HIKMA PHARMACEUTICALS PLC
ANNUAL REPORT 2013

HIKMA
QUALITY

HELPING TO
improve
LIVES

HELPING TO *improve* LIVES

We are building a leading specialty pharmaceutical company focused on providing high quality, affordable generic and branded medicines to patients across our global markets.

FOR MORE INFORMATION,
VISIT OUR WEBSITE

WWW.HIKMA.COM

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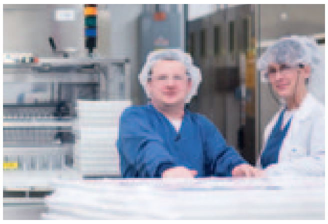

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HELPING TO *improve* LIVES

STRATEGIC REPORT

HOW WE PERFORMED IN 2013

A VERY SUCCESSFUL YEAR

HIKMA DELIVERED EXCELLENT REVENUE AND EARNINGS GROWTH

2013 HIGHLIGHTS

2013

REVENUE

$1,365m

2008–13

REVENUE CAGR

+19%

2013

ADJUSTED OPERATING MARGIN[1]

30.3%

2013

PRODUCTS MARKETED

710

2013

OPERATING CASH FLOW

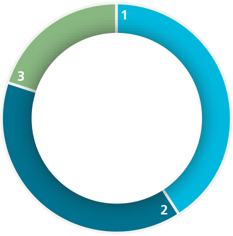
$337m

2013

EMPLOYEES

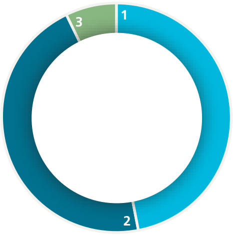
7,067

2013 REVENUE BY SEGMENT (%)



1. Branded	41%
2. Injectables	39%
3. Generics	20%

2013 REVENUE BY REGION (%)



1. MENA	47%
2. US	46%
3. Europe and the rest of the world	7%

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

REVENUE ($ MILLION)

+23%

13	1,365
12	1,109

ADJUSTED OPERATING PROFIT ($ MILLION)[1]

+113%

13	413
12	194

EBITDA[2] ($ MILLION)

+89%

13	427
12	226

PROFIT ATTRIBUTABLE TO SHAREHOLDERS ($ MILLION)

+112%

13	212
12	100

DIVIDEND PER SHARE (CENTS)[3]

+25%

13	20.0
12	16.0

BASIC EARNINGS PER SHARE (CENTS)

+111%

13	107.6
12	51.1

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

[2] Earnings before interest, tax, depreciation and amortisation. EBITDA is stated before impairment charges for intangible and fixed assets

[3] In addition, the Board has recommended a special full year dividend of 7.0 cents per share in 2013 to reflect the exceptional performance of the Group in 2013

CHAIRMAN'S STATEMENT

AN EXCELLENT PERFORMANCE

WE DELIVERED VERY STRONG GROWTH IN 2013, WITH REVENUE UP 23% AND EPS UP 111%

Samih Darwazah
Non-Executive Chairman

Today, Hikma is a leading pharmaceutical manufacturer with a broad portfolio of generic, branded generic and in-licensed patented products. Our products are sold in over 50 countries and span a broad range of delivery forms and therapeutic areas. The diversity of our business model, our markets and our product portfolio, combined with our long-term commitment to investing in quality, were integral to our success in 2013.

Each of our core business segments, Branded, Injectables and Generics, delivered strong performances in 2013. We strengthened our presence in many of our markets through investments in our commercial and manufacturing operations and we continued to expand our global footprint, entering new markets. By strengthening our regulatory capabilities and investing in R&D and product acquisitions, we have expanded our product portfolio and developed our pipeline.

In all aspects of our business, we have focused on maintaining the highest standards of quality, to ensure that our products deliver the maximum potential benefit to patients. This investment, whilst costly, has differentiated us from our competitors and helped to drive strong demand for our products. Our commitment to quality has truly been the cornerstone of our success.

Our employees have also played a key role in our achievements this year. We have prioritised employee training and continuing education and we are increasingly finding ways to expose our employees to new business environments. As a result, our people have the skills and experience necessary to expand and grow our businesses.

Our people have also earned the respect of their peers as winners of the 2013 Building Public Trust Award for Executive Remuneration Reporting in the FTSE 250. This demonstrates our success in complying with reporting best practices and our overall commitment to upholding the highest standards of corporate governance.

I am very proud of the company that Hikma is today. In order to ensure the successful execution of our vision and strategy going forward, I am handing over my responsibilities to Said Darwazah, who will become Chairman and Chief Executive Officer with effect from the Annual General Meeting on 15 May 2014. He and his team have significantly improved the business and are perfectly positioned to take it forward.

At this time, Sir David Rowe-Ham, Senior Independent Director, will retire from the Board. We are very grateful to Sir David for his service to Hikma. He has been a constant source of wisdom and guidance to us as we have grown from listing in 2005 to the international group we are today.

Robert Pickering, Non-Executive Director, is to be appointed Senior Independent Director and Chairman of the Nomination Committee. Robert will become a member of the Remuneration Committee and cease to be a member of the Compliance, Responsibility and Ethics Committee ("CREC"). Robert has forged strong links with the Board and management team over the past three years and has demonstrated sound and clear judgement.

With effect from 1 April 2014, Patrick (Pat) Butler joined the Board as a Non-Executive Director. Pat has become a member of the Audit and Remuneration Committees and CREC and is expected to take over the chairmanship of the Audit Committee in 2015.

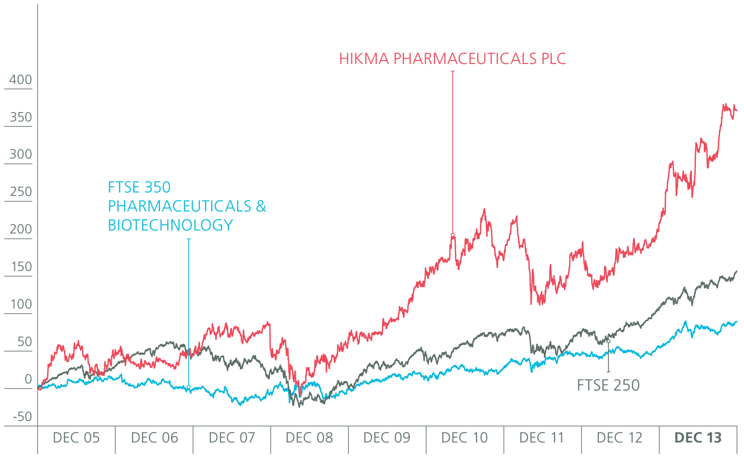
The Board has recommended a full year dividend of 20.0 cents per share (approximately 12.0 pence per share), up from 16.0 cents per share in 2012, plus a special full year dividend of 7.0 cents per share (approximately 4.2 pence per share) to reflect the excellent performance of the Group in 2013. This makes a total dividend of 27.0 cents per share (approximately 16.2 pence per share). The proposed final dividend and final special dividend will be paid on 22 May 2014 to shareholders on the register on 25 April 2014, subject to approval by shareholders at the Annual General Meeting.

Since Hikma listed in November 2005, through to the end of 2013, we have delivered a total shareholder return of 364%. 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 153% and 87% respectively, over the same period.

Samih Darwazah
Non-Executive Chairman

TOTAL SHAREHOLDER RETURN SINCE IPO (%)

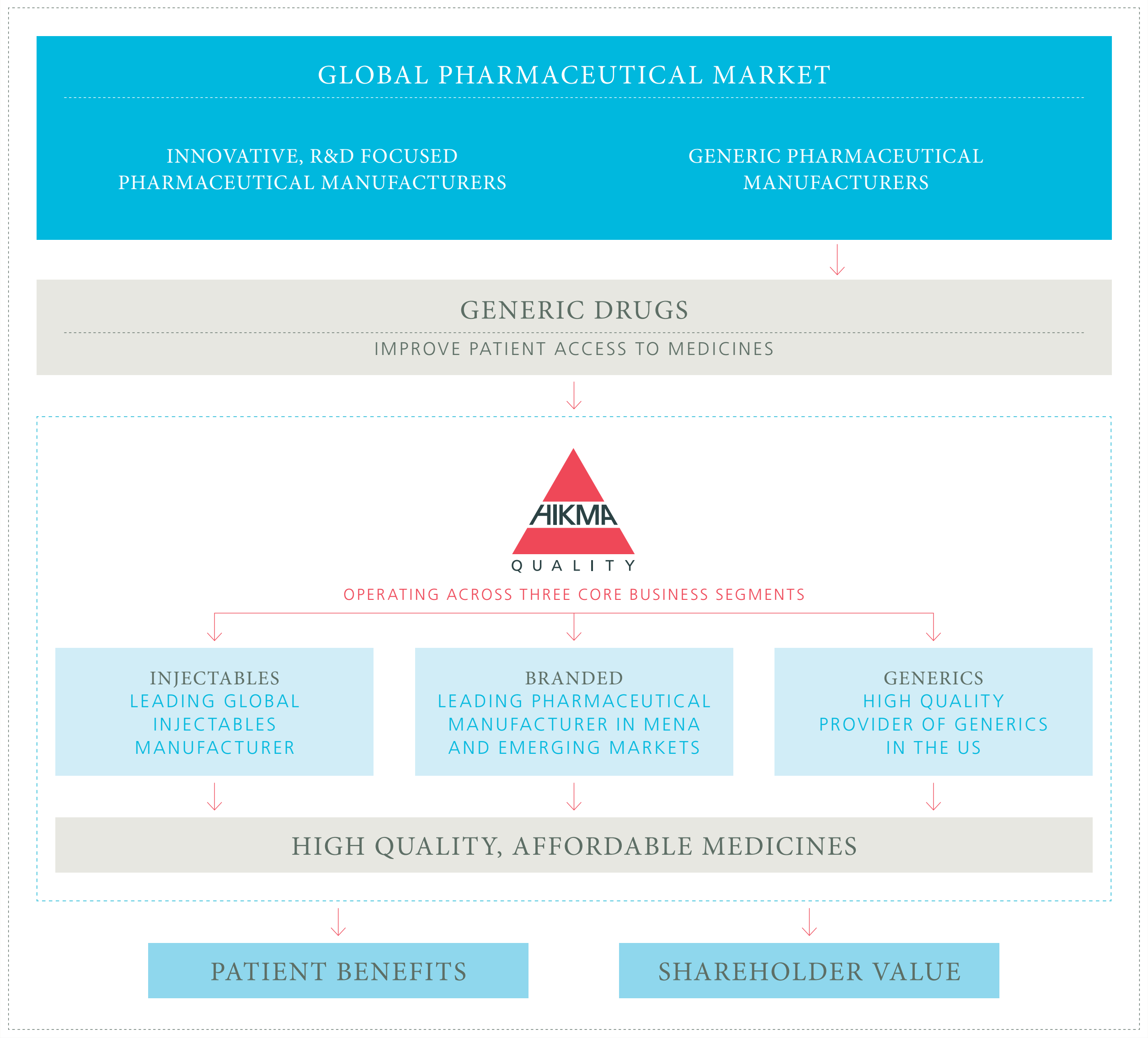
+364%



BUSINESS MODEL

OUR DIVERSIFIED BUSINESS MODEL CREATES VALUE

OUR ROBUST AND DIVERSIFIED BUSINESS MODEL IS ENABLING US TO DRIVE STRONG, SUSTAINABLE GROWTH, INCREASE PATIENTS' ACCESS TO HIGH QUALITY, AFFORDABLE MEDICINES AND CREATE SHAREHOLDER VALUE



GLOBAL PHARMACEUTICAL MARKET

INNOVATIVE, R&D FOCUSED PHARMACEUTICAL MANUFACTURERS

GENERIC PHARMACEUTICAL MANUFACTURERS

GENERIC DRUGS

IMPROVE PATIENT ACCESS TO MEDICINES

HIKMA

QUALITY

OPERATING ACROSS THREE CORE BUSINESS SEGMENTS

INJECTABLES
LEADING GLOBAL INJECTABLES MANUFACTURER

BRANDED
LEADING PHARMACEUTICAL MANUFACTURER IN MENA AND EMERGING MARKETS

GENERICS
HIGH QUALITY PROVIDER OF GENERICS IN THE US

HIGH QUALITY, AFFORDABLE MEDICINES

PATIENT BENEFITS

SHAREHOLDER VALUE

OUR STRATEGY FOR GROWTH

OUR STRATEGIC PRIORITIES

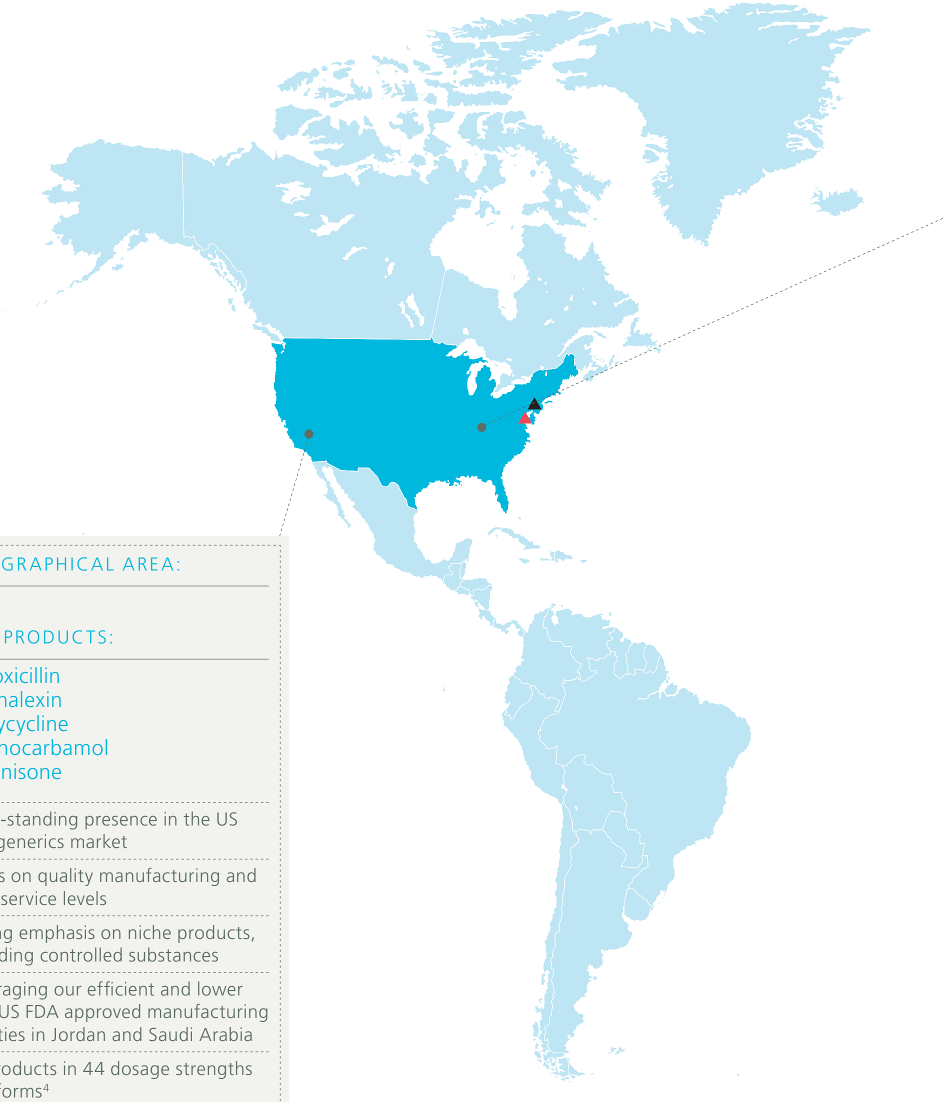
WE ARE EXECUTING OUR STRATEGY BY FOCUSING ON SIX KEY STRATEGIC PRIORITIES AND MEASURING OUR PERFORMANCE USING RELEVANT KEY PERFORMANCE INDICATORS ("KPIS")

PRIORITY	COMMITMENTS	PERFORMANCE	KPIs
COMMERCIAL OPPORTUNITIES	Maximising portfolio opportunities through higher value, differentiated product launches tailored to market needs, skilled sales and marketing and strong customer relationships	Group revenue growth of 23% reflects strong underlying growth and doxycycline sales	GROUP REVENUE GROWTH +23% 13 1,365 12 1,109
PIPELINE DEVELOPMENT	Strengthening and broadening our product portfolio through a greater focus on differentiated products, leveraging in-house R&D and external partnerships	The large increase in new product approvals is the result of increased investment in R&D across our businesses in recent years	NEW PRODUCT APPROVALS +160 products 13 241 12 81
OPERATIONAL EXCELLENCE AND COST CONTROL	Maintaining high quality, efficient and regulatory compliant manufacturing facilities	The significant growth in Group profit before tax reflects improved profitability across our businesses	GROUP PROFIT BEFORE TAX GROWTH +126% 13 298 12 132
INVESTING FOR GROWTH	Investing to expand our product portfolio, technological capabilities, geographic reach and manufacturing capacity through capital investment and M&A	Investments in capex, new products and company acquisitions are driving a higher return on investment	RETURN ON INVESTED CAPITAL +1,100bps 13 24% 12 13%
EMPLOYEES	Developing a highly skilled, effective and diverse workforce	Our continued investment in the training and development of our people helps to support good retention of our employees	NUMBER OF EMPLOYEES WITH LENGTH OF SERVICE OF MORE THAN FIVE YEARS 13 52%
SUSTAINABILITY	Ensuring sustainable long-term growth by addressing changing patient needs	Good momentum in new product launches is enabling us to increase patient access to important medicines across our geographies	NEW PRODUCT LAUNCHES +27 products 13 104 12 77

GROUP AT A GLANCE

WHAT WE DO AND 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 50 COUNTRIES AND ARE CONDUCTED THROUGH THREE BUSINESS SEGMENTS



BUSINESS SEGMENT:

GENERICS

- SELLING ORAL GENERIC PRODUCTS ACROSS THE US

2013 REVENUE:

More information see page 30

View our business model on page 8

GEOGRAPHICAL AREA:

US

TOP PRODUCTS:

Amoxicillin
Cephalexin
Doxycycline
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

11 products in 44 dosage strengths and forms[4]

BUSINESS SEGMENT:

INJECTABLES

- SELLING SPECIALISED INJECTABLE PRODUCTS GLOBALLY

2013 REVENUE:

More information see page 26

View our business model on page 8

GEOGRAPHICAL AREA:

US, Europe, MENA

TOP PRODUCTS:

Argatroban
Fentanyl
Iron gluconate
Phenylephrine
Robaxin

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

200 products in 379 dosage strengths and forms

BUSINESS SEGMENT:

BRANDED

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

2013 REVENUE:

More information see page 20

View our business model on page 8

GEOGRAPHICAL AREA:

MENA

TOP PRODUCTS:

Amoclan®
Blopress®
Omnicef®
Prograf®
Suprax®

Fifth largest pharmaceutical manufacturer in the MENA region

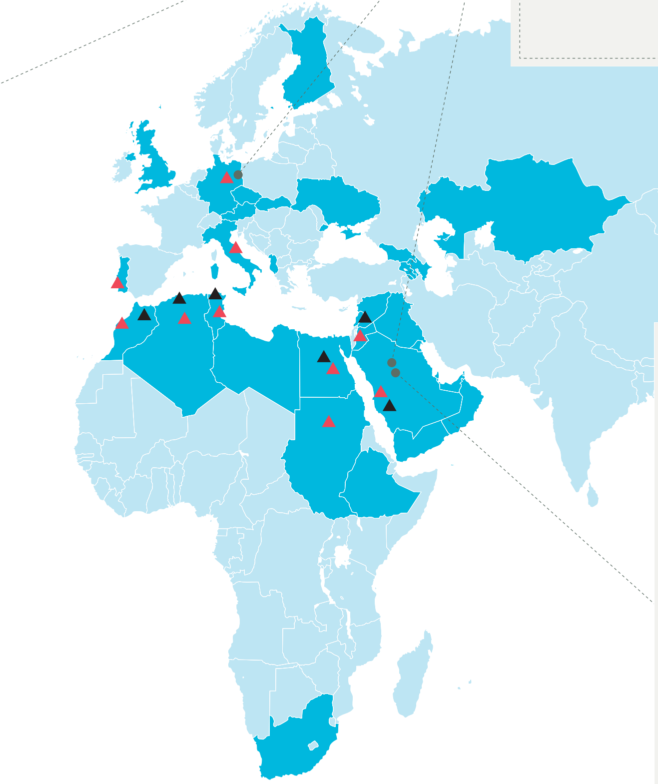
38% of Branded revenue from in-licensed products

1,899 sales people 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

499 products in 1,256 dosage forms and strengths



KEY:

▲ 26 MANUFACTURING PLANTS
▲ 7 R&D CENTRES

[4] Products marketed during 2013

CHIEF EXECUTIVE OFFICER'S REVIEW

DELIVERING OUR STRATEGY FOR GROWTH

WE ARE SUCCESSFULLY LEVERAGING OUR POSITION AS A LEADING PHARMACEUTICAL MANUFACTURER IN MENA, WHILST RAPIDLY GROWING OUR GLOBAL INJECTABLES BUSINESS AND DEVELOPING OUR GENERICS BUSINESS IN THE US

Said Darwazah
Chief Executive Officer

2013 HIGHLIGHTS

- GROUP REVENUE INCREASED BY

23%

TO

$1,365m

- BASIC EPS INCREASED

111%

TO 107.6 CENTS PER SHARE

- LAUNCHED

104

PRODUCTS AND RECEIVED

241

NEW PRODUCT APPROVALS

Our growth strategy for the Group continues to have a strong MENA focus. We are a market leader in the region and are extremely committed to investing in our businesses there. We see excellent opportunities to continue our strong track record of revenue growth, whilst improving profitability. As well as expanding in our existing MENA markets, we see strong potential to replicate our unique business model in new markets.

In parallel, we are rapidly growing our global Injectables business, particularly in the US, where we have a strong market position and broad product portfolio. Our strategic focus on higher value, differentiated products and our continued investment in our pipeline of new products and technologies will drive future growth. This is underpinned by our strong quality track record and commitment to operational excellence.

Our position as a high quality manufacturer in the US generics market brings additional strategic opportunities. We are investing in our product pipeline, including more differentiated product forms and new technologies, and leveraging both our US and MENA manufacturing facilities.

LEADING PHARMACEUTICAL COMPANY IN MENA AND EMERGING MARKETS

Maximising portfolio opportunities

We are the fifth largest pharmaceutical company in MENA and the leading regional player. We have a unique business model, with sales across 17 MENA markets, local manufacturing facilities in seven countries, a large team of 1,899 sales people and strong regulatory capabilities. We are leveraging this strong market position to address the excellent growth opportunities in the region.

Our aim is to bring high quality, affordable medicines to patients across MENA. We are continuously developing our product portfolio to address changing patient needs and whilst we remain a leading supplier of anti-infective products, we are also building our franchises in newer therapeutic areas such as cardiovascular, diabetes, central nervous system and oncology. During 2013, we launched 69 new products across our MENA markets.

Our large and highly skilled sales teams are a key competitive advantage in maximising the potential of our portfolio. In 2013, we added over 200 sales people, primarily in Egypt and Algeria, who will drive the promotion of new products, enhance our expertise in newer therapeutic areas and broaden our coverage of doctors in the region. During the year, we began introducing measures to enhance the effectiveness of our sales activities and to closely align incentivisation structures with our strategic objectives in the region.

Strengthening and broadening our product portfolio

New products are a key driver of growth for our MENA businesses, supported by our increasing investment in R&D. In 2013, we submitted 259 products across MENA, including 34 products for the treatment of diabetes and heart disease and 12 oncology products. In 2013, we strengthened our local R&D facilities in markets such as Algeria and Egypt, which is enabling us to tailor our pipelines to address specific market opportunities.

We also continue to in-license innovative, patented products, signing four new agreements in 2013. By building on our long-term relationships with key licensors and actively establishing new partnerships, we are bringing innovative products to MENA and increasing patients' access to affordable medicines.

Maintaining high quality, efficient and regulatory compliant manufacturing facilities

In 2013, we increased our focus on driving operational efficiencies across our MENA facilities. We implemented initiatives to help reduce procurement costs throughout our supply chain, improve manufacturing processes and ensure tight cost control. We also continued our programme of transferring production from Jordan to our local facilities, enabling better utilisation, greater manufacturing flexibility and security of supply.

STRATEGIC PRIORITY

STRENGTHENING AND BROADENING OUR PRODUCT PORTFOLIO

Our Group-wide strategic focus on developing strong product portfolios and pipelines is reflected in our increasing spend on R&D in recent years. In 2013, this enabled us to significantly increase the number of product submissions we made and the number of product approvals we received across our businesses. Our strong product pipelines will be a key driver of future growth.

We are delivering our strategy of adding higher value, more differentiated products to our portfolios, both through internal R&D and external partnerships. In the US, we have demonstrated our capabilities in more complex files, such as 505(b)2s and in MENA, we are building strong product portfolios in newer therapeutic categories. This strategy drove improved profitability in both our MENA and US businesses in 2013.

In 2013, our strategic decision to cut low margin tender sales has helped to improve profitability and has lowered manufacturing volumes and variable costs. Cutting tail products to streamline our portfolio is helping to drive larger batch sizes and improved efficiencies.

Whilst we have already seen significant benefits from these operational initiatives in 2013, these programmes are still in their early stages and will drive further efficiencies going forward.

Investing for growth

Our strategy in MENA is to build strong local businesses in each market, with experienced local management and operating teams. Our long track record of investing in our people and our high quality manufacturing facilities, working closely with the regulatory authorities, developing centres of excellence and building export sales, has established our differentiated market position and created a strong platform for growth.

We see excellent opportunities to strengthen and grow our MENA businesses, particularly in newer markets where we have a less established presence, such as Egypt, Morocco and Iraq, both through capex expansion and acquisitions. In 2013, we invested $33 million in our plants in the region, maintaining, upgrading and expanding our facilities in Algeria, Egypt, Jordan, Saudi Arabia and Tunisia. In January 2013, we completed a bolt-on acquisition in Egypt, acquiring the Egyptian Company for Pharmaceuticals and Chemical Industries (“EPCI”), adding a portfolio of new products, including opthalmics, and a dedicated cephalosporin facility.

We are actively evaluating opportunities to extend our geographic reach and replicate our successful operating model in other emerging markets, such as sub-Saharan Africa, Russia and the CIS. We took an excellent first step in September 2013, signing a 50:50 joint venture (“JV”) agreement with MIDROC Pharmaceuticals Limited, a member of Sheikh Mohammed Hussein Al Amoudi’s MIDROC Group, to establish a presence in the Ethiopian pharmaceutical market. The JV, HikmaCure, will build a local manufacturing facility and will begin marketing and distributing pharmaceutical products in Ethiopia.

LEADING GLOBAL INJECTABLES MANUFACTURER

Maximising portfolio opportunities

The breadth of our portfolio of generic injectable products across the US, Europe and MENA is enabling us to establish strong market positions. In the US, we are the third largest manufacturer by volume. In 2013, we continued to strengthen our portfolio, launching 35 new products across our global markets.

Our strategy is to maximise the potential of our portfolio through improved pricing, new product launches and a greater emphasis on higher value, more differentiated products. We are concentrating on products where we can have a competitive advantage, such as through a period of exclusivity, or by developing a vertically integrated API supply.

STRATEGIC PRIORITY

INVESTING FOR GROWTH

We are continuing to expand our product portfolio and technological capabilities across the Group, significantly increasing our investment in products beyond our internal R&D programmes. In 2013, this included new product file acquisitions, licensing agreements and co-development partnerships, such as the long-term supply agreement we signed with Unilife for innovative, pre-filled syringes.

We invested $59 million in capex to upgrade and expand our manufacturing facilities across the Group in 2013. We also expanded our operational footprint, completing the bolt-on acquisition of EPCI in Egypt and signing a JV with MIDROC Group to enter the Ethiopian pharmaceutical market.

The benefit of this strategy is reflected in the excellent revenue growth that our global Injectables business achieved in 2013, including strong contributions from higher value products.

Our strategic focus in MENA is to expand our portfolio and build a stronger sales presence in key markets. In Europe, we are driving growth from new product launches and our successful contract manufacturing business.

We continue to make good progress with our tech transfer programme to move production from the US to Portugal, enabling us to ensure security of supply for our customers, increase manufacturing flexibility and reduce costs.

Strengthening and broadening our product portfolio

We are developing a strong pipeline to drive future growth. In 2013, we submitted 130 products across our global markets, reflecting the on-going investment we have made in our in-house R&D capabilities. We have also demonstrated our ability to develop more complex regulatory filings, such as 505(b)2s. We expect to increase our annual submissions further by leveraging a new dedicated R&D line being installed in Portugal.

In 2013, we continued to broaden our approach to developing our product portfolio, supplementing internal R&D with licensing agreements, co-development partnerships and product file acquisitions. In developing new products, we are identifying the requirements of physicians in terms of delivery systems and other new technologies.

Across our geographies, oncology is an important focus in developing our product pipeline, particularly for MENA where generic penetration in oncology is currently very limited. In 2013, we submitted 28 injectable oncology products across our global markets, leveraging our dedicated cytotoxic facility in Germany and our API manufacturing capabilities in Jordan.

Maintaining high quality, efficient and regulatory compliant manufacturing facilities

Hikma has a long track record of investing in high quality manufacturing facilities. During 2013, our global Injectables facilities were subject to regulatory inspections, as well as audits by licensing partners and customers.

Our continued track record for high quality, secure supply and high service levels has benefitted our patients and strengthened our relationships with the Group Purchasing Organisations ("GPOs") in the US, where a number of our competitors have had supply constraints.

Our focus on achieving operational excellence is reflected in greater operating efficiencies, improved manufacturing processes, increased automation and tighter cost control. We are also benefitting from better economies of scale and lower unit costs, all of which have enabled us to reduce overhead costs and increase profitability.

Investing for growth

In 2013, we continued to invest in our Injectables capacity, adding two new high-speed lines at our plants in the US and Portugal. In Portugal, we have also begun installing a dedicated R&D line to accelerate the lead times of new product submissions and increase the capacity available for commercial production.

In the US, we are investing in the capability to combine our generic injectable products with advanced, innovative delivery systems to address the rapid shift in market demand from vials to pre-filled syringes. In November 2013, we signed a long-term commercial supply agreement with the Unilife Corporation ("Unilife") for the use of Unifill® pre-filled syringes with a range of our injectable products.

We believe we can leverage Unilife's innovative platform of Unifill syringes to differentiate our injectable products and strengthen our competitive position. We have begun installing a pre-filled syringe line which we expect to complete during 2014. We have also begun assessing the potential to establish local manufacturing facilities for injectable products in MENA, which could help us to accelerate growth in key markets.

Across our geographies, we are continuing to pursue opportunities to invest in the growth of our global Injectables business, through new products, technologies and markets.

HIGH QUALITY PROVIDER OF GENERICS IN THE US

Maximising portfolio opportunities

The Generics business is the smallest part of the Group and focuses on addressing opportunities in the US generics market from our facility in Eatontown, New Jersey and our US Food and Drug Administration ("US FDA") approved facilities in Jordan and Saudi Arabia. In 2012, our Eatontown facility received a warning letter from the US FDA and we voluntarily ceased manufacture of all product lines in order to fully remediate the facility to Hikma's highest quality standards.

In 2013, we gradually began re-introducing products from the Eatontown facility, whilst the remediation work continued. By the end of the year, we had re-introduced a small portfolio of ten products, adding to the 34 products being supplied to the US market from our facilities in MENA. However, due to capturing a specific market opportunity for one of our products, doxycycline, the Generics business delivered very strong revenue of $268 million in 2013.

Our strategy for the Generics business is to continue re-introducing products, with a further 15 products expected to be brought back during 2014. We are working to re-build a market position in these products and to look for opportunities to maximise the potential of this portfolio.

STRATEGIC PRIORITY

ENSURING SUSTAINABLE LONG-TERM GROWTH

Our business model of delivering high quality, affordable products across our geographies is enabling us to increase patient access to important medicines. In 2013, we continued to expand our product portfolio, launching 104 new products across our markets and helping to address major global health issues.

The continued investment we are making to establish strong local businesses in each of our markets, by investing in high quality manufacturing facilities, continuously training and developing our people, and supporting the communities where we operate, is enabling us to drive sustainable long-term growth for our businesses.

Strengthening and broadening our product portfolio

During 2013, we increased our internal R&D spend and strengthened our business development team to identify partnership and product acquisition opportunities. Our strategic focus is on differentiated products, including expansion into more niche product forms, such as transdermals and creams.

In 2013, we signed five agreements for seven oral and other more differentiated products, which are expected to drive growth in 2016 onwards.

Maintaining high quality, efficient and regulatory compliant manufacturing facilities

Bringing the Eatontown facility back into full compliance, meeting the highest Hikma standards of quality and strengthening our operations was a focus in 2013. We upgraded our manufacturing processes and installed new equipment. We significantly strengthened our quality team with 28 new hires in 2013, and added nine people to our manufacturing operations. Going forward we will focus on maintaining this facility to a high quality standard.

At the same time, we will continue to leverage our US FDA approved facilities in Jordan and Saudi Arabia to supply the US market. In 2013, we increased the capacity available in our Jordan facility for the US market and we have continued to make good progress increasing the number of products that we manufacture at this facility.

Investing for growth

We are actively looking at opportunities to develop our Generics business. We are investing in building our product portfolio and pipeline by adding new products, technologies and product forms.

LOOKING AHEAD

The excellent performance the Group has delivered in 2013 reflects our track record of investing in future growth. We see exciting opportunities to grow our businesses in MENA and the US and our continued progress in meeting our strategic objectives will support another strong year of growth in 2014 and beyond.

BUSINESS AND FINANCIAL REVIEW

BRANDED

A STRONG IMPROVEMENT IN PROFITABILITY REFLECTS OUR FOCUS ON HIGHER VALUE PRODUCTS

TITLE	2013 ACHIEVEMENTS	2014 TARGETS
COMMERCIAL OPPORTUNITIES	▸ Fifth largest pharmaceutical company in MENA ▸ Launched 69 branded products across MENA ▸ Added over 200 sales people and enhanced our sales and marketing activities	▸ Focus on promotion of higher value products ▸ Strengthen capabilities in key therapeutic areas ▸ Support doctors in raising awareness of and treating chronic illnesses
PIPELINE DEVELOPMENT	▸ Submitted 259 products across all markets, including 12 oncology products ▸ Signed four new licensing agreements ▸ Strengthened local R&D capabilities in Algeria, Tunisia and Egypt	▸ Develop licensing and partnership arrangements to add new innovative products ▸ Leverage local R&D centres to tailor pipeline for specific market opportunities
OPERATIONAL EXCELLENCE AND COST CONTROL	▸ Cut low margin tender sales ▸ Reduced overheads and raw material costs as a percentage of revenue ▸ Cut tail products ▸ Introduced "Lean Six Sigma" to improve efficiency	▸ Continue to cut tail products ▸ Roll-out "Six Sigma" on key product lines
INVESTING FOR GROWTH	▸ Completed bolt-on acquisition in Egypt ▸ Signed JV to establish sales and manufacturing presence in Ethiopia	▸ Continue to invest in local manufacturing facilities ▸ Target expansion in new markets, including sub-Saharan Africa, Russia and the CIS

KPIs HOW WE MEASURE OUR PERFORMANCE

BRANDED REVENUE GROWTH ($ MILLION)

+5%

BRANDED ADJUSTED OPERATING PROFIT ($ MILLION)[1]

+9%

BRANDED PRODUCT LAUNCHES

+22 products

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

The MENA[5] pharmaceutical market

	2013 Value $m	Growth
Top 9 MENA markets	**11,072**	**+7%**
Saudi Arabia	2,636	+12%
Egypt	2,424	(3)%
Algeria	2,348	+11%
UAE	1,014	+14%
Morocco	1,011	+5%
Lebanon	634	+8%
Tunisia	549	+3%
Jordan	248	+9%
Kuwait	207	+5%

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 continuing political unrest, pharmaceutical sales for the top nine private retail markets in the MENA region grew by 7% in 2013, to reach $11 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. At the same time, increasing life expectancy is creating 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.

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[5] All market data sourced from IMS Health YTD December 2013. Figures reflect private retail sales only

Branded revenue increased by 5% in 2013 to $554 million, compared with $529 million in 2012. On a constant currency basis, Branded revenue was $570 million, up 8%, reflecting good performances across key markets. Although our decision to cut low margin tender sales impacted revenue, this strategy has helped to drive improved profitability. Across all of our MENA markets, we are benefitting from our increased focus on higher value, strategic products, enhanced sales and marketing activities and operational efficiencies.

Our Egyptian business achieved steady revenue growth, despite the political instability during the year and the significant depreciation in the Egyptian pound against the US dollar of around 12%. On a constant currency basis, revenue growth in Egypt was around 20%. This reflects a stronger focus on strategic, high margin products and our continued emphasis on driving value rather than volume growth through new product launches. This business was strengthened by the acquisition of EPCI in January 2013 for an aggregate cash consideration of $21 million. This acquisition added a number of strategic products, including several cephalosporins and ophthalmics and a sales force of more than 130 people.

In Algeria, revenue growth of 6% was driven by our broad product portfolio and new product launches. We continued to strengthen our business in Algeria, increasing the volume of products that we manufacture locally and enhancing our local R&D capabilities, which drove an increase in product submissions over the year.

Our business in Saudi Arabia delivered strong growth in the private market in 2013, however, our decision to significantly reduce low margin tender sales meant that overall revenue was slightly lower than in 2012. This strategy has strengthened the overall business, with double-digit revenue growth in the second half, and our strong pipeline of new product launches is expected to support good growth in 2014.

In Morocco, we received our first approvals for Hikma products in the second half of 2013 and these products have recently been launched. This enlarged portfolio, combined with the actions we have taken to strengthen our sales team in Morocco and upgrade our manufacturing operations, will enable us to deliver a strong performance in 2014. Our businesses in Jordan and Tunisia performed well this year and in Iraq we delivered particularly strong growth, benefitting from the appointment of a new distributor in 2012.

In Sudan, our local manufacturing facility and new product registrations are driving strong growth.

As well as continuing to invest in our existing MENA markets, we are actively looking at opportunities to enter new markets. In September 2013, we began our expansion into sub-Saharan Africa when we signed a 50:50 joint venture agreement with MIDROC Pharmaceuticals Limited, a member of Sheikh Mohammed Hussein Al Amoudi's MIDROC Group, to enter the Ethiopian pharmaceutical market. The joint venture will establish local manufacturing and will market and distribute pharmaceutical products in Ethiopia.

During 2013, the Branded business launched a total of 69 products across all markets, including 16 new compounds and 27 new dosage forms and strengths. The Branded business also received 140 regulatory approvals across the region.

Revenue from in-licensed products increased from $195 million to $210 million in 2013, reflecting strong demand for key products. In-licensed products represented 38% of Branded revenue compared with 37% in 2012. We signed four new licensing agreements for innovative oral products during 2013, which will support our continued focus on growing our portfolio of higher value products in growing therapeutic categories.

Branded gross profit grew by 7% to $276 million in 2013 and gross margin was 49.8%, compared with 48.6% in 2012. The improvement in gross margin primarily reflects good control of overhead costs as well as a favourable product mix, achieved through our focus on higher value products, and a reduction in low margin tender sales. Lower raw material prices, due to the benefits of economies of scale and movements in the Japanese yen against the US dollar, also contributed to the margin improvement.

Operating profit in the Branded business increased by 12% to $124 million, compared with $111 million in 2012. Adjusted operating margin was 24.4%, up 100 basis points from 23.4% in 2012, after excluding the amortisation of intangibles of $10 million and other non-recurring severance costs of $1 million.

The margin improvement is a result of our success in driving higher margin sales, combined with enhanced sales and marketing activities and operational efficiencies. These actions have enabled us to absorb wage inflation across the MENA region and disruptions related to the Arab Spring.

On a constant currency basis, we expect Branded revenue growth of around 10% in 2014, driven by strong market fundamentals in MENA and the investment we have been making to develop our product portfolio and increase capacity. Following the significant improvement in adjusted operating margin that we delivered in 2013, we expect margins in 2014 to remain stable.

HELPING TO *improve* LIVES

STRATEGIC PRIORITY

MAXIMISING PORTFOLIO OPPORTUNITIES

The strength of our sales and marketing teams across our MENA markets is enabling us to maximise the potential of our product portfolio and establish a differentiated market position. In recent years, we have been making significant investments to further enhance our sales activities. In 2013, we added over 200 sales people in MENA, helping to drive the promotion of new products, enhance our expertise in more complex therapeutic categories and increase our coverage of doctors in the region. We have also introduced initiatives to increase productivity, such as hand-held CRM devices and improved incentivisation structures.

BUSINESS AND FINANCIAL REVIEW

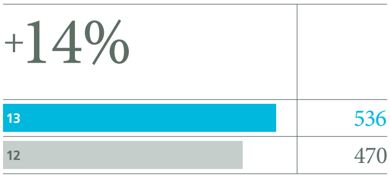
INJECTABLES

EXCELLENT REVENUE GROWTH WITH SIGNIFICANT MARGIN IMPROVEMENT

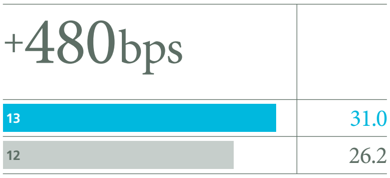
TITLE	2013 ACHIEVEMENTS	2014 TARGETS
COMMERCIAL OPPORTUNITIES	▸ Launched 35 products across our markets ▸ Improved pricing in the US ▸ Re-launched only approved phenylephrine in US market, following 505(b)2 approval ▸ Improved customer service through tech transfer of key products for manufacture in both US and Portugal	▸ Continue to launch more differentiated, higher value products ▸ Focus on driving private market sales in MENA ▸ Maximise contract manufacturing opportunities
PIPELINE DEVELOPMENT	▸ Submitted 130 products across all our markets ▸ Signed nine new in-licence agreements	▸ Increase spend on R&D ▸ Increase total submissions, leveraging new R&D line in Portugal ▸ Submit first applications for pre-filled syringe products in the US
OPERATIONAL EXCELLENCE AND COST CONTROL	▸ Significantly reduced overhead costs ▸ Leveraged vertically integrated API for new product development ▸ Leveraged strong quality track record to address short supply issues in the US ▸ Invested in equipment to increase automation, improving efficiency and quality	▸ Maintain tight cost control and improve efficiency ▸ Continue to invest in quality systems and training
INVESTING FOR GROWTH	▸ Began installation of dedicated R&D line in Portugal ▸ Signed agreement with Unilife for innovative, pre-filled syringes	▸ Add capacity in US and Portugal, including new pre-filled syringe line ▸ Assess medium-term potential to establish injectables manufacturing in MENA ▸ Increase spend on product-related investments ▸ Pursue opportunities to add new products, technologies and markets

KPIs HOW WE MEASURE OUR PERFORMANCE

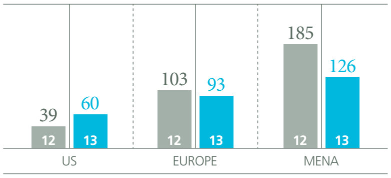
INJECTABLES REVENUE ($ MILLION)



INJECTABLES ADJUSTED OPERATING MARGIN (%)[1]



GLOBAL INJECTABLES PIPELINE, PENDING APPROVALS



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

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 $12 billion.[6]

Injectable products are produced in liquid, powder and 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 generic growth as well as from the patent expiries of a number of high value injectable products.

Injectables performance

Injectables revenue by region	**2013**	2012
US	**68%**	63%
MENA	**17%**	20%
Europe	**15%**	17%

Revenue in our global Injectables business increased by 14% to $536 million, compared with $470 million in 2012.

US Injectables revenue grew by $67 million, or 23%, to $363 million. This excellent performance reflects our success in securing price increases, shifting the product mix and launching new products. Our strong quality track record has helped to strengthen our competitive position in the US market and enhance our customer relationships.

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[6] Espicom Business Intelligence

We expect our broad product portfolio, including higher value, more differentiated products, to drive continued strong growth in the US.

In Europe, Injectables revenue was $81 million, up 4% from $78 million in 2012. We continue to successfully offset double-digit price erosion with strong volume growth and new product launches. During the year, demand for contract manufacturing remained strong. Revenue in our MENA Injectables business decreased by 4% to $92 million, compared with $96 million in 2012, primarily due to lower tender sales in 2013. However, due to the change in product mix, we achieved double-digit growth in profitability. We expect this business to deliver a stronger performance in 2014 as a result of enhancing our Injectables sales teams in MENA and increasing our R&D investment.

Injectables gross profit increased by 29% to $282 million, compared with $219 million in 2012. Gross margin increased significantly to 52.6%, compared with 46.6% in 2012. This reflects our efforts to maximise the potential of existing products and optimise pricing, favourable market conditions in the US and strong operational management.

Operating profit of the Injectables business increased by 34% to $155 million. Adjusted operating profit increased by 35% to $166 million. Adjusted operating margin increased from 26.2% to 31.0%. This excellent margin expansion reflects the improvement in gross margin, greater operating efficiencies and tight control of costs. It was also achieved despite a significant increase in R&D expenditure, which is expected to increase further in 2014.

Our ability to add higher value, more differentiated products to our portfolio will be a key driver of growth in 2014 and beyond.

During 2013, the Injectables business launched a total of 35 products across all markets, including 10 new compounds and 16 new dosage forms and strengths. The Injectables business also received a total of 89 regulatory approvals across all regions and markets, namely 56 in MENA, 28 in Europe and five in the US. We signed nine new licensing agreements during 2013, adding innovative injectable products to our US, MENA and European portfolios.

In 2014, we expect our global Injectables business to continue to perform well due to our higher value product mix and attractive market opportunities. We are expecting revenue growth above 20% and an improvement in adjusted operating margin.

STRATEGIC PRIORITY

MAINTAINING HIGH QUALITY, EFFICIENT AND REGULATORY COMPLIANT MANUFACTURING FACILITIES

We have a long track record of investing in high quality manufacturing facilities. Our continued focus on achieving operational excellence, driving greater efficiencies and maintaining tight cost control was reflected in the strong improvement in profitability we delivered across our businesses in 2013. We have implemented initiatives throughout our supply chain to reduce procurements costs, improve manufacturing processes and increase manufacturing flexibility. We are already seeing the benefit of these actions and we expect to drive further efficiency improvements going forward.

BUSINESS AND FINANCIAL REVIEW

GENERICS

VERY STRONG SALES OF DOXYCYCLINE COVERED REMEDIATION COSTS AND FURTHER STRENGTHENED GROUP BALANCE SHEET

TITLE	2013 ACHIEVEMENTS	2014 TARGETS
COMMERCIAL OPPORTUNITIES	▸ Delivered very strong doxycycline sales ▸ Re-introduced ten products at our Eatontown facility	▸ Re-introduce a minimum of 15 additional products ▸ Increase market share of existing portfolio ▸ Launch new products ▸ Continue to target opportunities to address market supply issues
PIPELINE DEVELOPMENT	▸ Strengthened business development team ▸ Signed five agreements for oral and other more differentiated products	▸ Continue to add differentiated products to our pipeline ▸ Expand technological capabilities through partnerships
OPERATIONAL EXCELLENCE AND COST CONTROL	▸ Strengthened operations – added 28 new quality hires and nine manufacturing hires ▸ Restructured organisation to strengthen senior management leadership ▸ Leveraged FDA approved facilities in MENA to supply the US market with over 30 products ▸ Continued tech transfer of products from US to MENA, increasing manufacturing flexibility	▸ Return Eatontown facility to full FDA compliance ▸ Continue to optimise manufacturing flexibility by leveraging MENA facilities ▸ Reduce operating costs through increased productivity and efficiencies
INVESTING FOR GROWTH	▸ Invested in remediation of the Eatontown facility ▸ Expanded capacity in our MENA facilities dedicated to the US market	▸ Target acquisitions to build product portfolio and technological capabilities ▸ Invest to enhance strategic value of Eatontown facility

KPIs HOW WE MEASURE OUR PERFORMANCE

GENERICS REVENUE ($ MILLION)

+158%

13	268
12	104

GENERICS ADJUSTED OPERATING MARGIN (%)[1]

+7,540bps

13	61.9
12	(13.5)

GENERICS MARKETED PRODUCTS

-59 products

13	44
12	103

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

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 oral generics now account for around 82% of all retail prescriptions dispensed in the US.[7] According to IMS, the market for oral generic products in the US grew by 6% in 2013, reaching a total market value of $39 billion and the number of oral generic prescriptions written grew by 5%. 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 revenue was $268 million, compared to $104 million in 2012. This mostly reflects very strong sales of doxycycline and includes only a limited contribution from the rest of our portfolio, which we began to slowly re-introduce over the course of the year. We expect doxycycline revenue to decrease in 2014 due to increased competition in the US doxycycline market.

Generics gross profit was $206 million, compared with $26 million in 2012, and gross margin was 76.9%, compared with 25.0% in 2012. Operating profit was $127 million and operating margin was 47.4%, compared with an operating loss of $21 million in 2012.

Excluding the impact of remediation-related and other exceptional costs of $39 million, adjusted operating profit was $166 million and adjusted operating margin was 61.9% in 2013, compared with an adjusted operating loss of $14 million in 2012.

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[7] IMS Health, YTD December 2013

During 2013, the Generics business received a total of 12 product approvals, including four new compounds. These products will be manufactured in our US FDA approved facilities in Jordan.

Our Eatontown facility underwent extensive remediation work in 2013 and was re-inspected by the US FDA in February 2014. The inspection went well and we are awaiting the US FDA's formal feedback on the regulatory status of the facility.

Having spent considerable time on the remediation of our Eatontown facility and reviewed the strategic potential of our Generics business, we believe there are an increasing number of attractive market opportunities and it is our intention to pursue these. To this end, we acquired several products during 2013, focusing on niche areas such as transdermals and dermatologicals. In 2014, we will continue to look for further product acquisitions, alongside re-introducing our product portfolio and re-building our market position.

We expect the Generics business to deliver revenue of around $170 million in 2014, which assumes a significant reduction in doxycycline sales. We expect an adjusted operating margin of above 25%.

Other businesses

Other businesses, which primarily comprise Arab Medical Containers, a manufacturer of plastic specialised medicinal sterile containers, International Pharmaceuticals Research Centre, which conducts bio-equivalency studies, and the API manufacturing division of Hikma Pharmaceuticals Limited Jordan, contributed revenue of $7 million in 2013, compared with $6 million in 2012.

These other businesses delivered an operating loss of $9 million in 2013, compared with a loss of $3 million in 2012.

STRATEGIC PRIORITY

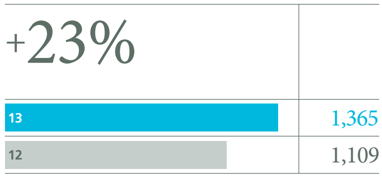
DEVELOPING A HIGHLY SKILLED, EFFECTIVE AND DIVERSE WORKFORCE

Our people are the key to delivering our strategy for growth. The importance we place on having highly skilled and dedicated employees is reflected in the continuous investment we make in training and development across the Group. Our leadership training programme for middle managers provides them with the skills and knowledge to take on greater responsibility and authority in their current and future roles within Hikma.

BUSINESS AND FINANCIAL REVIEW

GROUP PERFORMANCE

OUR SUCCESS IS UNDERPINNED BY OUR DIVERSE BUSINESS MODEL, WHICH COMBINES OUR STRENGTH AS A LEADING PHARMACEUTICAL COMPANY IN MENA, OUR FAST GROWING GLOBAL INJECTABLES BUSINESS AND OUR WIDER US GENERICS BUSINESS


GROUP REVENUE ($ MILLION)

Group revenue increased by 23% to $1,365 million in 2013. Group gross profit increased by 52% to $764 million, compared with $504 million in 2012. Group gross margin was 56.0%, compared with 45.4%, reflecting the significant gross margin improvement of the Generics business, as well as good margin improvements in our global Injectables and Branded businesses.

Group operating expenses grew by 22% to $412 million, compared with $337 million in 2012. Excluding the amortisation of intangible assets (excluding software) of $15 million and exceptional items[8] of $46 million, adjusted Group operating expenses grew by 13% to $351 million. The paragraphs below address the Group's main operating expenses in turn.

Sales and marketing expenses were $160 million, or 12% of revenue, compared with $150 million and 14% of revenue in 2012. The decline as a percentage of revenue reflects strong Generics revenue growth, which did not require incremental sales and marketing costs. The absolute increase in sales and marketing expenses reflects our investment in product promotion in MENA and increases to wages and employee benefits across the MENA region.

General and administrative expenses increased by $28 million, or 23%, in 2013. This reflects an increase in employee benefits related to the exceptional performance of the Group this year, an increase in the provision for end-of-service contracts to reflect new employment policies and higher fees for consultants and other professional services.

We continued to grow our investment in R&D, which increased by 15% to $39 million. We invested a further $37 million in new product acquisitions and partnership agreements, which has been capitalised on the balance sheet. We expect to increase our investment in R&D and new product acquisitions in 2014 as a key driver of future growth.

Other operating expenses (net) increased by $32 million to $62 million. Excluding exceptional items of $37 million,[9] which related largely to the remediation of our Eatontown facility, operating expenses increased by $2 million.

Operating profit for the Group increased by 111% to $352 million in 2013. Group operating margin increased to 25.8%, compared with 15.1% in 2012. On an adjusted basis, Group operating profit increased by $219 million, or 113%, to $413 million and operating margin increased to 30.3%, up from 17.5% in 2012.

[8] In 2013, amortisation of intangible assets (excluding software) was $15 million (2012: $13 million). In 2013, exceptional items included within operating expenses were $46 million (2012: $14 million)

[9] In 2013, exceptional items included within other operating expenses (net) were $37 million (2012: $7 million)

GROUP ADJUSTED OPERATING PROFIT ($ MILLION)[10]

+113%

Research and development[13]

The Group's product portfolio continues to grow as a result of our in-house product development efforts. During 2013, we launched 26 new compounds. The Group's portfolio now stands at 710 compounds in 1,679 dosage forms and strengths.[14] We manufacture and/or sell 95 of these compounds under-license from the licensor.

Across all businesses and markets, a total of 104 products were launched during 2013. In addition, the Group received 241 approvals.

To ensure the continuous development of our product pipeline, we submitted 389 regulatory filings in 2013 across all regions and markets. As of 31 December 2013, we had a total of 734 pending approvals across all regions and markets. At 31 December 2013, we had a total of 265 new products under development.

Share of results of associated companies

During 2011, Hikma acquired a minority interest in Unimark Remedies Limited ("Unimark") in India for a cash consideration of $34 million. Unimark manufactures active pharmaceutical ingredients ("API") and API intermediates. Unimark has been impacted by a decline in prices in its API manufacturing business and is in the process of restructuring its corporate debt. In 2013, we incurred an impairment charge of $16 million in respect of our investment and a further $3 million charge in respect of our share of operating losses for the year. We expect that Unimark will be able to successfully manage its current issues.

Net finance expense

The Group's net debt position at 31 December 2013 was $267 million, down from $405 million at 31 December 2012. The reduction in total debt resulted in a decrease in net finance expense to $35 million, compared with $37 million in 2012. The decrease in net finance expense was partially offset by an early repayment fee on a long-term loan. In 2014, we expect a net finance expense of around $35 million, reflecting an increase in local loans and additional working capital financing.

Profit before tax

Profit before tax for the Group increased by 126% to $298 million, compared with $132 million in 2012. Adjusted profit before tax increased by 136% to $375 million.

Summary P&L

$ million	2013	2012	Change
Revenue	**1,365**	1,109	+23%
Gross profit	**764**	504	+52%
Gross margin	*56.0%*	*45.4%*	*+10.6*
Operating profit	**352**	167	+111%
Adjusted operating profit[10,11]	**413**	194	+113%
Adjusted operating margin	*30.3%*	*17.5%*	*+12.8*
EBITDA[12]	**427**	226	+89%
Adjusted EBITDA[10,11,12]	**463**	240	+93%
Profit attributable to shareholders	**212**	100	+112%
Adjusted profit attributable to shareholders[10,11]	**274**	120	+128%
Basic earnings per share (cents)	**107.6**	51.1	+111%
Adjusted basic earnings per share (cents)[10,11]	**139.1**	61.4	+127%
Dividend per share (cents)	**20.0**	16.0	+25%
Special dividend per share (cents)	**7.0**	–	–
Total dividend per share (cents)	**27.0**	16.0	+69%
Net cash flow from operating activities	**337**	184	+83%

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

[11] Adjusted operating profit, adjusted EBITDA and adjusted profit attributable to shareholders in 2012 have been re-classified to reflect the classification of certain exceptional items on a consistent basis with the treatment in 2013

[12] Earnings before interest, tax, depreciation and amortisation. EBITDA is stated before impairment charges for intangible and fixed assets

[13] 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

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

Hikma's product portfolio and pipeline

	Total marketed products				Products launched in 2013	Products approved in 2013	Products pending approval as at 31 December 2013
	Compounds	Dosage forms and strengths	New compounds	New dosage forms and strengths	Total launches across all countries[15]	Total approvals across all countries[15]	Total pending approvals across all countries[15]
Branded	499[14]	1,256[14]	16	27	69	140	406
Injectables	200	379	10	16	35	89	279
Generics	11	44	0	0	0	12	49
Group	**710**	**1,679**	**26**	**43**	**104**	**241**	**734**

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

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

Tax

The Group incurred a tax expense of $82 million, compared with $25 million in 2012. The effective tax rate was 28%. Excluding the impact of the non-cash impairment charge in respect of Unimark, the effective tax rate was 26%, compared with 19% in 2012. The increase in the tax rate is mainly attributable to the increased profitability in higher tax jurisdictions. In 2014, we expect the effective tax rate to be between 26% and 27%.

Profit attributable to shareholders

The Group's profit attributable to shareholders increased by 112% to $212 million in 2013. Adjusted profit attributable to shareholders increased by 128% to $274 million.

Earnings per share

Basic earnings per share increased by 111% to 107.6 cents, compared with 51.1 cents in 2012. Diluted earnings per share increased by 112% to 107.1 cents, compared with 50.6 cents in 2012. Adjusted diluted earnings per share was 138.4 cents, an increase of 128% over 2012.

Dividend

The Board of Hikma ("Board") has recommended a final dividend of 13.0 cents per share (approximately 7.8 pence per share) for 2013, which will make a dividend for the full year of 20.0 cents per share (approximately 12.0 pence per share), an increase of 25% compared with 2012. In addition, the Board has recommended a special final dividend of 4.0 cents per share (approximately 2.4 pence per share), which makes a special full year dividend of 7.0 cents per share (approximately 4.2 pence per share).

This makes a total dividend for the year of 27.0 cents per share (approximately 16.2 cents per share). This distribution to shareholders comes after the allocation of capital to plant remediation costs, debt repayment and capital expenditure.

The proposed final dividend and final special dividend will be paid on 22 May 2014 to eligible shareholders on the register of Hikma at the close of business on 25 April 2014, subject to approval by shareholders at Hikma's Annual General Meeting. The ex-dividend date is 23 April 2014 and the final date for currency elections is 9 May 2014.

Net cash flow, working capital and net debt

The Group generated operating cash flow of $337 million in 2013, up $153 million from $184 million in 2012. This significant improvement in operating cash flow reflects the significant increase in profitability. Working capital days increased by four days from 194 days in 2012 to 198 days in 2013.

Capital expenditure was $59 million, compared with $51 million in 2012. Of this, $33 million was spent in MENA, principally to maintain our manufacturing facilities across the region and to upgrade our recently acquired facility in Egypt. The remainder was spent in the US, primarily to add capacity at our Injectables facility, and in Europe for the installation of a new injectables production line and a dedicated R&D line.

The Group made an acquisition in Egypt in January 2013, acquiring EPCI for a total consideration of $21 million, of which $19 million was paid during the year and $2 million was deferred.

In 2013, the Group made product-related investments of $37 million, compared with $31 million in 2012. These investments included advance payments made to acquire products and product-related technologies for the US and MENA, which were capitalised on the balance sheet.[16] They also include an agreement with Unilife for the supply of pre-filled syringes.

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[16] In 2013, $14 million (2012: $31 million) of the product-related investments were capitalised within intangible assets and $23 million (2012: $nil) were capitalised within non-current assets on the balance sheet

Group net debt decreased from $405 million at 31 December 2012, to $267 million at 31 December 2013. This reflects the strong performance of the Group in 2013, which enabled us to make an early repayment of long-term loans.

Balance sheet

During the period, shareholder equity was positively impacted by an unrealised foreign exchange gain of $3 million, primarily reflecting positive movements in the Euro and Moroccan dinar, partially offset by an adverse movement in the Egyptian pound against the US dollar and the revaluation of net assets denominated in these currencies.

Summary and outlook

The Group delivered a strong performance across our businesses in 2013, with a 23% increase in revenue and a 111% increase in basic earnings per share.

We have made a good start to 2014 and expect to deliver Group revenue growth of around 5% this year. This is expected despite the anticipated reduction in doxycycline sales in 2014. On a constant currency basis, we expect Branded revenue growth of around 10% in 2014, driven by strong market fundamentals in MENA and the investment we have been making to develop our product portfolio and increase capacity. Following the significant improvement in adjusted operating margin that we delivered in 2013, we expect margins in 2014 to remain stable.

In 2014, we expect our global Injectables business to continue to perform well. Due to our higher value product mix and attractive market opportunities, we are expecting revenue growth above 20% and an improvement in adjusted operating margin. The Generics business is expected to deliver revenue of around $170 million in 2014, which assumes a significant reduction in doxycycline sales. We expect Generics adjusted operating margin of above 25%.

Overall, we are pleased with the performance of the Group in 2013 and remain confident in our medium and long-term growth prospects.

BUSINESS AND FINANCIAL REVIEW

PRINCIPAL RISKS AND UNCERTAINTIES

THE GROUP'S BUSINESS FACES RISKS AND UNCERTAINTIES THAT 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 Plant closure Litigation	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 734 products 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 Strong quality, compliance and pharmacovigilance teams capable of addressing issues and providing solutions
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* *Fraudulent activities by third parties (vendors, partners, etc.)*	Loss of products from our portfolio Revenue interruptions Failure to recoup sales and marketing and business development costs Negative actions by various regulatory bodies (e.g. US SEC, UK Serious Fraud Office, etc.)	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 Due diligence by the Group Compliance function on potential vendors, partners and other third parties
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 Post-acquisition discovery of fraudulent activity by the business acquired	Extensive due diligence, including that performed by the Group Compliance function, 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

OPERATIONAL RISKS *continued*

RISK	POTENTIAL IMPACT	MITIGATION
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
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 50 countries Product diversification, with 710 products and 1,679 dosage strengths and forms Strong track record in crisis management
LITIGATION *Commercial, product liability and other claims brought against a company within the Group or the Group as a whole*	Financial impact on Group results from adverse resolution of proceedings Reputational damage	In-house legal counsel with relevant jurisdictional experience Use of top-tier external legal firms in all jurisdictions Management team with extensive experience of the generics industry

FINANCIAL RISKS

RISK	POTENTIAL IMPACT	MITIGATION
FOREIGN EXCHANGE RISK *Exposure to foreign exchange movements, primarily in the Algerian, Egyptian, European, Moroccan, Sudanese and Tunisian 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 Specialised department that structures compliant, tax effective solutions Regular use of top professional advisory firms

SUSTAINABILITY

OUR APPROACH TO SUSTAINABILITY

USING A MATERIALITY ASSESSMENT, WE HAVE IDENTIFIED THE TOPICS AND KEY INITIATIVES THAT ARE OF MOST IMPORTANCE AND RELEVANCE TO THE LONG-TERM SUSTAINABILITY OF OUR BUSINESS MODEL, SUMMARISED IN THE MATRIX BELOW

WHAT IS IMPORTANT TO THE LONG-TERM SUSTAINABILITY OF HIKMA'S BUSINESS MODEL?

OUR APPROACH

As a pharmaceutical company, our primary objective is to provide patients with high quality, affordable medicines tailored to their needs. We aim to do this in a sustainable way, by working to ensure our products deliver the maximum benefit to patients in as many markets as possible whilst managing the impact of our operations. At the same time, we are continuously preparing for the future, so that we can strengthen and grow our business to create shareholder value whilst operating in the best interests of our other stakeholders.

This year, we have used a materiality assessment to identify and prioritise the sustainability issues that are of the greatest significance to our business and which are of most importance and relevance to our stakeholders. This process identified the following areas of focus: addressing patients' needs, managing our impact on the markets and economies in which we operate, promoting good business ethics, supporting our local communities and minimising our environmental impact.

This sustainability report focuses on these key areas and, therefore, does not provide information on the large number of other sustainability initiatives which we continuously manage across the Group. Additional information on other issues is provided on our website.

The matrix opposite provides a summary of the focus areas and examples of key initiatives that are covered within this report.

2013 HIGHLIGHTS

PATIENTS	WHAT WE'VE BEEN DOING
TREATING MAJOR HEALTH ISSUES	► Focusing on diabetes, heart disease, CNS and oncology ► Addressing market shortages with reliable supply of product
DELIVERING HIGH QUALITY, AFFORDABLE AND DIFFERENTIATED PRODUCTS	► Launching new products tailored to specific needs in local markets ► Establishing operations in new markets
ENHANCING DOCTOR AND PATIENT AWARENESS AND EDUCATION	► Hosting medical symposiums ► Sponsoring public awareness campaigns for heart disease, diabetes and obesity
ECONOMIC	
BROADENING OUR ECONOMIC CONTRIBUTION	► Investing in facilities across our markets ► Spending $319 million on wages and employee benefits globally
ETHICS	
PROMOTING GOOD BUSINESS ETHICS	► Establishing new guidelines for ethical sales promotion ► Training new sales and marketing employees
PEOPLE AND COMMUNITIES	
SUPPORTING PEOPLE AND COMMUNITIES	► Donating medicines ► Supporting local schools and universities
ENVIRONMENT	
MINIMISING OUR ENVIRONMENTAL IMPACT	► Reducing water consumption ► Measuring our carbon footprint

TREATING MAJOR HEALTH ISSUES

Why this is important

The global pharmaceutical market continues to grow, driven by strong patient demand for medicines to treat major health issues. The sustainability of our business model depends on our ability to meet the needs of doctors and patients, adapting our portfolio and capabilities to address their changing requirements over time. We achieve this through continuous investment in the development of a relevant product portfolio for each of our markets, providing both innovative products under license and high quality, affordable generic alternatives across a broad range of therapeutic categories. Our focus on maintaining secure supply of products in markets where demand is highest, will enable us to deliver sustainable, long-term growth across our businesses.

What we're doing

In 2013, 47% of Group revenue was generated in the MENA region. In these markets, population demographics, combined with increasing affluence and changes in lifestyle, are driving strong growth in the overall pharmaceutical market. We are continuously expanding our product portfolio to meet changes in patient demand, particularly in newer, higher value therapeutic categories. In 2013, we launched 69 new products, with a focus on the treatment of heart disease and central nervous system disorders, such as Resova® for the treatment of cholesterol and Regab® for the treatment of neuropathic pain.

Across our global markets, cancer is a rapidly growing major health issue and we are developing a broad product portfolio to provide patients with high quality and affordable treatments. During 2013, we launched nine products for the treatment of cancer in Europe and three in the US. We also signed licensing agreements for two innovative oncology products in MENA.

Ageing populations globally are creating greater demand for injectable products, which are typically used in hospital care. In recent years, we have been developing our global Injectables business to address this demand. In 2013, we made meaningful investments in injectables to add high-speed, more efficient lines and increase capacity.

The availability of spare capacity, combined with our strong quality track record, has enabled us to maintain secure supply during periods of acute shortages in the US, thereby improving patient access to much needed critical and affordable medicines.

In order to be able to continue to meet patient needs, as new therapies evolve and demand patterns change, we are continuously investing in new product development. In 2013, we invested $76 million in R&D and product acquisitions across our business.

LAUNCHED FIRST ONCOLOGY PRODUCTS IN US

In 2013, we launched irinotecan, for the treatment of metastatic colorectal cancers, and zoledronic acid, for the treatment of advanced cancers associated with bone metastases.

ADDRESSING PRODUCT SHORTAGES

In 2013, we invested over $20 million to significantly increase production capacity for critical care injectable drugs. This will enable us to maintain secure supply and help to address the drug shortages in the US market.

SUSTAINABILITY
Continued

DELIVERING HIGH QUALITY, AFFORDABLE PRODUCTS

DELIVERING HIGH QUALITY, AFFORDABLE PRODUCTS

We aim to be the first to bring a more affordable alternative to the originator products to the market. In Egypt we launched Feburic®, a novel treatment for rheumatic hyperuricemia and the first generic.

EXPANDING INTO SUB-SAHARAN AFRICA

Countries in sub-Saharan Africa currently have large and growing populations with limited access to high quality, affordable medicines. We see excellent opportunities to replicate our unique business model in these markets, establishing strong local businesses, employing local people, providing patients with access to important medicines and helping to support the development of the overall pharmaceutical industry. In 2013, we entered into a JV in Ethiopia and we now have 11 products pending approval.

Why this is important

Across global healthcare markets, governments and other customers are under increasing pressure to meet the growing needs of patients while controlling their overall healthcare spend. Through our broad portfolio of high quality, affordable products, we are offering a solution to customers. This is particularly relevant in developing markets, including the MENA region and sub-Saharan Africa, where healthcare spend per capita is significantly lower than more developed markets and generic penetration is limited.

What we're doing

We are developing our product portfolio to address current and evolving requirements of doctors and patients in our markets by launching new products, adding new therapeutic categories, adding new dosage forms and strengths and developing new technologies and delivery systems to improve patient and doctor safety.

Particularly in MENA, our aim is to launch the first or second generic on the market, helping to accelerate the speed at which patients can access new treatments and facilitate greater healthcare coverage across the region.

For example, in Algeria we launched four products in 2013 to address the rapidly growing demand for cardiovascular and diabetes products. By launching products such as CORED XL®, a statin product that is the first generic on the Algerian market, we are helping to improve patient access to new treatments and increasing healthcare coverage at more affordable prices.

We are continuously assessing opportunities to introduce our products in new markets and, in 2013, made an excellent first step into sub-Saharan Africa through a joint venture in the Ethiopian market, where we will establish a local manufacturing and sales presence. Our ability to take high quality, affordable medicines into large and growing markets such as Ethiopia will benefit patients who currently have limited access to medicines and help to support the long-term growth of our business.

Across our markets we have high quality manufacturing facilities, which are subject to regular inspections by regional regulatory authorities (including the US FDA for a number of our global facilities), our licensing partners and our contract manufacturing customers. Particularly in the US, where we have 15% market share by volume of the generic injectables market, this emphasis on quality ensures we invest in the long-term sustainability of our businesses.

As the population is ageing globally, especially in developed markets such as the US, a growing number of patients are requiring hospital care. This is increasing the global focus on lowering healthcare costs. Our ability to supply generic versions of critical care injectable products to hospitals is helping to both reduce the cost of medicines and enable increased patient coverage through access to more affordable medicines.

A key component of our new product development is to improve doctor and patient safety. The long-term supply agreement we signed with Unilife in 2013 is an example of this, enabling us to bring differentiated, advanced technology pre-filled syringes to the market, which will improve safety and establish a more sustainable long-term competitive position in the US market.

ENHANCING PATIENT AND DOCTOR AWARENESS AND EDUCATION

WORLD HEART DAY

We took part in the International World Heart Day in 2013, with the aim of raising patients' and heart specialists' awareness to help prevent and treat heart disease. Hikma's global cardiovascular team held simultaneous campaigns in Jordan, Algeria and Saudi Arabia, focusing this year on developing heart-healthy life habits in women and children, who are traditionally overlooked in risk assessment of heart disease.

WORKING WITH REGULATORS AND DOCTORS

We co-operated with the Jordanian Oncology Society to present a "Hikma Award" for the best published medical scholarly paper on cancer in Jordan. The papers were published in 2011 and 2012 by researchers from Jordanian universities, the King Hussein Cancer Centre and other public and private hospitals. They tackled many cancer-related topics such as causes, diagnosis and various treatment options. Some of these articles also addressed the role of nursing and palliative therapy for cancer patients.

Why this is important

As part of our sustainable approach to improving healthcare, we are active in raising public awareness of major health issues to help improve lifestyles, facilitate increased diagnosis and enable better patient care. In a number of markets where we operate, doctors and patients have limited access to healthcare information, such as advancements in drugs and diagnostic practices. By raising health awareness, supporting doctor and patient education and bringing together healthcare professionals to share knowledge, we are helping to increase the diagnosis and treatment of health issues to improve our patients' quality of life.

What we're doing

As in previous years, we held a large number of events across our markets during 2013, to provide information to doctors, including doctors symposiums, lectures, workshops, marketing campaigns and health awareness days.

These events help to bring doctors and specialists together to discuss the latest techniques, advancements and treatments in critical therapeutic categories. For example, in Algeria, we hosted a lecture for 130 psychiatrists and a workshop for 30 neurologists. In Jordan, we organised the SUN workshop (Scientific Update in Neurology) bringing together 100 neurologists from MENA and world-renowned professors as expert speakers.

We also continued with initiatives to support our patients through improved education and by raising public awareness of increasingly common health risks, such as diabetes and obesity. Across the Group, we undertook health campaigns in various locations, including World Diabetes Day, World Heart Day, World Hypertension Day, the annual Breast Cancer campaign and the Purple Day against Epilepsy. Hikma co-operated with a local partner to promote Patient Safety Day. We have also disseminated health information through our social media channels.

Our patients rely on us to provide safe and effective medicines. Our Medical Affairs department is actively engaged in Pharmacovigilance practices, relating to the detection, assessment, understanding and prevention of the adverse effects or any drug-related problems. We launched a Group-wide Good Pharmacovigilance Practice policy in 2013, which provides all users with the rules and guidelines for good pharmacovigilance practice to continuously monitor drug safety and evaluate the risk/benefit balance of our products.

In 2013, we organised a pharmacovigilance symposium, "Drug Safety Monitoring for Better Healthcare" to raise pharmacovigilance awareness among healthcare professionals in the GCC countries. More than 30 senior pharmacists working in hospitals, chain pharmacies and regulatory authorities from different GCC countries attended the event, strengthening Hikma's relations with healthcare professionals and demonstrating Hikma's emphasis on quality and drug safety.

SUSTAINABILITY
Continued

BROADENING OUR ECONOMIC CONTRIBUTION

Why this is important

Hikma has a unique business model, building strong local businesses in each of our markets, employing local people, investing to establish high quality local manufacturing facilities, working with regulatory bodies, building export sales and helping to support the growth of the overall pharmaceutical market in the countries where we operate. This business model ensures that we bring significant economic benefits to the countries where we are present, improve the development of healthcare systems and support the long-term sustainability of our businesses.

What we're doing

In 2013, we invested $59 million in capex across our geographies to enhance and expand our facilities to increase our production output in both existing and new markets.

We now employ over 7,067 people globally. We have a Group-wide strategy to invest in salaries and employee benefits and support the healthcare, families and personal growth of our people, which has made Hikma an employer of choice. In 2013, we spent $319 million on salaries and employee benefits across our businesses.

We also provide continuous training and development for our employees. We focus on developing our people to be strong future managers.

We continued with our middle management training programme in cooperation with the American University of Beirut ("AUB") this year. The programme aims to enable middle management takes on more responsibility and authority.

Continuing on the path of advancing the economy and health sector in the region, Hikma partnered with the World Economic Forum as a Regional Associate, aligning our shared vision of advancing growth and resilience in the region. Over the past 30 years, Hikma has focused on advancing and building communities through developing and investing in the healthcare sector in the MENA region. Job creation, female employment, youth empowerment and their enrolment in the work force have been our priorities.

INVESTING IN SUDAN

In 2011, we invested $18 million to acquire a local manufacturing facility in Sudan and we have since invested over $8 million in capex. We are raising the quality standards of the facility and significantly increasing our supply of products for patients in Sudan. We now employ around 220 local people in Sudan and we have been investing in their training and development. We are the leading pharmaceutical company, with around 22% market share and we sell a portfolio of around 73 products, bringing high quality, affordable medicines to patients in Sudan. Over time, we are registering our products in neighbouring East African markets, supporting Sudan's export industry and broadening patient access in East Africa to important medicines.

PROMOTING GOOD BUSINESS ETHICS

Why this is important

It is embedded in the culture of Hikma to promote good business ethics across our businesses and geographies. Ensuring the integrity of our people and business practices is critical to maintaining our long-term success. In particular we focus on marketing responsibly. Hikma has a strong reputation for business ethics and quality. Our culture of ethical behaviour has established a stable work environment which employees are proud of and a name our stakeholders can trust.

What we're doing

In 2013, we launched an induction programme for our MENA sales teams. Our aim is to create a quality standard that will ensure a visible and strong image of our sales professionalism, enhance the confidence and abilities of our sales people and motivate them to grow in their roles and responsibilities within Hikma. Across our sales force, we endeavour to provide our patients with accurate, comprehensive and relevant medical information about our products. These practices ensure ethical and credible promotion of our products.

Through corporate compliance, we ensure responsible marketing and anti-corruption practices and in 2013, this was communicated through training of our sales and marketing team in an induction programme for new joiners.

In 2013, we issued an updated Code of Conduct. In our role as a responsible and ethical company with no tolerance for corruption and bribery, we will train the top management in anti-corruption practices in accordance with the Code of Conduct and cascade the training to reach all employees of Hikma worldwide.

Being a signatory of the United Nations Global Compact ("UNGC") has been vital for aligning our operations with the pillars of business ethics. We sustain our membership in the UNGC annually, demonstrating how Hikma aligns its strategies and operations with the ten universally accepted principles of the UNGC that cover four key ethical areas: human rights, labour, environment and anti-corruption. In doing so, we demonstrate how we respect and protect internationally proclaimed human rights, and are not complicit in matters of human rights abuses, child, forced and compulsory labour and take proactive measures to eliminate them. In addition, we perpetuate environmental responsibility throughout our business and manufacturing processes and use environmentally friendly technologies. We also work against corruption in all its forms, including extortion and bribery.

YOU ARE HIKMA

We actively instil ethical behaviour across the organisation. The Board has received a number of awards in transparency, openness and good governance over the years. In 2013, Hikma received the Building Public Trust Award for Executive Remuneration Reporting in the FTSE 250.

Our annual employee welfare week, "You Are Hikma", was held across our global locations. The campaign reflects Hikma's dedication to improving its employees' quality of life through personal empowerment, encouraging corporate citizenship among Hikma employees and improving their well-being and quality of life through positive and valuable educational activities to raise awareness on health, safety and environmental issues.

SUSTAINABILITY
Continued

SUPPORTING PEOPLE AND COMMUNITIES

SUPPORTING LOCAL COMMUNITY PROJECTS

A significant school rehabilitation project took place in the impoverished Sudanese Al-Bagair area, surrounding our manufacturing plant. The Hikma team helped in providing vital assistance to the school, including building a new classroom and installing water supply units.

VOLUNTEERING DAY

In the spirit of team building and instilling the spirit of volunteerism in our employees, Hikma held its annual global volunteering campaign. This year saw an active participation of employee volunteers in Jordan, Egypt, Portugal, Saudi Arabia, UK and the US. Volunteers teamed up with underprivileged school children, coaching them in community service and educating them on health and safety, while others focused on the environment, school renovations and fundraising.

Why this is important

We believe that the ultimate goal of any business is to improve the community and advance society, and we instil this belief across our operations. As a core element of our sustainable approach to business, we invest in supporting the people and communities in the markets where we operate. This enables us to build sustainable local businesses, which can deliver strong growth over time and help to improve the lives of patients through improved health. Within Hikma, our people are our most valuable asset. The investment we make to continuously develop the skills, talents and motivation of our people is what moves our business forward.

What we're doing

Across our businesses we work closely with local schools and universities and we offer internship placements in a number our markets. Educating the youth and youth employment are high on Hikma's sustainability priorities. For example, in the US we have a long history of engaging with a number of universities to provide college students with supervised, practical work experience in areas directly related to their education and career goals. In Jordan, we continue to offer local students the opportunity for internships to meet their graduation requirements and gain critical work experience. By engaging with students and universities in programmes such as these in Algeria, Germany, Italy, Jordan, Portugal and the US, we help to develop a candidate pool of qualified and highly motivated individuals.

As in previous years, Hikma made a number of medicine donations during 2013 to help people in the countries where we operate. As well as providing medicine for patients in dire need of care during times of crisis, we want to ensure that patients suffering from chronic conditions do not lose access to critical medications. For example, in 2013 we gave medicine donations following a severe flood in the East Nile area.

MINIMISING OUR ENVIRONMENTAL IMPACT

Greenhouse gas inventory

Category	Emissions	Intensity
Combustion of fuel (Scope 1 direct)	16,817 tCO_2e	2.92 tCO_2e/ FTE employee
Electricity purchased for our own use (Scope 2 indirect)	49,779 tCO_2	8.65 tCO_2/ FTE employee

Segment	Scope 1	Scope 2
MENA	8,059 tCO_2e	32,266 tCO_2
United States	7,697 tCO_2e	12,761 tCO_2
Europe	1,061 tCO_2e	4,752 tCO_2

Reporting boundaries and exclusions

Segment	GHG source	2013 disclosure
Scope 1 direct	Facility diesel combustion	Included
	Facility natural gas combustion	Included
	Facility LPG combustion	Included
	Vehicle fuel combustion	Excluded, due to data collection issues
	Facility wastewater treatment	Excluded, due to data collection issues
	Fugitive emissions from RAC equipment	Excluded, due to data collection issues
Scope 2 indirect	Purchased electricity for own consumption	Included

UTILISING SOLAR ENERGY

In Jordan, we have begun introducing our first photovoltaic system, converting sunlight directly into electricity. This is one of a series of renewable energy projects across the Group, expected to deliver substantial cost savings.

Why this is important

We recognise that human health is linked to the wider environment in which we live and that climate change is one of the greatest challenges facing nations, governments, businesses and citizens over future decades. Pharmaceuticals manufacturing can be an energy-intensive business and it is therefore our responsibility to understand our related environmental impacts through effective measurement, monitoring and reporting over time.

Disclosing the greenhouse gas ("GHG") emissions of our organisation helps us to address a key pledge of our Environment Policy: to reduce our impact on climate change. We aim to uphold this through continuous development and improvement of energy conservation and efficiency initiatives, as well as employee engagement and product/process innovations throughout our business.

What we're doing

During the period 1 January 2013 to 31 December 2013, Hikma emitted 16,817 tCO_2e from the combustion of fuel (Scope 1 direct) and 49,779 tCO_2 from electricity purchased for our own use (Scope 2 indirect). This is equal to 2.92 tCO_2e per full time equivalent ("FTE") employee and 8.65 tCO_2 per FTE employee respectively.

Hikma has quantified and reported emissions according to the Defra Environmental Reporting Guidelines 2013. We have used the latest UK Government Conversion Factors for Company Reporting in order to calculate emissions from corresponding activity data. Results are reported in tCO_2e for Scope 1 emissions and tCO_2 for Scope 2 emissions, as UK Government emission factors for overseas electricity currently account for carbon dioxide emissions only. A materiality threshold of 10% has been applied for emissions reporting purposes.

We consolidate our organisational boundary according to the operational control approach and the requirements of Section 7 of the UK Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. This approach includes all Hikma subsidiaries and corresponding facilities/assets. JVs with less than 50% holding, however, have been excluded from our GHG disclosure as it is considered that we do not have operational control over these emissions sources. In addition, non-manufacturing facilities with less than 100 staff at the end of the reporting period are not included within our emissions disclosure on the grounds of materiality. Emissions from our manufacturing facility in Morocco have also been excluded due to lack of any established process for data capture in this reporting year. It is our intention to report on material emissions from this location next year. Furthermore, we are implementing processes in order to be able to capture data from GHG sources excluded from this year's disclosure in future reporting years.

To streamline our reporting across the Group, in 2013 we began implementing software which will improve our ability to monitor and reduce emissions, waste, energy consumption and water usage. This programme will be implemented across the Group during 2014.

Across our businesses we are assessing ways to reduce our environmental impact, the most significant of which as a pharmaceutical manufacturer, is water usage. Our ability to reduce this impact through reduced water consumption will also enable us to deliver meaningful costs savings. In 2013, we installed a number of systems in our production processes that increased the efficiency of our water usage in Jordan and Portugal.

HELPING TO
improve
LIVES

CORPORATE GOVERNANCE

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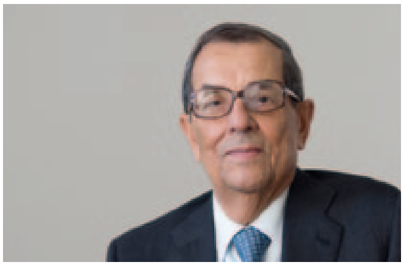
GOVERNANCE REPORT

GOVERNANCE IN HIKMA

MESSAGE FROM OUR CHAIRMAN



GOVERNANCE IN HIKMA CONTENTS

Dear Shareholders and Stakeholders

We are at a point of significant change in the leadership of our company. Whilst the leadership is changing, we are doing this in a way that promotes continuity and ensures the people who are taking the Company forward have a proven track record.

Having founded and been actively involved in the development of Hikma for many years, I have decided that it is time to step down and will be leaving the Board at the close of the AGM. I am delighted that I am handing over my responsibilities to the Chief Executive. He and his very efficient team have significantly improved the business over the last seven years and are perfectly positioned to take it forward. I will always have strong and emotional ties with the Company and, in recognition of this, the Board have kindly asked me to take on the non-Board and largely ceremonial role of Life President.

I am delighted to be handing the Chair to Said Darwazah, who will be combining this with his existing role of Chief Executive. Whilst I recognise the governance implications of this appointment, we have fully explained our rationale and liaised with major shareholders before moving ahead. I firmly believe it is the right move for Hikma to ensure its future success. We need strong and experienced leadership, particularly because of the markets in which we operate and our young and entrepreneurial nature.

It is with great sadness that we are saying goodbye to Sir David Rowe-Ham this year. Sir David has been a constant source of wisdom and guidance to Hikma as we have grown from listing in 2005 to the international group we are today. We wouldn't have been able to go on this journey without him and our debt to him is too great to quantify. Sir David is and always will be a great friend of mine and he will always be most welcome in Hikma.

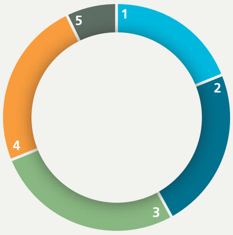
Robert Pickering, who joined us in 2011, has kindly agreed to take over from Sir David as the Senior Independent Director and Chairman of the Nomination Committee. Robert has forged strong links with the Board and management team over the past three years and has demonstrated sound and clear judgement. He is well placed to take on the role. I would also like to welcome Pat Butler to the Board, who has excellent financial and strategic experience and is an ideal candidate to continue our strong record in governance.

This is my final letter to you as Chairman and I would like to take the opportunity to remind you how important excellent governance is to us as an organisation. 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.

Whilst I am saying goodbye to you as shareholders and investors, my heart will always be with Hikma. I wish you all the very best for the future.

Samih Darwazah, *Chairman*

THE BOARD'S TIME



1. Financial	19%
2. Operational developments	23%
3. Strategy	27%
4. Corporate governance	24%
5. Training	7%

HIGHLIGHTS OF 2013

- We made significant strides in the development and implementation of our succession plans, which included the following changes:
  - Samih Darwazah is to retire from the Board and become honorary Life President
  - Said Darwazah is to be appointed Chairman and Chief Executive;
  - Sir David Rowe-Ham is to retire
  - Robert Pickering, Non-Executive Director, is to be appointed Senior Independent Director and Chairman of the Nomination Committee. Mr Pickering will become a member of the Remuneration Committee and cease to be a member of the Compliance, Responsibility and Ethics Committee ("CREC")
  - Patrick Butler is being appointed as a Non-Executive Director with a view to taking over the chairmanship of the Audit Committee in 2015. Mr Butler will become a member of the Audit and Nomination Committees and the CREC
  - Breffni Byrne, having completed nine years' service, will retire from the Board at the 2015 AGM
- Won the BPT Award for best Remuneration Disclosure
- Shortlisted for Best Board Disclosure by ICSA
- We designed, developed and consulted major shareholders on a new incentive arrangement called Executive Incentive Plan which will replace the existing bonus and LTIPs for executives
- We continued to develop the Board Corporate Governance awareness through Corporate Governance updates

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 Markets Law of the Dubai Financial Services Authority. This report on *pages 52 to 119* describes how the Board applied the Code and Markets Law during the year under review.

The Board acknowledges that the appointment of Said Darwazah as Chairman and Chief Executive requires explanation under the Code, which has been provided in this document. Otherwise, throughout the year and up until the date of this report Hikma was in full compliance.

PRIORITIES IN 2014

- Embedding the changes in the Board which are identified above
- Further developing and implementing our medium-term Board and management succession plan
- Continuing to contribute to governance practice and thought leadership throughout our jurisdictions of operation
- Developing our new governance framework with the orderly handover of responsibilities from Breffni Byrne to Pat Butler as Chairman of the Audit Committee
- Further advancing our commitment to business integrity through the implementation of relevant procedures, policies and training
- Developing further our externally moderated Board evaluation processes

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.

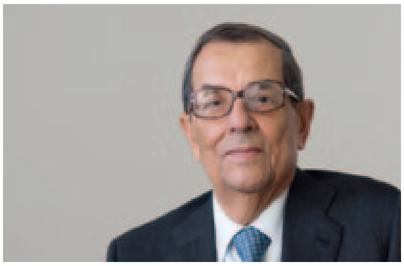
The Chairman, Senior Independent Director and Committee Chairmen remain open for discussion on matters under their areas of responsibility, either through contacting Hikma or at the Annual General Meeting ("AGM"). Each Committee has provided shareholders with a separate report on their activities during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

On-going 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 on-going 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.

GOVERNANCE REPORT

OUR BOARD



Samih Darwazah

Non-executive Chairman

(Retiring at the May 2014 AGM)

Age: 83

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

(Chairman and Chief Executive from May 2014 AGM)

Age: 56

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 Hikma's group holding company from 1994 to 2003 and Minister of Health for the Hashemite Kingdom of Jordan from 2003 to 2006.

During his 32 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 US and the development of the Injectables business in Europe and the MENA region. Under Said's leadership, Hikma's facilities in the US, 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 holds various public and charitable positions. He is founder of the Healthcare Accreditation Council of Jordan, Chairman of the Dead Sea Touristic and Real Estate Investments and a member of the Central Bank of Jordan Board. He is a Director of Endeavour Jordan, a charitable organisation that assists in the development of entrepreneurs, and a Trustee of Jordan River Foundation, a charitable organisation that aims to empower Jordanian society. Said is Chairman of the Queen of Jordan's charitable foundation. Said is a Trustee at the American University of Beirut.

Committee membership:

Executive Committee (Chairman)

Mazen Darwazah

Executive Vice Chairman, CEO of MENA

Age: 55

Appointed: 8 September 2005

Joined Hikma: 1985

Nationality: Jordanian

Skills and experience:

Mazen was appointed Group Executive Vice Chairman and MENA CEO in 2005 and became President and CEO of MENA and Emerging Markets in 2014. 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.

Mazen is responsible for the strategic direction of the MENA business, as well as having day-to-day operational responsibility. He is also responsible for the expansion of the Group into emerging markets outside of the MENA region, global alliances, business relationships, CSR and business integrity.

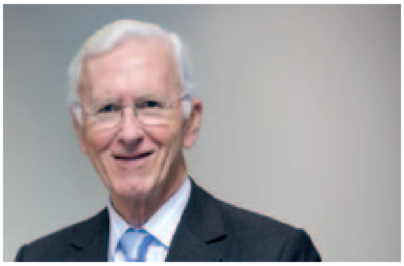
Mazen holds a BA in Business Administration from the Lebanese American University and an AMP from INSEAD. He has served as the President of the Jordanian Association of Manufacturers of Pharmaceuticals and Medical Appliances.

Other appointments:

Mazen holds various public and charitable positions. 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:

Compliance, Responsibility and Ethics Committee
Corporate Responsibility Committee (Chairman)
Executive Committee
Nomination Committee



Sir David Rowe-Ham
Senior Independent Non-Executive Director
(Retiring at the May 2014 AGM)

Age: 78

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

Robert Pickering
Independent Non-Executive Director
(Senior Independent Director from the May 2014 AGM)

Age: 54

Appointed: 1 September 2011

Joined Hikma: 2011

Nationality: British

Skills and experience:

Robert spent 23 years at Cazenove and 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 (Chairman designate)
Remuneration Committee

Ali Al-Husry
Non-Executive Director

Age: 56

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 director of the Capital Bank of Jordan.

Michael Ashton
Independent Non-Executive Director

Age: 68

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: 68

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 Chairman of Aviva's life insurance operations in Ireland and Tedcastles Holdings, an oil distribution company. He is also a Non-Executive Director of Citibank Europe PLC and Cpl Resources plc, a human resources company. He has been a member of the Audit Committee of all of the above companies, in some cases Chairman.

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

Dr Ronald Goode
Independent Non-Executive Director

Age: 70

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 Advisor to The Kinsella Group, an investment banking company.

Committee membership:

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

Pat Butler
Independent Non-Executive Director

Age: 53

Appointment: 1 April 2014

Joined Hikma: 2014

Nationality: Irish

Skills and experience:

Pat is a former Senior Director at Mckinsey & Co. During his 25 years at McKinsey, he focused on advising large corporations in the EU, US and MENA on strategic, acquisition, and organisational issues. He has extensive experience in strategy implementation, integrating acquisitions, performance improvement and a range of finance functions including treasury and risk management.

Prior to McKinsey, Pat qualified as a Chartered Accountant with the audit and tax practice of Arthur Andersen. He has a first class honours degree in Commerce and a postgraduate diploma in Accounting and Corporate Finance from University College Dublin.

Pat has a first class honours degree in Commerce and a postgraduate diploma in Accounting and Corporate Finance from University College Dublin.

Other appointments:

Pat is a partner at The Resolution Group, Non-Executive Director of the Bank of Ireland and governor of the British Film Institute. He also chairs the Investment Committee of the UK government's Business Bank.

Committee membership:

Audit Committee (Chairman from May 2015)
Compliance, Responsibility and Ethics Committee
Nomination Committee

GOVERNANCE REPORT

SENIOR MANAGEMENT

Bassam Kanaan
Chief Strategy & Corporate Development Officer

Appointed to current role: 2014

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, where he led the implementation of important organisational and operational improvements. In 2014 he was promoted to the newly created role of Chief Strategy & Corporate Development Officer, with Group-level responsibility for strategic development, acquisitions, alliances and product development. Bassam is responsible for delivering the expansion vision of the CEO.

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 a Non-Executive Directorship 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 organisations and is currently a member of the Board of Trustees of the Welfare Association in Jordan.

Committee membership:

Executive Committee
Management Committee (Chair)

Majda Labadi
Corporate Vice President for 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) programme at INSEAD, holds a BA from the American University of Beirut and Masters degree from Hochschule Fur Okonomie in Berlin, Germany.

Committee membership:

Executive Committee
Management Committee

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.

Committee membership:

Executive Committee
Management Committee

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.

Committee membership:

Executive Committee
Management Committee

Michael Raya

President and CEO of the US

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.

Committee membership:

Executive Committee

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 division 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.

Committee membership:

Executive Committee

GOVERNANCE REPORT
Continued

Hussein Arkhagha
General Counsel

Appointed to current role: 2013

Joined Hikma: 2001

Nationality: Jordanian

Skills and experience:

Hussein joined Hikma in July, 2001 as a Legal Counsel. Since then, Hussein occupied several positions at Hikma, including Head of Tax, Head of MENA Legal and Head of Shareholders Department.

Hussein is a qualified lawyer in Jordan and holds a Masters degree in International Business Law from the University of Manchester, under UK Chevening Scholarship.

Peter Speirs
Company Secretary

Appointed to current role: 2012

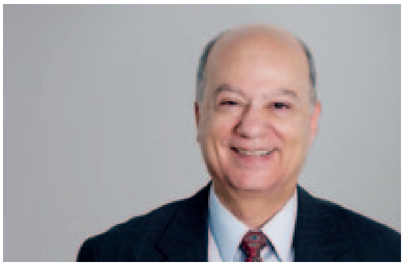
Joined Hikma: 2010

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 and listing matters at the Board and across the Group and ensuring the smooth management of the Board and committees.

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: 1979

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 RandD. 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 and Development

Appointed to current role: 2009

Joined Hikma: 2000

Nationality: Jordanian

Skills and experience:

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

BOARD COMPOSITION

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 2013 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

- CFO
- CEO US
- Chief Strategy Officer
- General Counsel
- VP Human Resources
- Company Secretary
- VP EU and Injectables
- VP IR and Strategy

EXTERNAL ADVISERS

- Ashurst
- Addleshaw Goddard
- Bank of America Merrill Lynch
- CenterView Partners
- Citigroup
- Deloitte
- Ernst & Young
- Lintstock
- PwC

BOARD COMPOSITION

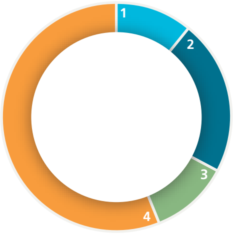
During the course of 2014, the following changes are being made to the structure of the Board:

- Mr Said Darwazah is to become Chairman and Chief Executive (May 2014)
- Mr Pat Butler is to be appointed as Independent Non-Executive Director (April 2014), with the intention to become Audit Committee Chairman following a handover period
- Sir David Rowe-Ham, Senior Independent Director, intends to retire (May 2014)
- Mr Robert Pickering, Non-Executive Director, is to take on the Senior Independent Director role (May 2014)

The charts below compares the Board composition as at 31 December 2013 and following the 2014 AGM.

BOARD COMPOSITION

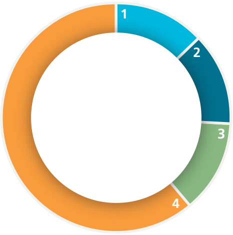
AS AT 31 DECEMBER 2013



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

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

AS AT 15 MAY 2014



1. Chairman & Chief Executive	13%
2. Executive Directors	13%
3. Non-Independent NED	13%
4. Independent NEDs	61%

- One Chairman and Chief Executive
- One Executive Director
- One Non-independent Non-Executive Director
- Five Independent Non-Executive Directors

The names of the Directors, their biographical details and dates of appointment are set out on *pages 54 to 57*.

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 and Chief Executive. As detailed in his role profile on *page 64*, Sir David is also responsible for chairing the meetings of the Non-Executive Directors conducted without the presence of the Chairman or executive management. Mr Robert Pickering will take on this role from 14 May 2014.

CHAIRMAN AND CHIEF EXECUTIVE APPOINTMENT

During 2013 the Company undertook a fundamental review of our succession plans and, following a full shareholder consultation, the Board decided to appoint Mr Said Darwazah as Chairman in addition to his current role as Chief Executive. The Board is aware that this constitutes a departure from the Code and, therefore, has detailed below the rationale for the departure.

REASONS FOR THE DECISION

The Board is focused on continuing the commercial success of Hikma and believes that the appointment of a Chairman and Chief Executive is the best way to achieve this objective.

- Chairman's role: The Chairman position is highly visible within Hikma, acting as an ambassador with our business partners and adviser to our divisions. It is essential the Chairman intimately understands MENA culture and has strong relationships in the region, can speak Arabic and has extensive pharmaceutical knowledge.
- Entrepreneurial leadership: Hikma is an entrepreneurial company and believes that the combination of Board and strategic leadership is the best method of maintaining the growth success and corporate nimbleness.
- Continuity of success: Said Darwazah has been the driving force behind the operational success of the business since 2007 and the Board believes that his role as Chief Executive remains critical to the continued success of the Group. Furthermore, having discussed succession planning over several years the Board does not believe that there is currently an appropriate Chief Executive successor within the Company and an external appointment would not be in the best interests of the Group given its heritage and management structure. Executive succession is an area that the Board and executives are particularly focused on for the future.
- Business partners: A significant number of the Company's key political and commercial relationships across the MENA region are built on the long-term trust and respect for the Darwazahs where the role of the Chairman remains key.
- Individual based appointment: The combining of the Chairman and Chief Executive role is consequently being proposed due to the unique skill set, experience, style and position of Said Darwazah within Hikma.
- Darwazah family: Members of the family have always held the Chief Executive and Chairman positions, and as a 31% shareholder in the Company, the Darwazah family does not wish to relinquish the Chairman's position reflecting their view of its importance in the continuity of Hikma's success.

ENHANCED SAFEGUARDS

As part of its consideration of the new position, the Board reviewed its governance structure and implemented new and enhanced existing controls:

- Enhanced Senior Independent role
  The Board has resolved to increase the responsibilities of the Senior Independent Director to include:
  - Joint responsibility, with the Chairman and Chief Executive, for setting the Board agenda, agreeing actions points and the minutes of the meeting
  - Responsibility for Board composition, effectiveness and evaluation
  - Independent access to executive management and vice versa
  - A reporting line from the Company Secretary
- Independent majority
  The Board is committed to maintaining a majority of independent Non-Executive Directors at all times. The Nomination Committee has a medium-term plan for the orderly succession of Non-Executive Directors, including the handover of responsibilities of the Committee chairmen. The Nomination Committee is currently undertaking an external search for a non-executive appointment in 2014.
- Governance structure review
  The Independent Directors meet at least bi-annually in a separate session chaired by the Senior Independent Director. This meeting includes consideration of the appropriateness of the governance structure and safeguards for shareholders.
- Leadership style
  Mr Said Darwazah's leadership style is to set a strategic vision for the Group and empower divisional heads to deliver that vision. There is a significant delegation of power and authority to those business heads.
- Executive remuneration
  The remuneration of the executive management and the Company Secretary are set by the Remuneration Committee.
- Committee Chairman roles
  The chairmen of the Board Committees, all of whom are Independent Non-Executive Directors, undertake a significant amount of work in the oversight of the functions that report to their Committees and have in-depth relationships and reporting lines with their executives.
- Board dynamics
  The Darwazah family fully embrace the UK governance model, including the role of Independent Directors, who they view as adding significant value to Hikma. The majority of the Board are independent and there has and always will be a strong Senior Independent Director, who receives the highest level of respect from the Darwazah family and within Hikma. The Board considers that the combining of the role of Chairman and Chief Executive will have minimal impact on the functioning of the Board.

CHAIRMAN AND CHIEF EXECUTIVE APPOINTMENT CONTINUED

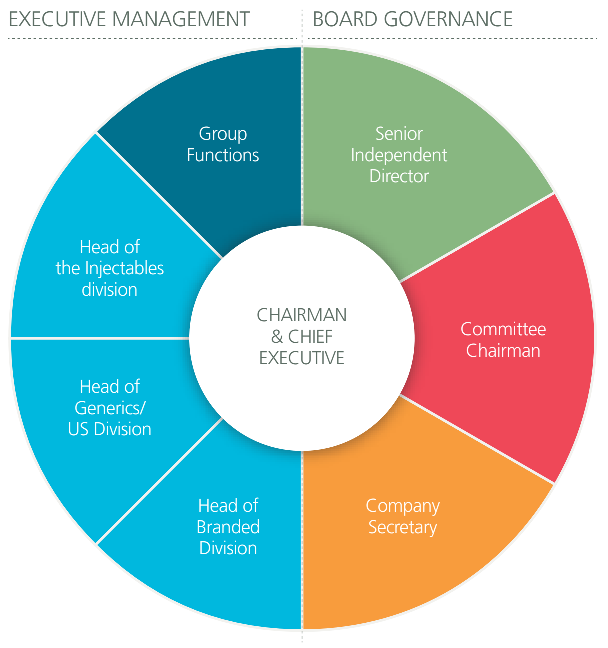
ENHANCED SAFEGUARDS

As part of its consideration of the new position, the Board reviewed its governance structure and implemented new and enhanced existing controls:

- Executive development
  The Chief Executive is in the process of enhancing the existing development programmes for internal candidates, particularly focusing on ensuring experience in all local markets and the UK listed environments. It is envisaged that the programmes will result in a new Executive Director, with Group-level responsibility, being appointed within two years.
- Transparency and engagement
  Hikma has always had the highest regard for external shareholders, many of our original business partners from before listing still invest, lend and support the Company today. Over the past nine years since flotation the Company has maintained the highest standards of shareholder engagement which is reflective of the importance placed in maintaining strong market relations and governance. We have won and been shortlisted for several transparency and governance awards, particularly over the past three years.

ROLES AND RESPONSIBILITIES

The division of Board responsibilities following the appointment of the Chairman and Chief Executive at the 2014 AGM can be summarised as follows:



Chairman and Chief Executive

The Board has approved a statement of the Chairman and Chief Executive responsibilities in writing and will review it annually as part of the corporate governance review. The Chairman and Chief Executive responsibilities include:

- Providing an appropriate environment for the Board to scrutinise and challenging the actions of management in a constructive manner which protects shareholders
- Ensuring that the opinions of Directors and executives are fully taken into account
- Keeping the Senior Independent Director fully informed of all matters of importance to the Group
- Ensuring that the Board considers all matters that are relevant to it and has appropriate information
- Setting the Agenda for the Board, in consultation with the Senior Independent Director
- Providing the strategic vision and implementation capability to ensure the Company achieves its full potential
- Leading the executive team and supporting the business heads in the delivery of the divisional strategy

Vice Chairman

When required, the Vice Chairman acts as alternate to the Chairman and Chief Executive and is another point of contact and sounding board for management and Directors. He advances the executive agenda and supports the Chairman and Chief Executive in the setting and delivery of strategy.

The Vice Chairman is also responsible for leading the Board on Hikma's anti-bribery and corruption, business integrity and ethics and corporate social responsibility programmes.

Senior Independent Director

The Board reviewed the Senior Independent Director responsibilities and resolved to increase it in view of enhancing Board balance, including:

- Together with the Chairman and Chief Executive and other executives where necessary, setting the Board agenda, agreeing actions points and the minutes of the meetings
- Leading the Board in matters of board composition, effectiveness and evaluation, particularly in relation to the performance of the Chairman and Chief Executive
- Providing a communication channel between the Chairman and Chief Executive and the Non-Executive Directors
- Leading the quarterly meetings of Non-Executive Directors which include an assessment of the appropriateness of the governance structure and safeguards for shareholders
- Providing a sounding board to executive management and the Company Secretary
- Acting as an alternate point of contact for shareholders and maintain contact with principal investors and representative bodies

Non-Executive Directors

The Non-Executive Directors scrutinise the strategy, risk planning and operations of executives, providing advice and external perspective. They engage with management across the Group to ensure they have an appropriate awareness of the Group's activities and issues it faces. The Non-Executive Directors also keep Hikma's governance structure under review and ensure that appropriate safeguards are in place. The Directors hold meetings without the executive management present to discuss issues affecting the Group.

Company Secretary

The Company Secretary reports to the Chairman and Chief Executive and supports the Senior Independent Director and Chairman in the delivery of their roles, particularly in relation to information flow and setting the Board agenda. He keeps the Board apprised of matters of governance and policy and all Directors have access to his advice and services. The Company Secretary also acts as secretary to the Board and Committees, supporting the Committee Chairmen in the governance aspects of their responsibilities. The appointment and removal of the Company Secretary is a matter reserved for the Board.

Independence

The Board considers Sir David Rowe-Ham, Michael Ashton, Ronald Goode, Breffni Byrne, Robert Pickering and Pat Butler (effective 1 April 2014) 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.

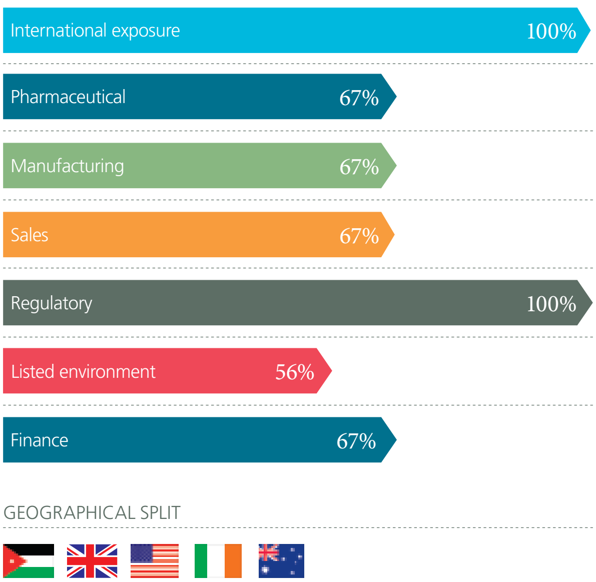
However, he continues to bring to the Board broad financial experience and a detailed knowledge of the MENA region which represents the majority of the Group's business.

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.

BOARD EXPERIENCE



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 today.

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.

EFFECTIVENESS CONTINUED

Training

The main Board training and development activities this year were:

- 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 2014
- 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

Induction

A new Independent Non-Executive Director joined the Board after the year end. The induction process involves:

- Visiting the Jordan facilities and conducting one on one meetings with all MENA senior management
- Presentations on each functional and geographical area of Group business
- Meetings with the Senior Independent Director and other Non-Executive Directors
- Receipt of a full induction pack explaining Hikma's governance framework, policies and procedures
- A briefing from the General Counsel and Company Secretary on the legal governance and control framework
- A briefing from the US CEO to explain US FDA regulatory and quality issues

The induction process incorporates presentations from executive management on sales and marketing, supply chain, research and development, human resources, legal, manufacturing, finance and investor relations.

Evaluation

The Board and the Committees undertake an externally moderated evaluation each year. A summary of the evaluation process and the issues identified are summarised in the table below.

KEY POINTS OF THE BOARD EVALUATION 2013

- The process is co-ordinated 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
- 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

MAIN ELEMENTS OF THE QUESTIONNAIRE

- Board composition
- Time management
- Board information
- Strategic oversight
- Operational oversight
- Succession planning
- Human resource management
- Priorities for change

MEETINGS

KEY CONCLUSIONS AND OBSERVATIONS FROM THE 2013 EVALUATION

- 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
- Further work was required in certain areas, detailed below

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

CHAIRMAN'S APPRAISAL

The Senior Independent Director met with the Non-Executive Directors to undertake a formal appraisal of the performance of the Chairman. The conclusion of this process was that the Chairman gave clear leadership and direction to the Board, and that the Board is run in an appropriate and effective manner. This review addressed:

- The effectiveness of his leadership
- The setting of the Board agenda
- Communication with shareholders
- Internal communication and Board efficiency

PROGRESS ON PREVIOUSLY IDENTIFIED ISSUES

OBSERVATIONS	ACTION TAKEN
Focus upon Board and executive succession planning	The Board established a three-year succession plan, providing clear succession for Non-Independent Directors, Committee, Chairman and key members of executive management
Management presentations to the Board too lengthy	Assisted by the Company Secretary, senior management adjusted the length of their presentations which are more concise, enhancing Board efficiency
Increased communication on Hikma Strategy	Further enhanced the use of the Executive Committee to consider Group Strategy. A comprehensive strategy day is scheduled for 2014

Information flow

The Company Secretary supports the Chairman in setting the Board agenda, ensuring appropriate reports from executive management and advisers 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
- Tax
- Committee Chairmen report
- Acquisitions
- Executive Committee and strategic updates
- Investor relations
- Financial markets performance/broker update
- Risk management
- Insurance
- Human resources
- Compliance
- Research and development

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

Attendance

During the year under review the Board held eight scheduled meetings and four unscheduled meetings. 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	58%	–	–	–	–
Said Darwazah	100%	–	–	–	–
Mazen Darwazah	100%	–	–	100%	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	**12**	**8**	**6**	**5**	**7**

Due to ill health Mr Samih Darwazah was unable to attend certain board meetings during the year.

2013 BOARD KEY BUSINESS

SPECIFIC ITEMS DISCUSSED AND REVIEWED DURING THE YEAR

2013

JANUARY
- Specific items discussed and reviewed during the year

FEBRUARY
- Global Injectables business strategic review

MARCH
- Global Injectables business strategic review
- Forecast I
- Report and Account 2012
- Proposed final dividend

APRIL
- AGM notice
- Forecast II
- Global Injectables business strategic review

MAY
- Ethical assessment of our distribution chain
- Interim management statement

JULY
- US Injectables supply agreement

AUGUST
- Ethiopian joint venture
- Proposed interim dividend
- Forecast III

OCTOBER
- Potential acquisition/business venture

NOVEMBER
- Forecast IV
- Major Injectables investment
- Interim management statement

DECEMBER
- Succession presentation
- Potential acquisition/business venture

ITEMS SPECIFICALLY DISCUSSED AT BOARD MEETINGS

ITEM ON THE AGENDA	RESPONSIBLE PERSON
Committee reports	Committees Chairman
Financial performance	CEO/CFO
Business operational update	Head of business divisions
Acquisitions and JV opportunities	Head of M&A
Strategic review	Chairman and Chief Executive
Corporate governance update	Company Secretary
Legal update	General Counsel
Investor relations review	VP Investor Relations
Business development	Head of Business Development
Directors' external commitments	Directors

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 99 to 100*. 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 54 to 57*. 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.

Time commitment and duties

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 are 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.

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 and capital: Approval of changes to Group structure or changes to capital structure
- Financial reporting and controls: Approval of financial announcements, accounts, dividends; significant changes to treasury and accountancy practice
- Internal controls: Reviewing effectiveness of 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*
11 March 2014

COMMITTEE REPORTS

AUDIT

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 Committee's written terms of reference are available on Hikma's website.

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. On 1 April 2014, Pat Butler will join the Committee. Pat has extensive experience of financing, accounting, risk, and internal control matters and we welcome him to the Committee. Over the course of 2014, Pat will be accompanying me when undertaking my duties as Chairman, with a view to taking over the Chair at the 2015 AGM. We are well placed to ensure an orderly handover of responsibilities.

Sir David Rowe-Ham is retiring from the Committee and the Board at the May AGM. The Committee and I would like to note our sincere gratitude for Sir David's sound and steady guidance since we listed in 2005. I have greatly enjoyed working with him and wish him the best for the future.

The Committee met 10 times during the year. We invited the Chief Financial Officer, VP for Investor Relations, 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 and I met with each team separately as part of my review of their work.

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 you will see from our highlights, we have undertaken extensive work during the year, including enhancing our capital investment model and our annual report methodology. In line with current guidance, we have provided more detail on the accounting judgements and issues considered by the finance team and Committee during the year.

As an organisation 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.

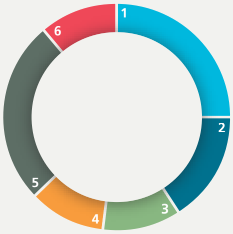
Breffni Byrne

Breffni Byrne, *Chairman of the Audit Committee*

OUR HIGHLIGHTS

- Enhanced procedures to provide advice to the Board on whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable
- Approved the enhancement of our internal control and capital expenditure framework with the creation of a Group and regional level investment committees with a decision matrix and appropriate controls
- Monitored and reviewed the corporate governance arrangements and made recommendations for enhancement
- Monitored the performance and findings of the external and internal auditors
- Implemented the results of the 2013 Audit Committee's evaluation exercise
- Monitored the non-audit services provided by our auditors
- Reviewed the Group tax strategy and considered the advice of our external consultants and recommendations of management
- Enhanced financial management by integrating the reporting and forecasting functions

ALLOCATION OF COMMITTEE'S TIME



1. Financial performance	25%
2. Announcements/results	16%
3. Forecasts	11%
4. Internal audit	11%
5. External audit	26%
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. Pat Butler will join on 1 April 2014. Sir David Rowe-Ham will retire from the Committee on 15 May 2014. It is envisaged that Pat Butler will become the Chairman of the Committee in May 2015, following a one year handover period from the current Chairman.

All members of the Committee have extensive financial experience, including international operations. The Chairman has over 30 years' experience as a public accountant and is considered by the Board to have recent and relevant financial experience. Pat Butler, the Chairman designate, has extensive experience of financing, accounting, risk and internal control matters from his 30 years at McKinsey and Arthur Andersen. All members have spent a significant portion of their careers in leading positions at financial, advisory and pharmaceutical companies.

Members	Meeting attendance
Breffni Byrne (Chairman)	100%
Michael Ashton	100%
Sir David Rowe-Ham	100%
Ronald Goode	100%
Robert Pickering	100%
Pat Butler	N/A
Total meetings	10

INTERNAL ADVISERS

- Chief Financial Officer
- Company Secretary
- VP Investor Relations and Strategy
- Director of Reporting and Financial Compliance

EXTERNAL ADVISERS

- Deloitte (Audit)
- Ernst & Young (Internal Audit)

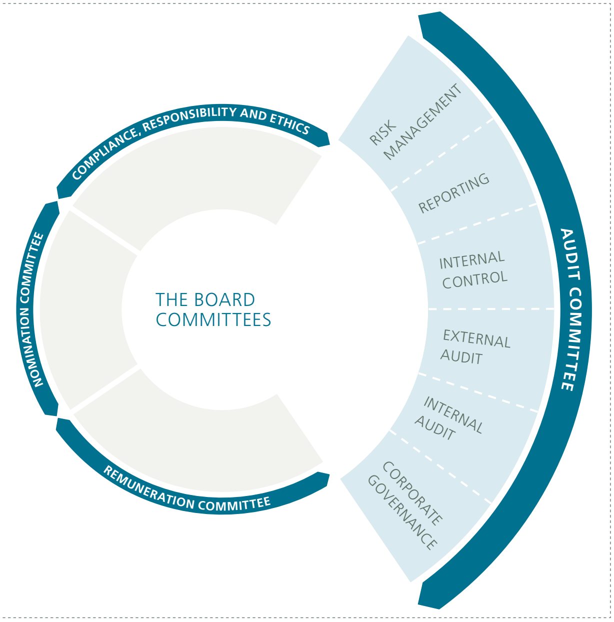
COMMITTEE REPORTS – AUDIT
Continued

SIGNIFICANT ACCOUNTING JUDGEMENTS

During 2013 and up until the date of this report, the Audit Committee also considered and discussed the following financial matters:

- Revenue recognition: Reviewed the judgements and recommendations of management made in respect of revenue recognition for high margin products where the potential for returns and rebates was high. The Committee was satisfied that the in-depth review by local and Group management validated the approach followed in 2013.
- Asset impairment: The Group has significant investment in fixed assets relating to its manufacturing operations and intangible assets relating to marketing authorisations and acquisitions. The Committee continuously monitors the application of the Group's policies in relation to impairment and valuation of those assets. The Group also reviewed the performance of joint venture investments and assessed management's impairment recommendations.
- Rebates and chargebacks: The Committee assessed the financial reports on the processing of chargebacks and rebates in the US, which is a highly judgemental area and applies to a significant proportion of group revenue. The Committee noted the improvements in the control and modelling environment and considered the appropriateness of associated provisions.
- Taxation: The Group's worldwide operations are highly integrated and involve a number of cross-border transactions. As a result there is complexity and judgement regarding the potential tax liabilities in various jurisdictions. The Committee reviewed and considered the advice of professional services firms and management in this regard.
- Provisions: Considered the likely outcome of certain claims based on advice from internal and external counsel, and the appropriateness of management recommendations on provisions.
- Accounts receivable and inventory: Reviewed the reports on major receivables and considered management's relationships with those parties, plan to ensure payment and relevant provisions. Assessed the potential impact of remediation and other factors on the impairment of inventory.
- Going concern: Conducted a rigorous assessment of whether Hikma is a going concern when preparing the annual and half-yearly financial statements. In reaching its conclusion, the Committee took into account Hikma's forecasts and budget, borrowing facilities, contingent liabilities, medium and long-term plan, and financial and operational risk management.

RESPONSIBILITIES



The Audit Committee assists the Board in discharging its responsibilities with regard to financial reporting, external audit, internal audit, internal control, corporate governance and risk management. The Committee reviews Hikma's Annual Report, financial statements, interim report, interim management statements and trading updates, monitors all audit and 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, reappointment 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.

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, balanced and understandable. The terms of reference are available on the Hikma website and by contacting investors@hikma.uk.com. They are summarised as follows:

RESPONSIBILITIES CONTINUED

- 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
- 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, reappointment 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

FAIR, BALANCED AND UNDERSTANDABLE

Hikma is committed to clear and transparent disclosure and has worked hard over the year to improve the clarity of its reporting. In producing the Annual Report and Accounts, the focus of management, the auditors and the Committee is on ensuring that the disclosures are fair, balanced and understandable. The process of reporting is an extensive exercise both from an internal management perspective and in use of advisers. At the request of the Board, the Audit Committee considers whether Hikma's Annual Report is fair, balanced and understandable and whether it provides the necessary information for shareholders to assess Hikma's performance, business model and strategy.

The Audit Committee builds its recommendation to the Board based on a comprehensive review conducted by a committee of senior management (the "Reporting Committee"), which consists of the:

- Chief Financial Officer
- Vice President Corporate Strategy and Investor Relations
- Company Secretary
- General Counsel
- Vice President for Human Resources*
- Divisional Heads*
- Director of Reporting and Financial Compliance*
- Investor Relations Manager*
- Chief Compliance Officer*

* Where the matters on the agenda relate to their areas of responsibility

The Reporting Committee, which meets regularly during the year:

- Initiates the first review of the Annual Report in November, at which point areas for improvement are identified and enhancements recommended
- Discusses the proposed disclosures with external auditors, brokers and public relations advisers to obtain their input
- Meets to review and refine disclosure and ensure the opinions of the adviser continue to be sought
- Instructs a verification process to ensure the accuracy of disclosures
- Issues guidance to contributors at the beginning and throughout the process and reports on actions and significant areas of judgement to the Audit Committee as appropriate

The Audit Committee closely oversees the work of the Reporting Committee, which is responsible for ensuring the accuracy of the information submitted in the Annual Report and assessing whether the narrative section of the report is consistent with the accounting information. Each of the members of the Audit Committee was satisfied that the 2013 Annual Report is fair, balanced and understandable and recommended the adoption of the report and accounts to the Board.

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 prior approval of the Audit Committee is required for the 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. The Committee was not required to exercise its discretion under that policy during the year.

The Committee regularly reviews the work of the external auditors and in doing so examined the following performance criteria during the year:

Audit quality and technical capabilities

The Committee formally reviewed the quality of the audit and capabilities of the team during the year and concluded that the existing team continues to conduct an effective audit. The Committee considered 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. As part of the regular meetings between the Committee and auditors, without management present, the Committee feeds back its comments on their performance. The Committee evaluation process, which is anonymous and externally facilitated, includes an assessment of the work of the auditors. The auditors ensure that experienced specialists assist management and present to the Committee where there are issues of a more complex nature, such as tax. The Committee believes that there is a strong, appropriate and open relationship between the audit team leadership, the Audit Committee and management.

Independence and objectivity

The Committee regularly reviews the independence safeguards of Deloitte and only authorises non-audit work where the Committee considers that it is in the best interests of the Group. The prime drivers of this decision are the:

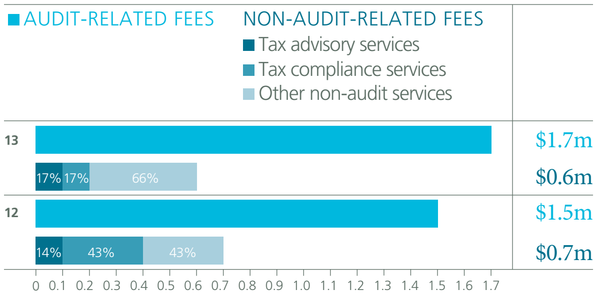
- Ability to obtain advice of right quality
- Timeframe of the transaction and the relevant experience and expertise of the team
- Ability of other major providers, whether through conflicts or otherwise, to provide the service
- Reasonableness of the costs

The Committee maintains policies on the provision of non-audit services by the external auditors, which are included in the Board Governance Manual. The key elements are:

- In setting out which non-audit services the external auditors may and may not provide to Hikma, the Committee's principle focus is to ensure that the independence of the external auditors is not impaired
- The auditors are not allowed to undertake work promoting Hikma, installing systems, making management decisions, supporting litigation or tasks that would involve review or reliance upon their audit work
- The total fees for non-audit work cannot exceed 50% of the total fee for audit and audit-related services without the prior approval of the Committee

Fees paid in respect of audit, audit-related and non-audit services are outlined in Note 6 to the consolidated financial statements and in the chart below. Audit-related services are services carried out by the external audit team by virtue of the role and principally include assurance-related work.

AUDITOR'S FEES ($ MILLION)



* % of audit-related fees

During the period under review the Group used members of Deloitte network in certain jurisdictions for non-audit services. The other non-audit fees incurred of $0.4m in 2013 were principally due to the work undertaken by Deloitte LLP in the United Kingdom, related to assisting the Group with the financial assessment of strategic options for Hikma's injectable business. The appointment of Deloitte LLP was made after a competitive tender process. A detailed Request for Proposal was prepared and a number of international consulting firms were invited to tender. Each firm produced a proposal and made presentations to Hikma's executive management which recommended the appointment of Deloitte LLP for its strength in this area. The appointment ceased when the strategic review concluded that the Injectables division should be retained.

EXTERNAL AUDIT CONTINUED

Appointment and tendering

Deloitte LLP were appointed as auditors in advance of when Hikma listed on the London Stock Exchange in 2005. Since that point there have been three senior audit partners, with Mr Paul Franek joining in 2011 for a term of up to five years completing in 2016. The external auditor is required to rotate the audit partner responsible for the engagement every five years. Following revisions to the Code in 2012, Hikma will be required to put the audit out to tender by 2020 and we intend to do this at an appropriate point between 2016 and 2020.

The Committee considers it is appropriate to maintain flexibility regarding tendering the audit and considers the issue regularly as part of the annual appraisal process. It is 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. There are no contractual provisions that restrict the Committee's choice of auditors. The Committee recommended to the Board the reappointment of Deloitte as external auditor.

The re-election and remuneration of Deloitte LLP as Hikma's auditors will be proposed to shareholders at the 2014 Annual General Meeting. Should shareholders wish to discuss the situation with Hikma, as Chairman of the Audit Committee, I will be happy to make myself available.

INTERNAL AUDIT

During the year under review and up to the date of this report, Ernst and Young ("E&Y") continued its management and execution of the Group's internal audit function on a global basis under a contract that originally commenced in 2006. E&Y report directly to the Chairman of the Audit Committee, with regular reports of their findings made to the Audit Committee, who reviews their findings and management actions in detail. Additionally, E&Y regularly report their findings to the Audit Committee and meet with them without the management present. In the opinion of the Board, the internal audit processes are in accordance with relevant guidance. The internal audit programme operates as follows:

STEP 1

IDENTIFY RISK

- E&Y, in consultation with management, prepare an annual risk assessment, which gives the focus for the audit plan and the entities to be targeted
- The risk assessment covers the principal risks and uncertainties facing the Group, details of previous geographical/functional reviews, whether new assets/entities have been acquired, the risks identified and arising from previous audits

STEP 2

ASSESS AND QUANTIFY

- 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

STEP 3

DEVELOP ACTION PLANS

- Following completion of each review, E&Y 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/geographic region

STEP 4

MONITOR AND REPORT

- 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 system for identifying, evaluating and managing the risks the Group faces draws on the on-going 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 monitors the on-going effectiveness of the system and formally reviews the Group's policies on internal control on an annual basis. The system of internal control provides reasonable but not absolute assurance against material misstatement or loss.

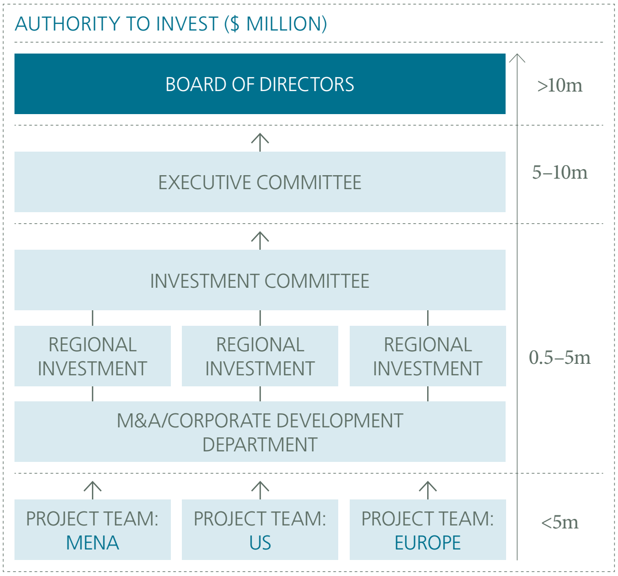
The key elements of our internal control framework are as follows:

- 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 and that are reviewed and approved by the Board
- A comprehensive system of internal financial reporting that includes regular comparison of results against budget and forecast and a review of KPIs, each informed by management commentary
- An established process for reviewing the financial performance and providing support to our joint ventures and associates together with direct support from the Hikma finance function
- Written policies and procedures for material functional areas with specific responsibility allocated to individual managers
- A defined process for controlling capital expenditure which is described below

Capital expenditure

In 2013, the Audit Committee approved a more formalised process for the consideration of capital investments, with the incorporation of Group-level investment committees and regional investment committees (the "Investment Committees"). The Executive Committee and Investment Committees meet regularly to discuss regional progress and to review and approve the resources for the upcoming year. The Investment Committees are responsible for reviewing investments proposed by management, approving investments within its authority and for making recommendations to the Executive Committee.

The reporting structure and authority limits operate as follows:



RISK MANAGEMENT

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. Details of the principal risks facing Hikma and action taken to mitigate and control those risks are detailed on *pages 38 to 41*. Additionally, the Audit Committee discusses business and operational risks with the internal and external auditors to the extent that these are identified by the audit work that they perform. These risks are periodically reviewed and updated by the Executive Committee which reports on its actions to the Board.

Hikma is an acquisitive Group and the Committee recognises the potential serious nature of risks arising from each acquisition and series of acquisitions. The mergers and acquisitions team undertake extensive due diligence of each acquisition. The management team reviews the findings in detail and assesses whether to proceed where acquisitions are proposed to the Board.

Following the acquisition of a target, the finance group, the management team and the Audit Committee closely monitor its financial and non-financial performance. Members of Hikma management are transferred to the target to assure a swift integration and to manage and control the risks that have been identified and those that may subsequently arise.

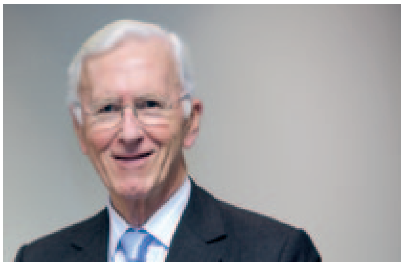
For and on behalf of the Audit Committee

Breffni Byrne, *Audit Committee Chairman*
11 March 2014

COMMITTEE REPORTS

NOMINATION

LETTER FROM THE CHAIRMAN



NOMINATION REPORT

Dear Shareholder

The Nomination Committee has been very active over the course of 2013 and early 2014. As part of our plan to refresh the Board, we have recommended the appointment of a new Chairman and Chief Executive, Independent Non-Executive Director and Senior Independent Director. Additionally, we have further developed our medium-term succession arrangements and are well positioned for the future.

The most momentous change this year is the forthcoming retirement of Samih Darwazah, the founder and leader of Hikma for a generation. Hikma and Samih will always have a special bond and this is appropriately reflected in Samih's appointment as honorary Life President.

Hikma is an entrepreneurial company and operates in a diverse range of markets, where long-term relationships are particularly important. It is in this context that the Committee considered the appointment of Said Darwazah as Chairman and Chief Executive. We took into account the dynamics Hikma needs to be successful and undertook a full consultation exercise with our major shareholders in advance of recommending the appointment to the Board. You will find further details regarding the appointment on *pages 63 to 64* of the corporate governance report.

As we have announced previously, I will retire at the AGM. The past nine years have been a time of significant change for Hikma and it has been a great pleasure to join the Company on its journey. I am leaving Hikma in excellent hands and I am confident that the Company is very well equipped for the future. I am delighted that Robert Pickering has kindly accepted to succeed me as Senior Independent Director and Chairman of the Nomination Committee.

We are in the process of implementing and further developing our succession plans for Non-Executive Directors. The Committee considers the best method of ensuring a smooth transition of responsibilities is to allow for a handover period between the current and future Committee Chairmen. With this in mind, we were delighted to recommend the appointment of Pat Butler to the Board. Pat will spend the next year or so with Breffni Byrne and the finance team in advance of taking the Audit Committee Chair in mid 2015.

As I have mentioned in previous years when considering Board appointments, our priority on recruitment is to identify a person who fits with the diverse international culture and management style of Hikma and ensuring that the right person is appointed to the role. We are cognisant of the significant advantages of diversity at the level of the Board, senior management and the Group as a whole. We intend to further diversify the Board's experience and characteristics as part of our medium-term plans.

The Committee also reviewed the independence of each Non-Executive Director, all Directors' external commitments and the balance of skills, knowledge, experience and diversity on the Board prior to recommending Directors' election and re-election at the AGM. Following consideration of these issues the Committee recommended the election or re-election of each Director standing for election or re-election at the 2014 AGM.

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.

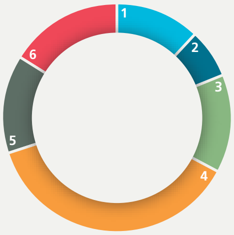
David Rowe-Ham

Sir David Rowe-Ham, *Chairman of the Nomination Committee*

OUR HIGHLIGHTS

- Recommended the appointment of Said Darwazah as a Chairman and Chief Executive
- Recommended the appointment of a new Senior Independent Director and Chairman of the Nomination Committee
- Identified and recommended for appointment Pat Butler as a new independent Non-Executive Director and potential Chairman of the Audit Committee
- Further developed our medium-term succession plan
- Reviewed the composition, diversity and balance of skills on the Board

ALLOCATION OF TIME



1. Diversity	12%
2. Board evaluations	7%
3. Skills and experience	14%
4. Succession	37%
5. Independence	14%
6. Corporate governance	16%

MEMBERSHIP AND ATTENDANCE

The Nomination Committee consists of four Directors. Three are independent Non-Executive Directors: Sir David Rowe-Ham, Robert Pickering and Michael Ashton. The fourth is Mazen Darwazah, the Executive Vice Chairman. Pat Butler, independent Non-Executive Director, will join on 1 April 2014. Sir David Rowe-Ham is to retire on 15 May 2014, at which point the chairmanship will be handed over to Robert Pickering. The Committee met five times during the year. Full attendance was achieved.

Members	Meetings attendance
Sir David Rowe-Ham (Chairman)	100%
Michael Ashton	100%
Mazen Darwazah	100%
Robert Pickering	100%
Pat Butler	N/A
Total meetings	10

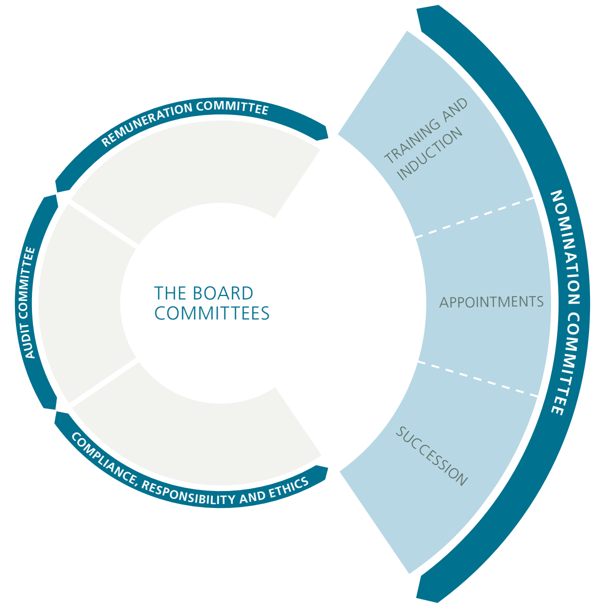
INTERNAL ADVISERS

- Chairman
- Chief Executive
- Company Secretary

EXTERNAL ADVISERS

- Odgers Berndtson
- Lintstock

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

During the year, the Committee reviewed potential scenarios for Board changes over the medium-term and consulted major shareholders and governance bodies on the new proposed Board structure. The Committee discussed the relevant external guidance and internal processes in place for succession and ensured there was an appropriate dialogue with the Board and the Chairman in this regard. The process that was followed to identify and implement the changes to the Board structure is summarised below.

	CHAIRMAN AND CHIEF EXECUTIVE	SENIOR INDEPENDENT DIRECTOR	NON-EXECUTIVE DIRECTOR
2013	▶ Preliminary discussions for several years, led by the Senior Independent Director	▶ Role profile discussed and established	
	▶ Consideration of members of executive management and instruction of executive search firm	▶ Consideration of external/internal hire	▶ Role profile discussed and established
		▶ Candidate identified	▶ Odgers Berndtson appointed to identify candidates
			▶ List of candidates presented by Odgers Berndtson to the Senior Independent Director
	▶ Consideration of appropriate safeguards and controls	▶ Committee recommendation communicated to the Board	▶ Shortlist of candidates presented to the Committee and the Board
2014	▶ Consultation with key investors led by the Committee and the Senior Independent Director		▶ Meeting of shortlisted candidates with the Senior Independent Director and Committee member
			▶ Second meetings of candidates with Chairman and Chief Executive
			▶ Final Committee recommendation to the Board
	▶ Mr Samih Darwazah to retire as Chairman of the Board ▶ Mr Said Darwazah to be appointed Chairman and Chief Executive	▶ Appointment of Mr Robert Pickering as Senior Independent Director ▶ Sir David Rowe-Ham to retire as Director	▶ Appointment of Mr Pat Butler as Non-Executive Director
2015			▶ Handover of Audit Committee chairmanship/transition period
			▶ Appointment of Mr Pat Butler as Chairman of Audit Committee ▶ Mr Breffni Byrne to retire

▨ AGM appointments

SKILLS AND EXPERIENCE

The broad range of skills and experience of Board members has greatly assisted in the success of the Company. In view of the current succession plans, the Nomination Committee undertook an in-depth analysis of each role on the Board before considering new candidates. The Committee aims to preserve the Board's very broad spread of experience, which provides the necessary checks and balances for safeguarding the interest of the Group. While each Director possesses a different skill set, the Committee believes that all Directors at Hikma share the following important characteristics:

- Challenging yet consensual style
- Independence of mind and clarity of thought
- Significant experience at a senior management level
- International business experience

For further information on the diverse skills and experience of our current Directors, please see the biographical details on *pages 54 to 57*.

CHAIRMAN AND CHIEF EXECUTIVE

As summarised in the timeline on *page 79*, the process undertaken by the Committee and the Board when considering the nomination of Mr Said Darwazah as Chairman and Chief Executive was as follows:

- Early stage discussions: For a period of approximately two years, the Board and the Nomination Committee were in discussion about succession for the Chief Executive and Chairman. Chiefly these discussions were led by the Senior Independent Director, in consultation with the Chairman and Chief Executive, amongst other Directors.
- Executive consideration: The Nomination Committee assisted the Board in reviewing the capabilities of each member of senior management and considered whether an external search would be appropriate for the Company. The conclusion of the exercise was that all management were very capable in their existing roles, but the roles were unique and one role did not necessarily provide the skill set for another. An external search was considered, but ruled out due to the culture and history of Hikma, encouraging recruitment and progression from within, as well as considerable personal responsibility and autonomy. It was considered that an outsider would have difficulties being successful within that framework.
- Governance consideration: The Committee and the Board were very much aware of the governance implications of a departure from the Code. The reluctance to make the Chairman and Executive Chairman appointment was only overcome when it was clear that this was the best leadership option for Hikma and the appropriate controls and safeguards had been considered. Please see *pages 63 to 64* for details of the enhanced controls and safeguards in place.
- Consultation: The Committee was cognisant of the need to hold discussions with key investors and governance bodies, in order to ensure that the opinions of our key stakeholders were taken into account. Members of the Committee, led by the Senior Independent Director, held meetings with these parties in advance of the final decision and took into account their views in the safeguards and nature of the positions that were made.
- Communication: The final decision was communicated to shareholders through a stock exchange announcement which included a full explanation of the new role, process, reasons and safeguards.

RE-ELECTION

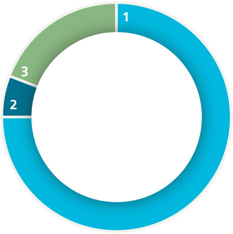
Each member of the Board will retire or submit himself for re-election as detailed previously in this report at the 2014 AGM.

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.

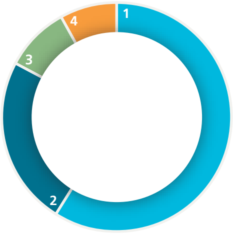
As part of our commitment to diversity, we have improved our internal monitoring and increased the level of information on diversity available to our stakeholders in this report. We consider that our diversity continues to be demonstrated by the broad range of people in our organisation.

CULTURAL DIVERSITY



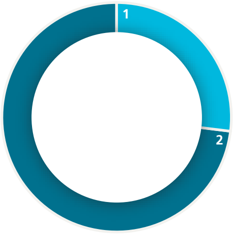
1. Middle Eastern	75%
2. European	6%
3. US	19%

AGE DIVERSITY



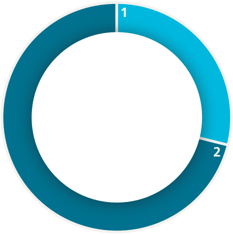
1. 19–30	59%
2. 31–40	24%
3. 41–50	9%
4. 50+	8%

GENDER DIVERSITY OVERALL



1. Women	27%
2. Men	73%

GENDER DIVERSITY IN EXECUTIVE MANAGEMENT



1. Women	29%
2. Men	71%

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 and skills and experience, the Committee is cognisant of the need to improve gender diversity at the Board level. We considered several female candidates as part of the recruitment process, including at the final interview stage. However, the best candidate for Hikma was selected, and on this occasion gender diversity was not improved as a result. Hikma's medium-term plans are likely to result in further appointments during which the identification of a female candidate will be a high priority.

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*
11 March 2014

COMMITTEE REPORTS

COMPLIANCE, RESPONSIBILITY AND ETHICS

LETTER FROM THE CHAIRMAN

COMPLIANCE, RESPONSIBILITY AND ETHICS REPORT

Dear Shareholder

This has been the third 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 welcome Dr Othman Abu Gheida as the new, full time Chief Compliance Officer ("CCO"). Dr Othman has worked with Hikma for 10 years and brings to the department his in-depth knowledge of the Company and significant international experience.

The Committee and I are grateful for the important contribution of Mr Henry Knowles, the interim compliance officer. Henry set in motion the steps for the creation of a formal compliance function and under his excellent leadership and oversight we developed the policies and processes that we have today. He performed exceptionally as an interim Group Compliance Officer, advising the Committee and undertaking the risk assessment exercise, development of the Compliance Manager, the drafting of the ABC procedures and initiation of the compliance department.

Hikma has always prided itself on its ethical approach to business and I am pleased to report on the progress we have made in implementing our ABC processes and procedures to ensure ABC compliance and strengthen our marketplace activities. The major developments on the ABC programme have been the:

- Enhancement of the Code of Conduct communication exercise with a goal of ensuring that all employees have read and understood the Code of Conduct
- Further development of our ABC policies and procedures to ensure that they are fully adapted to our business. This was undertaken following a full consultation with executive management and with the assistance of our external advisers
- The creation of a resourcing model for the compliance department with fully dedicated compliance officers at the group level and appointment of regional compliance officers for Europe and the US
- 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.

The Committee also overseas Hikma's corporate social responsibility programme, where the major achievements have been:

- The full implementation of environmental data capture system, including carbon disclosure, across all our territories
- The expansion of CR champions in each jurisdiction who are responsible for local charitable and environmental issues
- The corporate responsibility team's regular presentation of developments in corporate responsibility initiatives to the CREC
- Introduction of and training on a new sustainability software relating to quality, health, safety and environmental management, allowing Hikma to better manage its risks

In 2014, the CREC will be focused on the on-going development and implementation 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.

In April 2014 we will welcome Pat Butler as a new member of the Committee. Pat brings first-rate experience of ethical and compliance issues. I would also like to thank Robert Pickering, who has stepped down from the Committee following his appointment as Senior Independent Director and member of the Remuneration Committee.

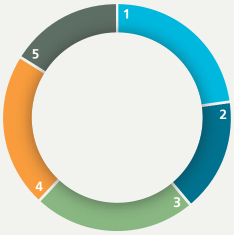
As an organisation Hikma is committed to clear and open communication. I remain open to discussion with shareholders should there be any concerns that they wish to raise directly.

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

OUR HIGHLIGHTS

- Appointed a new full time Chief Compliance Officer and significantly increased compliance resources
- Completed our full management consultation on the standard of ABC policies
- Reviewed and enhanced the Group policies and developed the implementation plan across the Group for 2014
- Translation and annual signing of the Code of Conduct in Arabic, English, French, German and Portuguese
- Established a new compliance training programme for 2014
- Enhanced compliance reporting process through monthly compliance updates and reports to the champions, Committee and the Board
- Increased understanding and engagement with the ABC programme across Hikma
- Further developed our externally facilitated "speak-up" hotlines to include our European entities
- Direct oversight of the CSR programme, with frequent reports and updates
- Reviewed the composition, diversity and balance of skills on the Board

ALLOCATION OF TIME



1. Policies	23%
2. Implementation	16%
3. Operational	23%
4. CSR	22%
5. Corporate governance	16%

MEMBERSHIP AND ATTENDANCE

The Compliance, Responsibility and Ethics Committee ("CREC") consists of four members. Three are Independent Non-Executive Directors: Ronald Goode (Committee Chairman), Breffni Byrne and Pat Butler (with effect from 1 April 2014). The fourth member is the Executive Vice Chairman, Mazen Darwazah. Robert Pickering served on the Committee during the year, but has recently stepped down due to the changes in his role. 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.

Members	Meeting attendance
Dr Ronald Goode (Chairman)	100%
Mazen Darwazah	100%
Breffni Byrne	100%
Robert Pickering	100%
Pat Butler	N/A
Total meetings	7

INTERNAL ADVISERS

- Chief Compliance Officer
- Company Secretary
- VP of Communications
- General Counsel
- Group Compliance Manager

EXTERNAL ADVISERS

- PwC

RESPONSIBILITIES

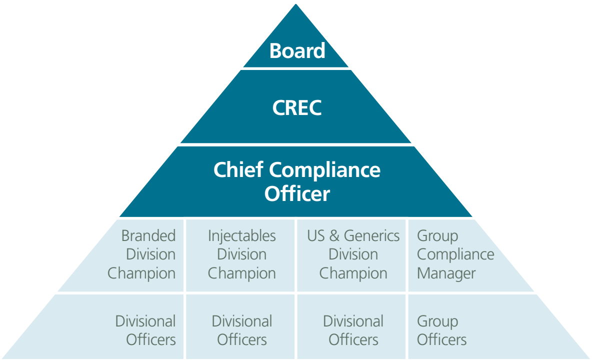
The CREC sets the overall strategy for the Group's response to bribery and corruption risks and is responsible for approving the contents of all of the business' policies in areas where ethical judgements are important. The CREC oversees the Group's ABC compliance programme, together with Group policies on ethics and business conduct. The CREC reviews Group policy in the area of CR at 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"), on behalf of the Board. 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 communicated its zero tolerance of bribery and corruption to its employees and made sure they are aware that 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 foregoing 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

During the year, we reviewed and enhanced the structure of the compliance department and significantly increased the resources allocated to the compliance function across the Group. The following diagram outlines that structure.



The Group has created a new 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 CCO 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. 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 Mechlaoui (Injectables)
- Michael Raya (US and Generics)

The CCO is supported by Group and regional compliance officers at the operational level. The legal, financial and Company secretarial departments also advise and provide implementation support to the compliance department. This new structure better aligns the ownership of good compliance behaviours with the day-to-day business operations.

ABC RISK ASSESSMENT

In 2011 Hikma undertook a full ABC risk assessment. This was performed by the Good Corporation, an independent body who have specialised in business ethics and integrity for over a decade. Good Corporation visited each of our major areas of operation to perform this risk assessment.

The conclusion from the exercise was that Hikma has a strong ethical culture that is deeply embedded within its operations. In order to support that culture, process enhancements were identified which the compliance department are addressing.

CODE OF CONDUCT

Since the risk assessment, Hikma has undertaken a full review of the existing code of conduct, which led to significant enhancements. 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 an 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: Arabic, English, 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 in writing that they understand their obligations to report events of suspected non-compliance with Code. The training plan for the Code includes face-to-face training for top managers, training and discussion sessions at department level for employees and lower management. The Code is available on our website: www.hikma.com/en/corporate-responsibility/code-of-conduct.

ABC POLICIES AND PROCEDURES

During 2012 we created the ABC policies as a result of the work for the risk assessment exercise. During 2013, the compliance department undertook a full review of compliance policies and procedures with the support of our external adviser, PwC, who assisted in identifying areas of policy and existing practice that need to be adjusted in order to fully implement the compliance programme. The review also included an extensive consultation with executive management, 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 2014 will be to finalise the 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 awareness sessions given to functional and geographical teams across the Group, with a particular focus on the MENA region.

The compliance team also attended INSEAD's Healthcare Compliance Implementation Leadership Programme. 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. 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. 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. Additionally, Hikma has anonymous reporting lines in place across the US and European operations, which report directly to the compliance team, VP of Corporate HR and the General Counsel.

As part of their commitment to the Code employees understand that they have a duty to report any suspected violations. Hikma investigates all reports of non-compliance and takes appropriate action.

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 VP 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, lead by the VP of Communications, regularly present developments to the CREC. Please see *pages 42 to 49* for the Group's corporate responsibility report.

For and on behalf of the Compliance, Responsibility and Ethics Committee

Ronald Goode, *Committee Chairman*
11 March 2014

REMUNERATION REPORT

LETTER FROM THE CHAIRMAN

REMUNERATION REPORT

Dear Shareholder

During the year, we have made steady progress across our remuneration and human resources practices. Our remuneration policy has remained unchanged, other than the forthcoming expiry of our existing incentive plan heralding the development of a new arrangement. Our work developing our human resources has expanded significantly, including the creation of programmes for talent management, employee surveys, career paths and competency frameworks.

This year we designed, developed and consulted on a new incentive arrangement called the Executive Incentive Plan ("EIP") which will replace the existing bonus and LTIPs for executives. It was a pleasure to meet many of our significant investors as part of the process. As I am sure you will appreciate, there is a subtle challenge in finding an arrangement that meets the medium and long-term aspirations of shareholders and management in order to achieve a successful alignment of interests. The Company chiefly operates in emerging markets, which are in a state of constant flux, with a very restricted pool of management with the requisite local and global experience. It is important to ensure that management are rewarded for steering the Group through these conditions, whilst encouraging a longer term view. I believe the EIP, that we are proposing to shareholders, meets that challenge. The key to the design was to develop performance metrics that focus on underlying profitability and long-term strategic action, but are measured over a period whereby the executive equates what is received to their individual performance.

Shareholders will recall that, during 2013, we were one of the first companies to seek separate approval for our remuneration policy and practice. We have made no changes to our policy other than the adoption of the EIP, which is subject to a separate shareholder approval. However, this new plan necessitates that we again ask you to approve our policy framework and I hope that you will be as supportive as you have been previously.

Overall, the Committee has been impressed with the exceptional performance of the Group during the year and the delivery of strategic targets by the executive team. The target for profit before tax was exceeded by over 40%.

The Committee was delighted to receive the Building Public Trust Award for the best remuneration disclosure in the FTSE 250. We aim to be entirely transparent in our remuneration practices and provide shareholders and stakeholders with the information they need to make informed decisions about our company. We have, again, sought to develop our disclosure further and hope that you find this useful.

One of the matters on which the Committee is most pleased to report is that our executives directly below Board level have built up shareholdings averaging 800% of salary. We believe that the best alignment on interests is achieved by reciprocal investment of a meaningful level and are delighted that our executives demonstrate such a clear commitment to the Company.

As has been reported elsewhere, during 2014 we will see significant change in our committee memberships. I am delighted to welcome Robert Pickering to the Committee, who brings astute commercial awareness and refreshes executive experience.

I also must thank Sir David Rowe-Ham, who is retiring from the Committee and the Board at the May AGM. Sir David has been a constant source of sound and conscientious advice, both on remuneration matters and on business matters more generally.

I am grateful for everything that he has given us and wish him the best for the future.

We continue to believe that our remuneration structure is appropriate for Hikma. We have maintained our policy from last year, setting total remuneration at the median to upper quartile compared to our comparator group with a reliance on the performance parts of the remuneration to deliver this positioning.

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

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.

As required by the new Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the rest of this remuneration report is split into two parts:

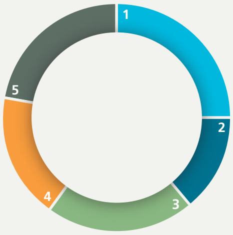
- The Directors' remuneration policy sets out the Company's proposed policy on Directors' remuneration for three years from the 2014 AGM and two subsequent financial years and the key factors that were taken into account in setting the policy. The Directors' remuneration policy part is subject to a binding shareholder vote at this year's AGM and after that at least every third year.
- The annual report on remuneration sets out payments and awards made to the Directors and details the link between Company performance and remuneration for the 2013 financial year. The annual report on remuneration, together with this annual statement, is subject to an advisory shareholder vote at the AGM on 15 May 2014.

Michael Ashton, *Chairman of the Remuneration Committee*

HIGHLIGHTS OF 2013

- Developed a new Executive Incentive Plan and conducted a full shareholder consultation
- Fully implemented our policies in respect of minimum shareholdings at 300% of salary for Executive Directors and 200% for other executives
- Won the Building Trust Award for best Remuneration Disclosure in the FTSE 250
- Acted as a sounding board for significant projects undertaken by the Human Resources department
- Reviewed executive performance base incentives
- Developed the usage of KPIs, the bonus plan and share scheme usage for employees below executive level
- Reviewed the performance and competitiveness of our Remuneration Advisers
- Changed the structure and lay out of the report

ALLOCATION OF TIME



1. Setting executive remuneration	25%
2. Remuneration policy	14%
3. Conditions in the Group	21%
4. Developing practices	18%
5. Corporate governance	22%

- Presented to an Institutional Shareholder Services (ISS) seminar on how Hikma implemented the BIS regulations
- Benchmarked Executive Director, non-executive and senior management compensation

MEMBERSHIP AND ATTENDANCE

The Remuneration Committee normally consists of four (five until the 2014 AGM) 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 multinational 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	Meeting attendance
Michael Ashton (Chairman)	100%
Sir David Rowe-Ham	100%
Breffni Byrne	100%
Ronald Goode	100%
Robert Pickering	n/a
Total meetings	6

INTERNAL ADVISERS

- Chief Executive
- VP Human Resources
- Company Secretary

EXTERNAL ADVISERS

- PwC

REMUNERATION AND PERFORMANCE SUMMARY

PERFORMANCE COMPONENTS

	2012		2013	Notes
Sales	$1,109m	+23%	$1,365m	
Profit	$194m	+112%	$413m	▶ Adjusted operating profit
Share price	761p	+58%	1,201p	▶ Since the year end the share price has increased a further 23% to 1,473
Dividend	16 cents	+25%	20 cents	▶ Excludes special dividends paid in 2013
Employee compensation	$43,950	+3%	$45,139	▶ Average per employee
Shareholder approval	96.1%		99.3%	▶ Shareholder approval of the remuneration report at the 2012 and 2013 AGM ▶ Votes withheld have been discounted

TOTAL REMUNERATION

Executive Director	2012 ($000)		2013 ($000)		2014 ($000) (estimated)	Notes
Said Darwazah	3,295	+20%	3,956	-36%	2,551	▶ Total of all remuneration components which are disclosed below. Please refer to the notes by each component
Mazen Darwazah	2,113	+25%	2,646	-29%	1,872	▶ Total of all remuneration components which are disclosed below. Please refer to the notes by each component

COMPONENTS

Salary	2012 ($000)		2013 ($000)		2014 ($000) (estimated)	Notes
Said Darwazah	750	+7%	803	+5%	843	▶ Salaries continue to be below median against the Comparator Group
Mazen Darwazah	504	+7%	539	+15%	620	▶ Mazen Darwazah was promoted in early 2014, his rise reflects the additional responsibilities undertaken as well as significant increase in Group size/ complexity

Bonus						
Said Darwazah	1,200	+34%	1,606	-30%	1,054	▶ 2012 and 2013 figures are actual figures when the maximum was 200% of salary
Mazen Darwazah	806	+34%	1,078	-30%	775	▶ 2014 estimates comprise elements A and C of the EIP at target performance (125%). Maximum is 250%

Share awards						
Said Darwazah	1,324	+15%	1,529	-58%	632	▶ 2012 and 2013 figures represent exercised LTIPs during the year
Mazen Darwazah	794	+28%	1,018	-58%	465	▶ 2014 figure represents element B under the EIP at target performance with 75% award. Maximum award is 150%

COMPONENTS continued

Pensions	2012 ($000)		2013 ($000)		2014 ($000)	Notes
Said Darwazah	10.1	+7%	10.8	+5%	11.4	▶ Pension contributions are up to 10% of salary
Mazen Darwazah	9.3	+7%	10.0	+5%	11.5	▶ Executives participate in the same pension plan as Jordanian employees

Other benefits						
Said Darwazah	10.5	+0%	10.5	+5%	11.0	▶ School fees only
Mazen Darwazah	0	+0%	0	+0%	0	

NON-EXECUTIVE DIRECTORS' FEES

Non-Executives	2012 ($000)		2013 ($000)		2014 ($000)	Notes
Chairman	157.5	+27%	200	+5%	210	▶ Average Director's fee includes basic fee, Committee and Chairmanship fee
Non-Executive Directors' average total fee	83.5	+6%	88.5	+5%	92.6	▶ Increase of fees to move towards the level set by Group policy ▶ Full breakdown of fees on *page 113*

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

DIRECTORS’ REMUNERATION POLICY SUMMARY

Effective period

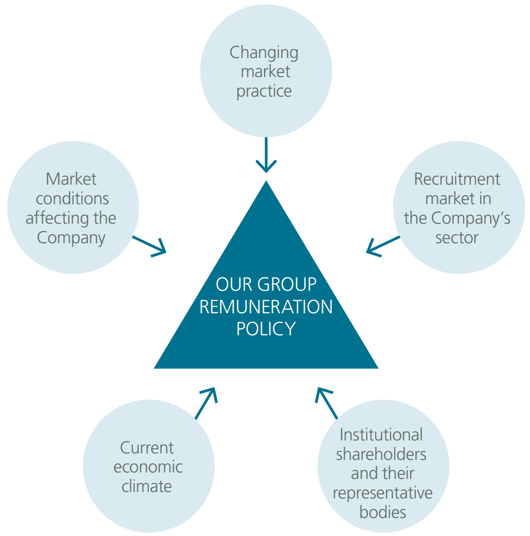
In accordance with the new regulations, the Directors’ Remuneration Policy (the “Policy”) which is summarised below, will operate from 1 January 2014 and be put to a binding shareholders’ vote and become formally effective at the 2014 Annual General Meeting and will apply for the period of three years from the date of approval.

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

FACTORS AFFECTING REMUNERATION POLICY



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.

Discretion

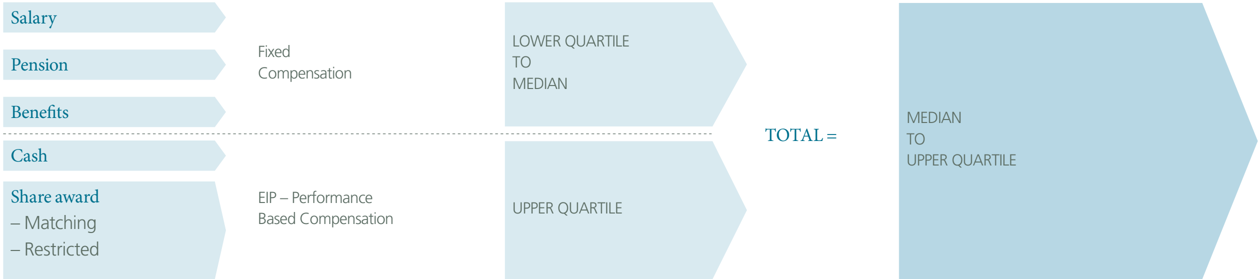
The Committee has discretion in several areas of policy as set out in this report. The Committee may also exercise operational and administrative discretions under relevant plan rules approved by shareholders as set out in those rules. In addition, the Committee has the discretion to amend policy with regard to minor or administrative matters where it would be, in the opinion of the Committee, disproportionate to seek or await shareholder approval. It is the Committee’s intention that commitments made in line with its policies prior to the date of the 2014 AGM will be honoured, irrespective of when they are satisfied. This includes outstanding awards under the Long Term Incentive Plan (“LTIP”), which remain subject to the share plan rules.

Wider employee population

The Group aims to provide a remuneration package for all employees that is market competitive and operates the same core structure as for the Executive Directors. The Group operates share and bonus plans throughout the organisation, with pension provisions the same for all executives and employees.

REMUNERATION POLICY FOR EXECUTIVE DIRECTORS

POLICY OVERVIEW



- The maximum that can be paid to each Director is up to the median position for the Fixed Compensation elements and the Upper Quartile position for the Performance Based Compensation against the Comparator Group. The numerical values are disclosed in this report
- The Committee encourages executives to perform to the highest of their abilities through a strong bias on Performance Based Compensation
- The Committee benchmarks compensation against comparable companies ("Comparator Group"), which currently consists of:

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

- The Committee has within the policy the discretion to amend this Comparator Group. The Group used will be set out in the section of the report dealing with the implementation of the policy for the future year on *page 112*. The criteria taken into account 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 is cognisant of the limitations of benchmarking. Whilst it forms the upper limit of compensation, other factors are taken into account when determining awards and rises
- The Comparator Group is used to assess the Total Shareholder Return ("TSR") of Hikma in relation to the performance target for the Long Term Incentive Plan ("LTIP")

REMUNERATION POLICY FOR EXECUTIVE DIRECTORS CONTINUED

Fixed remuneration

The policy for fixed remuneration is that it should be sufficient to avoid executive distraction and ensure retention, whilst not exceeding the median position compared to the Comparator Group. The Committee wishes to encourage executives to focus on the Performance Based Compensation and the delivery of the relevant targets.

FIXED REMUNERATION

Element	Purpose and link to strategy	Operation	Maximum opportunity
SALARY	Provides a base level of remuneration to support recruitment and retention of Directors with the necessary experience and expertise to deliver the Group's strategy. Key element of core fixed remuneration	Salary reference points are reviewed annually and include: ▶ Up to the median salary levels of the constituents of the Comparator Group ▶ Size and growth path of the Group in relation to peers ▶ Director's role, experience and performance ▶ Pay at Group and operational level ▶ General economic environment ▶ Group performance ▶ The level of Benefits and Pension contributions payable to Directors The Company will set out in the statement of implementation the salaries for that year for each Executive Director (see *page 112*). Individuals who are recruited or promoted to the Board may, on occasion, have their salaries set below the targeted policy level until they become established in their role. In such cases subsequent increases in salary may be higher than the average until the target positioning is achieved.	POLICY: UP TO MEDIAN The current median salaries of the Comparator Group are: ▶ CEO – $1,155,000 ▶ Vice Chairman – $638,000 Maximum: In general, rises will be linked to those provided to employees and/or local inflation. The 2014 actual salaries will be: ▶ CEO – $842,265 ▶ Vice Chairman – $620,172
BENEFITS	Provides a minimum level of benefits to support a low fixed cost and highly entrepreneurial remuneration policy	Benefits include healthcare, school fees, company cars and life insurance. As the Company operates internationally it may be necessary for the Committee to provide special benefits or allowances. These would be disclosed to shareholders in the annual report on remuneration for the year in which the benefits or allowances were paid. The Committee recognises the need to maintain suitable flexibility in the determination of benefits to ensure it is able to support the objective of attracting and retaining personnel. Accordingly, the Committee would expect to be able to adopt benefits such as relocation expenses, tax equalisation and support in meeting specific costs incurred by Directors to ensure the Company and the individuals comply with their obligations in the reporting of remuneration for tax purposes.	POLICY: UP TO MEDIAN The maximum will be set at the cost of the benefits described. Benefits that are made available to the majority of the Group may be made available to Executive Directors. The current value of benefits paid is: ▶ CEO – $10,536 ▶ Vice Chairman – $0
PENSIONS	Provides a minimum level of pension contribution to support a low fixed cost and highly entrepreneurial remuneration policy	Executives participate on the same basis as Employees in the Hikma Pharmaceuticals Defined Contribution Retirement Benefit Plan (the "Benefit Plan"), which operates in accordance with the rules relevant to employees in Jordan. The Group matches employee contributions made to the Benefit Plan. These are up to a maximum 10% 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 Company does not provide an executive level pension or pension allowance.	POLICY: UP TO MEDIAN The current median pension contributions of the Comparator Group are: ▶ CEO – $288,750 ▶ Vice Chairman – $95,700 The 2014 actual pension contributions will be in line with previous years: ▶ CEO – $11,381 ▶ Vice Chairman – $11,535

PERFORMANCE BASED REMUNERATION

Executive Incentive Plan

The Hikma Pharmaceuticals PLC 2014 Executive Incentive Plan ("EIP"), which is being proposed for shareholder approval at the 2014 AGM, is currently the sole incentive arrangement used as part of the normal remuneration policy for Executive Directors.

Summary

The EIP provides a significant incentive linked to delivering goals that are closely aligned with the Company's strategy and the creation of value for shareholders. In particular, the EIP supports the Company's objectives by allowing the setting of annual targets based on the business' strategic objectives at that time, meaning that a wider range of performance metrics can be used that are relevant and suitably stretching. This provides the Remuneration Committee with the ability to deal with the challenges facing the Company including:

- the internal nature of the Company and its markets
- the need to adapt to a rapidly changing business environment

Additionally, the EIP plan years are linked together through a substantial deferral in shares and an on-going risk adjustment which requires threshold level of performance to be achieved during the deferral period. Amounts deferred in shares are also forfeitable on a Director's voluntary cessation of employment which provides an effective lock-in.

The EIP provides a close alignment of shareholder and management interests because:

- **Outcome detailed:** Detailed annual disclosure of the level of satisfaction of performance conditions for the EIP should give shareholders greater control and visibility of how the remuneration outcome was determined
- **Strategic guidance:** Disclosure of high-level, forward looking strategic targets should ensure shareholders are aware of the strategic direction of the Group and circumstances in which awards will be made, without compromising our competitive position
- **Financial underpinning:** Combining the strategic targets with a significant proportion of the award dependent on financial performance ensures underlying profitability and shareholder returns
- **Share linkage:** Executive and shareholder interests are aligned to the long-term sustainable performance of the Company due to:
  - Substantial proportion of incentives earned are paid in shares
  - Half of which must be retained for significant periods
  - A high underlying minimum shareholding requirement
- **Relevance and simplicity:** The EIP is an enhanced version of an existing management level plan which has been highly successful due to:
  - Being simple to understand the likely outcome as the variable after award is chiefly share price fluctuation
  - Awards being based on performance conditions which were tailored to the participant and, therefore, the outcome is under the participant's control

Operational overview

The EIP is composed of three elements:

	Maximum award % of salary	Payout mechanism	Vesting period	Risks after award	Additional requirements
A	150%	Cash bonus	Immediate	None	None
B	150%	Deferred shares	2 years	▶ Forfeiture/clawback ▶ Share price ▶ Employed	50% of the total share award is subject to a holding period after vesting. These shares may not be sold until five years after grant.
C	100%	Restricted shares	3 years	▶ Clawback ▶ Share price ▶ Employed	

The level of award made under the EIP depends on the achievement of performance conditions:

- 50% Profit Before Tax
- 40% Strategic and Operational Targets (sub-conditions apply)
- 10% Personal Targets (sub-conditions apply)

REMUNERATION POLICY FOR EXECUTIVE DIRECTORS CONTINUED

The Remuneration Committee is of the opinion that given the commercial sensitivity arising in relation to the detailed financial, operational and strategic targets used for the EIP, disclosing precise targets for the EIP in advance would not be in shareholders' interests. This avoids the risk of the Company inadvertently providing a profit forecast because profit targets are linked to budgets and giving international competitors an unfair advantage because they are not required to report to the same disclosure standard as a UK listed company. Actual targets, performance achieved and awards made will be published at the end of the performance period so shareholders can fully assess the basis for any pay-outs under the EIP. For each condition or sub-condition, four levels are established:

- Forfeiture: at which 0% is awarded in respect of the current year and 50% of outstanding Element B Deferred Shares lapse
- Threshold: at which awards of up to 100% of salary may be granted
- Target: at which awards of up to 200% of salary may be granted
- Maximum: at which awards of up to 400% of salary may be granted

Design factors

There are a number of specific factors which have had a material impact on the Remuneration Committee's proposed design for the new EIP and which are unusual for a FTSE 250 company:

- Local market practice: Approximately 47% of the Company's business is located in the MENA and 46% in the US, which requires the Company to compete with local practices including:
  - US: to offer sufficient leveraging in the incentives to be reasonably competitive compared to US pharmaceutical companies within the parameters possible for a UK FTSE 250 company
  - MENA: the strong short-term remuneration focus by Executives in the MENA which is partly reflective of the political and economic environment
  - US and MENA: equity-based incentives are generally subject to time-based vesting following grant, not multi-year performance conditions
- Prior share plan experience: The Company's experience of the existing LTIP is that it has not had the impact on the incentivisation and retention of executives which would have been expected given the level of historic payout. The current Management Incentive Plan ("MIP"), for more junior management, has been a more successful incentive and retention arrangement compared to the LTIP. The success of the MIP has largely been due to the annual assessment of the performance conditions allowing participants to know the payment they will receive and the value of the deferred element in shares, determined at the end of each year ensuring the maximum retention impact. The Element A and Element B of the proposed EIP are based on the MIP but with the addition of performance-based forfeiture for Element B under the EIP
- Business dynamics: The Company's strategy is to operate with the majority of its business in the MENA region. Political and economic change may cause a lack of visibility of revenues and profits. As a result, the application of conventional metrics used by more traditional incentive plans would likely fail to reward the successful execution of the Company's strategy, one that has been widely supported by investors. The Company has experienced this in practice when dealing with the impact of the Arab Spring on the current incentive arrangements and the constant change in key markets such as Egypt. Given such evolving and in some cases highly volatile market conditions, it is difficult to establish testing but realistic multi-year targets which the participant associates with their own performance
- TSR: Comparative total shareholder return targets are inappropriate as even other industry comparators have a very different business mix in terms of product, geographic spread and business model, implying very different risk exposure

Element	Purpose and link to strategy	Operation	Opportunity/Maximum	Performance metrics
CASH AWARD (A) AND DEFERRED SHARES (B)	See above	The Remuneration Committee sets annual performance targets for awards under the EIP. At the end of each year the Committee determines the level of incentive earned for that year. ▶ Element A (maximum 150% of salary p.a.) is paid immediately as an annual cash bonus ▶ Element B (maximum of 150% of salary p.a.) is provided in the form of deferred shares. Element B Awards are subject to the following conditions: – A deferral period of two years; – Risk of performance-based forfeiture each year of the deferral period of up to 50% of the cumulative deferred Element B shares which have not vested ▶ 50% of Element B shares earned by Executive Directors will have an additional holding period of two years. The Committee retains the discretion to both increase the number of shares awarded under Element B subject to the holding period and to change the length of the holding period	POLICY: UPPER QUARTILE Maximum 300% of salary p.a.. At Threshold 25% of the maximum is payable. At Target 50% of the maximum is payable. At Forfeiture 0% of the maximum is payable and 50% of unvested Element B lapse. The Company will set out in the implementation of remuneration policy in the following financial year the nature of the targets and their weighting for each year (see *page 114*). Details of the performance conditions, targets and their level of satisfaction for the year being reported on will be set out in the annual Remuneration Committee report (see *page 106*).	The current performance conditions are Group Profit, Operational and/or Strategic Milestones and personal objectives. The Company operates in a rapidly changing market place and therefore the Committee may change the balance of the measures, or use different measures, for subsequent financial years, as appropriate, to reflect this. Although currently there is no intention to do so. The Committee retains discretion in exceptional circumstances to change the performance measures and targets and their respective weightings part way through a performance year if there is a significant and material event which causes the Committee to believe the original measures, weightings and targets are no longer appropriate (an historic example would be the Arab Spring). Discretion may also be exercised in cases where the Committee believes that the bonus outcome is not a fair and accurate reflection of business performance.
RESTRICTED SHARES (C)	See above	The performance conditions and targets for Element C are the same as those for Element A and B. At the end of each year the Committee determines the level of incentive earned for that year. ▶ Element C – (maximum of 100% of salary p.a.) is provided in the form of deferred shares. Element C Awards are subject to the following conditions: – A deferral period of three years; – Continued employment on the 3rd anniversary of the date of grant ▶ 50% of Element C shares earned by Executive Directors will have an additional holding period of two years. The Committee retains the discretion to both increase the number of shares awarded under Element B subject to holding period and to change the length of the holding period	POLICY: UPPER QUARTILE Maximum 100% of salary. At Threshold 25% of the maximum is payable. At Target 50% of the maximum is payable.	See above in respect of Elements A and B.

REMUNERATION POLICY FOR EXECUTIVE DIRECTORS CONTINUED

Element	Purpose and link to strategy	Operation	Opportunity/Maximum	Performance metrics
MALUS AND CLAWBACK	To protect the Company and shareholders from how targets may have been met.	The EIP has malus and clawback provisions on all Elements. In addition, there is a performance-based threshold condition for Element B. In the event of any of the following situations occurring, the Remuneration Committee would reduce or cancel the awards under the EIP and/or existing shares awarded under the EIP: ▶ 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 mistake in the calculation of the level of satisfaction of the performance targets ▶ A participant's actions amounting to serious misconduct	n/a	n/a
SHAREHOLDING REQUIREMENT	Ensures a long-term locked-in alignment between the Executive Directors and shareholders. The objective is for Key Executives to build up and maintain a minimum level of shareholding throughout their employment with the Company. The Committee believes that this is a more effective way of achieving this objective rather than attaching additional holding periods to specific grants under the Company's share incentive arrangements which may or may not vest.	The shareholding requirement will operate in the following manner: ▶ Only shares unconditionally owned by the Key Executive will count against the requirement ▶ No shares may be sold by the Key Executive (with the exception of shares sold to the pay tax due on vesting/exercise) until his or her shareholding requirement is met and no shares may be sold if the result of the sale is to reduce the Key Executive's shareholding below his or her shareholding requirement	POLICY: UPPER QUARTILE Maximum shareholding requirement is 300% of salary. However, the Committee has discretion to increase this maximum. The Company will set out in the section headed statement of implementation of remuneration policy in the following financial year the minimum shareholding requirements (see *page 115*).	n/a

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 10-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 10-year period	Granted during the year
Discretionary Share Plans (5% Limit)	4.02%	0.41%

REMUNERATION POLICY FOR NON-EXECUTIVE DIRECTORS

Element	Purpose and link to strategy	Operation	Opportunity/Maximum
FEES	Provides a level of fees to support recruitment and retention of Non-Executive Directors with the necessary experience to advise and assist with establishing and monitoring the Group's strategic objectives. 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 "Time Commitments" (see *page 69*) of the Non-Executive Directors to Hikma are above those of an average non-executive, as each devotes between 30 and 60 days a year to his/her duties. The nature of Hikma's business is international, requiring the Non-Executive Directors to travel to the US, 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. Whilst the use of options for Non-Executive Directors is prevalent in the US and also to some extent internationally, as a UK-listed company 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.	The non-executive fees are 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. In view of the non-executive succession process that the Company is undertaking, the Board is requesting that the limit of £750,000 in the Articles of Association is increased to £1,000,000. When determining the fee recommendations, the Executive Directors take account of the following in determining the appropriate levels: ▶ The upper quartile position in the Comparator Group used to benchmark the Company's executive remuneration ▶ The extensive travel required for undertake the role ▶ The significant guidance and support required by the Executive Directors given the UK listing of the Company 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	POLICY: UPPER QUARTILE The current upper quartile fees of the Comparator Group are: ▶ Chairman £256,000 ▶ Non-Executive £156,000 ▶ Senior Independent £178,000 ▶ Audit Committee Chair £201,000 ▶ Remuneration Committee Chair £181,000 ▶ Compliance Committee Chair £177,000 The 2014 actual annual fees will be: ▶ Chairman £210,000 ▶ Non-Executive £80,000 ▶ Senior Independent £95,000 ▶ Audit Committee Chair £102,500 ▶ Remuneration Committee Chair £95,000 ▶ Compliance Committee Chair £95,000 In general, rises will be linked to those provided to employees and/or inflation. 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 Company will set out in the section headed statement of implementation of remuneration policy in the following financial year the fees applicable to that year (see *page 112*).

OTHER REMUNERATION POLICY MATTERS

Policy transition

The LTIP expires in 2015 and it is the intention to make no further awards under this incentive scheme following approval of the EIP at the 2014 AGM. On 11 March 2014, the Committee approved a final grant of performance shares under the LTIP based on the total US$ values per Director, subject to the current performance conditions and targets. The award is subject to shareholder approval at the AGM on 15 May 2014 and will be formally granted the following day. If targets are met, these LTIP awards will vest in 16 May 2017, ensuring that there is no incentive gap before the first potential awards under Element C of the EIP are capable of vesting in 2018.

<table>
<tr><th>Element</th><th>Purpose and link to strategy</th><th>Operation</th><th>Opportunity/Maximum</th><th>Performance metrics</th></tr>
<tr>
<td>LTIP
2014 GRANT</td>
<td>To ensure that there is a smooth transition between the current LTIP and the new EIP proposed for approval at the 2014 AGM.</td>
<td>LTIP awards vest after three years subject to the satisfaction of stretching TSR and financial metrics (sales, EPS and ROIC) performance conditions.</td>
<td>Plan maximum is 300% of salary. However, the Committee is setting the actual maximum grant at 200% of salary.</td>
<td>The LTIP award is subject to the following performance conditions:

50% of the award is subject to Comparative Total Shareholder Return (see <i>page 112</i> for constituents of the Comparator Group)
50% of the award is subject to the following criteria in equal proportions:

<table>
<tr><th>Element</th><th>Threshold requirement (average growth p.a.)</th><th>Maximum requirement (average growth p.a.)</th></tr>
<tr><td>Sales growth</td><td>9%</td><td>13%</td></tr>
<tr><td>EPS growth</td><td>15%</td><td>20%</td></tr>
<tr><td>ROIC</td><td>10%</td><td>12%</td></tr>
</table>

For all conditions:

20% vests for median/threshold performance
100% vests for upper quartile/maximum performance
Straight-line vesting between points

</td>
</tr>
</table>

Recruitment remuneration

Hikma's principle is the remuneration of any new recruit will be assessed in line with the same principles for the Executive Directors, as set out in the remuneration policy table above. The Remuneration Committee's approach to recruitment remuneration is to pay no more than is necessary to attract candidates of the appropriate calibre and experience needed for the role from the international market in which the Company competes.

The Remuneration Committee is mindful that it wishes to avoid paying more than it considers necessary to secure the preferred candidate and will have regard to guidelines and shareholder sentiment regarding one-off or enhanced short-term or long-term incentive payments made on recruitment and the appropriateness of any performance measures associated with an award.

The table below summarises Hikma's key policies with respect to recruitment remuneration for Executive Directors:

Component	Policy
SALARY AND BENEFITS	The salary level will be set taking into account a number of factors including market practice, the individual's experience and responsibilities and other pay structures within Hikma and will be consistent with the salary policy for Executive Directors. The Executive Director shall be eligible to receive benefits in line with Hikma's benefits policy as set out in the remuneration policy table.
PENSION	It should be noted that it is not the Remuneration Committee's current policy for existing Executive Directors to provide executive level pension contributions or salary supplements. However, the Committee retains the discretion if required on recruitment to be able to offer either a contribution to a personal pension scheme or cash allowance in lieu of pension benefits provided that this shall not exceed 25% of salary per annum.
MAXIMUM LEVEL OF VARIABLE REMUNERATION	The maximum level of variable remuneration under the Company's policy is 400% of salary p.a. In exceptional circumstances, solely for the year of recruitment, this may be increased to 550% if a sign-on award is made.
INCENTIVES	The Executive Director will be eligible to participate in the EIP as set out in the remuneration policy table. Awards may be granted up to the maximum opportunity allowable in the remuneration policy table at the Remuneration Committee's discretion.
SIGN-ON PAYMENTS/ RECRUITMENT AWARDS	The Committee's policy is not to provide sign-on compensation. However, in exceptional circumstances where the Committee decides to provide this type of compensation, it will endeavour to provide the compensation in equity, subject to a holding period during which cessation of employment will generally result in forfeiture and subject to the satisfaction of performance targets. In addition, where practical the Committee will endeavour to consult with its key shareholders prior to entering in to any commitment. The maximum value of this one-off compensation will be proportionate to the overall remuneration offered by the Company and in all circumstances is limited to 150% of salary which will only be provided in exceptional circumstances.
SHARE BUY-OUTS/ REPLACEMENT AWARDS	The Committee's policy is not to provide buy-outs as a matter of course. However, should the Committee determine that the individual circumstances of recruitment justified the provision of a buy-out, the value of any incentives that will be forfeited on cessation of a Director's previous employment will be calculated taking into account the following: ▶ The proportion of the performance period completed on the date of the Director's cessation of employment ▶ The performance conditions attached to the vesting of these incentives and the likelihood of them being satisfied ▶ Any other terms and condition having a material effect on their value ("lapsed value") The Committee may then grant up to the equivalent value as the lapsed value, where possible, under the Company's incentive plans. To the extent that it was not possible or practical to provide the buy-out within the terms of the Company's existing incentive plans, a bespoke arrangement would be used.

The annual fees payable to newly recruited Non-Executive Directors will be in line with the fees payable to existing Non-Executive Directors.

TERMS OF APPOINTMENT AND SERVICE

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. The Committee's policy for setting notice periods is that a maximum 12-month period will apply for Executive Directors. The Committee may in exceptional circumstances arising on recruitment, allow a longer period, which would in any event reduce to 12 months following the first year of employment.

TERMS OF APPOINTMENT AND SERVICE CONTINUED

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 month's 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 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

The Company follows the UK Governance Code and requires that all Directors of FTSE 350 companies be subject to annual election by shareholders.

Payment for loss of office

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

The Committee will honour Executive Directors' contractual entitlements. Service contracts do not contain liquidated damages clauses. If a contract is to be terminated, the Committee will determine such mitigation as it considers fair and reasonable in each case. There are no contractual arrangements that would guarantee a pension with limited or no abatement on severance or early retirement. There is no agreement between the Company and its Directors or employees, providing for compensation for loss of office or employment that occurs because of a takeover bid. The Committee reserves the right to make additional payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation); or by way of settlement or compromise of any claim arising in connection with the termination of an Executive Director's office or employment.

When determining any loss of office payment for a departing individual, the Remuneration Committee will always seek to minimise cost to the Company whilst seeking to address the circumstances at the time. The components of the policy is detailed on the table opposite.

Component	Approach	Application of Remuneration Committee discretion
BASE SALARY, BENEFITS AND PENSION	See above policy. Executive Directors may be entitled to receive payment in lieu of notice. Payment in lieu of notice will be equivalent to the salary payments, benefit value and pension contributions that they would have received if still employed by the Company for a maximum of 12 months.	Discretion to make payments in lieu of notice to the same value.
EIP	The Company only operates one incentive plan for the Executive Directors, the EIP. The treatment of awards on cessation of employment is governed by the rules of the EIP. The rules of the EIP provide that on termination of employment before the performance measurement date or prior to the relevant vesting date, no award will be granted in respect of the year of cessation and any subsisting entitlements will lapse; unless the following circumstances apply: ▶ Injury or disability ▶ Redundancy ▶ Retirement by agreement with the Company ▶ The participant being employed by a company which ceases to be a member of the Group ▶ The participant being employed in an undertaking or part of an undertaking which is transferred to a person who is not a member of the Group ▶ Any other circumstances if the Remuneration Committee decides in any particular case If an Executive Director leaves in one of the above circumstances the EIP rules provide for the following: ELEMENT A The Remuneration Committee will calculate the amount of any payment pro-rated to the amount of the plan year completed on the Executive Director's date of cessation and taking into account the level of satisfaction of the performance targets at the next performance measurement date. Any payment shall be made as soon as practicable after the determination of the level of satisfaction of the performance targets. ELEMENTS B AND C The Remuneration Committee will calculate the amount of any payment pro-rated to the amount of the plan year completed on the Executive Director's date of cessation and taking into account the level of satisfaction of the performance targets at the next performance measurement date. Any payment shall be made as soon as practicable after the determination of the level of satisfaction of the performance targets. 50% of the shares awarded will be subject to the sales restrictions (five years from date of grant to date of sale). Subsisting Element B and C awards will vest. The sale restrictions on 50% of the shares awarded will continue. It should be noted the performance conditions for the outstanding Element B and C awards will have been satisfied at the date of grant.	The Remuneration Committee has discretion to determine that the reason for termination is classified in the same manner as those described in the adjacent column. The Remuneration Committee will only use its general discretion to determine that an Executive Director is a good leaver in exceptional circumstances and will provide a full explanation to shareholders, if possible in advance, of the basis for its determination.
LTIP	The last award under the LTIP was made in 2014. The rules of the LTIP provide that on termination of employment before the vesting date any subsisting entitlements will lapse, unless the following circumstances apply: ▶ Injury or disability ▶ Redundancy ▶ Retirement by agreement with the Company ▶ The participant being employed by a company which ceases to be a member of the Group ▶ The participant being employed in an undertaking or part of an undertaking which is transferred to a person who is not a member of the Group ▶ Any other circumstances if the Remuneration Committee decides in any particular case If an Executive Director leaves in one of the above circumstances the LTIP rules provide for the LTIP to vest as adjusted by ▶ Pro-rating for the proportion of the performance period (three years) that was served ▶ The extent to which the Performance Conditions were met	The Remuneration Committee has discretion to determine that the reason for termination is classified in the same manner as those described in the adjacent column. The Remuneration Committee will only use its general discretion to determine that an Executive Director is a good leaver in exceptional circumstances and will provide a full explanation to shareholders, if possible in advance, of the basis for its determination.
OTHER CONTRACTUAL OBLIGATIONS	There are no other contractual provisions agreed prior to 27 June 2012.	n/a

TERMS OF APPOINTMENT AND SERVICE CONTINUED

Change of control

Component	Approach	Application of Remuneration Committee discretion
EIP	ELEMENT A The Remuneration Committee will calculate the amount of any payment pro-rated to the proportion of the plan year completed on the change of control and taking into account the level of satisfaction of the performance targets at the date of the change of control. Any payment shall be made as soon as practicable after the determination of the level of satisfaction of the performance targets. ELEMENTS B AND C In respect of the year of the change of control the Remuneration Committee will calculate any award pro-rated to the proportion of the plan year completed on the change of control and taking into account the level of satisfaction of the performance targets at the date of the change of control. Any award shall be made as soon as practicable after the determination of the level of satisfaction of the performance targets and shall not be subject to the sale restrictions. Shares subject to subsisting awards shall vest on the date of the change of control and the sale restrictions shall be removed. It should be noted that the performance targets for subsisting awards were satisfied at the date of grant.	The Remuneration Committee has a discretion whether to pro-rate any element to time. It is the Remuneration Committee's policy in normal circumstances to pro-rate to time; however, in exceptional circumstances where the nature of the transaction produces exceptional value for shareholders and provided the performance targets are met, the Remuneration Committee will consider whether pro-rating is equitable. The Remuneration Committee has the same discretion in relation to Elements B and C as set out above for Element A and will operate it in the same manner.
LTIP	If an Executive Director leaves due to a change of control the LTIP rules provide for the LTIP to vest as adjusted by the pro-rating for the proportion of the performance period (three years) that was served.	The Remuneration Committee has a discretion whether to pro-rate any element to time. It is the Remuneration Committee's policy in normal circumstances to pro-rate to time; however, in exceptional circumstances where the nature of the transaction produces exceptional value for shareholders and provided the performance targets are met, the Remuneration Committee will consider whether pro-rating is equitable.

Illustration of policy application

The following charts show the value of each of the main elements of the compensation package provided to the Executive Directors during 2013 and the potential available for 2014 (dependent upon performance).

Said Darwazah

		Fixed $000	Bonus $000	Share award $000	Total $000
2014	THRESHOLD	854/50%	527/31%	316/19%	1,697
	TARGET	854/34%	1,054/41%	632/25%	2,551
	MAX	854/20%	2,107/50%	1,289/30%	4,225
2013	ACTUAL	825/20%	1,606/41%	1,528/39%	3,956

Mazen Darwazah

		Fixed $000	Bonus $000	Share award $000	Total $000
2014	THRESHOLD	631/50%	289/31%	233/19%	1,253
	TARGET	631/34%	775/41%	465/25%	1,872
	MAX	631/20%	1,550/50%	1,019/39%	3,110
2013	ACTUAL	539/20%	1,078/41%	923/36%	2,646

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

The following notes are applicable to the above calculations:

- Salary, chairmanship fee, benefits and pension are fixed
- Elements A and C of the EIP comprise the Bonus and Element B comprises the Share Award. The percentages of salary for each element are:

Performance	Bonus	Share award	Total opportunity
Threshold	62.5%	37.5%	100%
Target	150%	100%	200%
Maximum	250%	150%	400%

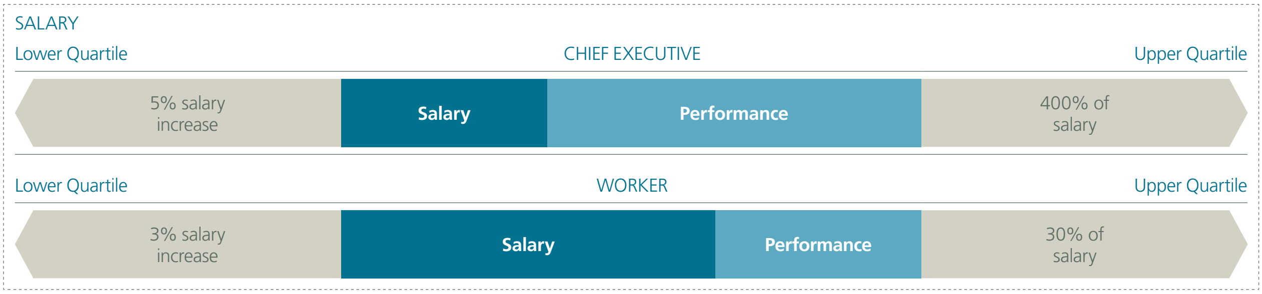
- For 2013 the share award comprises the LTIP vested during the year valued with the share price at the vesting point

Employment conditions

The Committee ensures that employee's remuneration across the Group is taken into consideration when reviewing executive remuneration policy. There is a balance to be achieved with disclosure, as this may give rise to ever greater remuneration demands increases across the whole of Hikma and reduce the ability to reward for superior performance and in line with market practice. The Committee reviews detailed internal data and is satisfied that the level of remuneration is proportionate across the HR grades.

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 on the policy contained in this report, but receives regular updates on employee feedback through the Group HR department and the employee engagement survey which is conducted by an external organisation and includes views on remuneration and other matters. However the Company does not use any formal remuneration comparison measurements.

The general policy is to ensure workers with lower levels of total remuneration have greater certainty as to what they receive, whereas the compensation of executive employees is chiefly based on performance-related pay. This relationship is outlined below.



Senior management

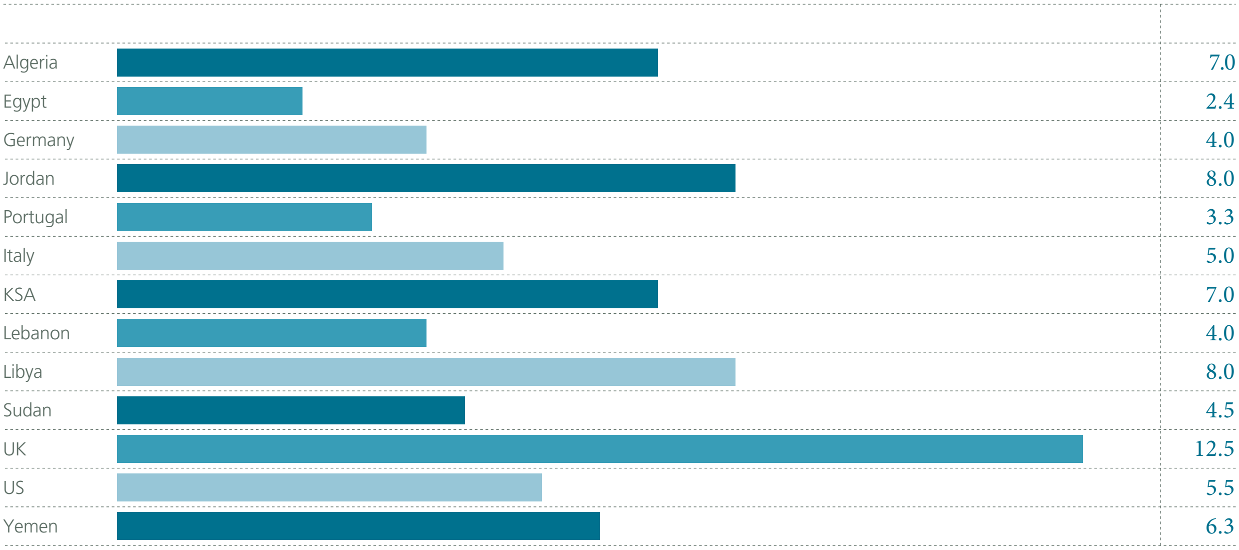
The policy for senior management compensation is set in line with policy for the Executive Directors, with a degree of discretion for the Committee to take into account particular issues identified by the Chief Executive, such as the performance of a specific individual or business unit.

Management Incentive Plan

The 2009 Management Incentive Plan ("MIP") was approved by shareholders at the 2010 Annual General Meeting. The MIP operates on the same basis as Elements A and B of the EIP, other than the MIP does not have a forfeiture threshold. The MIP is used widely to provide awards to management across the Group below senior management level. Awards are subject to the satisfaction of individual and Group performance targets.

TERMS OF APPOINTMENT AND SERVICE CONTINUED

MANAGEMENT INCENTIVE PLAN PERCENTAGE OF EMPLOYEES ELIGIBLE (%)



Performance remuneration

The following table details the maximum performance remuneration available at each level in the Group:

	Maximum award (% of salary)		
	Element A cash	Element B deferred shares	Element C restricted shares
Executive Director	150	150	100
Executive Committee	100	100	100
Senior management	75	75	–
Management	50	50	–
Other employees	30	–	–

Shareholder views

The process by which the Remuneration Committee consulted with the Company's major shareholders when designing the EIP is disclosed in the table below.

Steps	Details	Timeframe
1 ADVISER	We instructed our remuneration adviser to develop choices for a new executive incentive scheme that balanced current best governance practice and the nature of reward in Hikma.	September 2012
2 PROPOSAL REVIEW	The adviser presented the incentives options to the VP for Human Resources, Company Secretary and Remuneration Committee Chairman. After considerable debate, an initial plan outline was created.	November 2012
3 MANAGEMENT CONSULTATION	The initial plan was presented to the CEO, Executive Committee and senior management for comment. Relevant adjustments were made.	February–May 2013
4 SHAREHOLDER CONSULTATION	The Remuneration Committee Chairman presented an outline of the scheme in person to the UK governance bodies and significant shareholders. Subsequently, all significant shareholders and governance bodies received full consultation document. Comments were fully considered.	July–October 2013
5 PROPOSAL ADJUSTMENT	Following an extensive review of comments we made the following adjustments: ▶ Created a holding period so that participants must wait five years for 50% of the share element ▶ Simplified performance conditions into three key categories ▶ Focused on Profit Before Tax rather than Profit After Tax ▶ Improved the assessment of compliance with the shareholding requirements	November–December 2013

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, network 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 (2012: $10,000) and $10,000 (2012: $10,000) respectively, in respect of such appointments which are detailed in their Director profiles on *page 55*. 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 69*.

ANNUAL REPORT ON REMUNERATION

For the year ended 31 December 2013, the Group's Policy on remuneration was implemented as set out below.

Single total figure

Executive Director

The following table shows a single total figure of remuneration in respect of qualifying services for the 2013 financial year for each Executive Director, together with comparative figures for 2012.

Director	Year	Salary $	Benefits $	Bonus $	LTIP $	Pension $	Total $
Said Darwazah	2013	802,500	10,536	1,605,000	1,528,000	10,800	3,956,836
	2012	750,000	10,536	1,200,000	1,324,000	10,125	3,294,661
Mazen Darwazah	2013	539,280	0	1,078,000	1,019,000	10,000	2,646,280
	2012	504,000	0	806,400	794,000	9,374	2,113,774

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

Notes to the Table

Salary

This is the annual salary paid to the Executive Directors.

Benefits

The benefits include healthcare, school fees, company cars and life insurance.

ANNUAL REPORT ON REMUNERATION CONTINUED

Bonus

The following table sets out the performance conditions and targets for 2013 and their level of satisfaction:

	Basis of measurement	Threshold	Target	Max	Results	Achievement	Said % of salary	Mazen % of salary
PROFIT BEFORE TAX ("PBT")	Budget	$158m PBT	$175m PBT	$193m PBT	▶ $298m PBT versus budget of $174m PBT – 171% of budget	Max	100%	100%
STRATEGIC AND OPERATIONAL TARGETS	Strengthen leading MENA	4% revenue growth	6% revenue growth	8% revenue growth	▶ Branded FY revenue growth of 8% on constant currency basis ▶ Operational improvements drove 9% increase in operating profit and 1% margin improvement ▶ 56% group capex was successfully implemented across the region	Max	10%	20%
	Product development	30 products launched 50 regulatory approvals	50 products launched 100 regulatory approvals	80 products launched 150 regulatory approvals	▶ Launched 104 new products, including 69 in MENA ▶ Received 241 product regulatory approvals ▶ Focused on higher margin production across all markets	Max	10%	10%
	New partnerships	No partnership expansion	Some partnership expansion	Significant partnership expansion	▶ New Ethiopian joint venture with MidRoc ▶ Entered into nine new licensing arrangements ▶ Cemented existing partnerships with Exela, Celltrion, Takeda ▶ New in-licensing agreement in MENA for Vibativ (R), an anti-infective	Max	10%	20%
	Injectables profitability	25% margin	27% margin	30% margin	▶ Operating margin improved from 23% to 31% whilst delivering organic revenue growth of 14%	Max	10%	–
	US capacity and facility	Facility unremediated	Partially remediated	Fully remediated	▶ Fully remediated facility has been FDA inspected with minimal observations ▶ Hard work of staff enabled partial operation which allowed the Group to maximise the Doxycycline opportunity ▶ Significant operational improvements in Cherry Hill facilitated injectables margin improvements	Max	10%	–
	Manufacturing quality	Not quantifiable	Not quantifiable	Not quantifiable	▶ Successful plant inspections by the FDA ▶ Contract manufacturing demand remained strong demonstrating external validation of reputation for quality	Max	10%	10%
PERSONAL	Hikma culture Personal development Employee satisfaction	Not quantifiable	Not quantifiable	Not quantifiable	▶ Implemented first employee satisfaction survey ▶ Rolled out new Code of Conduct in the five functional languages ▶ Achieved certain personal development targets set by the Remuneration Committee	Max	40%	40%
TOTAL						Max	200%	200%

The following table sets out how the bonus disclosed in the table has been calculated:

Executive	Salary	Maximum annual bonus potential (% of salary)	Level of satisfaction of the performance targets	Value of bonus earned
Chief Executive	$802,500	200%	100%	$1,605,000
Vice Chairman	$539,280	200%	100%	$1,078,560

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

LTIP

The LTIP amount included in the 2013 single total figure of remuneration is the conditional share award granted in 2010. The performance achieved against the performance targets is shown below.

Performance condition	Weighting	Threshold	Maximum	Actual performance	Award vested % of maximum
TSR	50%	50th percentile 20% of award element	75th percentile 100% of award element	60%	86%
Sales growth	17%	9% 20% of award element	13% 100% of award element	20%	100%
EPS growth	17%	15% 20% of award element	20% 100% of award element	12%	0%
Return on invested capital	17%	10% 20% of award element	12% 100% of award element	13%	100%

* TSR is total shareholder return comparative performance against the Company's Comparator Group

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

The following tables set out the number of shares vesting and their value on the date of vesting:

Chief Executive

Performance condition	TSR	Sales growth	EPS growth	Return on invested capital
Maximum number of shares capable of vesting	52,500	17,500	17,500	17,500
Percentage of maximum vesting	86%	100%	0%	100%
Number of vested shares	44,800	17,500	0	17,500
Value of vested shares*	£535,360	£209,125	£0	£209,125
TOTAL VALUE	£953,610			

* Share price on vesting was £11.95

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

Vice Chairman

Performance condition	TSR	Sales growth	EPS growth	Return on invested capital
Maximum number of shares capable of vesting	35,000	11,667	11,667	11,667
Percentage of maximum vesting	86%	100%	0%	100%
Number of vested shares	29,866	11,667	0	11,667
Value of vested shares*	£356,899	£139,421	£0	£139,421
TOTAL VALUE	£635,740			

* Share price on vesting was £11.95

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

ANNUAL REPORT ON REMUNERATION CONTINUED

Pension

This is the pension payment paid to the Hikma Pharmaceuticals Defined Contribution Retirement Benefit Plan on behalf of the Executive Directors on the same basis as other employees located in Jordan.

Non-Executive Directors

		2012	2013
Name	Position	Total fee £000	Total fee £000
Samih Darwazah*	Chairman	157.5	200.0
Sir David Rowe-Ham	Senior Independent Director	86.0	91.0
Breffni Byrne	Audit Committee Chairman	93.5	98.5
Michael Ashton	Remuneration Committee Chairman	86.0	91.0
Ronald Goode	CRE Committee Chairman	86.0	91.0
Ali Al-Husry	Non-Executive Director	71.0	76.0
Robert Pickering	Independent Director	78.5	83.5

* The Chairman has elected to waive payment of the increase in his fees and received £157,500 in 2013

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

Share Plan Awards

Historically, the Committee has granted share awards to Executive Directors each year which are reflective of the Executive Directors' and Group performance over the prior year. Therefore, the following awards will be granted to the Executive Directors on 16 May 2014 (following shareholder approval at the AGM) under the LTIP.

Executive	Type of award	% of salary awarded	Number of shares awarded	Face value of award*
CEO	Conditional award	200%	68,500	£1,009,005
Vice Chairman	Conditional award	200%	50,500	£743,865

* Share price used for this calculation was £14.73 on 11 March 2014 and $1.669 to £1

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

The performance conditions for this grant are the same as those set out in the Policy section of the report for the 2014 final grant of awards under the LTIP.

Payments to past Directors and for loss of office

There were no payments to past Directors and no payments for loss of office during the financial year.

Director share interests

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.

Director	% of Darhold	Effective no. of Hikma shares	Holding in own name/Nominee	Total shareholding
Samih Darwazah	14.27%	8,160,018	2,006,299	10,166,317
Said Darwazah	16.95%	9,692,523	269,800	9,962,323
Mazen Darwazah	9.52%	5,443,824	791,425	6,235,249
Ali Al Husry	7.00%	4,002,812	1,109,748	5,112,560

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

The following table sets out details of the Directors' shareholdings and, where there are shareholding requirements, whether these have been met:

Name	Share ownership requirements (% of salary)	Number of shares required to hold	Number of shares owned outright (including connected persons)	Conditional shares under the LTIP	Total number of shares or interests in shares
Said Darwazah	300%	102,826	9,962,323	307,000	10,269,323
Mazen Darwazah	300%	75,680	6,235,249	190,000	6,425,249
Samih Darwazah	–	–	10,166,317	–	10,166,317
Sir David Rowe-Ham	–	–	10,000	–	10,000
Breffni Byrne	–	–	10,000	–	10,000
Michael Ashton	–	–	18,566	–	18,566
Ali Al-Husry	–	–	5,112,560	–	5,112,560
Ronald Goode	–	–	17,000	–	17,000
Robert Pickering	–	–	7,500	–	7,500
Pat Butler	–	–	0	–	0

The information in the table above has been audited by Deloitte. The share price used to calculate whether the shareholding requirements have been met is the price on 11 March 2014 of £14.73 and foreign exchange rates of $1.669 to £1 on the same date

Outstanding share awards

The following chart sets out the level of release of existing LTIP awards if Hikma's performance measured as at 31 December 2013.

	TSR	Sales growth	EPS growth	ROIC	TOTAL
2013 LTIP GRANT	0%	17%	17%	17%	50%
2012 LTIP GRANT	50%	17%	17%	17%	100%
2011 LTIP GRANT	6%	17%	17%	17%	56%

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

Director	Shares (max)	Type of interest	Basis of award	Exercise price	Date of award	Date of vesting	Face value*
Said Darwazah	108,000	Conditional award	200% salary	Nil	13 May 2011	13 May 2014	$1,327,536
	97,000	Conditional award	150% salary	Nil	18 May 2012	18 May 2015	$2,384,648
	102,000	Conditional award	187% salary	Nil	16 May 2013	16 May 2016	$1,404,238
Total	**307,000**						**(2012: 310,000)**
Mazen Darwazah	72,000	Conditional award	200% salary	Nil	13 May 2011	13 May 2014	$885,024
	65,000	Conditional award	150% salary	Nil	18 May 2012	18 May 2015	$1,597,960
	53,000	Conditional award	140% salary	Nil	16 May 2013	16 May 2016	$729,653
Total	**190,000**						**(2012: 207,000)**

* The face value is calculated using the vesting percentages described earlier in this section and the share price of £14.73 and foreign exchange rates of $1.669 to £1 on 11 March 2014. The information in the table above has been audited by Deloitte

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.

ANNUAL REPORT ON REMUNERATION CONTINUED

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

	Market price (Closing price)
1 January 2013	755.0p
31 December 2013	1,201.0p
2013 Range (low to high)	749.5p to 1,201.0p
11 March 2014	1,473.0p

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

Remuneration Table and Performance Graph

The following table sets out the total remuneration and amounts vesting under short-term and long-term incentive plans for the same period in respect of the Director holding the position of Chief Executive and Vice Chairman.

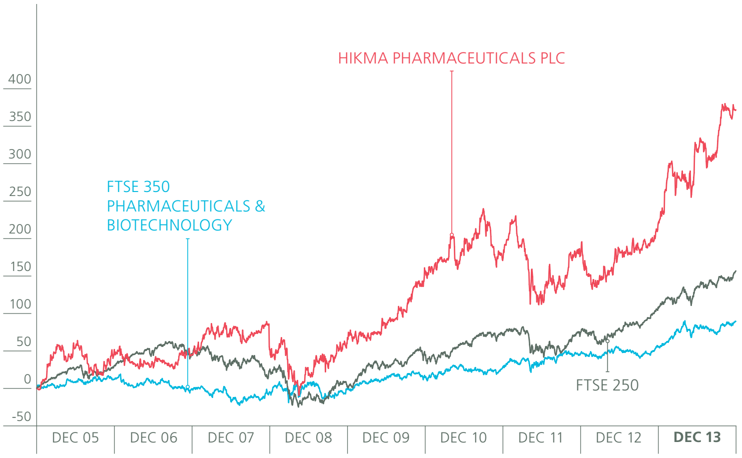
	Said Darwazah – Chief Executive			Mazen Darwazah – Vice Chairman		
Year	Total	Bonus as % max	LTIP as % max	Total	Bonus as % max	LTIP as % max
2013	$3,800,000	100%	62%	$2,540,000	100%	47%
2012	$3,296,000	80%	50%	$2,114,000	80%	50%
2011	$2,629,000	80%	67%	$1,748,000	80%	67%
2010	$1,965,000	100%	49%	$1,296,000	100%	49%
2009	$1,183,000	37%	67%	$797,000	37%	67%

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

The graph shows Hikma's performance, measured by Total Shareholder Return ("TSR") compared to our Comparator Group and the FTSE 250 Index from 31 December 2007 to 31 December 2013. The Comparator Group has been used because it is the main reference point of our remuneration policy and the FTSE 250 because it is the broad index in which the Company sits and is used as an additional reference point in determining remuneration.

TOTAL SHAREHOLDER RETURN SINCE IPO (%)

+364%



CEO and average employee change

The table below shows how the percentage change in the CEO's salary, benefits and bonus between 2012 and 2013 compares with the percentage change in the average of each of those components of pay for employees.

	Salary			Bonus		
	2013	2012	Percentage increase	2013	2012	Percentage increase
CEO	$802,500	$750,000	7%	$1,605,000	$1,200,000	34%
Employees	$160m	$155m	3%	$44.6m	$30.9	44%
Number of Employees	7,067	6,649	6%	7,067	6,649	6.2%
Average per Employee	$22,640	$23,312	-3%	$6,371	$4,647	37%

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

The Group's pay review taking effect from 1 January 2013 awarded average percentage increases in wages and salaries of 3–5% for existing employees. The nature and level of benefits to employees in the year ended 31 December 2013 was broadly similar to that in the previous year. The total amount of bonuses paid to employees (excluding the Executive Directors) in respect of the year ended 31 December 2013 was 37% higher than in 2012.

Relative importance of spend on pay

The following table sets out the total amount spent in 2013 and 2012 on remuneration of the Group's employees and major distributions to shareholders.

Distribution expense	2013 Total	2012 Total	% increase from 2012 to 2013
Employee remuneration	$319m	$294m	8.5%
Distributions to shareholders	$39m	$27m	44.4%

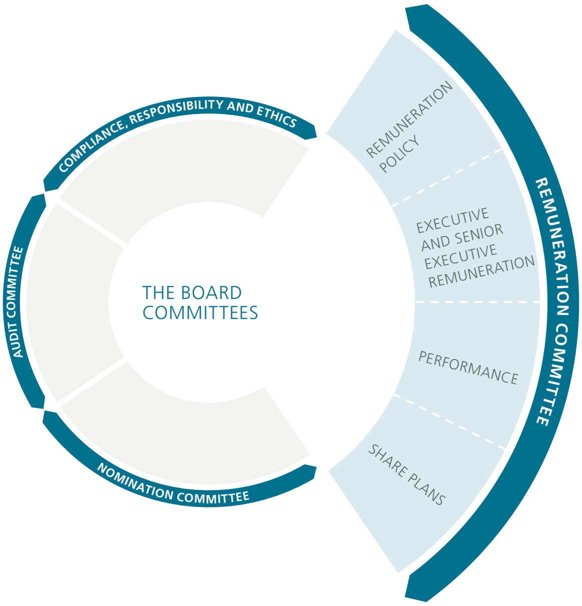
The information in the table above has been audited by Deloitte.

CONSIDERATION OF OTHER RELEVANT MATTERS

Responsibilities

The Committee is responsible for setting and developing 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 reviewed by the Board on an annual 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.



STATEMENT OF POLICY IMPLEMENTATION 2014

Advice and support

As in previous years, the Remuneration Committee received independent advice on executive compensation from PricewaterhouseCoopers LLP ("PwC") appointed by the Committee, which supports the Committee and Corporate HR department in the delivery and development of our reward and human resources strategy. PwC has also provided some taxation and business integrity advice. PwC 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.

The Committee reviewed the performance of the remuneration advisers during the year and the fees received, as set out in the table below. The Committee concluded that the current advisers remained independent and continued to provide high quality service to the Committee.

PwC's fees were based on fixed fees for projects agreed with the Company. The total fees for advice to the Committee during the year were $138k.

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.

Shareholder approval

The Committee actively seeks the engagement of shareholders in the setting of remuneration policy and practice. In furtherance of this desire, the Committee sought shareholder approval for its remuneration policy last year, on a voluntary basis. The voting patterns are as follows:

	For	Against	Withheld	Votes cast	Votes available
2013 Policy	95.4%	0.7%	3.9%	152,903,166	197,907,228
2013 Implementation	95.4%	0.7%	3.9%	152,903,166	197,907,228
2012 Combined report	92.1%	3.7%	4.2%	155,612,792	196,817,207

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

Comparator Group

There are no material changes to the Comparator Group from the companies set out in the policy report:

Name		
Actavis Inc (previously Watson Pharmaceuticals Inc)	Forest Laboratories Inc	Mylan Inc
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	

Salaries

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 2014, the Committee has taken into consideration the following important factors in determining that the Executive Directors' salaries should be increased as follows:

	Salary		Increase
Name	2014	2013	%
Chief Executive	$842,625	$802,500	5%
Vice Chairman	$620,172	$539,280	15%

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

Factors

- ▶ The change of role for the Vice Chairman, who has assumed operational responsibility for MENA, in addition to his existing strategic responsibility. The Vice Chairman has also assumed responsibility for expansion into Emerging Markets, which is essential to the future growth potential. An announcement was made on 12 March 2014 detailing the full responsibilities and rationale
- ▶ Being at the lower end of our policy range, whilst our executives continue to outperform. The Committee is cognisant of the potential for our competitors to acquire key staff who are critical to the on-going success of the Group
- ▶ The robust Group performance, with revenue growth of 23% and net income growth of 112%
- ▶ The significant improvement in the Company's position relative to its peers in the pharmaceutical and FTSE 250 sectors
- ▶ The successful integration of strategic acquisitions, new partnerships and capital expenditure
- ▶ Despite the continued high level of political and economic turbulence in the Middle East, the very strong period for Hikma

NED fees

The Board has determined that the fees for the Non-Executive Directors will be increased by 5% in line with the general salary rises for employees in the Group:

	2014				2013			
Director	Total fee £000	Basic fee £000	Chairmanship fee £000	Committee fee £000	Total fee £000	Basic fee £000	Chairmanship fee £000	Committee fee £000
Samih Darwazah*	210.0	210.0	–	–	200.0	200.0	–	–
Sir David Rowe-Ham*	95.0	80.0	7.5	7.5	95.0	80.0	7.5	7.5
Breffni Byrne	102.5	80.0	15.0	7.5	102.5	80.0	15.0	7.5
Michael Ashton	95.0	80.0	7.5	7.5	95.0	80.0	7.5	7.5
Ali Al-Husry	80.0	80.0	–	–	80.0	80.0	–	–
Ronald Goode	95.0	80.0	7.5	7.5	95.0	80.0	7.5	7.5
Robert Pickering*	95.0	80.0	7.5	7.5	95.0	80.0	7.5	7.5
Pat Butler*	87.5	80.0	–	7.5	87.5	80.0	–	7.5

* Fee will be pro-rated for time served in the relevant position. The information in the table above has been audited by Deloitte

Benefits and pension

No change from 2013.

Operation of the EIP

Full details of the EIP are set out in the Notice of Annual General Meeting. The following table sets out the maximum Company contribution capable of being earned by the Executive Directors for 2014:

Executive	Element A (% of salary)	Element B (% of salary)	Element C (% of salary)
Chief Executive	150%	150%	100%
Vice Chairman	150%	150%	100%

The performance conditions and their weighting are set out below:

Performance condition	Weighting (% of maximum subject to performance condition)	Percentage of element of award payable for threshold performance	Percentage of element of award payable for on target performance	Percentage of element of award payable for maximum performance
Group PBT	50%	25%	50%	100%
Operational/Strategic milestones	40%	25%	50%	100%
Personal objectives	10%	25%	50%	100%

STATEMENT OF POLICY IMPLEMENTATION 2014 CONTINUED

Maximum levels of rewards that executives may receive are dependent on performance, as follows:

	Basis of measurement	Forfeiture	Threshold	Target	Max
PROFIT BEFORE TAX	▶ Budget	Budget – 30%	Budget – 10%	Budget	Budget + 10%
STRATEGIC	▶ Strengthen leading MENA ▶ Products development ▶ New partnerships ▶ Injectables sales ▶ US capacity and expertise ▶ Manufacturing quality	No strategic development	Some strategic targets met	Most strategic targets met	All strategic targets met
PERSONAL	▶ Hikma culture ▶ Personal development ▶ Employee satisfaction	No personal development	Some personal targets met	Most personal targets met	All personal targets met
		0% award + lose 50% prior two years' shares	100% award	250% award	400% award
AWARD BREAKDOWN	Element A	0%	25%	100%	150%
	Element B	0%	25%	100%	150%
	Element C	0%	50%	50%	100%

The performance targets above are established in broad terms, with specific targets, at the beginning of each year. These targets relate to the underlying profitability of the Group and the strategic moves that will be made over the course of the year. Disclosure of precise targets in this regard could be an advantage to our competitors, potential acquisition targets and restrict our ability to adapt to market conditions, therefore, the Directors consider it is appropriate to disclose the specific targets retrospectively, in the annual remuneration report. This will allow shareholders to review the performance delivered against the targets set and the corresponding entitlements earned by the Executive Directors.

LTIP grant

The LTIP expires in 2015 and it is the intention to make no further awards under this incentive scheme following approval of the EIP at the 2014 AGM. The Committee has approved a final grant of performance shares under the LTIP on 11 March 2014 which are subject to shareholder approval at the AGM on 15 May 2014 and are based on the current performance conditions and targets. If targets are met, these LTIP awards will vest on 15 May 2017, ensuring that there is no incentive gap before the first potential awards under Element C of the EIP are capable of vesting in 2018. Details of the performance conditions and targets are set out in the policy report on *page 98*.

The details of the proposed grants under the LTIP to the Executive Directors are as follows:

Name	No. shares	Face value (% of salary)	Policy value	Adherence to policy
Said Darwazah	68,500	200%	296% to 386%	Below policy range
Mazen Darwazah	50,500	200%	116% to 536%	Within policy range

The information in the table above 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 15 May 2014.

Share ownership

During the year, the Committee built on the minimum shareholding requirements that were established last year. 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. The limits under and compliance with this policy will be reviewed periodically by the Committee.

All Executive Directors are required to build and maintain a minimum shareholding equal to three times base salary. The table below demonstrates that the target shareholdings as a percentage of salary were met in full by the Executive Directors.

Executive Director	Target	Actual	Requirement fulfilled?
Said Darwazah	300%	300x	✓
Mazen Darwazah	300%	255x	✓

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

Share ownership requirements also apply to Hikma executive management who are required to build and maintain a minimum shareholding equal to two times base salary. The Committee is pleased to report that the requirement has been achieved during the year. Executive management's shareholdings as a percentage of salary:

Date	Requirement	Lowest	Highest	Average	Total shares	Requirement fulfilled?
11 March 2014	200%	224%	2,236%	1,071%	954,607	✓
12 March 2013	200%	0%	2,199%	1,026%	1,014,843	×

Note: The executive team reduced from nine people in 2012 to seven people in 2013. The information in the table above has been audited by Deloitte

For all executives, should the number of shares they hold be insufficient, shares vesting under any Hikma share scheme will be retained in a nominee facility which is managed by Hikma. The executive will receive dividends but will not be able to dispose of his/her shares until the requirement is met and then only to the extent of shares in excess of the requirement.

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. Please do not hesitate to contact me if you have any questions or observations.

For and on behalf of the Remuneration Committee

Michael Ashton, *Remuneration Committee Chairman*
11 March 2014

DIRECTORS' REPORT

The Directors submit their report together with the audited financial statements for the 52 weeks ended 31 December 2013. 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.

FINANCIAL

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, Injectables and Generic. The majority of the Group's operations are in the MENA region, the US 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.

Results

The Group's profit for the year in 2013 was $216 million (2012: $107 million).

Dividend

The Board is recommending a final dividend of 13 cents per share (approximately 7.8 pence) (2012: 10 cents) and a special dividend of 4 cents per share (approximately 2.4 pence). The special dividend reflects the exceptional performance of the Generics business over the period. The proposed dividends will be paid on 22 May 2014 to shareholders on the register on 25 April 2014, subject to approval at the Annual General Meeting on 15 May 2014.

An interim dividend of 7.0 cents per share plus a special dividend of 3.0 cents was paid on 7 October 2013 (together approximately 6.06 pence per ordinary share) (2012: 7 cents). The total dividend for the year 2013 is 27 cents per share (2012: 16.0 cents), of which 7 cents is a special dividend.

Creditor payment policy

Hikma's policy, which is also applied by the Group and will continue in respect of the 2014 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 2013 were equivalent to 73 days' purchases (2012: 66 days), based on the average daily amount invoiced by suppliers during the year.

Donations

During the year the Group made charitable donations of approximately $6.2 million (2012: $0.7 million):

Type of donation	Amount donated in 2012 ($)	Amount donated in 2013 ($)
Local charities serving communities in which the Group operates	304,124	5,098,321
Medical (donations in kind)	363,740	1,105,773
Political	nil	nil
Total	**667,864**	**6,204,094**

Group policy prohibits the payment of political donations.

Research and development

The Group's investment in research and development ("R&D") during 2013 represented 2.9% of Group revenue (2012: 3.1%). Additionally, the Group invested extensively in the purchase of certain products. Further details on the Group's R&D activities can be found on *page 35*.

Related party transactions

Details of related party transactions are included in Note 38 of the financial statements on *page 165*.

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 $267 million (2012: $405 million). Operating cash flow in 2013 was $337 million (2012: $184 million). The Group has $376 million (2012: $313 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
- 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 54 to 57*. Details of the independence of Non-Executive Directors are set out in the report on corporate governance on *page 65*. All the Executive and Non-Executive Directors served Hikma throughout the year. The appointment of Mr Pat Butler as a Director effective 1 April 2014 was approved on 11 March 2014.

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, Robert Pickering and Pat Butler will retire at the Annual General Meeting. All Directors will seek election or re-election at the Annual General Meeting with the exception of Samih Darwazah and Sir David Rowe-Ham.

Shareholders are referred to the Effectiveness report on *pages 65 to 66*, which provides further detail on the balance of skills and experience on the Board.

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 2013:

Type	Nominal value	In issue	Issued during the year
Ordinary	10 pence	198,044,328	1,007,821

During 2013, Hikma issued Ordinary Shares solely pursuant to the exercise of options under the Hikma Pharmaceuticals PLC 2004 Stock Option Plan, 2005 Long Term Incentive Plan and 2009 Management 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 16 May 2013, 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 2014 or the 2014 Annual General Meeting, which is scheduled for 15 May 2014. The Directors are proposing to renew this authority at the 2014 Annual General Meeting.

During the year, Hikma acquired 210,000 of its own Ordinary Shares of £0.10 each at an average price of £10.13 per share as detailed in the table below. The shares purchased are held either in treasury or by the Employee Benefit Trust.

Date	Number of Ordinary Shares purchased	Highest price paid (per share)	Lowest price paid (per share)
30 August 2013	35,000	£10.15	£10.14
28 August 2013	175,000	£10.14	£10.07

Share issuance

At the Annual General Meeting on 16 May 2013, the Directors were authorised to issue relevant securities up to an aggregate nominal amount of £6,582,812, and to be empowered to allot equity securities for cash on a non pre-emptive basis up to an aggregate nominal amount of £987,422, at any time up to the earlier of the date of the 2014 Annual General Meeting or 30 June 2014. The Directors propose to renew these authorities at the 2014 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 36 to the financial statements. Shares are also held by the Hikma Pharmaceuticals Employee Benefit Trust ("EBT") and are detailed in Note 33 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, 15 May 2014, starting at 11.00 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 on *page 69*. 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 *page 109*.

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	28.9%
Capita Group International	5,952,422	3.0%
Fidelity International	9,873,932	5.0%
DuPont Capital Management	19,232,981	9.7%

* 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. See *page 109* for details of their holdings in Darhold

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 2013	MIP granted 18 May 2013
Said Darwazah	103,000	–
Mazen Darwazah	52,000	–
May Darwazah	–	481
Hana Ramadan	–	2,304
Tareq Darwazeh	–	2,154
Zeena Murad	–	1,679

At the Annual General Meeting held on 16 May 2013, a vote of the independent shareholders of Hikma approved the award of up to an aggregate of 155,000 ordinary shares pursuant to Hikma's 2005 Long Term Incentive Plan to Said Darwazah and Mazen Darwazah (the "LTIP Holders") and 25,000 ordinary shares pursuant to the Management Incentive Plan to Hana Ramadan, May Darwazah, Zeena Murad, Tareq Darwazah and Walid Darwazeh (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 8 April 2013 representing 28.96% of the issued share capital of Hikma, and as at 11 March 2014 being the latest practicable date prior to the publication of this document, holding 57,183,028 ordinary shares, representing 28.874% 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 8 April 2013, the Concert Party held, in aggregate, interests in 63,850,460 ordinary shares in the capital of Hikma (then representing 32.33% of the then issued share capital of Hikma). As at 11 March 2014 being the latest practicable date prior to the publication of this document, the Concert Party held, in aggregate, interests in 62,745,392 ordinary shares in the capital of Hikma (representing 31.68% of the then issued share capital of Hikma).

	Holding, 8 April 2013		Holding, 11 March 2014		Holding if all existing SOP, MIP, LTIP are exercised		Holding if maximum award granted in 2014 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	28.96%	57,183,028	28.87%	–	–	–	–
Concert Party	63,850,460	32.33%	62,745,392	31.68%	63,263,598	31.56%	63,417,098	31.64%

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 63,417,098 shares in the capital of Hikma (representing 31.64% 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 2013 to 11 March 2014, 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 and 2009 Management Incentive Plan (each an "Option Holder") exercised, in aggregate, options over 136,517 Ordinary Shares in the capital of Hikma.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the Parent Company financial statements under IFRSs as adopted by the EU. Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that Directors:

- 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 IFRSs are 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 the Company's ability to continue as a going concern

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We confirm to the best of our knowledge:

- The financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole
- The strategic report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face
- The Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy

By order of the Board

Said Darwazah
Chief Executive Officer
11 March 2014

Mazen Darwazah
Executive Vice Chairman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HIKMA

FINANCIAL STATEMENTS

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

Opinion on financial statements of Hikma Pharmaceuticals PLC

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2013 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the parent 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.

The financial statements comprise the Group income statement, the consolidated statement of comprehensive income, the consolidated and Company balance sheets, the consolidated and Company cash flow statements, the consolidated and Company statements of changes in equity and the related Notes 1 to 58. The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in Note 2 to the Group financial statements, in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, the Group 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.

Going concern

As required by the Listing Rules we have reviewed the Directors' statement contained on *page 116* that the Group is a going concern. We confirm that:

- we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

Risk	*How the scope of our audit responded to the risk*
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. In addition, for certain products there may be uncertainty over the ultimate net selling price and whether the revenue can be reliably measured so as to meet the appropriate revenue recognition criteria.	We assessed the revenue recognition policies applied in the Group, including the valuation and timing of revenue recognition with reference to the relevant revenue recognition criteria in IFRSs. We challenged the key judgements, such as the expected value of chargebacks, product returns and price adjustments, by performing analytical and substantive procedures on the methodology used in determining the year end provisions, including the examination of supporting documentation. In addition, we considered chargeback payments processed subsequent to year end to validate the level of provision.
Impairment of assets The Group holds goodwill, intangible assets, fixed assets relating to its manufacturing operations, and investments in associates, which are subject to impairment considerations. The significant value of these items and the judgemental nature of assumptions included within the impairment models, in particular the growth rates inherent in the forecasts and the discount rate assumption, make this an area of audit focus.	We challenged the indicators of impairment assessed by management, which included the remediation at Eatontown and the performance of Unimark. Where indicators existed or an annual impairment review was required for assets with an indefinite useful life or goodwill, we performed focused audit procedures. These procedures included working with internal valuation specialists to challenge the key assumptions related to the discount rate applied to the separate cash-generating units by benchmarking to peer companies. In addition, we critically assessed the estimated future cash flows by considering the historical accuracy of budgeting and through our understanding of the future prospects of the business or investment. Where significant judgements were made, we also carried out a sensitivity analysis to assess their impact.

Risk	*How the scope of our audit responded to the risk*
Taxation The Group's worldwide operations are highly integrated and involve a number of cross border transactions. As a result, there is complexity and judgement surrounding the tax liabilities due to the authorities in the various tax jurisdictions, including transfer pricing considerations.	We challenged the judgements made by the Directors and evaluated the appropriateness of the provisions and disclosures. Working with taxation specialists we obtained the latest correspondence between the Group and the relevant tax authorities, understood the judgements made by the Directors, held meetings with senior management and we consulted with the Group's external tax advisers and considered their views on any matters.
Inventory provisions The Group holds significant levels of inventory that require the Directors to make judgements surrounding the value of provisions against obsolescence and short-dated items.	We attended stock counts to verify the physical existence of inventory and identify whether any inventory was obsolete. We challenged the assumptions over inventory provisions by assessing the shelf-life, historic ageing and expected volume and price of future sales of the stock and also those made since the balance sheet date.

The Audit Committee's consideration of these risks is set out on *page 72*.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality, both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group to be $15 million, which is 5% of pre-tax profit, and 1.5% of equity.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of $300,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope primarily on the audit work at 13 locations. Of these, 12 were subject to a full audit, whilst the other was subject to an audit of specified account balances where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the Group's operations at those locations. These 13 locations include Jordan and the US, represent the principal business units and account for 84% of the Group's net assets, 96% of the Group's revenue and 100% of the Group's profit before tax. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work at the 13 locations was executed at levels of materiality applicable to each individual entity which were lower than Group materiality.

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

The Group audit team continued to follow a programme of planned visits that has been designed so that a senior member of the Group audit team visits each of the locations where the Group audit scope was focused at least once every two years and the most significant of them, including Jordan and the US, at least once a year. In years when we do not visit a significant component we will include the component audit team in our team briefing, discuss their risk assessment, and review documentation of the findings from their work. The Senior Statutory Auditor visited the US and Jordan during the course of the audit.

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 Strategic Report and 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

Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

INDEPENDENT AUDITOR'S REPORT
Continued

Directors' remuneration

Under the Companies Act 2006 we are also required to report if, in our opinion, certain disclosures of Directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

Corporate Governance Statement

Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the Company's compliance with nine provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

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.

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.

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 parent 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Paul Franek
(Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
11 March 2014

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 $m	2012* $m
Continuing operations			
Revenue	4	1,365	1,109
Cost of sales	4	(601)	(605)
Gross profit	4	764	504
Sales and marketing costs		(160)	(150)
General and administrative expenses		(151)	(123)
Research and development costs		(39)	(34)
Other operating expenses (net)	8	(62)	(30)
Total operating expenses		(412)	(337)
Adjusted operating profit		413	194
Exceptional items:			
– Acquisition and integration-related expenses	5	–	(3)
– Severance costs	5	(1)	(4)
– Plant remediation costs	5	(24)	(7)
– Impairment losses	5	(10)	–
– Other claims provisions	5	(11)	–
Intangible amortisation**	5	(15)	(13)
Operating profit	4	352	167
Associated companies	16		
– share of results		(3)	1
– exceptional impairment of investment		(16)	–
Finance income	9	2	1
Finance expense	10	(37)	(38)
Other income expense (net)		–	1
Profit before tax		298	132
Tax	11	(82)	(25)
Profit for the year	6	216	107
Attributable to:			
Non-controlling interests	32	4	7
Equity holders of the parent		212	100
		216	107
Earnings per share (cents)			
Basic	13	107.6	51.1
Diluted	13	107.1	50.6
Adjusted basic	13	139.1	61.4
Adjusted diluted	13	138.4	60.8

* Certain comparative figures have been represented to conform with the 2013 presentation

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 $m	2012 $m
Profit for the year	216	107
Items that may be reclassified subsequently to the income statement:		
Cumulative effect of change in fair value of financial derivatives	3	(2)
Exchange difference on translation of foreign operations	3	(26)
Total comprehensive income for the year	222	79
Attributable to:		
Non-controlling interests	5	1
Equity holders of the parent	217	78
	222	79

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2013

	Note	2013 $m	2012 $m
Non-current assets			
Intangible assets	14	447	433
Property, plant and equipment	15	443	420
Investment in associates and joint ventures	16	22	38
Deferred tax assets	17	86	46
Financial and other non-current assets	18	34	11
		1,032	948
Current assets			
Inventories	19	276	272
Income tax asset		4	1
Trade and other receivables	20	439	328
Collateralised and restricted cash	21	7	2
Cash and cash equivalents	22	168	177
Other current assets		3	2
		897	782
Total assets		1,929	1,730
Current liabilities			
Bank overdrafts and loans	23	159	193
Obligations under finance leases	28	1	3
Trade and other payables	24	241	195
Income tax provision		65	23
Other provisions	25	20	11
Other current liabilities	26	100	42
		586	467
Net current assets		311	315
Non-current liabilities			
Long-term financial debts	27	263	372
Obligations under finance leases	28	19	16
Deferred tax liabilities	17	26	23
Derivative financial instruments	30	1	4
		309	415
Total liabilities		895	882
Net assets		1,034	848
Equity			
Share capital	31	35	35
Share premium		281	279
Own shares	33	(3)	–
Other reserves		704	519
Equity attributable to equity holders of the parent		1,017	833
Non-controlling interests	32	17	15
Total equity		1,034	848

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
11 March 2014

Mazen Darwazah
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

	Merger and revaluation reserves $m	Translation reserves $m	Retained earnings $m	Total reserves $m	Share capital $m	Share premium $m	Own shares $m	Total equity attributable to equity shareholders of the parent $m	Non-controlling interests $m	Total equity $m
Balance at 1 January 2012	38	(28)	456	466	35	278	(2)	777	22	799
Profit for the year	–	–	100	100	–	–	–	100	7	107
Cumulative effect of change in fair value of financial derivatives	–	–	(2)	(2)	–	–	–	(2)	–	(2)
Currency translation (loss)	–	(20)	–	(20)	–	–	–	(20)	(6)	(26)
Total comprehensive income for the year	–	(20)	98	78	–	–	–	78	1	79
Issue of equity shares	–	–	–	–	–	1	–	1	–	1
Cost of equity-settled employee share scheme	–	–	8	8	–	–	–	8	–	8
Exercise of equity-settled employee share scheme	–	–	(2)	(2)	–	–	2	–	–	–
Current tax arising on share-based payments	–	–	1	1	–	–	–	1	–	1
Dividends on ordinary shares (Note 12)	–	–	(27)	(27)	–	–	–	(27)	(1)	(28)
Adjustment arising from change in non-controlling interests	–	–	(5)	(5)	–	–	–	(5)	(7)	(12)
Balance at 31 December 2012 and 1 January 2013	38	(48)	529	519	35	279	–	833	15	848
Profit for the year	–	–	212	212	–	–	–	212	4	216
Cumulative effect of change in fair value of financial derivatives	–	–	3	3	–	–	–	3	–	3
Currency translation gain	–	2	–	2	–	–	–	2	1	3
Total comprehensive income for the year	–	2	215	217	–	–	–	217	5	222
Issue of equity shares	–	–	–	–	–	2	–	2	–	2
Own shares acquired	–	–	–	–	–	–	(3)	(3)	–	(3)
Cost of equity-settled employee share scheme	–	–	7	7	–	–	–	7	–	7
Dividends on ordinary shares (Note 12)	–	–	(39)	(39)	–	–	–	(39)	(3)	(42)
Balance at 31 December 2013	38	(46)	712	704	35	281	(3)	1,017	17	1,034

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 $m	2012 $m
Net cash from operating activities	34	337	184
Investing activities			
Purchases of property, plant and equipment		(59)	(51)
Proceeds from disposal of property, plant and equipment		1	1
Purchase of intangible assets		(16)	(38)
Acquisition of interest in joint ventures		(3)	–
Investment in financial and other non-current assets		(22)	–
Acquisition of subsidiary undertakings net of cash acquired		(18)	(12)
Payments of costs directly attributable to acquisitions	5	–	(2)
Finance income		2	1
Net cash used in investing activities		(115)	(101)
Financing activities			
(Increase)/decrease in collateralised and restricted cash		(5)	1
Increase in long-term financial debts		7	152
Repayment of long-term financial debts		(117)	(124)
(Decrease)/increase in short-term borrowings		(34)	52
Increase/(decrease) in obligations under finance leases		1	(2)
Dividends paid		(39)	(27)
Dividends paid to non-controlling shareholders of subsidiaries		(3)	(1)
Purchase of own shares		(4)	–
Interest paid		(37)	(36)
Proceeds from issue of new shares		2	1
Acquisition of non-controlling interest in subsidiary		–	(12)
Net cash (used in)/generated by financing activities		(229)	4
Net (decrease)/increase in cash and cash equivalents		(7)	87
Cash and cash equivalents at beginning of year		177	95
Foreign exchange translation movements		(2)	(5)
Cash and cash equivalents at end of year		168	177

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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, however, may impact the accounting for future transactions and arrangements.

IFRS 7	Offsetting Financial Assets and Financial Liabilities
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IAS 1	Presentation of Items of Other Comprehensive Income
IAS 19 (revised 2011)	Employee Benefits
IAS 27 (revised 2011)	Separate Financial Statements
IAS 28 (revised 2011)	Investments in Associates
Annual Improvements to IFRSs 2009–2011 Cycle	Minor amendments

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 9	Financial Instruments
Amendments to IFRS 10, 12 and IAS27 – Investment entities	Added disclosure requirements for entities becoming, or ceasing to be, investment entities, as defined in IFRS 10
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC 21	Levies

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 *page 176*.

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 116*).

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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").

An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(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

Dynamic market changes can generate uncertainty as to the ultimate net selling price of a pharmaceutical product and, therefore, revenue cannot always be measured reliably at the point when the product is supplied or made available to external customers. The Company has, therefore, expanded its revenue recognition policy as shown below; this had no impact on revenue recognised in prior periods.

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.

If the ultimate net selling price cannot be reliably measured, revenue recognition is deferred until a reliable measurement can be made. Deferred revenue is included in other current liabilities in the consolidated balance sheet.

Chargebacks

The provision for chargebacks is the most significant and complex estimate used in the recognition of revenue. In the US 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.

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 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 36). 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".

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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.

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 on-going 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 30 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.

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 on-going 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. If the ultimate net selling price cannot be reliably measured, revenue recognition is deferred until a reliable measurement can be made. Deferred revenue is included in other current liabilities in the consolidated balance sheet.

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 promotion, marketing and sale of pharmaceutical products and medical devices is highly regulated and the operations of market participants, such as Hikma, are closely supervised by regulatory authorities and law enforcement agencies, including the FDA and the US Department of Justice. As a result, the Group is subject to certain on-going investigations by governmental agencies as well as other various legal proceedings considered typical to its business relating to employment, product liability and 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 35.

4. SEGMENTAL REPORTING

For management purposes, the Group is currently organised into three principal 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 2013:

Year ended 31 December 2013	Branded $m	Injectables $m	Generics $m	Others $m	Group $m
Revenue	554	536	268	7	1,365
Cost of sales	(278)	(254)	(62)	(7)	(601)
Gross profit	276	282	206	–	764
Adjusted segment result	135	166	166	(9)	458
Exceptional items:					
– Severance costs	(1)	–	–	–	(1)
– Plant remediation costs	–	–	(24)	–	(24)
– Impairment losses	–	(6)	(4)	–	(10)
– Other claims provisions	–	–	(11)	–	(11)
Intangible amortisation*	(10)	(5)	–	–	(15)
Segment result	124	155	127	(9)	397
Unallocated corporate expenses					(45)
Adjusted operating profit					413
Operating profit					352
Associated companies					
– Share of results					(3)
– Exceptional impairment of investment					(16)
Finance income					2
Finance expense					(37)
Profit before tax					298
Tax					(82)
Profit for the year					216
Attributable to:					
Non-controlling interest					4
Equity holders of the parent					212
					216

Segment result is defined as operating profit for each segment.

* Intangible amortisation comprises the amortisation on 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 2013	Branded $m	Injectables $m	Generics $m	Corporate and others $m	Group $m
Additions to property, plant and equipment (cost)	25	31	10	–	66
Acquisition of subsidiaries' property, plant and equipment (net book value)	6	–	–	–	6
Additions to intangible assets	3	13	2	–	18
Intangible assets arising on acquisition	20	–	–	–	20
Total property, plant and equipment and intangible assets (net book value)	519	314	51	6	890
Depreciation and impairment	22	17	8	2	49
Amortisation and impairment (including software)	10	12	4	–	26
Investment in associates and joint ventures	–	–	–	22	22
Balance sheet					
Total assets	1,138	592	141	58	1,929
Total liabilities	551	259	25	60	895

The following is an analysis of the Group's revenue and results by reportable segment in 2012:

Year ended 31 December 2012	Branded $m	Injectables $m	Generics $m	Others $m	Group $m
Revenue	529	470	104	6	1,109
Cost of sales	(272)	(251)	(78)	(4)	(605)
Gross profit	257	219	26	2	504
Adjusted segment result	124	123	(14)	(3)	230
Exceptional items:					
– Integration-related expenses	(1)	(2)	–	–	(3)
– Severance expenses	(3)	(1)	–	–	(4)
– Plant remediation costs	–	–	(7)	–	(7)
Intangible amortisation*	(9)	(4)	–	–	(13)
Segment result	111	116	(21)	(3)	203
Unallocated corporate expenses					(36)
Adjusted operating profit					194
Operating profit					167
Share of results of associated companies					1
Finance income					1
Finance expense					(38)
Other expense (net)					1
Profit before tax					132
Tax					(25)
Profit for the year					107
Attributable to:					
Non-controlling interest					7
Equity holders of the parent					100
					107

Segment result is defined as operating profit for each segment.

* 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 and travel expenses.

4. SEGMENTAL REPORTING CONTINUED

Segment assets and liabilities 2012	Branded $m	Injectables $m	Generics $m	Corporate and others $m	Group $m
Additions to property, plant and equipment (cost)	26	17	5	2	50
Additions to intangible assets	2	35	7	–	44
Total property, plant and equipment and intangible assets (net book value)	504	282	61	6	853
Depreciation	21	13	7	2	43
Amortisation (including software)	10	6	–	–	16
Investment in associates and joint ventures	–	–	–	38	38
Balance sheet					
Total assets	1,050	481	135	64	1,730
Total liabilities	574	252	6	50	882

The following table provides an analysis of the Group’s sales by geographical market, irrespective of the origin of the goods/services:

	2013 $m	2012 $m
Middle East and North Africa	638	619
United States	631	400
Europe and Rest of the World	89	81
United Kingdom	7	9
	1,365	1,109

The top selling markets were as below:

	2013 $m	2012 $m
United States	631	400
Saudi Arabia	132	125
Algeria	125	121
	888	646

Generics revenue was $268 million (2012: $104 million). This mostly reflects very strong sales of doxycycline and includes only a limited contribution from the rest of our portfolio. Included in revenues arising from the Generics and Injectables segments are revenues of approximately $172 million (2012: 86 million) which arose from the Group’s largest customer which is located in the United States. In prior periods, the Group’s largest customer was located in Saudi Arabia, the Branded and Injectables segments included revenue arising from this customer of $101 million and $104 million for the periods ended 31 December 2013 and 31 December 2012 respectively.

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	
	2013 $m	2012 $m	2013 $m	2012 $m
Middle East and North Africa	624	601	1,255	1,157
Europe	156	145	217	191
United States	163	156	437	373
United Kingdom	3	–	20	9
	946	902	1,929	1,730

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.

	2013 $m	2012 $m
Acquisition and integration-related expenses	–	(3)
Other Costs:		
Severance expenses	(1)	(4)
Plant remediation costs	(24)	(7)
Impairment losses	(10)	–
Other claims provisions	(11)	–
Exceptional items included in operating profit	(46)	(14)
Impairment of investment in associates	(16)	–
Exceptional items included in profit	(62)	(14)
Intangible amortisation*	(15)	(13)
Exceptional items and intangible amortisation	(77)	(27)
Tax effect	15	7
Impact on profit for the year	(62)	(20)

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

Acquisition and integration-related expenses

In previous periods, acquisition and integration-related expenses were costs incurred in the integration of MSI, Promopharm and Savanna.

Acquisition-related expenses are included in the 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.

Acquisition costs of $nil (2012: $2 million) have been classified as investing activities in the cash flow statement.

Other costs

Severance expenses in 2013 related to restructuring of management teams in MENA (2012: across all three operating regions).

Plant remediation costs represent write-down of inventory of some products and on-going costs incurred for compliance work at our Eatontown facility in response to observations made by the US FDA. Remediation costs are included in other operating expenses.

Impairment losses are related to the write off of intangible product rights of $8 million (2012: $nil), in addition to the write off of certain property, plant and equipment of $2 million (2012: $nil). Impairment of intangible assets is included in research and development. Impairment of fixed assets is included in other operating expenses.

Other claims provisions relate to the Group's best estimate of the ultimate settlement amount of claims outstanding in the current period and is included in other operating expenses.

Impairment of investment in associates

During 2011, Hikma acquired a minority interest in Unimark Remedies Limited ("Unimark") in India for a cash consideration of $34 million. Unimark manufactures active pharmaceutical ingredients ("API") and API intermediates. Unimark has been impacted by a decline in prices in its API manufacturing business and is in the process of restructuring its corporate debt. During the year, we incurred an impairment charge of $16 million in respect of our investment. We expect that Unimark will be able to successfully manage its current issues.

6. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging/(crediting):

	2013 $m	2012 $m
Net foreign exchange (gain)/losses	(2)	3
Research and development costs (see Note 5)	39	34
Depreciation and impairment of property, plant and equipment	49	43
Amortisation of intangible assets (including software)	18	16
Impairment of investment	16	–
Inventories:		
Cost of inventories recognised as an expense	354	368
Write-down of inventories (see Note 5)	47	19
Staff costs (see Note 7)	319	294

The Group's auditor's remuneration on a worldwide basis was as below:

	2013 $m	2012 $m
Audit of the Company's annual accounts	0.3	0.3
Audit of the Company's subsidiaries pursuant to legislation	1.2	1.1
Total audit fees	1.5	1.4
Audit-related services*	0.2	0.1
Total audit and audit-related fees	1.7	1.5
– Tax compliance services	0.1	0.1
– Tax advisory services	0.1	0.3
– Other services**	0.4	0.3
Total non-audit fees	0.6	0.7
Total fees	2.3	2.2

* Audit-related services relate to review procedures in respect of the interim financial information

** Other services include transaction services related to corporate transactions

A description of the work of the Audit Committee is set out in the Audit Committee report on *pages 70 to 76* 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:

	2013 Number	2012 Number
Production	3,942	3,668
Sales and marketing	2,097	1,853
Research and development	205	200
General and administrative	823	800
	7,067	6,521

7. STAFF COSTS CONTINUED

	2013 $m	2012 $m
Their aggregate remuneration comprised:		
Wages, salaries and bonuses	221	210
Social security costs	20	18
Post employment benefits	6	6
End of service indemnity	15	6
Share-based payments	7	8
Car and housing allowances	16	14
Health Insurance	17	17
Other costs and employee benefits	17	15
	319	294

8. OTHER OPERATING EXPENSES (NET)

	2013 $m	2012* $m
Other operating expense	(71)	(35)
Other operating income	9	5
	(62)	(30)

* Certain comparative figures have been represented to conform with the 2013 presentation

Other operating expenses consist mainly of plant remediation costs (see Note 5), write-down of inventories, 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

	2013 $m	2012 $m
Interest income	1	1
Other financial income	1	–
	2	1

10. FINANCE EXPENSE

	2013 $m	2012* $m
Interest on bank overdrafts and loans	21	21
Interest on obligations under finance leases	1	1
Other bank charges	15	16
	37	38

* Certain comparative figures have been represented to conform with the 2013 presentation

11. TAX

	2013 $m	2012 $m
Current tax:		
Foreign tax	123	30
Adjustments to prior year	–	5
Deferred tax (Note 17)	(41)	(10)
	82	25

11. TAX CONTINUED

UK corporation tax is calculated at 23.25% (2012: 24.5%) of the estimated assessable profit made in the UK for the year.

The effective tax rate for the Group is 27.7% (2012: 18.8%).

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:

	2013 $m	2012 $m
Profit before tax:	298	132
Tax at the UK corporation tax rate of 23.25% (2012: 24.5%)	69	32
Profits taxed at different rates	3	(17)
Permanent differences	7	3
Temporary differences for which no benefit is recognised	3	2
Adjustments to prior year	–	5
Tax expense for the year	82	25

12. DIVIDENDS

	2013 $m	2012 $m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2012 of 10.0 cents (2011: 7.5 cents) per share	19	15
Interim dividend for the year ended 31 December 2013 of 7.0 cents (2012: 6.0 cents) per share	14	12
Special interim dividend for the year ended 31 December 2013 of 3.0 cents (2012: nil) per share	6	–
	39	27

The proposed final dividend for the year ended 31 December 2013 is 13.0 cents (2012: 10.0 cents) per share, plus a special dividend of 4.0 cents (2012: nil) per share to reflect the exceptional performance of the Group during the year. This brings the full year dividend to 20.0 cents (2012: 16.0 cents) per share, plus a special full year dividend of 7.0 cents (2012: nil) per share.

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 15 May 2014 and has not been included as a liability in these financial statements. Based on the number of shares in issue at 31 December 2013 (197,747,000), the unrecognised liability is $34 million.

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:

	2013 $m	2012 $m
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent	212	100
Exceptional items (see Note 5)	62	14
Intangible amortisation*	15	13
Tax effect of adjustments	(15)	(7)
Adjusted earnings for the purposes of adjusted basic and diluted earnings per share being adjusted net profit attributable to equity holders of the parent	274	120

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

13. EARNINGS PER SHARE CONTINUED

Number of shares	Number m	Number m
Weighted average number of Ordinary Shares for the purposes of basic earnings per share	197	196
Effect of dilutive potential Ordinary Shares:		
Share-based awards	1	2
Weighted average number of Ordinary Shares for the purposes of diluted earnings per share	198	198

	2013 Earnings per share Cents	2012 Earnings per share Cents
Basic	107.6	51.1
Diluted	107.1	50.6
Adjusted basic	139.1	61.4
Adjusted diluted	138.4	60.8

14. INTANGIBLE ASSETS

	Goodwill $m	Customer relationships $m	Product-related intangibles $m	Trade names $m	Marketing rights and others $m	Software $m	Total $m
Cost							
Balance at 1 January 2012	270	79	62	11	16	15	453
Additions	–	–	31	–	1	12	44
Reclassification	–	–	1	–	(1)	–	–
Translation adjustments	(2)	(1)	(1)	–	–	–	(4)
Balance at 1 January 2013	268	78	93	11	16	27	493
Additions	–	–	14	–	1	3	18
Acquisition of subsidiaries	10	–	10	–	–	–	20
Translation adjustments	1	–	1	–	–	–	2
Balance at 31 December 2013	279	78	118	11	17	30	533
Amortisation							
Balance at 1 January 2012	(1)	(19)	(8)	–	(6)	(10)	(44)
Charge for the year	–	(5)	(6)	(1)	(1)	(3)	(16)
Balance at 1 January 2013	(1)	(24)	(14)	(1)	(7)	(13)	(60)
Charge for the year	–	(5)	(8)	(1)	(1)	(3)	(18)
Impairment	–	–	(8)	–	–	–	(8)
Balance at 31 December 2013	(1)	(29)	(30)	(2)	(8)	(16)	(86)
Carrying amount							
At 31 December 2013	278	49	88	9	9	14	447
At 31 December 2012	267	54	79	10	9	14	433

The current year additions include licences and new products under development.

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	
	2013 $m	2012 $m
Branded	209	200
US Injectables	32	32
Oncology	37	35
Total	278	267

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 three 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 three-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 12.3% and 21.3% based on the markets in which the CGU's operate. The compound annual cash flow growth rates range from 4% growth to 55% 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.

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 (2012: 15 years).

Product-related intangibles Product-related intangibles include three types:

a. Product files and under-licensed products: $20 million (2012: $20 million) of the product files and under-license products intangibles are assessed as having indefinite useful lives due to the expected longevity of the products.

b. Under-license agreements: The estimated useful life of under-license agreements varies from five to eleven years (2012: five to eleven years).

c. Product dossiers: Product dossiers have an average estimated useful life of 15 years (2012: 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 $6 million (2012: $6 million). The trade names recognised on the acquisition of the other subsidiaries have useful lives that vary from three to twenty years.

Marketing rights and others

a. Marketing rights Marketing rights are amortised over their useful lives commencing in the year in which the rights first generate sales. The estimated useful life of marketing rights varies from five to ten years.

b. 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 (2012: 15 years).

c. Other Acquisition related: 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 $1 million (2012: $1 million).

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.

As at 31 December 2013, the Group had entered into contractual commitments for the acquisition of marketing right and product-related intangible of $94 million (2012: $18 million).

15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings $m	Vehicles $m	Machinery and equipment $m	Fixtures and equipment $m	Projects under construction $m	Total $m
Cost						
Balance at 1 January 2012	218	15	274	52	67	626
Additions	4	1	11	1	33	50
Disposals	(1)	(1)	(10)	(4)	–	(16)
Transfers	20	–	15	3	(38)	–
Translation adjustment	(4)	–	(2)	(1)	(1)	(8)
Balance at 1 January 2013	237	15	288	51	61	652
Additions	6	1	14	4	41	66
Acquisition of subsidiaries	3	–	2	1	–	6
Disposals	(1)	(1)	(3)	–	–	(5)
Transfers	17	1	24	2	(44)	–
Translation adjustment	1	–	3	–	–	4
Balance at 31 December 2013	263	16	328	58	58	723
Accumulated Depreciation						
Balance at 1 January 2012	(38)	(8)	(127)	(31)	–	(204)
Charge for the year	(9)	(2)	(26)	(6)	–	(43)
Disposals and transfers	–	1	10	4	–	15
Balance at 1 January 2013	(47)	(9)	(143)	(33)	–	(232)
Charge for the year	(10)	(2)	(28)	(7)	–	(47)
Impairment*	–	–	–	–	(2)	(2)
Disposals	–	1	2	–	–	3
Translation adjustment	(1)	–	(1)	–	–	(2)
Balance at 31 December 2013	(58)	(10)	(170)	(40)	(2)	(280)
Carrying amount						
At 31 December 2013	205	6	158	18	56	443
At 31 December 2012	190	6	145	18	61	420

* See Note 5

The net book value of the Group's property, plant and equipment includes an amount of $10 million (2012: $17 million) in respect of assets held under finance lease.

As at 31 December 2013, the Group had pledged property, plant and equipment having a carrying value of $49 million (2012: $135 million) 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, Germany and Tunisia (2012: Portugal, Egypt, US, Germany and Tunisia).

As at 31 December 2013, the Group entered into contractual commitments for the acquisition of property, plant and equipment amounting to $18 million (2012: $3 million).

16. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

On 18 September 2013, the Group signed a 50:50 joint venture ("JV") agreement with MIDROC Pharmaceuticals Limited, a member of Sheikh Mohammed Hussein Al Amoudi's MIDROC Group ("MIDROC"), to establish a presence in the Ethiopian pharmaceutical market. The JV is called HikmaCure.

Through Hikma Cure, Hikma will expand its presence into sub-Saharan Africa. Expansion into this region is a key strategic priority for Hikma and the JV is an excellent first step.

Hikma and MIDROC will invest in HikmaCure in equal proportions and have committed to provide up to $22 million each in cash, of which $3 million has been paid during the year. The funds will be invested over time and will be used to build and fit-out a local manufacturing and distribution facility in Ethiopia and to provide working capital support for the operations of HikmaCure. The facility is expected to begin commercial production in 2017.

16. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES CONTINUED

A loss of $3 million, representing the Group's share of the result of Unimark Remedies Limited and Hubei Haosun Pharmaceutical Co., Ltd, is included in the consolidated income statement.

	For the year ended 31 December 2013			For the year ended 31 December 2012		
	Joint ventures $m	Associates $m	Total $m	Joint ventures $m	Associates $m	Total $m
Balance at 1 January	–	38	38	–	37	37
Additions	3	–	3	–	–	–
Share of (loss)/income	–	(3)	(3)	–	1	1
Impairment of investment (as explained in Note 5)	–	(16)	(16)	–	–	–
Balance at 31 December	3	19	22	–	38	38

Summarised financial information in respect of the Group's interests in associated companies is set out below:

	For the year ended 31 December 2013 $m	For the year ended 31 December 2012 $m
Total assets	226	227
Total liabilities	141	119
Net assets	85	108
Group's share of net assets of associates	20	26
Total revenues	106	140
Net (loss)/income	(14)	4
Group's share of (loss)/income of associates	(3)	1

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.

	Deferred R&D costs $m	Other short-term temporary differences $m	Amortisable assets $m	Fixed assets $m	Share-based payments $m	Total $m
At 1 January 2012	1	40	(20)	(9)	1	13
Credit to income	–	9	1	–	–	10
At 1 January 2013	1	49	(19)	(9)	1	23
Credit to income	–	40	1	–	–	41
Acquisition of subsidiaries	–	–	(4)	–	–	(4)
At 31 December 2013	1	89	(22)	(9)	1	60

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	
	2013 $m	2012 $m
Deferred tax liabilities	(26)	(23)
Deferred tax assets	86	46
	60	23

17. DEFERRED TAX CONTINUED

No deferred tax asset has been recognised on temporary differences totalling $51 million (2012: $33 million) due to the unpredictability of the related future profit streams.

Of these temporary differences, $16 million relate to unrecognised deferred tax on UK share-based payments. The remaining temporary differences of $35 million relate to losses on which no deferred tax is recognised. None of these losses are expected to expire.

No deferred tax liability is recognised on temporary differences of $62 million (2012: $58 million) 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	
	2013 $m	2012 $m
Other financial assets	1	1
Available for sale investments	1	–
Other non-current asset	32	10
	34	11

Other non-current assets represent advance payments made to acquire products and product-related technologies from third parties. These payments will be amortised from the point where the products are available for use over their useful economic life.

19. INVENTORIES

	As at 31 December	
	2013 $m	2012 $m
Finished goods	77	88
Work-in-progress	30	30
Raw and packing materials	149	135
Goods in transit	20	19
	276	272

Goods in transit includes inventory held at third parties whilst in transit between Group companies.

	As at 31 December 2012 $m	Additions $m	Utilisation $m	Translation adjustments $m	As at 31 December 2013 $m
Provisions against inventory	27	45	(26)	(1)	45

The total expense in the consolidated income statement for the write-off of inventory, including provisions for such write-offs, was $47 million (2012: $19 million).

20. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2013 $m	2012 $m
Trade receivables	385	294
Prepayments	40	23
Value added tax recoverable	11	8
Interest receivable	–	1
Employee advances	3	2
	439	328

20. TRADE AND OTHER RECEIVABLES CONTINUED

Trade receivables are stated net of provisions for chargebacks and doubtful debts as follows:

	As at 31 December 2012 $m	Additions $m	Utilisation $m	As at 31 December 2013 $m
Chargebacks and other allowances	49	465	(418)	96
Doubtful debts	22	5	–	27
	71	470	(418)	123

The following table provides a summary of the age of trade receivables:

		Past due					
At 31 December 2013	Not past due on the reporting date $m	less than 90 days $m	between 91 and 180 days $m	between 181 and 360 days $m	Over one year $m	Impaired $m	Total $m
Total trade receivables as at 31 December 2013	379	53	13	23	13	27	508
Related allowance for doubtful debts						(27)	(27)
	379	53	13	23	13	–	481
Chargebacks and other allowances							(96)
Net receivables							385

		Past due					
At 31 December 2012	Not past due on the reporting date $m	less than 90 days $m	between 91 and 180 days $m	between 181 and 360 days $m	over one year $m	Impaired $m	Total $m
Total trade receivables as at 31 December 2012	250	61	9	15	8	22	365
Related allowance for doubtful debts						(22)	(22)
	250	61	9	15	8	–	343
Chargebacks and other allowances							(49)
Net receivables							294

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 29.

21. COLLATERALISED AND RESTRICTED CASH

Collateralised and restricted cash of $7 million primarily represent an amount retained against short-term bank transactions granted to the Group's Sudanese, Egyptian, Algerian, Jordanian, and US operations, in addition to cash restricted in Hikma PLC for the Stamp Duty Deposit Account against the new $100 million syndicated loan (2012: Sudanese, Egyptian, Jordanian, and Algerian operations of $2 million).

22. CASH AND CASH EQUIVALENTS

	As at 31 December	
	2013 $m	2012 $m
Cash at banks and on hand	59	76
Time deposits	85	100
Money market deposits	24	1
	168	177

Cash and cash equivalents include highly liquid investments with maturities of three months or less.

23. BANK OVERDRAFTS AND LOANS

	As at 31 December	
	2013 $m	2012 $m
Bank overdrafts	6	20
Import and export financing	89	72
Short-term loans	4	12
Current portion of long-term loans (Note 27)	60	89
	159	193

	2013 %	2012 %
The weighted average interest rates paid were as follows:		
Bank overdrafts	5.49	5.24
Bank loans (including the non-current bank loans)	2.96	3.07
Import and export financing	3.62	3.69

Import and export financing represents short-term financing for the ordinary trading activities of the business.

24. TRADE AND OTHER PAYABLES

	As at 31 December	
	2013 $m	2012 $m
Trade payables	120	110
Accrued expenses	105	70
Employees' provident fund*	5	6
VAT and sales tax payables	1	1
Dividends payable**	2	2
Social security withholdings	3	2
Income tax withholdings	4	3
Other payables	1	1
	241	195

* 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 $2 million (2012: $2 million) 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:

	2013 $m	2012 $m
1 January	11	10
Additions	11	2
Utilisation	(2)	(1)
31 December	20	11

The increase in the provision for the end of service indemnity was to reflect new employment policies.

26. OTHER CURRENT LIABILITIES

	As at 31 December	
	2013 $m	2012 $m
Deferred revenue	47	–
Return and free goods provision	29	30
Other provisions	24	12
	100	42

27. LONG-TERM FINANCIAL DEBTS

	As at 31 December	
	2013 $m	2012 $m
Total loans	323	461
Less: current portion of loans (Note 23)	(60)	(89)
Long-term financial loans	263	372
Breakdown by maturity:		
Within one year	60	89
In the second year	61	78
In the third year	60	80
In the fourth year	51	78
In the fifth year	76	48
Thereafter	15	88
	323	461
Breakdown by currency:		
US dollar	280	406
Euro	10	13
Jordanian dinar	5	6
Algerian dinar	21	29
Egyptian pound	5	4
Tunisian dinar	2	3
	323	461

The loans are held at amortised cost.

At 31 December 2013, import and export financing, short-term loans and the current and long-term portion of long-term loans totalled $416 million (2012: $546 million).

Long-term loans amounting to $14 million (2012: $86 million) are secured.

Included in the table above are the following major arrangements entered into by the Group:

a) A seven-year syndicated term loan of $180 million which was entered into on 27 September 2011. The loan has an outstanding balance at year end of $157 million (with a fair value of $154 million) from which $22 million is due in one year. Quarterly equal repayments of $6 million commenced on 27 March 2013 (18 months after the date of the agreement) and will continue until the 84th month after the date of the agreement with a bullet payment of 30% at the maturity of the loan. The loan has been used to finance the Promopharm acquisition and the Group's general capital expenditure.

b) A nine-year $110 million loan from the International Finance Corporation ("IFC") was entered into on 19 December 2011. The loan has an outstanding balance of $58 million at year end (with a fair value of $56 million) and a $50 million unused available limit. Quarterly equal repayments for the term loan commenced on 15 November 2013 and will continue until 15 August 2020. The loan has been used to finance acquisitions in the MENA region and MENA's capital expenditure, noting that the loan is restricted to be used in permitted developing countries.

28. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2013 $m	2012 $m	2013 $m	2012 $m
Amounts payable under finance leases:				
Within one year	3	4	1	3
In the second to fifth years inclusive	24	17	19	16
	27	21	20	19
Less: Interest lease charges	(7)	(2)		
Present value of minimum lease payments payable	20	19		

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 (2012: five years). For the year ended 31 December 2013, the average effective borrowing rate was between 0.9% and 9.0% (2012 between 1.0% and 8.8%).

29. 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 2013, the Group's largest three customers in the MENA region represented 11.9% of Group revenue, 7.4% in Saudi Arabia, 2.8% in Algeria and 1.7% in Tunisia. At 31 December 2013, the amount of receivables due from customers based in Saudi Arabia was $100 million (2012: $60 million), in Algeria was $74 million (2012: $41 million), and in Tunisia was $5 million (2012: $6 million).

During the year ended 31 December 2013, three key US wholesalers represented 33.3% of Group revenue (2012: 16.8%). The amount of receivables due from US customers at 31 December 2013 was $76 million (2012: $59 million).

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 of 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.

The Group defines capital as equity plus net funds, which include bank overdrafts and loans (Note 23), obligations under finance leases (Note 28), long-term financial debts (Note 27), 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.

29. FINANCIAL POLICIES FOR RISK MANAGEMENT AND THEIR OBJECTIVES CONTINUED

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.

At 31 December 2013, the Group's gearing (debt/equity) was 43% (2012: 69%). The increase in retained earnings, coupled with prepayments of long-term loans totalling $78 million, contributed to the decrease in the Gearing Ratio.

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, the Sudanese pound and the Egyptian 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 2013, or the Group's results of operations for the year then ended.

			As at 31 December 2013			As at 31 December 2012
	Fixed rate $m	Floating rate $m	Total $m	Fixed rate $m	Floating rate $m	Total $m
Financial liabilities						
Interest-bearing loans and borrowings	147	295	442	174	410	584
Financial assets						
Cash and cash equivalents	–	109	109	–	101	101

An interest rate sensitivity analysis assumes an instantaneous 100 basis point change in interest rates in all currencies from their levels at 31 December 2013, with all other variables held constant. Based on the composition of the Group's debt portfolio as at 31 December 2013, a 1% increase/decrease in interest rates would result in an additional $2 million (2012: $3 million) 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

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.

29. FINANCIAL POLICIES FOR RISK MANAGEMENT AND THEIR OBJECTIVES CONTINUED

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	
	2013	2012	2013	2012
USD/EUR	0.7263	0.7565	0.7529	0.7775
USD/Sudanese pound	5.9755	5.9988	5.6988	4.3346
USD/Algerian dinar	78.1082	78.0915	79.3595	77.5551
USD/Saudi riyal	3.7495	3.7495	3.7495	3.7495
USD/British pound	0.6064	0.6185	0.6390	0.6309
USD/Jordanian dinar	0.7090	0.7090	0.7090	0.7090
USD/Egyptian pound	6.9586	6.3654	6.8861	6.0864
USD/Japanese yen	105.2188	85.9013	97.4659	79.8155
USD/Moroccan dirham	8.1069	8.4838	8.3517	8.6458
USD/Tunisian dinar	1.6467	1.5506	1.6253	1.5686

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)					
2013	US dollar $m	Euro $m	British pound $m	Algerian dinar $m	Japanese yen $m	Others* $m
Functional currency of entity:						
– Jordanian dinar	96	18	–	(148)	–	25
– Euro	11	–	–	–	–	–
– Algerian dinar	(142)	–	–	–	–	–
– Saudi riyal	23	(2)	–	–	(2)	–
– Sudanese pound	(22)	1	–	–	–	–
– Egyptian pound	(8)	(1)	–	–	–	–
– Tunisian dinar	(5)	1	–	–	–	–
– Lebanese pound	(4)	–	–	–	–	(7)
– US dollar	–	29	2	–	–	4
	(51)	46	2	(148)	(2)	22

* Others include Saudi riyal and Jordanian dinar

Sensitivity analysis

	Impact on profit or loss assuming 1% appreciation of foreign currency against functional currency as at year end					
2013	US dollar $m	Euro $m	British pound $m	Algerian dinar $m	Japanese yen $m	Others $m
Functional currency of entity:						
– Jordanian dinar	1	–	–	(1)	–	–
– Euro	–	–	–	–	–	–
– Algerian dinar	(1)	–	–	–	–	–
– Saudi riyal	–	–	–	–	–	–
– Sudanese pound	–	–	–	–	–	–
– Egyptian pound	–	–	–	–	–	–
– Tunisian dinar	–	–	–	–	–	–
– Lebanese pound	–	–	–	–	–	–
– US dollar	–	–	–	–	–	–
	–	–	–	(1)	–	–

29. FINANCIAL POLICIES FOR RISK MANAGEMENT AND THEIR OBJECTIVES CONTINUED

	Net foreign currency financial assets/(liabilities)					
2012	US dollar $m	Euro $m	British pound $m	Algerian dinar $m	Japanese yen $m	Others* $m
Functional currency of entity:						
– Jordanian dinar	83	(5)	–	(150)	–	14
– Euro	9	–	–	–	–	–
– Algerian dinar	(112)	(1)	–	–	–	–
– Saudi riyal	18	2	–	–	(3)	–
– Sudanese pound	(14)	–	–	–	–	–
– Egyptian pound	(5)	(1)	–	–	–	–
– Tunisian dinar	(6)	1	–	–	–	–
– Moroccan dirham	(1)	(5)	–	–	–	(1)
– Lebanese pound	(4)	–	–	–	–	(6)
– US dollar	–	17	1	–	–	–
	(32)	8	1	(150)	(3)	7

* Others include Saudi riyal and Jordanian dinar

Sensitivity analysis:

	Impact on profit or loss assuming 1% appreciation of foreign currency against functional currency as at year end					
2012	US dollar $m	Euro $m	British pound $m	Algerian dinar $m	Japanese yen $m	Others $m
Functional currency of entity:						
– Jordanian dinar	1	–	–	(1)	–	–
– Euro	–	–	–	–	–	–
– Algerian dinar	(1)	–	–	–	–	–
– Saudi riyal	–	–	–	–	–	–
– Sudanese pound	–	–	–	–	–	–
– Egyptian pound	–	–	–	–	–	–
– Tunisian dinar	–	–	–	–	–	–
– Moroccan dirham	–	–	–	–	–	–
– Lebanese pound	–	–	–	–	–	–
– US dollar	–	–	–	–	–	–
	–	–	–	(1)	–	–

29. FINANCIAL POLICIES FOR RISK MANAGEMENT AND THEIR OBJECTIVES CONTINUED

Liquidity risk of assets/(liabilities)

Liquidity risk

2013	Less than one year $m	Two to five years $m	More than five years $m	Total $m
Cash and cash equivalents	168	–	–	168
Trade receivables	385	–	–	385
Interest-bearing loans and borrowings	(163)	(266)	(15)	(444)
Interest-bearing overdrafts	(7)	–	–	(7)
Interest-bearing finance lease	(3)	(24)	–	(27)
Trade payables	(120)	–	–	(120)
	260	(290)	(15)	(45)

2012	Less than one year $m	Two to five years $m	More than five years $m	Total $m
Cash and cash equivalents	177	–	–	177
Trade receivables	294	–	–	294
Interest-bearing loans and borrowings	(192)	(315)	(90)	(597)
Interest-bearing overdrafts	(20)	–	–	(20)
Interest-bearing finance lease	(4)	(17)	–	(21)
Trade payables	(111)	–	–	(111)
	144	(332)	(90)	(278)

At 31 December 2013, the Group had undrawn facilities of $376 million (2012: $313 million). Of these facilities, $241 million (2012: $159 million) was committed and the remainder was uncommitted.

30. 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.

	2013 $m	2012 $m
Foreign exchange forward contracts and options (JPY)	–	2

In 2013, the Group entered into arrangements designed to address the JPY exchange exposure. All the Group's currency derivatives ended before 31 December 2013, resulting in a fair value of $nil (2012: a liability of $nil). These amounts are based on market values of equivalent instruments at the balance sheet date.

The Group believes that the effect of currency fluctuations on the value of cash flow hedges is not significant and will not materially affect the financial position of the Group.

30. DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED

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 $128 million (2012: $158 million) and have fixed interest payments at rates ranging from 1.41% to 4.34% (2012: 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 $1 million (2012: liability of $4 million). 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 gain of $3 million (2012: loss of $2 million) 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 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.

31. SHARE CAPITAL

	2013		2012	
Issued and fully paid – included in shareholders' equity:	Number (m)	$m	Number (m)	$m
At 1 January	197	35	196	35
Issued during the year	1	–	1	–
At 31 December	198	35	197	35

32. NON-CONTROLLING INTERESTS

	2013 $m	2012 $m
At 1 January	15	22
Share of profit	4	7
Dividends paid	(3)	(1)
Currency translation gain/(loss)	1	(6)
Adjustment arising from change in non-controlling interests	–	(7)
At 31 December	17	15

In 2012, the Group acquired an additional 9.8% stake in Promopharm for a cash consideration of $12 million, bringing the total ownership to 94.1%. This was completed as part of a mandatory tender offer, which closed on 6 January 2012.

33. OWN SHARES

Own shares represent 288,084 (2012: 270,651) Ordinary Shares in the Company held by Sanne Trust Company Limited, an independent trustee.

During the year, the Company issued 685,540 Ordinary Shares and purchased 210,000 Ordinary Shares from the independent trustee to meet short-term commitments in relation to employee share plans. 793,570 shares were utilised during the year.

The market value for own shares at 31 December 2013 was $7 million (2012: $3 million). The book value of the retained own shares at 31 December 2013 is $3 million (2012: $nil). The trustee holds these shares to meet long-term commitments in relation to employee share plans.

34. NET CASH FROM OPERATING ACTIVITIES

	Note	2013 $m	2012 $m
Profit before tax		298	132
Adjustments for:			
Depreciation, amortisation, and impairment of:			
Property, plant and equipment		49	43
Intangible assets		26	16
Investment in associate		16	–
Movement on provisions		9	1
Cost of equity-settled employee share scheme		7	8
Payments of costs directly attributable to acquisitions	5	–	2
Finance income		(2)	(1)
Interest and bank charges		37	38
Results from associates		3	(1)
Cash flow before working capital		443	238
Change in trade and other receivables		(110)	(21)
Change in other current assets		–	2
Change in inventories		(2)	(42)
Change in trade and other payables		35	22
Change in other current liabilities		56	10
Change in other non-current liabilities		(1)	–
Cash generated by operations		421	209
Income tax paid		(84)	(25)
Net cash generated from operating activities		337	184

35. CONTINGENT LIABILITIES

A contingent liability existed at the balance sheet date in respect of guarantees and letters of credit totalling $144 million (2012: $121 million).

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.

The promotion, marketing and sale of pharmaceutical products and medical devices is highly regulated and the operations of market participants, such as Hikma, are closely supervised by regulatory authorities and law enforcement agencies, including the FDA and the US Department of Justice. As a result, the Group is subject to certain on-going investigations by governmental agencies as well as other various legal proceedings considered typical to its business relating to employment, product liability and commercial disputes.

36. SHARE-BASED PAYMENTS

Equity-settled share option scheme

During the year ended 31 December 2013, 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:

	2013		2012	
	Number of share options	Weighted average exercise price (in $)	Number of share options	Weighted average exercise price (in $)
Outstanding at 1 January	539,700	7.33	743,200	7.24
Exercised during the year	(302,200)	7.82	(179,800)	6.74
Expired during the year forfeitures	(8,900)	2.49	(23,700)	9.18
Outstanding at 31 December	228,600	6.86	539,700	7.33
Exercisable at 31 December	228,600	6.86	378,600	6.85

The cost of the equity-settled share option shows $nil (2012: $nil).

The weighted average share price at the date of exercise for share options exercised during the year was $15.9. The options outstanding at 31 December 2013 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 2013, the Company had a long-term incentive plan ("LTIP") settled by equity instruments, with eleven 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.

36. 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
6-Nov-2013	20,802	15.18	19.41	26.00%	0.89%	0.89%
17-May-2013	470,683	11.00	14.92	26.40%	1.10%	0.45%
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:

	2013 grants		2012 grants	2011 grants	2010 grants	2009 grants		2008 grants	2007 grants	
Year 2013	6 Nov	17 May	16 March Number	18 March Number	22 March Number	19 March Number	19 May Number	29 April Number	23 April Number	Total Number
Outstanding at 1 January	–	–	491,950	577,824	609,503	80,000	–	42,000	13,000	1,814,277
Granted during the year	20,802	470,686	–	–	–	–	–	–	–	491,488
Exercised during the year	–	–	–	–	(451,446)	(80,000)	–	(42,000)	–	(573,446)
Expired during the year forfeitures	–	(30,956)	(23,700)	(22,263)	–	–	–	–	–	(76,919)
Expired during the year performance condition	–	–	–	–	(134,118)	–	–	–	–	(134,118)
Outstanding at 31 December	20,802	439,730	468,250	555,561	23,939	–	–	–	13,000	1,521,282
Exercisable at 31 December	–	–	–	–	23,939	–	–	–	13,000	36,939

	2012 grants	2011 grants	2010 grants	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	23 April 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

36. SHARE-BASED PAYMENTS CONTINUED

The cost of the LTIP of $3 million (2012: $5 million) has been recorded in the consolidated income statement as part of general and administrative expenses.

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:

	2013 grants	2012 grants	2011 grants	2009 grants	
Year 2013	17 May Number	18 May Number	11 May Number	19 March Number	Total Number
Outstanding at 1 January	–	378,270	300,124	–	678,394
Granted during the year	252,576	–	–	–	252,576
Exercised during the year	–	–	(300,124)	–	(300,124)
Expired during the year forfeitures	(9,042)	(7,802)	–	–	(16,844)
Outstanding at 31 December	243,534	370,468	–	–	614,002

	2012 grants	2011 grants	2009 grants	
Year 2012	18 May Number	11 May Number	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 forfeitures	(33,786)	(33,705)	(25,165)	(92,656)
Outstanding at 31 December	378,270	300,124	–	678,394

The cost of the MIP of $4 million (2012: $3 million) has been recorded in the consolidated income statement as part of general and administrative expenses.

37. OPERATING LEASE ARRANGEMENTS

	2013 $m	2012 $m
Minimum lease payments under operating leases recognised in profit or loss for the year	5	5

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:

	2013 $m	2012 $m
Within one year	3	4
In the two to five years inclusive	4	3
	7	7

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.

38. RELATED PARTIES

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 28.9% at the end of 2013 (2012: 29.0%). 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 two Hikma Pharmaceuticals PLC Board members are also Board members of Capital Bank – Jordan. Total cash balances at Capital Bank – Jordan were $17.2 million (31 December 2012: $3.0 million). Facilities granted by Capital Bank to the Group amounted to $4.7 million (31 December 2012: $nil). Interest expense/income is within market rate.

Arab Bank: During the year, one member of Hikma Pharmaceuticals PLC senior management became a board member of Arab Bank PLC. Total cash balances at Arab Bank were $51.5 million (31 December 2012: $75.7 million). Facilities granted by Arab Bank to the Group amounted to $169.4 million (31 December 2012: $187.1 million). Interest expense/income is within market rate.

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 $0.2 million (2012: $3.4 million). The Group's insurance expense for Jordan International Insurance Company contracts in the year 2013 was $0.2 million (2012: $2.8 million). The amounts due to Jordan International Insurance Company at the year end were $0.1 million (2012: Due to $0.2 million).

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 from Mr. Yousef by the Group as at 31 December 2013 was $nil (due to in 2012: $0.2 million).

Labatec Pharma: is a related party of the Group because it is owned by Mr. Samih Darwazah. During 2013, the Group total sales to Labatec Pharma amounted to $0.4 million (2012: $0.3 million) and the Group total purchases from Labatec Pharma amounted to $nil (2012: $1.2 million). At 31 December 2013, the amount owed from Labatec Pharma to the Group was $nil (2012: Owed from $0.2 million).

King and Spalding: is a related party of the Group because a 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 2013, fees of $nil (2012: $0.1 million) 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 2013, fees of $0.2 million (2012: $0.2 million) 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 2013, fees of $0.1 million (2012: $0.1 million) were paid for training services provided. At 31 December 2013, the amount owed to American University of Beirut from the Group amounted to $0.1 million (2012: owed to $nil).

HikmaCure: During 2013, the Group signed a 50:50 joint venture ("JV") agreement with MIDROC Pharmaceuticals Limited. The JV is called HikmaCure. Hikma and MIDROC will invest in HikmaCure in equal proportions and have committed to provide up to $22 million each in cash, of which $3 million has been paid during the year.

Unimark: The Group held a non-controlling interest of 23.1% in the Indian company Unimark Remedies Limited ("Unimark"), at 31 December 2013 (2012: 23.1%). During 2013, the Group amount of $3 million was in relation to a product development agreement.

Haosun: The Group held a non-controlling interest of 30.1% in Hubei Haosun Pharmaceutical Co., Ltd ("Haosun") at 31 December 2013 (2012: 30.1%). During 2013, the total purchases from Haosun was $0.2 million (2012: $0.3 million).

38. RELATED PARTIES CONTINUED

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 86 to 115*.

	2013 $m	2012 $m
Short-term employee benefits	14.9	10.5
Share-based payments	2.4	3.7
Post employment benefits	0.2	0.2
Other benefits	0.2	0.2
	17.7	14.6

39. SUBSIDIARIES

The main subsidiaries of Hikma Pharmaceuticals PLC are as follows:

Company's name	Established in	Ownership % Ordinary Shares At 31 December 2013	Ownership % Ordinary Shares At 31 December 2012
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.	US	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	KSA	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	94.1
Savanna Pharmaceuticals Industries Co. Ltd	Sudan	100	100
Egyptian Company for Pharmaceuticals & Chemical Industries	Egypt	100	–

40. DEFINED CONTRIBUTION RETIREMENT BENEFIT PLAN

Hikma Pharmaceuticals PLC has defined contribution retirement plans in three of its subsidiaries: Hikma Pharmaceuticals Limited (Jordan), West-Ward Pharmaceuticals Corp 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 are entitled to 100% of the Company contributions after 10 years of employment with the Company. The Group's contributions for the year ended 31 December 2013 were $2 million (2012: $2 million).

40. DEFINED CONTRIBUTION RETIREMENT BENEFIT PLAN CONTINUED

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 $17,500 and $17,000 for 2013 and 2012, 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 2013 were $2 million (2012: $2 million).

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 2013 were $1 million (2012: $1 million).

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.

41. ACQUISITION OF A SUBSIDIARY

On 22 January 2013, Hikma acquired 100% of the Egyptian Company for Pharmaceuticals & Chemical Industries ("EPCI"). Hikma paid a cash consideration of $19 million and deferred consideration of $2 million. The main purpose of the acquisition was to strengthen Hikma's position in the large and fast growing Egyptian market.

The fair value of assets acquired included: property, plant and equipment of $6 million, intangible assets of $10 million, goodwill of $10 million and other net liabilities of $6 million.

The goodwill arising represents the synergies that will be obtained by integrating EPCI into the existing business. Goodwill recognised is expected to be non-deductible for income tax purposes.

The impact of this acquisition on the Group's revenues and profits is immaterial.

COMPANY BALANCE SHEET

AT 31 DECEMBER 2013

	Note	2013 $m	2012 $m
Non-current assets			
Investments in subsidiaries	44	1,678	1,678
Due from subsidiaries	45	54	70
		1,732	1,748
Current assets			
Other current assets		1	1
Cash and cash equivalents	46	4	6
Due from subsidiaries	45	131	136
Other receivables		2	–
		138	143
Total assets		1,870	1,891
Current liabilities			
Other payables	47	1	–
Other current liabilities		4	2
Short-term debt		22	31
Due to subsidiaries	48	16	16
		43	49
Net current assets		95	94
Non-current liabilities			
Long-term financial debts	49	132	149
Total liabilities		175	198
Net assets		1,695	1,693
Equity			
Share capital	55	35	35
Share premium	56	281	279
Own shares		(3)	–
Other reserves	57	1,382	1,379
Equity attributable to equity holders of the parent		1,695	1,693

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	Mazen Darwazah
Director	*Director*

11 March 2014

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

	Paid up capital $m	Share premium $m	Own shares $m	Merger reserve $m	Retained earnings $m	Total $m
Balance at 1 January 2012	35	278	(2)	707	91	1,109
Issue of equity shares	–	1	–	–	–	1
Cost of equity-settled employee share scheme	–	–	–	–	8	8
Exercise of employees long-term incentive plan	–	–	2	–	(2)	–
Net profit for the year	–	–	–	–	602	602
Dividends paid	–	–	–	–	(27)	(27)
Balance at 31 December 2012 and 1 January 2013	35	279	–	707	672	1,693
Issue of equity shares	–	2	–	–	–	2
Own shares acquired in the period	–	–	(3)	–	–	(3)
Cost of equity-settled employee share scheme	–	–	–	–	7	7
Profit for the year	–	–	–	–	35	35
Dividends paid	–	–	–	–	(39)	(39)
Balance at 31 December 2013	35	281	(3)	707	675	1,695

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 2013

	2013 $m	2012 $m
Profit before tax	35	602
Cost of equity-settled employee share scheme	1	2
Finance income	(1)	(2)
Interest and bank charges	6	5
Change in other payables	1	–
Change in other receivables	(2)	–
Change in amounts due from/to subsidiaries	11	(594)
Change in other current liabilities	2	–
Net cash from operating activities	53	13
Investing activities		
Change in amounts due from subsidiaries	16	(13)
Investment in subsidiary	–	(13)
Interest income	1	2
Net cash generated from/(used in) investing activities	17	(24)
Financing activities		
Proceeds from issue of new shares	2	1
Purchase of own shares	(3)	–
(Decrease)/increase in long-term financial debts	(17)	11
(Decrease)/increase in short-term debts	(9)	31
Interest paid	(6)	(5)
Dividends paid	(39)	(27)
Net cash (used in)/generated from financing activities	(72)	11
Net decrease in cash and cash equivalents	(2)	–
Cash and cash equivalents at beginning of year	6	6
Cash and cash equivalents at end of year	4	6

NOTES TO THE COMPANY FINANCIAL STATEMENTS

42. 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.

43. 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 as 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 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.

44. INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries represent the following:

Company's name	Established in	Ownership % Ordinary Shares 2013	Ownership % Ordinary Shares 2012
Hikma Limited	UK	100	100
Hikma Pharma Limited	Jersey	100	100
Hikma Acquisitions (UK) Limited	UK	100	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	100
Hikma International NV	Netherlands	100	100

The investments in subsidiaries are all stated at cost.

* The remaining shares are held by other Group companies

45. DUE FROM SUBSIDIARIES

Non-current assets	2013 $m	2012 $m
Hikma Investment Ltd.	–	8
West-Ward Pharmaceuticals Corp.	50	51
Hikma Italia S.p.A.	4	4
Hikma Pharma Limited – Jersey	–	7
	54	70

45. DUE FROM SUBSIDIARIES CONTINUED

These balances represent loans that carry interest of 2% to 4.8% (2012: 1.5% to 4.8%) per annum charged on the outstanding loan balances.

Current assets	2013 $m	2012 $m
Due from Hikma Pharma Limited – Jersey	–	7
Due from Hikma Farmaceutica – Portugal	1	1
Due from Hikma Pharma – Germany	–	–
Due from Hikma UK Limited	74	90
Due from Hikma Limited	1	1
Due from Hikma MENA Holdings Limited	13	14
Due from West-Ward Pharmaceutical Corp.	1	1
Due from Hikma Pharmaceuticals Limited – Jordan	39	20
Others	2	2
	131	136

46. 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.

47. FINANCIAL LIABILITIES

Other payables

The Directors consider that the carrying amount of other payables approximates to their fair value.

48. DUE TO SUBSIDIARIES

Amounts due to subsidiaries of $16 million (2012: $16 million) represent non-interest-bearing loans repayable on demand.

49. LONG-TERM FINANCIAL DEBTS

The Company has a seven-year syndicated term loan of $180 million which was entered into on 27 September 2011. The loan has an outstanding balance at year end of $157 million (with a fair value of $154 million) from which $22 million is due in one year. Quarterly equal repayments of $6 million commenced on 27 March 2013 (18 months after the date of the agreement) and will continue until the 84th month after the date of the agreement with a bullet payment of 30% at the maturity of the loan. The loan has been used to finance the Promopharm acquisition and the Group's general capital expenditure.

50. 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	
	2013 $m	2012 $m	2013 $m	2012 $m
British pound	–	1	2	1

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 29.

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 2013, with all other variables held constant. Based on the composition of the Company debt and cash portfolio as at 31 December 2013, a 1% increase/decrease in interest rates would result in an additional interest expense/income of $nil being incurred per year (2012: $2 million).

50. FINANCIAL POLICIES FOR RISK MANAGEMENT AND THEIR OBJECTIVES CONTINUED

Liquidity risk

2013	Less than one year $m	Two to five years $m	More than five years $m	Total $m
Cash and cash equivalents	4	–	–	4
Accounts receivable	2	–	–	2
Interest bearing loans and borrowings	(26)	(141)	–	(167)
Other payables	(1)	–	–	(1)
	(21)	(141)	–	(162)

2012	Less than one year $m	Two to five years $m	More than five years $m	Total $m
Cash and cash equivalents	6	–	–	6
Interest-bearing loans and borrowings	(35)	(99)	(63)	(197)
	(29)	(99)	(63)	(191)

The Company believes that, given the Group's forecast operating cash flow during 2013, it has the ability to satisfy its liability commitments.

51. STAFF COSTS

Hikma Pharmaceuticals PLC currently has 10 employees (2012: 10) (excluding Executive Directors); total compensation paid to them amounted to $3 million (2012: $3 million) of which salaries and wages compromise an amount of $2 million (2012: $2 million), the remaining balance of $1 million (2012: $1 million) represents national insurance contributions, the cost of share-based payments and other benefits.

52. STOCK OPTIONS

The details of the stock compensation scheme are provided in Note 36. As at 31 December 2013, 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 (2012: 2,560,000) and the total amount of compensation expenses charged to profit or loss is $nil (2012: $nil).

53. LONG-TERM INCENTIVE PLAN

The details of the LTIP scheme are provided in Note 36. As at 31 December 2013, the total number of awards granted to employees of the Company under the LTIPs during the life of the plan was 1,521,000 shares (2012: 1,331,000 shares) and the total amount of the compensation expenses charged to profit and loss is $1 million (2012: $2 million).

54. MANAGEMENT INCENTIVE PLANS

The details of the MIP scheme are provided in Note 36. As at 31 December 2013, the total number of awards granted to employees of the Company under the MIP during the life of the plan was 10,000 shares (2012: 4,000 shares) and the total amount of the compensation expenses charged to profit and loss is $nil (2012: $nil).

55. SHARE CAPITAL

Issued and fully paid – included in shareholders' equity:	2013 $m	2012 $m
198,044,328 (2012: 197,036,507) Ordinary Shares of 10p each	35	35

Details of the issue of share capital in the year are given in Note 31.

56. SHARE PREMIUM

	Share premium $m
Balance at 1 January 2013	279
Premium arising on exercise of stock options	2
Balance at 31 December 2013	281

57. 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 $35 million (2012: $602 million).

Included in the net income for the year is an amount of $56 million (2012: $614 million) representing dividends received and $1 million (2012: $2 million) representing the current year charge of LTIPs. The remaining $6 million (2012: $6 million) of the Group's stock options, LTIPs and MIPs charge is recharged to subsidiary companies.

58. RELATED PARTIES

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 28.9% at the end of 2013 (2012: 29.0%). 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.
Arab Bank: is a related party of the Company because one Hikma Pharmaceuticals PLC senior management member is also a Board member of Arab Bank PLC. Total cash balances at Arab Bank were $5.3 million (31 December 2012: $5.0 million). Facilities granted by Arab Bank to the Company amounted to $91.6 million (31 December 2012: $85.0 million). Interest expense/income is within market rate.

Amounts repayable to and from subsidiaries are disclosed in Notes 45 and 48.

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 38. Details of Directors' remuneration are disclosed in the Remuneration Committee Report on *pages 86 to 115*.

More details on the general information of the ultimate parent of the Group are disclosed in Note 2.

SHAREHOLDER INFORMATION

2014 financial calendar

23 April	2013 final dividend ex-dividend date
25 April	2013 final dividend record date
15 May	Annual General Meeting
22 May	2013 final dividend paid to shareholders
20 August*	2014 interim results and interim dividend announced
27 August*	2014 interim dividend ex-dividend date
29 August*	2014 interim dividend record date
26 September*	2014 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 two Hikma Ordinary Shares. ADRs are traded as a Level 1 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 Conduct 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 FCA by looking the firm up on www.fsa.gov.uk/register;

report the matter to the FCA, either by calling 0800 111 6768 or visit www.fca.org.uk/consumers/scams;

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.

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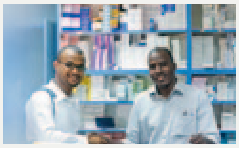
Portugal


Portugal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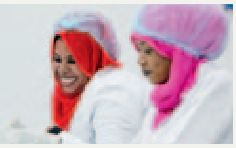
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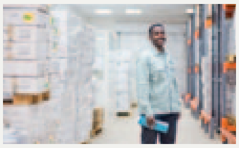
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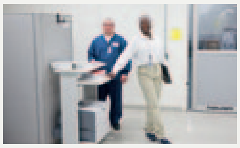
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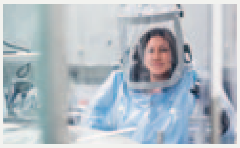
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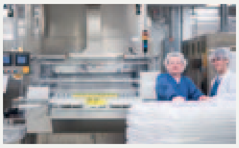
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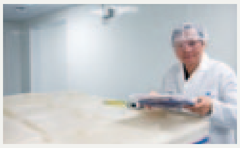
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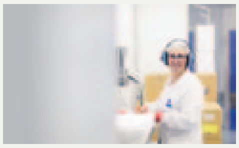
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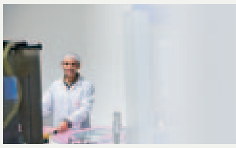
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