243	(37,834)	–
Translation adjustment	(4,161)	(471)	(1,555)	(663)	(816)	(7,666)
Balance at 31 December 2012	237,659	13,995	287,398	52,066	60,628	651,746
ACCUMULATED DEPRECIATION						
Balance at 1 January 2011	(32,229)	(7,111)	(108,423)	(26,293)	–	(174,056)
Charge for the year	(6,855)	(1,949)	(21,107)	(5,749)	–	(35,660)
Disposals and transfers	1	1,189	946	420	–	2,556
Translation adjustment	780	68	1,727	340	–	2,915
Balance at 1 January 2012	(38,303)	(7,803)	(126,857)	(31,282)	–	(204,245)
Charge for the year	(8,929)	(2,019)	(25,554)	(5,857)	–	(42,359)
Disposals	98	970	9,798	3,829	–	14,695
Translation adjustment	(10)	144	(169)	141	–	106
Balance at 31 December 2012	(47,144)	(8,708)	(142,782)	(33,169)	–	(231,803)
Carrying amount						
At 31 December 2012	190,515	5,287	144,616	18,897	60,628	419,943
Carrying amount						
At 31 December 2011	179,808	6,573	147,422	20,840	66,714	421,357

15. PROPERTY, PLANT AND EQUIPMENT *Continued*

The net book value of the Group's property, plant and equipment includes an amount of $17,151,000 (2011: $18,229,000) in respect of assets held under finance lease.

As at 31 December 2012, the Group had pledged property, plant and equipment having a carrying value of $135,166,000 (2011: $150,268,000) as collateral for various long-term loans. This amount includes both specific items around the Group and the net property, plant and equipment of the Group's businesses in Portugal, Egypt, US, Germany and Tunisia (2011: Portugal, Egypt, Saudi Arabia, US, and Tunisia).

In 2008, the German Government provided Thymoorgan Pharmazie GmbH with a grant of Euro 560,000, being a contribution towards the purchase of two freeze dryers and additional equipment. The carrying value of the grant as at 31 December 2012 was $187,000 (2011: $249,000).

During the year 2012, the Group entered into contractual commitments for the acquisition of property, plant and equipment amounting to $2,800,000 (2011: $166,000).

The amount of borrowing costs that have been capitalised in the year, within the projects under construction, is $68,000 (2011: $781,000). The average capitalisation rate used ranges between 2.87%–11.00% (2011: 3.12%–10.50%).

16. INTEREST IN ASSOCIATED COMPANIES

On 15 April 2011, the Group acquired a non-controlling interest of 23.1% in the Indian company Unimark Remedies Limited ("Unimark") through the subscription of new equity for a cash consideration of $33,609,000. Through this strategic partnership, Hikma and Unimark will collaborate on the development of strategic APIs and new product formulations. Unimark's strong technical and R&D capabilities will complement Hikma's in-house R&D efforts and are expected to enable Hikma to bring more products in more therapeutic categories to market globally.

On 28 June 2011, the Group acquired a non-controlling interest of 30.1% in Hubei Haosun Pharmaceutical Co., Ltd ("Haosun") through the subscription of new equity, for a cash consideration of $5,000,000. Through this partnership Hikma gains access to a high quality, long-term source of API, particularly in the strategically important area of oncology.

Gains of $892,000, representing the Group's share of the results of associates, are included in the consolidated income statement.

	For the year ended 31 December 2012 $000	For the year ended 31 December 2011 $000
Balance at 1 January 2012	37,445	–
Additions	–	38,609
Share of income/loss of associates	892	(1,164)
Balance at 31 December	38,337	37,445

Summarised financial information in respect of the Group's interests in associated companies is set out below:

	For the year ended 31 December 2012 $000	For the year ended 31 December 2011 $000
Total assets	227,345	192,645
Total liabilities	118,640	93,424
Net assets	108,705	99,221
Group's share of net assets of associates	25,947	23,775
Total revenues	139,596	89,659
Net income/loss	3,974	(6,017)
Group's share of income/loss of associates	892	(1,164)

The information above is adjusted for fair value adjustments arising on acquisition and to comply with the Group's accounting policies.

17. DEFERRED TAX

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting year.

	Tax losses $000	Deferred R&D costs $000	Other short-term temporary differences $000	Amortisable assets $000	Fixed assets $000	Share-based payments $000	Total $000
At 1 January 2011	954	1,040	16,637	(7,329)	(7,604)	7,186	10,884
(Charge)/credit to income	(665)	297	6,963	(1,411)	(1,132)	(292)	3,760
Charge to equity	–	–	–	–	–	(5,644)	(5,644)
Acquisition of subsidiaries	–	–	15,989	(11,918)	–	–	4,071
Adjustments	–	(571)	–	–	–	–	(571)
Exchange differences	19	(45)	(238)	547	142	–	425
At 1 January 2012	308	721	39,351	(20,111)	(8,594)	1,250	12,925
(Charge)/credit to income	(254)	(317)	10,308	1,015	137	(477)	10,412
Credit to equity	–	–	–	–	–	98	98
Adjustments*	–	–	(606)	–	–	–	(606)
Exchange differences	1	6	(29)	(53)	97	–	22
At 31 December 2012	55	410	49,024	(19,149)	(8,360)	871	22,851

*An adjustment of $606,000 was made to the deferred tax recognised on acquisition of MSI prior to the end on the measurement period on 2 May 2012.

Certain deferred tax assets and liabilities have been appropriately offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	As at 31 December	
	2012 $000	2011 $000
Deferred tax liabilities	(22,921)	(23,147)
Deferred tax assets	45,772	36,072
	22,851	12,925

No deferred tax asset has been recognised on temporary differences totalling $33,310, 000 (2011: $64,514,000) due to the unpredictability of the related future profit streams.

Of these temporary differences, $8,681,000 relate to unrecognised deferred tax on UK share-based payments. The remaining temporary differences of $24,629,000 relate to losses on which no deferred tax is recognised. Of these losses $1,321,000 relate to losses that have expired by 31 December 2012.

No deferred tax liability is recognised on temporary differences of $57,933,000 (2011: $39,201,000) relating to the unremitted earnings of overseas subsidiaries, as the Group is able to control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future.

18. FINANCIAL AND OTHER NON-CURRENT ASSETS

	As at 31 December	
	2012 $000	2011 $000
Other financial assets	632	1,644
Available for sale investments	412	435
Other non-current asset	10,000	10,000
	11,044	12,079

Other non-current assets represent advance payments made to acquire products and product related technologies.

19. INVENTORIES

	As at 31 December	
	2012 $000	2011 $000
Finished goods	87,663	77,862
Work-in-progress	30,011	28,039
Raw and packing materials	135,571	114,449
Goods in transit	18,986	18,910
	272,231	239,260

Goods in transit includes inventory held at third parties whilst in transit between Group companies.

	As at 31 December 2011 $000	Additions $000	Utilisation $000	Translation adjustments $000	As at 31 December 2012 $000
Provisions against inventory	24,078	22,206	(19,195)	(278)	26,811

The total expense in the consolidated income statement for the write-off of inventory, including provisions for such write-offs, was $19,218,000 (2011: $12,271,000).

20. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2012 $000	2011 $000
Trade receivables	294,048	292,100
Prepayments	22,758	16,015
Value added tax recoverable	8,439	5,188
Interest receivable	579	490
Employee advances	2,323	2,063
	328,147	315,856

Trade receivables are stated net of provisions for chargebacks and doubtful debts as follows:

	As at 31 December 2011 $000	Additions $000	Utilisation $000	Translation adjustments $000	As at 31 December 2012 $000
Chargebacks and other allowances	57,616	167,146	(176,266)	28	48,524
Doubtful debts	18,429	4,104	(324)	(504)	21,705
	76,045	171,250	(176,590)	(476)	70,229

20. TRADE AND OTHER RECEIVABLES *Continued*

The following table provides a summary of the age of trade receivables:

		Past due					
	Not past due on the reporting date $000	less than 90 days $000	between 91 and 180 days $000	between 181 and 360 days $000	over one year $000	Impaired $000	Total $000
At 31 December 2012							
Total trade receivables as at 31 December 2012	250,285	61,128	8,479	14,672	8,008	21,705	364,277
Related allowance for doubtful debts						(21,705)	(21,705)
	250,285	61,128	8,479	14,672	8,008	–	342,572
Chargebacks and other allowances							(48,524)
Net receivables							294,048

		Past due					
	Not past due on the reporting date $000	less than 90 days $000	between 91 and 180 days $000	between 181 and 360 days $000	over one year $000	Impaired $000	Total $000
At 31 December 2011							
Total trade receivables as at 31 December 2011	274,862	56,367	9,422	5,479	3,586	18,429	368,145
Related allowance for doubtful debts	–	–	–	–	–	(18,429)	(18,429)
	274,862	56,367	9,422	5,479	3,586	–	349,716
Chargebacks and other allowances							(57,616)
Net receivables							292,100

The Group establishes an allowance for impairment that represents its estimate of losses in respect of specific trade and other receivables, where it is deemed that a receivable may not be recoverable. When the receivable is deemed irrecoverable, the allowance account is written-off against the underlying receivable.

More details on the Group's policy for credit and concentration of risk management are provided in Note 28.

21. COLLATERALISED AND RESTRICTED CASH

Collateralised and restricted cash primarily represent an amount retained against short-term bank transactions granted to the Group's Sudanese, Egyptian, Jordanian and Algerian operations of $1,756,000. (2011: Sudanese, Egyptian, Jordanian and Algerian operations of $2,595,000).

22. CASH AND CASH EQUIVALENTS

	As at 31 December	
	2012 $000	2011 $000
Cash at banks and on hand	76,023	64,944
Time deposits	99,798	29,623
Money market deposits	689	148
	176,510	94,715

Cash and cash equivalents include highly liquid investments with maturities of three months or less.

23. BANK OVERDRAFTS AND LOANS

	As at 31 December	
	2012 $000	2011 $000
Bank overdrafts	19,591	18,286
Import and export financing	72,768	53,196
Short-term loans	12,011	4,284
Deferred consideration	–	11,785
Current portion of long-term loans (Note 26)	88,509	65,302
	192,879	152,853

	2012 %	2011 %
The weighted average interest rates paid were as follows:		
Bank overdrafts	5.24	4.80
Bank loans (including the non-current bank loans)	3.07	2.94
Import and export financing	3.69	2.42

Import and export financing represents short-term financing for the ordinary trading activities of the business.

The deferred consideration is in relation to the acquisition of MSI and was paid during the year ended 31 December 2012.

24. TRADE AND OTHER PAYABLES

	As at 31 December	
	2012 $000	2011 $000
Trade payables	110,600	97,756
Accrued expenses	69,734	60,276
Employees' provident fund*	5,863	4,181
VAT and sales tax payables	560	535
Dividends payable**	2,074	2,207
Social security withholdings	1,709	1,107
Income tax withholdings	2,862	2,482
Other payables	1,403	668
	194,805	169,212

*The employees' provident fund liability mainly represents the outstanding contributions due to the Hikma Pharmaceuticals Ltd (Jordan) retirement benefit plan, on which the fund receives 5% interest.

**Dividends payable includes $1,889,000 (2011: $2,022,000) due to the previous shareholders of APM.

25. OTHER PROVISIONS

Other provisions represent the end of service indemnity provisions of certain Hikma Group subsidiaries. This provision is calculated based on relevant laws in the countries where each Group company operates, in addition to their own policies.

Movements on the provision for end of service indemnity:

	2012 $000	2011 $000
1 January	9,398	8,641
Additions	2,069	1,865
Utilisation	(767)	(1,069)
Translation adjustments	(36)	(39)
31 December	10,664	9,398

26. LONG-TERM FINANCIAL DEBTS

	As at 31 December	
	2012 $000	2011 $000
Total loans	460,997	410,197
Less: current portion of loans (Note 23)	(88,509)	(65,302)
Long-term financial loans	372,488	344,895
Breakdown by maturity:		
Within one year	88,509	65,302
In the second year	79,794	84,488
In the third year	79,513	63,732
In the fourth year	77,923	65,490
In the fifth year	47,644	58,069
Thereafter	87,614	73,116
	460,997	410,197
Breakdown by currency:		
US Dollar	405,350	346,405
Euro	13,247	18,394
Jordanian Dinar	5,642	–
Algerian Dinar	29,294	37,400
Saudi Riyal	–	–
Egyptian Pound	4,355	4,343
Tunisian Dinar	3,109	3,655
	460,997	410,197

The loans are held at amortised cost.

At 31 December 2012, import and export financing, short-term loans and the current and long-term portion of long-term loans totalled $545,777,000 (2011: $467,677,000).

Long-term loans amounting to $85,989,000 (2011: $105,338,000) are secured.

Included in the table above are the following major arrangements entered into by the Group:

a) A five year $100,000,000 syndicated term loan and a four year $45,000,000 revolver were entered into on 2 May 2011. The term loan was partially repaid by $25,000,000 on 15 December 2011. Equal quarterly repayments for the term loan commenced on 30 June 2012 and will continue until 2 May 2016. The loan had an outstanding balance of $68,750,000 at the year-end and an unused revolver balance of $40,000,000. The revolver maturity date is 2 May 2015. The term loan was used to fund the acquisition of the MSI business in 2011 and the revolver is used to fund the US business' working capital needs.

b) A seven year syndicated loan of up to $180,000,000 was entered into on 27 September 2011. The syndicate was closed on 1 June 2012 and has an outstanding balance at year end of $180,000,000. Quarterly repayments for the term loan should commence 18 months after the date of the agreement, 27 March 2013 and will continue until the 84th month after the date of the agreement, 27 September 2018. Payments will be made with equal instalments representing 3.182% of the loan balance and a bullet payment of 30% at the maturity of the loan. The loan was used to finance the Promopharm acquisition and the Group's general capital expenditure.

c) A nine year $110,000,000 loan from the International Finance Corporation ("IFC") was entered into on 19 December 2011. The loan had an outstanding balance of $60,000,000 at year end and a $50,000,000 unused available limit. Equal quarterly repayments for the term loan should commence on 15 November 2013 and will continue until 15 August 2020. The loan has been used to finance acquisitions and capital expenditure in the MENA region, noting that the loan is restricted for use in permitted developing countries.

27. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2012 $000	2011 $000	2012 $000	2011 $000
Amounts payable under finance leases:				
Within one year	3,641	3,490	3,480	3,300
In the second to fifth years inclusive	16,664	19,315	15,891	18,134
	20,305	22,805	19,371	21,434
Less: Interest lease charges	(934)	(1,371)		
Present value of minimum lease payments payable	19,371	21,434		

It is the Group's policy to lease certain of its property, plant and equipment under finance leases. The average lease term is five years (2011: five years). For the year ended 31 December 2012, the average effective borrowing rate was between 1.0% and 8.8% (2011: between 1.7% and 8.8%).

28. FINANCIAL POLICIES FOR RISK MANAGEMENT AND THEIR OBJECTIVES

Credit and concentration of risk

The Group's principal financial assets are cash and cash equivalents, trade and other receivables, and investments.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful debts, chargebacks, without recourse discounts, and other allowances. A provision for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

In line with local market practice, customers in the MENA region are offered relatively long payment terms compared to customers in Europe and the US. During the year ended 31 December 2012, the Group's largest three customers in the MENA region represented 13.7% of Group revenue, 9.4% in Saudi Arabia, 2.3% in Algeria and 2.0% in Tunisia. At 31 December 2012, the amount of receivables due from customers based in Saudi Arabia was $60,271,000 (2011: $53,351,000), in Algeria was $40,911,000 (2011: $31,139,000), and in Tunisia was $5,502,000 (2011: $3,382,000).

During the year ended 31 December 2012, three key US wholesalers represented 16.8% of Group revenue (2011: 18.8%). The amount of receivables due from US customers at 31 December 2012 was $59,197,000 (2011: $86,476,000).

The Group manages this risk through the implementation of stringent credit policies, procedures and certain credit insurance agreements.

Trade receivable exposures are managed locally in the operating units where they arise. Credit limits are set as deemed appropriate for the customer, based on a number of qualitative and quantitative factors related to the credit worthiness of a particular customer. The Group is exposed to a variety of customers ranging from government-backed agencies and large private wholesalers to privately owned pharmacies, and the underlying local economic risks vary across the Group. Typical credit terms in the US range from 30–90 days, in Europe 30–120 days, and in MENA 180–360 days. Where appropriate, the Group endeavours to minimise risk by the use of trade finance instruments such as letters in credit and insurance.

Market risk

The Group's objective is to reduce, where it is deemed appropriate to do so, fluctuations in earnings and cash flow associated with changes in interest rates and foreign currency rates. The Group is exposed to foreign exchange and interest rate risk. Management actively monitors these exposures to manage the volatility relating to these exposures by entering into a variety of derivative financial instruments.

Capital risk management

The Group manages its capital and monitors its liquidity to have reasonable assurance that the Group will be able to continue as a going concern and deliver its growth strategy objectives whilst reducing its cost of capital and maximising the return to shareholders through the optimisation of the debt and equity mix. The Group regularly reviews the capital structure by considering the level of available capital and the short to medium-term strategic plans concerning future capital spend, as well as the need to meet dividends, banking covenants and borrowing ratios.

28. FINANCIAL POLICIES FOR RISK MANAGEMENT AND THEIR OBJECTIVES *Continued*

The Group defines capital as equity plus net funds, which include bank overdrafts and loans (Note 23), obligations under finance leases (Note 27), long-term financial debts (Note 26), net of cash and cash equivalents (Note 22) and collateralised and restricted cash (Note 21).

During the year, the Group continued its strategy of obtaining debt financing at both the Group level and at the operating entities level. This enables the Group to borrow at competitive rates and to build relationships with local and international banks and is therefore deemed to be the most effective means of raising finance, while maintaining the balance between borrowing cost, asset and liability management and balance sheet currency risk management.

In order to monitor the available net funds, management reviews financial capital reports on a monthly basis in addition to the continuous review by the Group treasury function.

Gearing (debt/equity) increased from 65% to 69%. Acquisitions, a key element of the Group's business strategy, have been funded by debt financing of $33,528,000 in the year of which $20,000,000 relates to the acquisition of the Egyptian Company for the Pharmaceuticals and Chemicals Industries ("EPCI") (Note 40). The Directors consider that the Group's current gearing is appropriate in that it enables the Group to maintain its existing dividend policy and at the same time to accommodate the Group's investment policy.

Foreign exchange risk

The Group uses the US Dollar as its presentation currency and is therefore exposed to foreign exchange movements primarily in the Euro, Algerian Dinar, Sudanese Pound, Japanese Yen, Egyptian Pound, Tunisian Dinar and Moroccan Dirham. Consequently, where possible, the Group enters into various contracts, which change in value as foreign exchange rates change, to hedge against the risk of movement in foreign denominated assets and liabilities. Due to the lack of open currency markets, the Algerian Dinar and the Sudanese Pound cannot be hedged. Where possible, the Group uses financing facilities denominated in local currencies to mitigate the risks. The Jordanian Dinar and Saudi Riyal have no impact on the consolidated income statement as those currencies are pegged against the US Dollar.

Interest rate risk

The Group manages its exposure to interest rate risk by changing the proportion of debt that is floating by entering into interest rate swap agreements. Using these derivative financial instruments has not had a material impact on the Group's financial position as at 31 December 2012 or the Group's results of operations for the year then ended.

	As at 31 December 2012			As at 31 December 2011		
	Fixed rate $000	Floating rate $000	Total $000	Fixed rate $000	Floating rate $000	Total $000
Financial liabilities						
Interest-bearing loans and borrowings	174,496	410,242	584,738	190,329	328,853	519,182
Financial assets						
Cash and cash equivalents	–	99,798	99,798	–	29,623	29,623

An interest rate sensitivity analysis assumes an instantaneous 100 basis point change in interest rates in all currencies from their levels at 31 December 2012, with all other variables held constant. Based on the composition of the Group's debt portfolio as at 31 December 2012, a 1% increase/decrease in interest rates would result in an additional $3,104,000 (2011: $2,992,000) in interest expense/income being incurred per year.

Fair value of financial assets and liabilities

The fair value of financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Management classifies items that are recognised at fair value based on the level of inputs used in their fair value determination as described below:

- *Level 1:* Quoted prices in active markets for identical assets or liabilities
- *Level 2:* Inputs that are observable for the asset or liability
- *Level 3:* Inputs that are not based on observable market data

28. FINANCIAL POLICIES FOR RISK MANAGEMENT AND THEIR OBJECTIVES *Continued*

The following methods and assumptions were used to estimate the fair value:

- Cash and cash equivalents – due to the short-term maturities of these financial instruments and given that generally they have negligible credit risk, management considers the carrying amounts to be not significantly different from their fair values;
- Short-term loans and overdrafts – approximates to the carrying amount because of the short maturity of these instruments;
- Long-term loans – the majority of the loans are variable rate and re-price in response to any changes in market rates and so management considers the carrying amount to be not significantly different from their fair market value. For fixed-rate loan exposures, fair value is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities of such loans;
- Over the counter ("OTC") derivative contracts may include forward, swap, and option contracts relating to interest rates or foreign currencies and are valued based on level 2 market prices and prevailing exchange rates at the balance sheet date;
- Receivables and payables – due to the short-term maturities of these financial instruments, the fair values of receivables and payables are estimated to be equal to the respective carrying amounts; and
- Lease obligations – are valued at the present value of the minimum lease payments.

Currency risk

Currency risks as defined by IFRS 7 arise on account of financial instruments being denominated in a currency that is other than the functional currency of an entity and being of a monetary nature.

The currencies that have a significant impact on the Group accounts and the exchange rates used are as follows:

	Period end rates		Average rates	
	2012	2011	2012	2011
USD/EUR	0.7565	0.7722	0.7775	0.7180
USD/Sudanese Pound	5.9988	2.8918	4.3346	2.9869
USD/Algerian Dinar	78.0915	76.0061	77.5551	72.8147
USD/Saudi Riyal	3.7495	3.7495	3.7495	3.7495
USD/British Pound	0.6185	0.6470	0.6309	0.6233
USD/Jordanian Dinar	0.7090	0.7090	0.7090	0.7090
USD/Egyptian Pound	6.3654	6.0481	6.0864	5.9648
USD/Japanese Yen	85.9013	77.4136	79.8155	79.7414
USD/Moroccan Dirham	8.4838	8.6133	8.6458	8.3682
USD/Tunisian Dinar	1.5506	1.4993	1.5686	1.4079

The Jordanian Dinar and Saudi Riyal have no impact on the consolidated income statement as those currencies are pegged to the US Dollar.

	Net foreign currency financial assets/(liabilities)					
2012	US Dollar $000	Euro $000	British Pound $000	Algerian Dinar $000	Japanese Yen $000	Others* $000
Functional currency of entity:						
– Jordanian Dinar	83,304	(4,526)	(138)	(149,886)	(4)	14,284
– Euro	9,106	–	–	–	–	–
– Algerian Dinar	(112,399)	(1,409)	(2)	–	–	(25)
– Saudi Riyal	18,296	2,114	(91)	(35)	(2,720)	(72)
– Sudanese Pound	(13,908)	7	–	–	–	–
– Egyptian Pound	(4,781)	(1,199)	–	–	(30)	(25)
– Tunisian Dinar	(5,538)	1,197	(8)	–	–	(6)
– Moroccan Dirham	(1,291)	(5,080)	–	–	–	(578)
– Lebanese Pound	(3,552)	–	–	–	–	(6,072)
– US Dollar	–	16,885	989	0	–	(80)
	(30,763)	7,989	750	(149,921)	(2,754)	7,426

*Others include Saudi Riyal and Jordanian Dinar.

28. FINANCIAL POLICIES FOR RISK MANAGEMENT AND THEIR OBJECTIVES *Continued*

Sensitivity analysis:

2012	US Dollar $000	Euro $000	British Pound $000	Algerian Dinar $000	Japanese Yen $000	Others $000
	Impact on profit or loss assuming 1% appreciation of foreign currency against functional currency as at year end					
Functional currency of entity:						
– Jordanian Dinar	833	(45)	(1)	(1,499)	–	143
– Euro	91	–	–	–	–	–
– Algerian Dinar	(1,124)	(14)	–	–	–	–
– Saudi Riyal	183	21	(1)	–	(27)	(1)
– Sudanese Pound	(139)	–	–	–	–	–
– Egyptian Pound	(48)	(12)	–	–	–	–
– Tunisian Dinar	(55)	12	–	–	–	–
– Moroccan Dirham	(13)	(51)	–	–	–	(6)
– Lebanese Pound	(36)	–	–	–	–	(61)
– US Dollar	–	169	10	–	–	(1)
	(308)	80	8	(1,499)	(27)	74

2011	US Dollar $000	Euro $000	British Pound $000	Algerian Dinar $000	Japanese Yen $000	Others* $000
	Net foreign currency financial assets/(liabilities)					
Functional currency of entity:						
– Jordanian Dinar	55,945	1,070	(279)	(99,710)	316	12,095
– Euro	(2,736)	–	–	–	–	–
– Algerian Dinar	(65,510)	(834)	(25)	–	–	(1)
– Saudi Riyal	14,926	944	15	(1,798)	(4,318)	(2)
– Sudanese Pound	(18,874)	405	–	–	–	–
– Egyptian Pound	(3,981)	(485)	(3)	–	(312)	(30)
– Tunisian Dinar	(4,062)	790	(228)	–	–	–
– Moroccan Dirham	(423)	(5,383)	–	–	–	(501)
– Lebanese Pound	(1,729)	–	–	–	–	(8,795)
– US Dollar	–	1,992	(1,378)	–	–	579
	(26,444)	(1,501)	(1,898)	(101,508)	(4,314)	3,345

*Others include Saudi Riyal and Jordanian Dinar.

28. FINANCIAL POLICIES FOR RISK MANAGEMENT AND THEIR OBJECTIVES *Continued*

Sensitivity analysis:

	Impact on profit or loss assuming 1% appreciation of foreign currency against functional currency as at year end					
2011	US Dollar $000	Euro $000	British Pound $000	Algerian Dinar $000	Japanese Yen $000	Others $000
Functional currency of entity:						
– Jordanian Dinar	559	11	(3)	(997)	3	121
– Euro	(27)	–	–	–	–	–
– Algerian Dinar	(655)	(8)	–	–	–	–
– Saudi Riyal	149	9	–	(18)	(43)	–
– Sudanese Pound	(189)	4	–	–	–	–
– Egyptian Pound	(40)	(5)	–	–	(3)	–
– Tunisian Dinar	(41)	8	(2)	–	–	–
– Moroccan Dirham	(4)	(54)	–	–	–	(5)
– Lebanese Pound	(17)	–	–	–	–	(88)
– US Dollar	–	20	(14)	–	–	6
	(265)	(15)	(19)	(1,015)	(43)	34

Liquidity risk of assets/(liabilities)

Liquidity risk

2012	Less than one year $000	Two to five years $000	More than five years $000	Total $000
Cash and cash equivalents	176,510	–	–	176,510
Trade receivables	294,048	–	–	294,048
Interest-bearing loans and borrowings	(191,855)	(314,952)	(90,486)	(597,293)
Interest-bearing overdrafts	(20,301)	–	–	(20,301)
Interest-bearing finance lease	(3,641)	(16,664)	–	(20,305)
Trade payables	(110,600)	–	–	(110,600)
	144,161	(331,616)	(90,486)	(277,941)

2011	Less than one year $000	Two to five years $000	More than five years $000	Total $000
Cash and cash equivalents	94,715	–	–	94,715
Trade receivables	292,100	–	–	292,100
Interest-bearing loans and borrowings	(149,240)	(298,954)	(74,957)	(523,151)
Interest-bearing overdrafts	(18,563)	–	–	(18,563)
Interest-bearing finance lease	(3,490)	(19,315)	–	(22,805)
Trade payables	(97,756)	–	–	(97,756)
	117,766	(318,269)	(74,957)	(275,460)

At 31 December 2012 the Group had undrawn facilities of $313,021,000 (2011: $396,459,000). Of these facilities, $158,929,000 (2011: $258,615,000) was committed and the remainder was uncommitted.

29. DERIVATIVE FINANCIAL INSTRUMENTS

Currency derivatives

The Group utilises currency derivatives to hedge significant future transactions and cash flows. The Group is party to a variety of foreign currency forward contracts and options in the management of its exchange rate exposures. The instruments purchased are primarily denominated in the currencies of the Group's principal markets.

At the balance sheet date, the total notional amount of outstanding forward foreign exchange contracts that the Group was committed to have been translated at 31 December exchange rates as below.

	2012 $000	2011 $000
Foreign exchange forward contracts and options (Euro)	–	4,031
Foreign exchange forward contracts and options (JPY)	2,000	6,000

These arrangements are designed to address significant exchange exposures.

At 31 December 2012, the fair value of the Group's currency derivatives, some of which were designated as effective cash flow hedges, was a liability of $7,000 (2011: a liability of $187,000). The movement in fair value in the year resulted in a gain of $180,000 (2011: loss of $270,000); which has been reflected in other comprehensive income. These amounts are based on market values of equivalent instruments at the balance sheet date.

The fair value of currency derivatives designated as ineffective cash flow hedges was $Nil (2011: $Nil) held at fair value through profit and loss. The movement in fair value in the year has not resulted in any profit or loss being recognised in the consolidated income statement for the year ended 31 December 2012 (2011: loss of $8,000) in respect of such derivatives.

The Group believes that the effect on the value of cash flow hedges of currency fluctuations is not significant and will not materially affect the financial position of the Group.

Interest rate swaps

The Group uses interest rate swaps to manage its exposure to interest rate movements on its bank borrowings. These contracts have nominal values of $157,858,000 (2011: $173,164,000) and have fixed interest payments at rates ranging from 1.41% to 4.34% (2011: 1.41% to 4.34%) for periods up until 2018 and have floating interest receipts at LIBOR or EURIBOR.

The fair value of swaps entered into by the Group is estimated as a liability of $4,001,000 (2011: liability of $1,699,000). These amounts are based on fair values provided by the banks that originated the swaps and are based on equivalent instruments at the balance sheet date. Some of these interest rate swaps are designated as effective cash flow hedges and the movement in fair value, totalling a loss of $2,301,000 (2011: loss of $422,000) has been reflected in other comprehensive income. The remaining outstanding interest rate swaps that the Group was committed to at the year end are held at fair value through profit and loss. The movement in fair value in the year resulted in a loss of $1,000, which has been recognised in the consolidated income statement for the year ended 31 December 2012 (2011: gain of $10,000) in respect of such derivatives.

The Group believes that the effect on the value of interest rate swaps by interest rate fluctuations will not materially affect the financial position of the Group.

30. SHARE CAPITAL

	2012		2011	
	Number '000	$000	Number '000	$000
Issued and fully paid – included in shareholders' equity:				
At 1 January	195,851	34,904	193,517	34,525
Issued during the year	1,185	187	2,334	379
At 31 December	197,036	35,091	195,851	34,904

31. NON-CONTROLLING INTERESTS

	2012 $000	2011 $000
At 1 January	22,059	6,378
Share of profit	6,895	3,362
Dividends paid	(1,271)	(100)
Issue of equity shares of subsidiaries	–	488
Currency translation (loss)/gain	(5,310)	195
Acquisition of subsidiaries	–	26,650
Adjustment arising from change in non-controlling interests	(7,176)	(14,914)
At 31 December	15,197	22,059

In 2012, the Group acquired an additional 9.8% stake in Promopharm for a cash consideration of $12,009,000, bringing the total ownership to 94.1%. This was completed as part of a mandatory tender offer, which closed on 6 January 2012.

The change in non-controlling interest in 2011 was mainly due to the Group acquiring an additional stake in Promopharm of 20.4%, for a cash consideration of $29,196,000, through the purchase of additional shares in the market.

32. OWN SHARES

Own shares represent 270,651 (2011: 571,000) ordinary shares in the Company held by Sanne Trust Company Limited, an independent trustee.

During the year, the Company issued 1,005,400 Ordinary Shares to the independent trustee to meet short-term commitments in relation to employee share plans. 1,305,749 shares were utilised during the year.

The market value for the own shares at 31 December 2012 was $3,183,000 (2011: $5,472,000). In 2012, no shares were acquired. The book value of the retained own shares at 31 December 2012 is $86,000 (2011: $2,222,000). The trustee holds these shares to meet long-term commitments in relation to employee share plans.

33. NET CASH FROM OPERATING ACTIVITIES

	Note	2012 $000	2011 $000
Profit before tax		132,041	93,892
Adjustments for:			
Depreciation and amortisation of:			
Property, plant and equipment		42,359	35,660
Intangible assets		16,032	11,343
Loss on disposal of property, plant and equipment		349	22
Loss (Gain) on disposal of intangible assets		67	(91)
Movement on provisions		1,266	757
Movement on deferred income		(62)	(87)
Cost of equity-settled employee share scheme		7,961	7,507
Payments of costs directly attributable to acquisitions	5	1,519	10,147
Finance income		(1,266)	(468)
Interest and bank charges		35,717	23,368
Results from associates		(892)	1,164
Cash flow before changes in working capital		235,091	183,214
Change in trade and other receivables		(20,759)	(59,898)
Change in other current assets		2,259	(4,570)
Change in inventories		(42,305)	(8,199)
Change in trade and other payables		21,914	15,987
Change in other current liabilities		10,429	1,958
Cash generated by operations		206,629	128,492
Income tax paid		(24,468)	(2,095)
Net cash generated from operating activities		182,161	126,397

34. CONTINGENT LIABILITIES

A contingent liability existed at the balance sheet date in respect of guarantees and letters of credit totalling $120,554,000 (2011: $82,494,000).

The integrated nature of the Group's worldwide operations, involving significant investment in research and strategic manufacturing at a limited number of locations, with consequential cross-border supply routes into numerous end-markets, gives rise to complexity and delay in negotiations with revenue authorities as to the profits on which individual Group companies are liable to tax. Disagreements with, and between, revenue authorities as to intra-Group transactions, in particular the price at which goods and services should be transferred between Group companies in different tax jurisdictions, has the potential to produce conflicting claims from revenue authorities as to the profits to be taxed in individual territories.

In common with many other companies in the pharmaceutical industry, the Group is involved in various legal proceedings considered typical to its business, including litigation relating to employment, product liability and other commercial disputes.

35. SHARE-BASED PAYMENTS

Equity settled share option scheme

During the year ended 31 December 2012, the Company had one stock option compensation scheme settled by equity instruments, with four separate grant dates. The options over these instruments are settled in equity once exercised.

Details of the grants under the scheme are shown below:

Date of grants	Number granted	The estimated fair value of each share option granted $	The share price at grant date $	Exercise price $	Expected volatility	Expected dividend yield	Expected average contractual life	Risk-free interest rate
4-Nov-2008	85,000	1.14	5.45	5.45	34.90%	1.21%	4.0 years	4.11%
29-Apr-2008	1,041,500	2.61	9.19	9.19	31.50%	0.08%	3.8 years	4.54%
13-Oct-2005	1,600,000	0.74	4.50	4.50	26.20%	6.67%	7.5 years	4.54%
12-Oct-2004	9,520,000	0.35	0.91	0.91	44.80%	3.85%	7.5 years	4.22%

All of the general employees share option plans have a ten-year contractual life and vesting conditions of 20% per year for five years beginning on the first anniversary of the grant date.

The estimated fair value of each share option granted in the general employee share option plans was calculated by applying a binomial option pricing model.

It was assumed that each option tranche will be exercised immediately after the vesting date.

Further details of the general employee share option plan are as follows:

	2012		2011	
	Number of share options	Weighted average exercise price (in $)	Number of share options	Weighted average exercise price (in $)
Outstanding at 1 January	743,200	7.24	2,382,618	3.33
Exercised during the year	(179,800)	6.74	(1,634,318)	1.55
Expired during the year	(23,700)	9.18	(5,100)	5.45
Outstanding at 31 December	539,700	7.33	743,200	7.24
Exercisable at 31 December	378,600	6.85	433,000	6.06

The cost of the equity settled share option scheme of $104,000 (2011: $296,000) has been recorded in the consolidated income statement as part of general and administrative expenses.

The weighted average share price at the date of exercise for share options exercised during the year was $11.25. The options outstanding at 31 December 2012 had a weighted average remaining contractual life of less than one year.

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous three to four years.

Long-term incentive plan

During the year ended 31 December 2012, the Company had a long-term incentive plan ("LTIP") settled by equity instruments, with nine separate grant dates. Under the LTIP, conditional awards and nil cost options are granted which vest after three years subject to a total shareholder return ("TSR") performance condition. This condition measures the Group's TSR relative to a comparator group of other pharmaceutical companies. In this case, the vesting schedule dictates that 20% of awards vest for median performance and 100% for upper quartile performance, with pro-rata vesting in between these points. No awards vest for performance which is below the median.

For awards made from 2010, the TSR condition applies in respect of 50% of the award and financial metrics apply in respect of the remaining 50%. For further details see the Remuneration Committee Report.

35. SHARE-BASED PAYMENTS *Continued*

Details of the grants under the plan are shown below:

Date of grants	Number granted	The estimated fair value of each share option granted $	The share price at grant date $	Expected volatility	Expected dividend yield	Risk-free interest rate
16-Mar-2012	547,780	8.65	11.43	30.31%	1.14%	0.67%
18-Mar-2011	646,054	9.00	11.74	37.04%	1.11%	1.65%
22-Mar-2010	730,253	6.97	9.00	37.18%	1.20%	1.88%
19-May-2009	200,000	3.89	6.67	38.98%	1.22%	1.92%
19-Mar-2009	920,000	2.94	5.11	38.98%	1.47%	1.88%
29-Apr-2008	700,000	5.46	9.22	31.47%	0.08%	4.50%
10-Sep-2007	150,000	4.70	8.28	34.64%	0.08%	5.00%
23-Apr-2007	466,000	4.47	7.69	34.64%	0.08%	5.45%
2-Apr-2007	160,000	4.33	7.46	34.64%	0.08%	5.40%

All long-term incentive plans have ten years contractual life and vest after three years, subject to performance conditions as mentioned above. For further details see the Remuneration Committee Report.

The estimated fair value of each share option granted in the LTIP was calculated by applying the Monte Carlo simulation methodology. For awards made from 2010, 50% of the award is subject to a TSR performance condition which was valued by applying the Monte Carlo simulation methodology, the remaining 50% of the award is subject to financial metrics which are valued by applying the Black-Scholes model.

The exercise price of the share award is nil.

Further details on the number of shares granted are as follows:

	2012 grant	2011 grant	2010 grant	2009 grants		2008 grants	2007 grants			
Year 2012	16 March Number	18 March Number	22 March Number	19 March Number	19 May Number	29 April Number	2 April Number	23 April Number	10 September Number	Total Number
Outstanding at 1 January	–	646,054	693,632	820,000	200,000	42,000	–	13,000	–	2,414,686
Granted during the year	547,780	–	–	–	–	–	–	–	–	547,780
Exercised during the year	–	–	–	(680,800)	(184,000)	–	–	–	–	(864,800)
Expired during the year forfeitures	(55,830)	(68,230)	(84,129)	–	–	–	–	–	–	(208,189)
Expired during the year performance condition	–	–	–	(59,200)	(16,000)	–	–	–	–	(75,200)
Outstanding at 31 December	491,950	577,824	609,503	80,000	–	42,000	–	13,000	–	1,814,277
Exercisable at 31 December	–	–	–	80,000	–	42,000	–	13,000	–	135,000

	2011 grant	2010 grant	2009 grants		2008 grant	2007 grants			
Year 2011	18 March Number	22 March Number	19 March Number	19 May Number	29 April Number	2 April Number	23 April Number	10 September Number	Total Number
Outstanding at 1 January	–	730,253	870,000	200,000	650,000	25,000	21,000	50,000	2,546,253
Granted during the year	646,054	–	–	–	–	–	–	–	646,054
Exercised during the year	–	–	–	–	(608,000)	(25,000)	(8,000)	(50,000)	(691,000)
Expired during the year	–	(36,621)	(50,000)	–	–	–	–	–	(86,621)
Outstanding at 31 December	646,054	693,632	820,000	200,000	42,000	–	13,000	–	2,414,686
Exercisable at 31 December	–	–	–	–	42,000	–	13,000	–	55,000

The cost of the long-term incentive plan of $4,471,000 (2011: $4,796,000) has been recorded in the consolidated income statement as part of general and administrative expenses.

35. SHARE-BASED PAYMENTS *Continued*

Management incentive plan

The 2009 Management Incentive Plan ("MIP") was approved by shareholders at the 2010 Annual General Meeting, whereby shareholders consented to the Company satisfying awards under the MIP from newly issued shares. Under the MIP, the Company makes grants of conditional awards to management across the Group below senior management level. Awards are dependent on the achievement of individual and Group KPIs over one year and are then subject to a two year holding period. The 2009 MIP awards were made at the start of the KPI performance period, whereas the 2011 awards and future awards will be made at the end of the KPI performance period.

Details of the grants under the plan are shown below:

Year 2012	2012 grants 18 May Number	2011 grants 11 May Number	2009 grants 19 March Number	Total Number
Outstanding at 1 January	–	339,134	460,809	799,943
Granted during the year	412,056	–	–	412,056
Exercised during the year	–	(5,305)	(435,644)	(440,949)
Expired during the year	(33,786)	(33,705)	(25,165)	(92,656)
Outstanding at 31 December	378,270	300,124	–	678,394

Year 2011	2011 grants 11 May Number	2009 grants 19 March Number	Total Number
Outstanding at 1 January	–	487,561	487,561
Granted during the year	356,894	–	356,894
Exercised during the year	–	–	–
Expired during the year	(17,760)	(26,752)	(44,512)
Outstanding at 31 December	339,134	460,809	799,943

The cost of the MIP of $3,386,000 (2011: $2,415,000) has been recorded in the consolidated income statement as part of general and administrative expenses.

36. OPERATING LEASE ARRANGEMENTS

	2012 $000	2011 $000
Minimum lease payments under operating leases recognised in profit or loss for the year	4,766	4,368

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2012 $000	2011 $000
Within one year	3,548	2,163
In two to five years inclusive	3,123	3,345
	6,671	5,508

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for a term of one to three years.

37. RELATED PARTY BALANCES

Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its associates and other related parties are disclosed below.

Trading transactions:

During the year, Group companies entered into the following transactions with related parties:

Darhold Limited: is a related party of the Group because it is considered one of the major shareholders of Hikma Pharmaceuticals PLC with an ownership percentage of 29.0% at the end of 2012 (2011: 29.2%). Further details on the relationship between Mr. Samih Darwazah, Mr. Said Darwazah, Mr. Mazen Darwazah and Mr. Ali Al-Husry, and Darhold Limited are given in the Directors' Report.

Other than dividends (as paid to all shareholders), there were no transactions between the Group and Darhold Limited in the year.

Capital Bank – Jordan: is a related party of the Group because during the year two Board members of the Bank were also Board members at Hikma Pharmaceuticals PLC. Total cash balances at Capital Bank – Jordan were $2,977,000 (2011: $610,000). Loans and overdrafts granted by Capital Bank to the Group amounted to $Nil (2011: $3,841,000) with interest rates ranging between 8.25% and 3MLIBOR + 1%. Total interest expense incurred against Group facilities was $344,000 (2011: $7,000). Total interest income received was $Nil (2011: $Nil) and total commission paid in the year was $91,000 (2011: $8,000).

Jordan International Insurance Company: is a related party of the Group because one Board member of the Company is also a Board member at Hikma Pharmaceuticals PLC. Total insurance premiums paid by the Group to Jordan International Insurance Company during the year were $3,423,000 (2011: $3,035,000). The Group's insurance expense for Jordan International Insurance Company contracts in the year 2012 was $2,806,000 (2011: $2,902,000). The amounts due to Jordan International Insurance Company at the year-end were $154,000 (2011: Due from $109,000).

Mr. Yousef Abd Ali: is a related party of the Group because he holds a non-controlling interest in Hikma Lebanon of 33%, the amount owed to Mr. Yousef by the Group as at 31 December 2012 was $150,000 (2011: $150,000).

Labatec Pharma: is a related party of the Group because it is owned by Mr. Samih Darwazah. During 2012, the Group total sales to Labatec Pharma amounted to $282,000 (2011: $338,000) and the Group total purchases from Labatec Pharma amounted to $1,179,000 (2011: $3,805,000). At 31 December 2012, the amount owed from Labatec Pharma to the Group was $211,000 (2011: Owed to $753,000).

King and Spalding: is a related party of the Group because the partner of the firm is a Board member and the company secretary of West-Ward. King and Spalding is an outside legal counsel firm that handles general legal matters for West-Ward. During 2012 fees of $45,000 (2011: $1,216,000) were paid for legal services provided.

Jordan Resources & Investments Company: is a related party of the Group because three Board members of the Group are shareholders in the firm. During 2012 fees of $151,000 (2011: $Nil) were paid for training services provided.

American University of Beirut: is a related party of the Group because one Board member of the Group is also a trustee of the University. During 2012 fees of $125,000 (2011: $Nil) were paid for training services provided.

Remuneration of key management personnel

The remuneration of the key management personnel (comprising the Executive and Non-Executive Directors and certain of senior management as set out in the Directors' Report) of the Group is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of the individual Directors is provided in the audited part of the Remuneration Committee Report on *pages 82 to 103*.

	2012 $000	2011 $000
Short-term employee benefits	10,460	8,474
Share-based payments	3,716	3,196
Post-employment benefits	211	102
Other benefits	204	428
	14,591	12,200

38. SUBSIDIARIES

The main subsidiaries of Hikma Pharmaceuticals PLC are as follows:

Company's name	Established in	Ownership% Ordinary shares At 31 December 2012	Ownership% Ordinary shares At 31 December 2011
Hikma Pharmaceuticals Limited	Jordan	100	100
Arab Pharmaceutical Manufacturing Co.	Jordan	100	100
Hikma Pharma Algeria SARL	Algeria	100	100
Hikma Farmaceutica S.A.	Portugal	100	100
West-Ward Pharmaceutical Corp.	U.S.A.	100	100
Pharma Ixir Co. Ltd	Sudan	51	51
Hikma Pharma SAE	Egypt	100	100
Thymoorgan Pharmazie GmbH	Germany	100	100
Hikma Pharma GmbH	Germany	100	100
Hikma Italia S. P. A	Italy	100	100
Al Jazeera Pharmaceutical Industries Ltd.	K.S.A.	100	100
Societe D'Industries Pharmaceutiques Ibn Al Baytar S.A.	Tunisia	66	66
SPA Societe Al Dar Al Arabia	Algeria	100	100
Societe de Promotion Pharmaceutique du Maghreb S.A.	Morocco	94.1	84.3
Savanna Pharmaceuticals Industries Co. Ltd.	Sudan	100	100

39. DEFINED CONTRIBUTION RETIREMENT BENEFIT PLAN

Hikma Pharmaceuticals PLC has defined contribution retirement plans in three of its subsidiaries: West-Ward Pharmaceuticals Corp, Hikma Pharmaceuticals Limited (Jordan) and Arab Pharmaceutical Manufacturing Co. The details of each contribution plan are as follows:

Hikma Pharmaceuticals Limited – Jordan:

The Group currently has an employee savings plan wherein the Group fully matches employees' contributions, which are fixed at 10% (up to 2011 was 5%) of salary. Employees are entitled to 30% of the Group contributions after three years of employment with the Group and an additional 10% for each subsequent year. Employees fully vest in the Group contributions after ten years of employment. The Group's contributions for the year ended 31 December 2012 were $2,163,000 (2011: $885,000).

West-Ward Pharmaceuticals Corp: (401 (k) salary saving plan)

Prior to 2001, West-Ward Pharmaceutical Corp established a 401 (k) defined contribution plan, which allows all eligible employees to defer a portion of their income through contributions to the plan. All employees not covered by any collective bargaining agreement are eligible after being employed for one year. Employees can defer up to 95% of their gross salary into the plan, not to exceed $17,000 and $16,500 for 2012 and 2011, respectively, not including catch-up contributions available to eligible employees as outlined by the Internal Revenue Service. The company matches 40% of the employees' eligible contribution. Employer contributions do not vest for up to two years of service, 50% after two years of service and 100% after three years of service. Employees are considered to have completed one year of service for the purposes of vesting upon the completion of 1,000 hours of service at any time during a plan year. Employer contributions to the plan for the year ended 31 December 2012 were $2,020,000 (2011: $1,357,000).

Arab Pharmaceutical Manufacturing Company – Jordan:

The Group currently has an employee saving plan wherein the employees contribute at 10%, and the company at 15% of basic salary. Employees are entitled to 100% of the company contributions after three years of employment with the company. The Group's contributions for the year ended 31 December 2012 were $708,000 (2011: $600,000).

The assets of the plans are held separately from those of the Group. The only obligation of the Group with respect to the retirement benefit plans is to make specified contributions.

40. SUBSEQUENT EVENTS

On 9 January 2013, Hikma announced that is has agreed to acquire the Egyptian Company for Pharmaceuticals & Chemical Industries ("EPCI"); the deal was completed on 22 January 2013. Hikma paid a cash consideration of $18,500,000 and deferred consideration of $2,000,000. The main purpose of the acquisition was to strengthen Hikma's position in the large and fast growing Egyptian market. Due to the timing of the acquisition, Purchase Price Allocation has not yet been performed.

COMPANY BALANCE SHEET

AT 31 DECEMBER 2012

	Notes	2012 $000	2011 $000
Non-current assets			
Investment in subsidiaries	43	1,678,040	1,664,637
Due from subsidiaries	44	70,079	57,324
Intangible assets		37	87
Property, plant and equipment		309	571
		1,748,465	1,722,619
Current assets			
Other current assets		568	589
Cash and cash equivalents	45	5,803	6,091
Due from subsidiaries	44	136,329	111,666
Accounts receivable		83	92
		142,783	118,438
Total assets		1,891,248	1,841,057
Current liabilities			
Other payables	46	340	412
Other current liabilities		2,036	2,237
Short-term debt		30,705	–
Due to subsidiaries	47	16,217	592,000
		49,298	594,649
Net current assets/(liabilities)		93,485	(476,211)
Non-current liabilities			
Long-term financial debts	48	148,836	137,410
Total liabilities		198,134	732,059
Net assets		1,693,114	1,108,998
Equity			
Share capital	54	35,091	34,904
Share premium	55	279,116	278,094
Own shares		(86)	(2,222)
Other reserves	56	1,378,993	798,222
Equity attributable to equity holders of the parent		1,693,114	1,108,998

The financial statements of Hikma Pharmaceuticals PLC, registered number 5557934, were approved by the Board of Directors and signed on its behalf by:

Said Darwazah
Director

Mazen Darwazah
Director

12 March 2013

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012

	Paid up capital $000	Share premium $000	Own shares $000	Merger reserve $000	Retained earnings $000	Total $000
Balance at 1 January 2011	34,525	275,968	(2,220)	707,369	40,793	1,056,435
Issue of equity shares	379	2,126	–	–	–	2,505
Purchase of own shares	–	–	(115)	–	–	(115)
Cost of equity-settled employee share scheme	–	–	–	–	7,507	7,507
Exercise of employees long-term incentive plan	–	–	113	–	(113)	–
Net profit for the year	–	–	–	–	67,867	67,867
Dividends paid	–	–	–	–	(25,201)	(25,201)
Balance at 31 December 2011 and 1 January 2012	34,904	278,094	(2,222)	707,369	90,853	1,108,998
Issue of equity shares	187	1,022	–	–	–	1,209
Purchase of own shares	–	–	(158)	–	–	(158)
Cost of equity-settled employee share scheme	–	–	–	–	7,961	7,961
Exercise of employees long-term incentive plan	–	–	2,294	–	(2,294)	–
Net profit for the year	–	–	–	–	601,654	601,654
Dividends paid	–	–	–	–	(26,550)	(26,550)
Balance at 31 December 2012	35,091	279,116	(86)	707,369	671,624	1,693,114

As permitted by section 408 of the Companies Act 2006, the statement of comprehensive income of the Company is not presented as part of these accounts.

COMPANY CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2012

	2012 $000	2011 $000
Profit before tax	601,654	67,867
Cost of equity-settled employee share scheme	1,754	1,818
Finance income	(2,442)	(2,753)
Interest and bank charges	5,183	1,334
Change in other current assets	21	(398)
Change in other payables	(72)	157
Depreciation of property, plant and equipment	71	60
Amortisation of intangible assets	51	60
Change in accounts receivable	9	1
Change in amounts due from/to subsidiaries	(594,014)	(4,648)
Change in other current liabilities	(152)	(1,224)
Net cash from operating activities	12,063	62,274
INVESTING ACTIVITIES		
Change in amounts due from subsidiaries	(12,755)	(34,529)
Purchase of property, plant and equipment	(35)	(489)
Investment in subsidiary	(13,403)	(141,510)
Interest income	2,442	2,753
Net cash (used in) investing activities	(23,751)	(173,775)
FINANCING ACTIVITIES		
Proceeds from issue of new shares	1,051	2,390
Increase in long-term financial debts	11,426	137,410
Increase in short-term debts	30,705	–
Interest paid	(5,232)	(70)
Dividends paid	(26,550)	(25,201)
Net cash generated from financing activities	11,400	114,529
Net (decrease)/increase in cash and cash equivalents	(288)	3,028
Cash and cash equivalents at beginning of year	6,091	3,063
Cash and cash equivalents at end of year	5,803	6,091

NOTES TO THE COMPANY FINANCIAL STATEMENTS

41. ADOPTION OF NEW AND REVISED STANDARDS

The impact on the Company of new and revised standards is the same as for the Group. Details are given in Note 1 to the consolidated financial statements.

42. SIGNIFICANT ACCOUNTING POLICIES

The separate financial statements of the Company are presented as required by the Companies Act 2006. As permitted by that Act, the separate financial statements have been prepared in accordance with International Financial Reporting Standards and UK company law.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are the same as those set out in Note 2 to the consolidated financial statements with the addition of the policies noted below.

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

Equity-settled employee share schemes are accounted for in accordance with IFRIC 11 'Group and Treasury Share Transactions', whereby current charge expenses relating to the subsidiaries' employees are recharged to subsidiary companies.

43. INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries represent the following:

Company's name	Established in	Ownership % Ordinary Shares 2012	Ownership % Ordinary Shares 2011
Hikma Limited	UK	100	100
Hikma Pharma Limited	Jersey	100	100
Hikma Holdings (UK) Limited	UK	–	100
Hikma Acquisitions (UK) Limited	UK	100	–
Al Jazeera Pharmaceutical Industries Ltd ("JPI")	KSA	52.5*	52.5*
Hikma Pharmaceuticals Limited	Jordan	22.8*	22.8*
Hikma MENA Holdings	UAE	100	100
AMKI MENA Holdings	UAE	100	–
Hikma International N.V.	Netherlands	100	–

The investments in subsidiaries are all stated at cost.

*The remaining shares are held by other Group companies.

The movement in the carrying value of the investments in the year represents an increase in the investment in Hikma MENA Holdings of $13,400,000 and a new investment in AMKI MENA Holdings of $2,722. The total investment in subsidiaries is $1,678,040,000 (2011: $1,664,637,000).

During the year ended 31 December 2012, Hikma undertook an internal reorganisation of the Group subsidiary structure. The ultimate interest in all subsidiaries remains unchanged. The changes in ownership immediately below the Company were the addition of Hikma International N.V. and Hikma Acquisitions (UK) Limited and the removal of Hikma Holdings (UK) Limited.

44. DUE FROM SUBSIDIARIES

Non-current assets	2012 $000	2011 $000
Hikma Investment Ltd.	8,512	8,384
West-Ward Pharmaceuticals Corp.	50,628	37,952
Hikma Italia S.p.A	3,959	3,782
Hikma Pharma Limited – Jersey	6,980	7,206
	70,079	57,324

These balances represent loans that carry interest of 1.5% to 4.8% (2011: 1.5% to 4.8%) per annum charged on the outstanding loan balances.

44. DUE FROM SUBSIDIARIES *Continued*

Current assets	2012 $000	2011 $000
Due from Hikma Pharma Limited – Jersey	7,491	7,222
Due from Hikma Farmaceutica – Portugal	643	487
Due from Hikma Pharma – Germany	113	78
Due from Hikma UK Limited	90,291	93,446
Due from Hikma Limited	625	580
Due from Hikma MENA Holdings Limited	14,229	7,151
Due from West-Ward Pharmaceutical Corp.	837	1,196
Due from Hikma Pharmaceuticals Limited – Jordan	20,109	–
Others	1,991	1,506
	136,329	111,666

45. FINANCIAL ASSETS

Cash and cash equivalents

These comprise cash held by the Company and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates to their fair value.

46. FINANCIAL LIABILITIES

Other payables

The Directors consider that the carrying amount of other payables approximates to their fair value.

47. DUE TO SUBSIDIARIES

	2012 $000	2011 $000
Due to Hikma Holdings	–	591,800
Due to Hikma Pharmaceuticals Limited – Jordan	–	200
Due to Hikma Phamia Limited – Jersey	15	–
Due to Hikma Investment Ltd.	728	–
Due to Eurohealth – NV	15,474	–
	16,217	592,000

These balances mainly represent amounts due to Hikma Holdings (UK) Ltd which are non-interest-bearing loans repayable on demand. During the year ended 31 December 2012, Hikma undertook an internal reorganisation of the Group subsidiary structure. The ultimate interest in all subsidiaries remains unchanged. As a result of this re-organisation, the non-interest bearing loan with Hikma Holdings (UK) Limited ceased.

48. LONG-TERM FINANCIAL DEBTS

The Company has a seven-year syndicated term loan of $180,000,000 which was entered into on 27 September 2011. The loan has an outstanding balance at year end of $172,468,000 (with a fair value of $170,541,000) from which $21,705,000 is due in one year and a zero unused available limit. Quarterly repayments for the term loan should commence 18 months after the date of the agreement and will continue until the 84th month after the date of the agreement. Payment will be made with equal instalments representing 3.182% of the loan balance and a bullet payment of 30% at the maturity of the loan. The loan was used to finance the Promopharm acquisition and the Group's general capital expenditure.

49. FINANCIAL POLICIES FOR RISK MANAGEMENT AND THEIR OBJECTIVES

Currency risk

Currency risks as defined by IFRS 7 arise on account of financial instruments being denominated in a currency that is not the functional currency and being of a monetary nature. The following table illustrates financial assets and liabilities for the Company in different currencies:

	Liabilities		Assets	
	2012 $000	2011 $000	2012 $000	2011 $000
Euro	–	–	36	1,992
British Pound	960	1,537	975	159
Jordanian Dinar	–	–	29	31

A sensitivity analysis based on a 1% movement in foreign exchange rates has no material impact on the Company results and Company statement of changes in equity.

Further details on how the Company manages the currency risk are given in Note 28.

Interest rate risk: An interest rate sensitivity analysis assumes an instantaneous 100 basis point change in interest rates in all currencies from their levels at 31 December 2012, with all other variables held constant. Based on the composition of the Company debt and cash portfolio as at 31 December 2012, a 1% increase/decrease in interest rates would result in an additional interest expense/income of $1,800,000 being incurred per year (2011: $1,400,000).

Liquidity risk

2012	Less than one year $000	Two to five years $000	More than five years $000	Total $000
Cash and cash equivalents	5,803	–	–	5,803
Accounts receivables	83	–	–	83
Interest-bearing loans and borrowings	(35,412)	(99,193)	(63,161)	(197,766)
Other payables	(340)	–	–	(340)
	(29,866)	(99,193)	(63,161)	(192,220)

2011	Less than one year $000	Two to five years $000	More than five years $000	Total $000
Cash and cash equivalents	6,091	–	–	6,091
Accounts receivables	92	–	–	92
Interest-bearing loans and borrowings	(4,341)	(83,053)	(70,495)	(157,889)
Other payables	(412)	–	–	(412)
	1,430	(83,053)	(70,495)	(152,118)

The Company believes that, given the Group's forecast operating cash flow during 2012, it has the ability to satisfy its liability commitments.

50. STAFF COSTS

Hikma Pharmaceuticals PLC currently has ten employees (2011: ten) (excluding Executive Directors); total compensation paid to them amounted to $2,466,000 (2011: $1,890,000) of which salaries and wages compromise an amount of $1,768,000 (2011: $1,291,000) the remaining balance of $698,000 (2011: $599,000) represents national insurance contributions, the cost of share-based payments and other benefits.

51. STOCK OPTIONS

The details of the stock compensation scheme are provided in Note 35. As at 31 December 2012, the total number of options granted to employees of the Company under the stock compensation scheme during the life of the scheme was 2,560,000 (2011: 2,560,000) and the total amount of the compensation expenses charged to profit and loss is $Nil (2011: $Nil).

52. LONG-TERM INCENTIVE PLANS (LTIPS)

The details of the LTIP scheme are provided in Note 35. As at 31 December 2012, the total number of awards granted to employees of the Company under the LTIPs during the life of the plans was 1,331,000 shares (2011: 1,123,000) and the total amount of the compensation expenses charged to profit and loss is $1,744,000 (2011: $1,818,000).

53. MANAGEMENT INCENTIVE PLANS (MIPS)

The details of the MIPs scheme are provided in Note 35. As at 31 December 2012, the total number of awards granted to employees of the Company under the MIPs during the life of the plans was 4,000 shares (2011: Nil) and the total amount of the compensation expenses charged to profit and loss is $11,000 (2011: $Nil).

54. SHARE CAPITAL

Issued and fully paid – included in shareholders' equity:	2012 $000	2011 $000
197,036,507 (2011: 195,851,307) Ordinary Shares of 10p each	35,091	34,904

Details of the issue of share capital in the year are given in Note 30.

55. SHARE PREMIUM

	Share premium $000
Balance at 1 January 2012	278,094
Premium arising on exercise of stock options	1,022
Balance at 31 December 2012	279,116

56. NET INCOME FOR THE YEAR

As permitted by section 408 of the Companies Act 2006, the statement of comprehensive income of the Company is not presented as part of these accounts. The net income in the Company for the year is $601,654,000 (2011: $67,867,000).

Included in the net income for the year is an amount of $614,422,000 (2011: $75,557,000) representing dividends received and $1,744,000 (2011: $1,818,000) representing the current year charge of LTIPs and $11,000 (2011: $Nil) representing the current year charge of MIPs expenses relating to the Company's employees. The remaining $6,206,000 (2011: $5,689,000) of the Group's stock options, LTIPs and MIPs charge is recharged to subsidiary companies.

57. RELATED PARTY

Darhold Limited: is a related party of the Company because it is considered one of the major shareholders of Hikma Pharmaceuticals PLC with ownership percentage of 29.0% at the end of 2012 (2011: 29.2%). Further details on the relationship between Mr. Samih Darwazah, Mr. Said Darwazah, Mr. Mazen Darwazah and Mr. Ali Al-Husry, and Darhold Limited are given in the Directors' Report.

Amounts repayable to and from subsidiaries are disclosed in Notes 44 and 47.

Other transactions with related parties include management charges for services provided to the subsidiary companies, equity settled employee share scheme costs relating to the subsidiary companies and transactions with key management personnel. Compensation paid to key management personnel is disclosed in Note 37. Details of Directors remuneration are disclosed in the Remuneration Committee Report on *pages 82 to 103*.

More details on the general information of the ultimate parent of the Group are disclosed in Note 2.

SHAREHOLDER INFORMATION

2013 financial calendar

17 April	2012 final dividend ex-dividend date
19 April	2012 final dividend record date
16 May	Annual General Meeting
23 May	2012 final dividend paid to shareholders
21 August*	2013 interim results and interim dividend announced
5 September*	2013 interim dividend ex-dividend date
7 September*	2013 interim dividend record date
10 October*	2013 interim dividend paid to shareholders

*Provisional dates.

Shareholding enquiries

Enquiries or information concerning existing shareholdings should be directed to the Company's registrars, Capita Registrars either:

- in writing to Shareholder Services, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU;
- by telephone from within the UK on 0870 162 3100;
- by telephone from outside the UK on +44 208 639 2157; or
- through the website www.capitaregistrars.co.uk.

Dividend payments – Currency

The Company declares dividends in US Dollars. Unless you have elected otherwise, you will receive your dividend in US Dollars. Shareholders can opt to receive the dividend in Pounds Sterling or Jordanian Dinar. The Registrar retains records of the dividend currency for each shareholder and only changes them at the shareholder's request. If you wish to change the currency in which you receive your dividend please contact the Registrars.

Dividend payments – Bank Transfer

Shareholders who currently receive their dividend by cheque can request a dividend mandate form from the Registrar and have their dividend paid direct into their bank account on the same day as the dividend is paid. The tax voucher is sent direct to the shareholders' registered address.

Dividend payments – International Payment System

If you are an overseas shareholder the Registrar is now able to pay dividends in several foreign currencies for an administrative charge of £5.00, which is deducted from the payment. Contact the Registrar for further information.

Website

Press releases, the share price and other information on the Group are available on the Company's website www.hikma.com.

Share listings

London Stock Exchange

The Company's Ordinary Shares are admitted to the Official List of the London Stock Exchange. They are listed under EPIC – HIK, SEDOL – B0LCW08 GB and ISIN – GB00B0LCW083.

Further information on this market, its trading systems and current trading in Hikma Pharmaceuticals PLC shares can be found on the London Stock Exchange website www.londonstockexchange.com.

Global Depository Receipts

The Company also has listed Global Depository Receipts ("GDRs") on the Nasdaq Dubai. They are listed under EPIC – HIK and ISIN – US4312882081. Further information on the Nasdaq Dubai, its trading systems and current trading in Hikma Pharmaceuticals PLC GDRs can be found on the website www.nasdaqdubai.com.

American Depository Receipts (ADRs)

Hikma Pharmaceuticals PLC has an ADR programme for which BNY Mellon acts as Depositary. One ADR equates to 2 Hikma Ordinary Shares. ADRs are traded as a Level 1 Over-the-Counter (OTC) programme under the symbol HKMPY. Enquiries should be made to:

BNY Mellon Shareowner Services
PO Box 358516
Pittsburgh, PA 15252-8516

Tel: +1 201 680 6825
Tel: +1 888 BNY ADRS (toll-free within the US)
E-mail: shrrelations@bnymellon.com

Shareholder fraud

The Financial Services Authority has issued a number of warnings to shareholders regarding boiler room scams. Over the last year many companies have become aware that shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based "brokers" who target UK shareholders, offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. These operations are commonly known as boiler rooms. These brokers can be very persistent and extremely persuasive. Shareholders are advised to be very cautious of unsolicited advice, offers to buy shares at a discount or offers of free Company reports. If you receive any unsolicited investment advice:

- obtain the correct name of the person and organisations;
- check they are authorised by the FSA by looking the firm up on www.fsa.gov.uk/register;
- report the matter to the FSA either by calling 0845 606 1234 or visit www.moneymadeclear.fsa.gov.uk;
- if the caller persists, hang up.

Details of the share dealing facilities sponsored by the Company are included in Company mailings and are on the Company website.

The Company's website is www.hikma.com and the registered office is 13 Hanover Square, London W1S 1HW. Telephone number + 44 207 399 2760.

PRINCIPAL GROUP COMPANIES

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