

## PRESS RELEASE

### Hikma delivers an excellent performance in 2014 with Group revenue growth of 9% and basic EPS up 30%



**London, 11 March 2015** – Hikma Pharmaceuticals PLC (“Hikma”, “Group”) (LSE: HIK) (NASDAQ Dubai: HIK) (OTC: HKMPY), the fast growing multinational pharmaceutical group, today reports its preliminary results for the year ended 31 December 2014.

#### 2014 highlights

##### Group

- Group revenue increased by 9% to \$1,489 million, driven by strong growth in Injectables
- Profit attributable to shareholders increased by 31% to \$278 million. On an adjusted basis, profit attributable to shareholders rose 9% to \$299 million
- Basic EPS increased 30% to 140.4 cents per share and adjusted EPS increased by 9% to 151.0 cents per share
- Net cash flow from operating activities increased by \$88 million to \$425 million
- Proposed final dividend of 15.0 cents per share (22.0 cents per share for the full year), plus a special dividend of 6.0 cents per share (10.0 cents per share for the full year), making a total combined dividend for the year of 32.0 cents per share
- Expecting 2015 Group revenue growth of around 6% in constant currency
- Adverse exchange rate movements since the beginning of 2015<sup>1</sup> could impact full year Group revenue by around 3%, or \$45 million, should current exchange rates prevail

##### Branded

- Branded revenue of \$551 million, in line with 2013 and up 1% in constant currency
- Good performance across most MENA markets was offset by restructuring in Algeria and political disruptions in Iraq and Libya
- Branded adjusted operating profit decreased by 18% to \$111 million, with an adjusted operating margin of 20.1%, reflecting the impact from disrupted markets and foreign exchange losses
- Expecting 2015 Branded revenue growth in the low-teens and an improvement in adjusted operating margin of around 200 basis points, on a constant currency basis

##### Injectables

- Global Injectables revenue increased by 33% to \$713 million
- Excellent performance in the US, with revenue up 51%, driven by strong underlying growth enhanced by specific market opportunities
- Adjusted operating margin of 37.2%, up from 31.0% in 2013, reflecting a good performance from higher value products and operational efficiencies
- Acquisition of assets of Bedford Laboratories and Ben Venue significantly strengthens our global Injectables business
- Following the extremely strong performance in 2014, expecting to maintain Injectables revenue at the same level in 2015, with a robust adjusted operating margin of around 35%

##### Generics

- Generics revenue of \$216 million, down 19%, reflecting strong underlying growth from the re-launch of legacy products and the expected decline in sales from specific market opportunities
- Generics adjusted operating profit of \$113 million, compared with \$166 million in 2013, with an adjusted operating margin of 52.3%, compared with 61.9% in 2013
- Expecting Generics revenue of around \$200 million in 2015, reflecting the continued decline in certain market opportunities, largely offset by a strong contribution from new product launches

Said Darwazah, Chairman and Chief Executive Officer of Hikma, said:

“The Group delivered an excellent performance in 2014. During the year, we achieved strong underlying growth, enhanced by specific market opportunities. With the acquisition of the Bedford and Ben Venue assets, continued new product launches and our strong market positions in the US, MENA and Europe, Hikma remains well placed for future growth.

Our global Injectables business was the key growth driver this year, demonstrating the attractiveness of our product portfolio in the US, the strength of our sales team and the benefits of our flexible manufacturing capabilities. We are excited to have completed the Bedford acquisition and we are rapidly integrating the Bedford assets, which will be a key contributor to sustainable long term growth for the Injectables business.

We performed well in most of our MENA businesses this year and we are confident that the Branded business can deliver a much stronger performance in 2015. Our Generics business continues to perform well and the investments we are making to launch new products and develop our future pipeline will help to sustain this performance.

I am pleased with the results we achieved in 2014 and I am confident in the outlook for 2015 and beyond.”

<sup>1</sup> Based on the spot rates on 28 February 2015 of the Algerian dinar, the Egyptian pound, the Moroccan dirham, the Sudanese pound and the Tunisian dinar against the US dollar

## Group financial highlights

Summary P&L \$ million	2014	2013	Change
Revenue	<b>1,489</b>	1,365	+9%
Gross profit	<b>851</b>	764	+11%
<i>Gross margin</i>	<b>57.2%</b>	56.0%	+1.2
Operating profit	<b>402</b>	352	+14%
Adjusted operating profit <sup>2</sup>	<b>427</b>	413	+3%
<i>Adjusted operating margin</i>	<b>28.7%</b>	30.3%	-1.6
EBITDA <sup>3</sup>	<b>474</b>	427	+11%
Adjusted EBITDA <sup>2,3</sup>	<b>485</b>	463	+5%
Profit attributable to shareholders	<b>278</b>	212	+31%
Adjusted profit attributable to shareholders <sup>1</sup>	<b>299</b>	274	+9%
<i>Adjusted profit attributable to shareholders margin<sup>1</sup></i>	<b>20.1%</b>	20.1%	-
Basic earnings per share (cents)	<b>140.4</b>	107.6	+30%
Adjusted basic earnings per share (cents) <sup>1</sup>	<b>151.0</b>	139.1	+9%
Dividend per share (cents)	<b>22.0</b>	20.0	+10%
Special dividend per share (cents)	<b>10.0</b>	7.0	+43%
Total dividend per share (cents)	<b>32.0</b>	27.0	+19%
Net cash flow from operating activities	<b>425</b>	337	+26%

### Enquiries

#### Hikma Pharmaceuticals PLC

Susan Ringdal, VP Corporate Strategy and Director of Investor Relations  
Lucinda Baker, Deputy Director of Investor Relations  
Zeena Murad, Investor Relations Manager

+44 (0)20 7399 2760/ +44 7776 477050  
+44 (0)20 7399 2765/ +44 7818 060211  
+44 (0) 207 399 2768/ +44 7771 665277

#### FTI Consulting

Ben Atwell/ Matthew Cole

+44 (0)20 3727 1000

### About Hikma

Hikma Pharmaceuticals PLC is a fast growing pharmaceutical group focused on developing, manufacturing and marketing a broad range of both branded and non-branded generic and in-licensed products. Hikma's operations are conducted through three businesses: "Branded", "Injectables" and "Generics" based primarily in the Middle East and North Africa ("MENA") region, where it is a market leader, the United States and Europe. In 2014, Hikma achieved revenues of \$1,489 million and profit attributable to shareholders of \$278 million.

*A presentation for analysts and investors will be held today at 09:30 UK time at FTI Consulting, 200 Aldersgate, Aldersgate Street, London EC1A 4HD. To join via conference call please dial: +44 (0) 203 003 2666 or 0808 109 0700 (UK toll free). Alternatively you can listen live via our website at [www.hikma.com](http://www.hikma.com). A recording of both the meeting and the call will be available on the Hikma website. A video interview of Khalid Nabils, CFO is available at [www.hikma.com](http://www.hikma.com). The contents of the website do not form part of this preliminary results announcement.*

<sup>2</sup> Before the amortisation of intangible assets (excluding software) and exceptional items, as set out in note 5 to the financial information

<sup>3</sup> Earnings before interest, tax, depreciation and amortisation. EBITDA is stated before impairment charges and share of results from associated companies.

## Business and financial review

The business and financial review set out below summarises the performance of Hikma's three main business segments, Branded, Injectables and Generics, for the year ended 31 December 2014.

### Group revenue by business segment (%)

	2014	2013
Branded	37%	41%
Injectables	48%	39%
Generics	15%	20%

### Group revenue by region (%)

	2014	2013
MENA	43%	47%
US	51%	46%
Europe and ROW	6%	7%

## Branded

2014 highlights:

- Branded revenue of \$551 million, in line with 2013, and an increase of 1% in constant currency
- Branded adjusted operating profit decreased by 18%, with an adjusted operating margin of 20.1%, down from 24.4%
- 59 product launches and six new in-license agreements signed

Branded revenue decreased by 1% in 2014 to \$551 million, compared with \$554 million in 2013. On a constant currency basis, Branded revenue was \$561 million, up 1%. We grew strongly in most markets through our continued focus on strategic, higher value products and new product launches, although this was offset by lower sales in Algeria, due to restructuring, and in Iraq and Libya due to the political disruptions.

Saudi Arabia and the other GCC markets grew in the mid-teens, from good demand for recent product launches and actions we took to enhance both our sales and marketing and distribution structures. Our Egyptian business had an excellent year, with revenue growth of around 11%, or 14% in constant currency, reflecting a strong focus on strategic products and successful new product launches. Growth in most other markets, including Jordan and Tunisia, was strong, although sales in Iraq and Libya were lower due to ongoing political disruptions. Morocco delivered good growth in local currency driven by new product launches and a strengthened sales and marketing function, which more than offset the adverse impact from government-mandated price cuts.

In Algeria, sales were significantly lower than in 2013 due to the restructuring of our business and operations, as previously highlighted in our interim results. We have upgraded our management team in Algeria across all key functions and the business is already benefitting from the implementation of better operational processes, including a re-organisation of the sales and marketing function. We expect the Algerian business to deliver good revenue growth in 2015.

During 2014, the Branded business launched a total of 59 products across all markets, including five new compounds and eight new dosage forms and strengths. The Branded business also received 176 regulatory approvals across the region.

Revenue from in-licensed products increased from \$210 million to \$219 million in 2014, reflecting strong demand for key products. In-licensed products represented 40% of Branded revenue compared with 38% in 2013. We signed six new licensing agreements for innovative products during 2014, which will help us to grow our portfolio of higher value products in growing therapeutic categories.

Branded gross profit fell by 3% to \$267 million in 2014 and gross margin was 48.5%, compared with 49.8% in 2013, reflecting the mix of sales during the year. Operating profit decreased by 18% to \$102 million, compared with \$124 million in 2013. Adjusted operating profit decreased by 18% to \$111 million. Adjusted operating margin was 20.1%, down from 24.4% in 2013. The lower margin reflects the reduction in gross margin combined with continued investment in sales and marketing, a significant increase in transactional foreign exchange losses and a higher doubtful debt expense in disrupted markets.

On a constant currency basis, we expect Branded revenue to grow in the low-teens in 2015, driven by strong underlying market growth, our focus on strategic products, an improved performance in Algeria and the strength of our sales and marketing teams. Adjusted operating margin is expected to improve by around 200 basis points, driven by revenue growth and operational leverage. Taking into account exchange rate movements since the beginning of 2015, and assuming these rates prevail, we would expect reported Branded revenue growth in the high single digits and a slight improvement in adjusted operating margin.

## Injectables

2014 highlights:

- Injectables revenue grew by 33% to \$713 million, with an adjusted operating margin of 37.2%, up from 31.0%
- Excellent performance in US Injectables, with revenue up 51%, reflects our success in capturing specific market opportunities
- Acquisition of Bedford and Ben Venue assets strengthens our portfolio and pipeline for future growth

### Injectables revenue by region

	2014	2013
US	77%	68%
MENA	13%	17%
Europe and ROW	10%	15%

Revenue in our global Injectables business increased by 33% to \$713 million, compared with \$536 million in 2013.

US Injectables revenue grew by \$185 million, or 51%, to \$548 million. This excellent performance reflects strong underlying growth and our success in capturing specific market opportunities. We benefitted from our focus on improving the mix of sales, with our higher value products delivering strong performances in 2014. In 2015, we expect increasing competition for a number of these products, however, good demand across our broad product portfolio should enable us to sustain underlying revenue. We also expect the contribution from certain specific market opportunities to continue in 2015.

In 2014, MENA Injectables revenue was \$90 million, a decrease of 3% compared with \$93 million in 2013. Whilst revenue grew in most of our markets, this was offset by lower than expected sales in Algeria. During the year we restructured our MENA sales teams to increase the resources dedicated to injectable products and we expect this to drive stronger growth going forward.

In Europe, revenue decreased by 7% to \$75 million, reflecting a shift in contract manufacturing from European to US customers. Own drug sales continued to grow steadily, with strong volumes more than offsetting double-digit price erosion. In October 2014, we received a warning letter from the US Food and Drug Administration ("FDA") relating to an inspection of our Portuguese facility in March 2014. We do not believe that the warning letter will impact the manufacturing or distribution of the products manufactured at this facility and we do not expect the remediation costs to be material. We have dedicated significant management time to addressing the issues raised by the FDA and we are working hard to bring the facility back into compliance as quickly as possible.

Injectables gross profit increased by 53% to \$431 million, compared with \$282 million in 2013. Gross margin increased significantly to 60.4%, compared with 52.6% in 2013. This reflects extremely strong sales from certain market opportunities in the US, a good performance from other higher value products and efficient management of manufacturing overhead.

Operating profit increased by 68% to \$260 million. Adjusted operating profit increased by 60% to \$265 million. Adjusted operating margin increased from 31.0% to 37.2%. This excellent margin improvement reflects the increase in gross margin and was achieved whilst making investments across the business, including a significant increase in R&D spend and the expansion of our US sales team.

During 2014, the Injectables business launched a total of 16 products across all markets, including six new compounds and eight new dosage forms and strengths. The Injectables business also received a total of 83 regulatory approvals across all regions and markets, namely 31 in MENA and 52 in Europe. We signed three new licensing agreements during 2014, adding innovative injectable products to our portfolio.

A key contributor to future growth for our Injectables business will be the acquisition of Bedford Laboratories ("Bedford"), which we acquired on 15 July 2014 for an upfront cash consideration of \$225 million. The assets acquired include a portfolio of 82 products, a strong R&D and business development pipeline and a number of employees across key business functions, such as R&D and sales and marketing. We have begun the process of transferring an initial tranche of around 20 of Bedford's products to our global manufacturing facilities in the US, Germany and Portugal (all manufacturing at the Ben Venue site ceased in December 2013) and we will begin re-launching these products towards the end of 2015. In 2017, we expect to have all 20 of the products back on the market, generating revenue of around \$150 million.

On 17 September 2014, we acquired the Ben Venue Laboratories ("Ben Venue") manufacturing facility in Bedford, Ohio. The Ben Venue site includes four manufacturing plants and a Quality and Development Centre ("QDC") with excellent capabilities. No incremental consideration was paid. We are using the QDC and Bedford's strong R&D team to expedite the transfer and reactivation of Bedford's products. The four manufacturing sites remain dormant, but we have begun the process of transferring equipment, including lyophilisers and filling lines, to our other global manufacturing facilities in the US and Europe to support our future growth plans.

Following the extremely strong performance in 2014, which included the benefit from a number of higher value products, we expect to maintain Injectables revenue at the same level in 2015. This will be supported by strong performances across our geographies and a continued benefit from specific market opportunities in the US. We expect a robust adjusted operating margin of around 35%, even after the slight dilution from Bedford R&D costs.

## Generics

2014 highlights:

- Generics revenue of \$216 million
- Adjusted operating profit of \$113 million, with an adjusted operating margin of 52.3%

Generics revenue was \$216 million, compared to \$268 million in 2013. The continued re-launch of legacy products during 2014 drove good growth in underlying sales. As expected, the specific market opportunities that contributed to the very strong performance in 2013 gradually declined over the course of the year due to increased competition.

Generics gross profit was \$150 million, compared with \$206 million in 2013, and gross margin was 69.4%, compared with 76.9% in 2013, reflecting the change in the mix of revenue. Operating profit was \$113 million, compared with \$127 million in 2013. On an adjusted basis, operating profit was \$113 million, compared with \$166 million in 2013, which excludes the adverse impact of remediation-related and other exceptional costs of \$39 million in 2013. Adjusted operating margin was 52.3% in 2014, compared with 61.9% in 2013.

During 2014, the Generics business received a total of four product approvals. This included a New Drug Application ("NDA") for colchicine 0.6mg capsules, which was approved by the US FDA under Section 505(b)(2) of the US Federal Food Drug and Cosmetic Act and launched in September 2014. Following this approval and our subsequent launch, Takeda Pharmaceuticals U.S.A., Inc. ("Takeda") filed a motion for a preliminary injunction and was granted a temporary restraining order restricting us from manufacturing and distributing the product while the court considered this motion. In November 2014, Takeda's motion was denied, but the restraining order remained in place pending their subsequent appeal, which was denied on 9 January 2015.<sup>4</sup> Immediately following the Court's decision in January, Hikma re-entered the market with its colchicine product marketed under the brand name Mitigare™, as well as an authorised generic of Mitigare™. At the same time, Prasco Laboratories launched an authorised generic of Takeda's colchicine product, Colcrys. Whilst the litigation process severely disrupted our initial launch and sales plans, we expect demand for our colchicine products to increase gradually over the course of the year.

We currently expect the Generics business to deliver revenue of around \$200 million in 2015, reflecting the continued decline in certain market opportunities, largely offset by a strong contribution from new product launches.

## 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 \$9 million in 2014, compared with \$7 million in 2013. These other businesses delivered an operating loss of \$5 million in 2014, compared with a loss of \$9 million in 2013.

## Group

Group revenue increased by 9% to \$1,489 million in 2014. Group gross profit increased by 11% to \$851 million, compared with \$764 million in 2013. Group gross margin was 57.2%, compared with 56.0%, reflecting strong margins in our Injectables and Generics businesses.

Group operating expenses grew by 9% to \$449 million, compared with \$412 million in 2013. Excluding the amortisation of intangible assets (excluding software) and exceptional items<sup>5</sup>, Group operating expenses grew by 21% to \$424 million. The paragraphs below address the Group's main operating expenses in turn.

Sales and marketing expenses were \$171 million, or 11% of revenue, compared with \$160 million and 12% of revenue in 2013. The growth in sales and marketing costs primarily reflects continued investment in our sales teams and promotional activities in MENA and an increase in sales expenses in the US, including the expansion of our sales team through the Bedford acquisition.

General and administrative expenses increased by \$34 million to \$185 million in 2014. Excluding exceptional items, these expenses increased by \$24 million, or 16%, to \$174 million and represented 12% of revenue in 2014, compared with 11% in 2013. The increase

---

<sup>4</sup> Takeda and Elliot Associates also filed a motion for summary judgement against the US FDA and Hikma, as intervener defendant, claiming that the FDA's approval of Mitigare™ without a Colcrys reference or related patent certifications violated the Administrative Procedure Act and that such approval was arbitrary and capricious. On 12 January 2015, these motions were denied by the US District Court and Takeda and Elliot filed for an appeal.

<sup>5</sup> In 2014, amortisation of intangible assets (excluding software) was \$14 million (2013: \$15 million). In 2014, exceptional items included within operating expenses were \$11 million (2013: \$46 million) and related to the Bedford acquisition.

in expenses is principally due to investments we have made to strengthen key business functions in the US, increased doubtful debt provisions for disrupted markets in MENA and higher consultancy and legal fees across the Group.

Group R&D expenditure was \$55 million in 2014, compared with \$39 million in 2013, reflecting a continued focus on developing a strong product pipeline across our businesses. Part of the increase relates to the cost of transferring Bedford products to our manufacturing facilities. These costs will be ongoing as we transfer additional products over the next two years. We invested a further \$24 million in product acquisitions and partnership agreements. This has been capitalised on the balance sheet. Through the Bedford acquisition, we acquired a further \$123 million of product related intangible assets, which have also been capitalised on the balance sheet. Total R&D and product related investments, including the Bedford intangibles, represented 14% of Group revenue in 2014.

Other net operating expenses reduced by \$24 million to \$38 million. Excluding exceptional items, these expenses increased by \$13 million, primarily reflecting an increase in foreign exchange losses related to the Euro, the Algerian dinar and the Sudanese pound and an increase in slow moving inventory provisions.

Operating profit for the Group increased by 14% to \$402 million in 2014. Group operating margin increased to 27.0%, compared with 25.8% in 2013. On an adjusted basis, Group operating profit increased by \$14 million, or 3%, to \$427 million and operating margin was 28.7% compared with 30.3% in 2013.

### Research & Development<sup>6</sup>

The Group's product portfolio continues to grow as a result of our product development efforts. During 2014, we launched 11 new compounds. The Group's portfolio now stands at 582 compounds in 1,672 dosage forms and strengths.<sup>7</sup> We manufacture and/or sell 78 of these compounds under licence from the licensor.

Across all businesses and markets, a total of 75 products were launched during 2014. In addition, the Group received 263 approvals.

To ensure the continuous development of our product pipeline, we submitted 417 regulatory filings in 2014 across all regions and markets. As of 31 December 2014, we had a total of 888 pending approvals across all regions and markets. At 31 December 2014, we had a total of 198 new products under development.

	Total marketed products		Products launched in 2014			Products approved in 2014	Products pending approval as at 31 December 2014
	Compounds	Dosage forms and strengths	New compounds	New dosage forms and strengths	Total launches across all countries <sup>8</sup>	Total approvals across all countries <sup>8</sup>	Total pending approvals across all countries <sup>8</sup>
Branded	376 <sup>7</sup>	1,123 <sup>7</sup>	5	8	59	176	426
Injectables	182	483	6	8	16	83	427
Generics	24	66	-	-	-	4	35
<b>Group</b>	<b>582</b>	<b>1,672</b>	<b>11</b>	<b>16</b>	<b>75</b>	<b>263</b>	<b>888</b>

<sup>6</sup> Products are defined as pharmaceutical compounds sold by the Group. New compounds are defined as pharmaceutical compounds being introduced for the first time during the period and existing compounds being introduced into a new segment.

<sup>7</sup> Totals include 71 dermatological and cosmetic compounds in 282 dosage forms and strengths that are only sold in Morocco.

<sup>8</sup> Totals include all compounds and formulations that are either launched or approved or pending approval across all markets, as relevant.

## **Results from associated companies**

In 2014, we recognised a loss from associated companies of \$6 million, which primarily relates to our minority interest in Unimark Remedies Limited (“Unimark”). During the year, we received our first approval for a product developed by Unimark for our US Generics business. We will continue to leverage this relationship to support our future pipeline development.

## **Net finance expense**

Net finance expense was \$34 million, broadly in line with \$35 million in 2013. In 2015, we expect a net finance expense of around \$40 million, reflecting the annualisation of the cost of financing the Bedford acquisition completed in July 2014 and expected debt restructuring costs.

## **Profit before tax**

Profit before tax for the Group increased by 21% to \$362 million, compared with \$298 million in 2013. Adjusted profit before tax increased by 3% to \$387 million.

## **Tax**

The Group incurred a tax expense of \$80 million, compared with \$82 million in 2013. The effective tax rate was 22%, compared with 28% in 2013. The reduction in the effective tax rate reflects increased profitability in jurisdictions that have a lower tax rate. In 2015, we expect the effective tax rate to be between 21% and 23%.

## **Profit attributable to shareholders**

The Group’s profit attributable to shareholders increased by 31% to \$278 million in 2014. Adjusted profit attributable to shareholders increased by 9% to \$299 million.

## **Earnings per share**

Basic earnings per share increased by 30% to 140.4 cents, compared with 107.6 cents in 2013. Diluted earnings per share increased by 30% to 139.0 cents, compared with 107.1 cents in 2013. Adjusted diluted earnings per share was 149.5 cents, an increase of 8% over 2013.

## **Dividend**

The Board of Directors of Hikma (“Board”) has recommended a final dividend of 15.0 cents per share (approximately 9.9 pence per share) for 2014, which brings the dividend for the full year to 22.0 cents per share (approximately 14.6 pence per share), an increase of 10% compared with 2013. In addition, the Board has recommended a special final dividend of 6.0 cents per share (approximately 4.0 pence per share), which brings the full year special dividend to 10.0 cents per share (approximately 6.6 pence per share). The combined total dividend for the year is 32.0 cents per share (approximately 21.2 pence per share), up 19% from 27.0 cents per share in 2013. This distribution to shareholders comes after the allocation of capital to debt repayment and capital expenditure.

The proposed final dividend and final special dividend will be paid on 21 May 2015 to eligible shareholders on the register of Hikma at the close of business on 17 April 2015, subject to approval by shareholders at Hikma’s Annual General Meeting. The ex-dividend date is 16 April 2015 and the final date for currency elections is 8 May 2015.

## **Net cash flow, working capital and net debt**

The Group generated operating cash flow of \$425 million in 2014, up \$88 million from \$337 million in 2013. This strong improvement in operating cash flow reflects the significant increase in profitability. Working capital days decreased by 21 days from 198 days in 2013 to 177 days in 2014, reflecting strong cash collection and inventory management.

Capital expenditure was \$91 million, compared with \$59 million in 2013. Of this, \$60 million was spent in MENA, to upgrade and maintain our equipment and facilities across a number of markets. The remaining \$31 million was spent in the US and Europe, primarily to expand our Injectables manufacturing capacity, including the installation of a pre-filled syringe line. In 2015, we expect capital expenditure to be around \$100 million to \$115 million.

In July 2014, we completed the acquisition of Bedford. The upfront cash consideration of \$225 million was financed through a new debt facility. Whilst this increased the Group’s total debt, the Group’s overall net debt position of \$274 million at 31 December 2014 was broadly in line with the position of \$267 million at 31 December 2013, reflecting strong cash flow generation in 2014.

## **Balance sheet**

During the period, shareholder equity was negatively impacted by an unrealised foreign exchange translation loss of \$52 million, primarily reflecting movements in the Euro, the Algerian dinar and the Sudanese pound against the US dollar and the translation of net assets denominated in these currencies.

## **Summary and outlook**

The Group delivered an excellent overall performance in 2014, with a 9% increase in revenue and a 30% increase in basic earnings per share. We have made a good start to 2015 and we are expecting Group revenue growth of around 6% for the full year on a constant currency basis. Adverse movements in exchange rates against the US dollar since the beginning of 2015 could reduce reported Group revenue by 3%, or \$45 million, if the current exchange rates prevail.

In 2015, the Branded business, on a constant currency basis, is expected to deliver revenue growth in the low-teens, driven by continued strong growth in the underlying markets, our focus on strategic products, improved sales in Algeria and the strength of our sales and marketing teams. Adjusted operating margin is expected to improve by around 200 basis points, driven by revenue growth and continuous improvements in operational efficiency. Taking into account exchange rate movements since the beginning of 2015, and assuming these rates prevail, we would expect reported Branded revenue growth in the high single digits and a slight improvement in adjusted operating margin.

Following the extremely strong performance in 2014, which included the benefit from a number of higher value products, we expect to maintain Injectables revenue at the same level in 2015. This will be supported by strong performances across our geographies and a continued benefit from specific market opportunities in the US. We expect a robust adjusted operating margin of around 35%, even after slight dilution from Bedford R&D costs.

We currently expect the Generics business to deliver revenue of around \$200 million in 2015, reflecting the continued decline in certain market opportunities, partially offset by a strong contribution from new product launches. We are continuing to develop our Generics product portfolio through the re-introduction of products, investing in our R&D pipeline and targeted M&A.

We have a very strong balance sheet, which gives us the financial capacity to pursue acquisition opportunities across our businesses. In 2015, our focus will remain on strengthening our product portfolio and pipeline, building our manufacturing and product development capabilities, enhancing our sales and marketing activities and expanding our geographic footprint. These investments will ensure we continue our strong track record of growth and give us confidence in the outlook for the medium term.

## **Going concern statement**

The Directors of Hikma ("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 by economic downturns compared to other industries. Whilst a new bridge loan facility, which was used to finance the cash consideration of \$225 million for the Bedford acquisition in July, increased the Group's total debt, the Group's overall net debt position of \$274 million at 31 December 2014 was broadly in line with the position of \$267 million at 31 December 2013, reflecting strong cash flow generation in 2014. Operating cash flow in 2014 was \$425 million (2013: \$337 million). The Group has \$839 million (2013: \$234 million) of undrawn short term and long term banking facilities, in addition to \$180 million (2013: \$142 million) of unutilised import and export financing limits. These facilities are well diversified across the 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 a 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.



## Responsibility statement

The responsibility statement below has been prepared in connection with company's full annual report for the year ended 31 December 2014. Certain parts thereof are not included within this announcement.

We confirm to the best of our knowledge:

- The financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, 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 business and financial review, which is incorporated into 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 they face: and
- 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 2015

Khalid Nabils  
Chief Financial Officer

## Cautionary statement

This preliminary announcement has been prepared solely to provide additional information to the shareholders of Hikma to assess the Group's strategies and the potential for those strategies to succeed. It should not be relied on by any other party or for any other purpose.

## Forward looking statements

This announcement may contain statements which are, or may be deemed to be, "forward looking statements" which are prospective in nature. All statements other than statements of historical fact may be forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of forward looking words such as "intends", "believes", "anticipates", "expects", "estimates", "forecasts", "targets", "aims", "budget", "scheduled" or words or terms of similar substance or the negative thereof, as well as variations of such words and phrases or statements that certain actions, events or results "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved.

Where included, such statements have been made by Hikma in good faith based on the information available to it up to the time of the approval of this announcement. By their nature, forward looking statements are based on current expectations, assumptions and projections about future events and therefore involve inherent risks and uncertainties that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements, and should be treated with caution. These risks, uncertainties or assumptions could adversely affect the outcome and financial effects of the plans and events described in this announcement. Forward looking statements contained in this announcement regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future and a variety of factors, many of which are beyond Hikma's control, could cause actual results to differ materially from those projected or implied in any forward-looking statements. You should not place undue reliance on forward-looking statements, which speak as only of the date of the approval of this announcement.

Except as required by law, Hikma is under no obligation to update or keep current the forward looking statements contained in this announcement or to correct any inaccuracies which may become apparent in such forward looking statements. Except as expressly provided in this announcement, no forward looking or other statements have been reviewed by the auditors of Hikma. All subsequent oral or written forward looking statements attributable to the Hikma or any of its members, directors, officers or employees or any person acting on their behalf are expressly qualified in their entirety by the cautionary statement above.

## CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 \$m	2013 \$m
<b>Continuing operations</b>			
Revenue	3	1,489	1,365
Cost of sales	3	(638)	(601)
<b>Gross profit</b>	3	<b>851</b>	<b>764</b>
Sales and marketing expenses		(171)	(160)
General and administrative expenses		(185)	(151)
Research and development expenses		(55)	(39)
Other operating expenses (net)		(38)	(62)
<b>Total operating expenses</b>		<b>(449)</b>	<b>(412)</b>
<b>Adjusted operating profit</b>		<b>427</b>	<b>413</b>
Exceptional items:			
- Acquisition related costs	4	(11)	-
- Severance costs	4	-	(1)
- Plant remediation costs	4	-	(24)
- Impairment losses	4	-	(10)
- Other claims provisions	4	-	(11)
Other adjustments:			
Intangible amortisation*	4	(14)	(15)
<b>Operating profit</b>	3	<b>402</b>	<b>352</b>
Associated companies			
-share of results		(6)	(3)
-exceptional impairment of investment		-	(16)
Finance income		4	2
Finance expense		(38)	(37)
<b>Profit before tax</b>		<b>362</b>	<b>298</b>
Tax	5	(80)	(82)
<b>Profit for the year</b>		<b>282</b>	<b>216</b>
Attributable to:			
Non-controlling interests			
		4	4
<b>Equity holders of the parent</b>		<b>278</b>	<b>212</b>
		<b>282</b>	<b>216</b>
<b>Earnings per share (cents)</b>			
Basic	7	140.4	107.6
Diluted	7	139.0	107.1
Adjusted basic	7	151.0	139.1
Adjusted diluted	7	149.5	138.4

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2014**

	2014	2013
	\$m	\$m
<b>PROFIT FOR THE YEAR</b>	<u>282</u>	<u>216</u>
Items that may be reclassified subsequently to the income statement:		
Cumulative effect of change in fair value of financial derivatives	1	3
Exchange difference on translation of foreign operations	<u>(53)</u>	<u>3</u>
<b>Total comprehensive income for the year</b>	<u><u>230</u></u>	<u><u>222</u></u>
Attributable to:		
Non-controlling interests	3	5
<b>Equity holders of the parent</b>	<u>227</u>	<u>217</u>
	<u><u>230</u></u>	<u><u>222</u></u>

## CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2014

	Note	2014 \$m	2013 \$m
<b>Non-current assets</b>			
Intangible assets		602	447
Property, plant and equipment		514	443
Investment in associates and joint ventures		16	22
Deferred tax assets		67	86
Financial and other non-current assets		39	34
		<b>1,238</b>	<b>1,032</b>
<b>Current assets</b>			
Inventories	8	273	276
Income tax asset		10	4
Trade and other receivables	9	439	439
Collateralised and restricted cash		8	7
Cash and cash equivalents		280	168
Other current assets		3	3
		<b>1,013</b>	<b>897</b>
<b>Total assets</b>		<b>2,251</b>	<b>1,929</b>
<b>Current liabilities</b>			
Bank overdrafts and loans		393	159
Obligations under finance leases		1	1
Trade and other payables	10	248	241
Income tax provision		65	65
Other provisions		25	20
Other current liabilities	11	109	100
		<b>841</b>	<b>586</b>
<b>Net current assets</b>		<b>172</b>	<b>311</b>
<b>Non-current liabilities</b>			
Long-term financial debts	12	145	263
Obligations under finance leases		23	19
Deferred tax liabilities		25	26
Derivative financial instruments		-	1
Other non-current liabilities		1	-
		<b>194</b>	<b>309</b>
<b>Total liabilities</b>		<b>1,035</b>	<b>895</b>
<b>Net assets</b>		<b>1,216</b>	<b>1,034</b>
<b>Equity</b>			
Share capital	13	35	35
Share premium		281	281
Own shares		(1)	(3)
Other reserves		882	704
<b>Equity attributable to equity holders of the parent</b>		<b>1,197</b>	<b>1,017</b>
Non-controlling interests		19	17
<b>Total equity</b>		<b>1,216</b>	<b>1,034</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

	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
<b>Balance at 1 January 2013</b>	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
<b>Total comprehensive income for the year</b>	-	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 6)	-	-	(39)	(39)	-	-	-	(39)	(3)	(42)
<b>Balance at 31 December 2013 and 1 January 2014</b>	38	(46)	712	704	35	281	(3)	1,017	17	1,034
Profit for the year	-	-	278	278	-	-	-	278	4	282
Cumulative effect of change in fair value of financial derivatives	-	-	1	1	-	-	-	1	-	1
Currency translation (loss)	-	(52)	-	(52)	-	-	-	(52)	(1)	(53)
<b>Total comprehensive income for the year</b>	-	(52)	279	227	-	-	-	227	3	230
Cost of equity- settled employee share scheme	-	-	8	8	-	-	-	8	-	8
Exercise of equity settled employee share scheme	-	-	(2)	(2)	-	-	2	-	-	-
Dividends on ordinary shares (Note 6)	-	-	(55)	(55)	-	-	-	(55)	(1)	(56)
<b>Balance at 31 December 2014</b>	38	(98)	942	882	35	281	(1)	1,197	19	1,216

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 \$m	2013 \$m
<b>Net cash from operating activities</b>	14	<b>425</b>	<b>337</b>
<b>INVESTING ACTIVITIES</b>			
Purchases of property, plant and equipment		(91)	(59)
Proceeds from disposal of property, plant and equipment		1	1
Purchase of intangible assets		(27)	(16)
Proceeds from disposal of intangible assets		1	-
Acquisition of interest in joint ventures		-	(3)
Investment in financial and other non-current assets		(5)	(22)
Acquisition of business undertakings net of cash acquired		(225)	(18)
Finance income		4	2
<b>Net cash used in investing activities</b>		<b>(342)</b>	<b>(115)</b>
<b>FINANCING ACTIVITIES</b>			
Decrease in collateralised and restricted cash		(1)	(5)
Increase in long-term financial debts		5	7
Repayment of long-term financial debts		(121)	(117)
Increase/(decrease) in short-term borrowings		241	(34)
Increase in obligations under finance leases		-	1
Dividends paid		(55)	(39)
Dividends paid to non-controlling shareholders of subsidiaries		(1)	(3)
Purchase of own shares		-	(4)
Interest paid		(38)	(37)
Proceeds from issue of new shares		-	2
<b>Net cash generated by/(used in) financing activities</b>		<b>30</b>	<b>(229)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>113</b>	<b>(7)</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>168</b>	<b>177</b>
Foreign exchange translation movements		(1)	(2)
<b>Cash and cash equivalents at end of year</b>		<b>280</b>	<b>168</b>

## 1. Accounting policies

### Basis of preparation

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2014 or 2013, but is derived from those accounts. Statutory accounts for 2013 have been delivered to the Registrar of Companies and those for 2014 will be delivered following the Company's annual general meeting. The auditors have reported on those accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under S498 (2) or (3) of the Companies Act 2006. Hikma Pharmaceuticals PLC's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board. 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 preliminary announcement is based on the Company's financial statements. The Group's previously published financial statements were also prepared in accordance with International Financial Reporting Standards. These International Financial Reporting Standards have been subject to amendment and interpretation by the International Accounting Standards Board and the financial statements presented for the years ended 31 December 2014 and 31 December 2013 have been prepared in accordance with those revised standards. Unless stated otherwise these policies are in accordance with the revised standards that have been applied throughout the year and prior years presented in the financial statements. 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 (USD).

### 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.

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.

### 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.

Amendments to IFRS 10, IFRS 12 and IAS 27

Investment entities

Amendments to IAS 36

Recoverable amount disclosures for Non-Financial assets

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
IFRS 11	Joint arrangements
IFRS 14	Regulatory deferral accounts
IAS 16 and IAS 38 (amendments)	Property, plant and equipment and intangible assets
IAS 16 and IAS 41 (amendments)	Property, plant and equipment and agriculture
IFRS 15	Revenue from contracts with customers (impact to be evaluated)
IAS 19 (amendments)	Employee benefits
IAS 27 (amendments)	Investment Entities
IFRS 10 and IAS 28 (amendments)	Sales or contribution of assets between an investor and its associate / Joint venture

Annual improvements to IFRSs: 2010 – 2012

Annual improvements to IFRSs: 2011 – 2013

Annual improvements to IFRSs: 2012 – 2014 Cycle

Except as noted above the directors do not expect that the adoption of the Standards and Interpretations listed above will have a material impact on the financial statements of the Group in future periods.

## 2. Going concern

The Directors of Hikma (“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 by economic downturns compared to other industries. Whilst a new bridge loan facility, which was used to finance the cash consideration of \$225 million for the Bedford acquisition in July, increased the Group’s total debt, the Group’s overall net debt position of \$274 million at 31 December 2014 was broadly in line with the position of \$267 million at 31 December 2013, reflecting strong cash flow generation in 2014. Operating cash flow in 2014 was \$425 million (2013: \$337 million). The Group has \$839 million (2013: \$234 million) of undrawn short-term and long-term banking facilities, in addition to \$180 million (2013: \$142 million) of unutilised import and export financing limits. These facilities are well diversified across the 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 a 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.

## 3. 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 2014:

Year ended 31 December 2014	Branded \$m	Injectables \$m	Generics \$m	Others \$m	Group \$m
Revenue	551	713	216	9	1,489
Cost of sales	(284)	(282)	(66)	(6)	(638)
Gross profit	267	431	150	3	851
<b>Adjusted segment result</b>	<b>111</b>	<b>265</b>	<b>113</b>	<b>(5)</b>	<b>484</b>
-Exceptional items:					
Intangible amortisation*	(9)	(5)	-	-	(14)
Segment result	102	260	113	(5)	470
<b>Adjusted unallocated corporate expenses</b>					<b>(57)</b>
Exceptional items:					
- Acquisition related expenses					(11)
Unallocated corporate expenses					(68)
<b>Adjusted operating profit</b>					<b>427</b>
Operating profit					402
Associated companies					
-Share of results					(6)
Finance income					4
Finance expense					(38)
Profit before tax					362
Tax					(80)
Profit for the year					282
Attributable to:					
Non-controlling interest					4
Equity holders of the parent					278
					<u>282</u>

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, professional fees, travel expenses and donations.

**Segment assets and liabilities  
2014**

	<b>Branded \$m</b>	<b>Injectables \$m</b>	<b>Generics \$m</b>	<b>Corporate and others \$m</b>	<b>Group \$m</b>
Additions to property, plant and equipment (cost)	48	31	8	2	89
Acquisition of subsidiaries' property, plant and equipment (net book value)	-	53	-	-	53
Additions to intangible assets	4	16	4	1	25
Intangible assets arising on acquisition	-	174	-	-	174
Total property, plant and equipment and intangible assets (net book value)	511	528	70	7	1,116
Depreciation and impairment	22	18	7	2	49
Amortisation and impairment (including software)	10	13	-	-	23
Investment in associates and joint ventures	-	-	-	16	16
<b>Balance sheet</b>					
Total assets	<u>1,123</u>	<u>770</u>	<u>175</u>	<u>183</u>	<u>2,251</u>
Total liabilities	<u>481</u>	<u>405</u>	<u>92</u>	<u>57</u>	<u>1,035</u>

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
<b>Adjusted segment result</b>	<b>135</b>	<b>166</b>	<b>166</b>	<b>(9)</b>	<b>458</b>
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)
<b>Adjusted operating profit</b>					<b>413</b>
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 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.

**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
<b>Balance sheet</b>					
Total assets	<u>1,138</u>	<u>592</u>	<u>141</u>	<u>58</u>	<u>1,929</u>
Total liabilities	<u>551</u>	<u>259</u>	<u>25</u>	<u>60</u>	<u>895</u>

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

	2014 \$m	2013 \$m
Middle East and North Africa	633	638
United States	763	631
Europe and Rest of the World	89	89
United Kingdom	4	7
	<u>1,489</u>	<u>1,365</u>

The top selling markets were as below:

	2014 \$m	2013 \$m
United States	763	631
Saudi Arabia	146	132
Algeria	86	125
	<u>995</u>	<u>888</u>

Generics and Injectables revenue were \$216 million and \$713 million, respectively (2013: \$268 million and \$536 million) including strong sales of doxycycline and glycopyrrolate. Included in revenues arising from the Generics and Injectables segments are revenues of approximately \$221 million (2013: \$172 million) which arose from the Group's largest customer which is located in the US.

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:

	<b>Total non-current assets excluding deferred tax and financial instruments as at 31 December</b>		<b>Total assets as at 31 December</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
Middle East and North Africa	606	624	1,202	1,255
Europe	141	156	195	217
United States	368	163	648	437
United Kingdom	55	3	206	20
	<u>1,170</u>	<u>946</u>	<u>2,251</u>	<u>1,929</u>

#### 4. 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.

	<b>2014</b>	<b>2013</b>
	<b>\$m</b>	<b>\$m</b>
Acquisition related costs	(11)	-
Other Costs:		
Severance costs	-	(1)
Plant remediation costs	-	(24)
Impairment losses	-	(10)
Other claims provisions	-	(11)
<b>Exceptional items included in operating profit</b>	<b>(11)</b>	<b>(46)</b>
Impairment of investment in associates	-	(16)
<b>Exceptional items included in profit</b>	<b>(11)</b>	<b>(62)</b>
Other adjustments: Intangible amortisation *	(14)	(15)
<b>Exceptional items and intangible amortisation</b>	<b>(25)</b>	<b>(77)</b>
Tax effect	4	15
<b>Impact on profit for the year</b>	<b>(21)</b>	<b>(62)</b>

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

#### *Acquisition-related expenses*

Acquisition-related expenses are costs incurred in acquiring Bedford Laboratories (See note 16).

Acquisition-related expenses are included in the unallocated corporate expenses and mainly comprise third party consulting services, legal and professional fees.

***In previous periods exceptional items related to the following:***

*Other costs*

Severance expenses in 2013 related to restructuring of management teams in MENA.

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

Impairment losses were related to the write off of intangible product rights of \$8 million, in addition to the write off of certain property, plant and equipment of \$2 million. Impairment of intangible assets was included in research and development. Impairment of fixed assets was included in other operating expenses.

Other claims provisions related to the Group's best estimate of the ultimate settlement amount of claims outstanding in 2013 and was 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. During 2013 the Group recognised an impairment charge of \$16 million in respect of Unimark.

**5. Tax**

	<b>2014</b>	<b>2013</b>
	<b>\$m</b>	<b>\$m</b>
Current tax:		
Foreign tax	82	123
Adjustments to prior year	(9)	-
Deferred tax	7	(41)
	<u>80</u>	<u>82</u>

UK corporation tax is calculated at 21.5% (2013: 23.25%) of the estimated assessable profit made in the UK for the year.

The effective tax rate for the Group is 22.1% (2013: 27.7%).

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:

	<b>2014</b>	<b>2013</b>
	<b>\$m</b>	<b>\$m</b>
Profit before tax:	362	298
Tax at the UK corporation tax rate of 21.5% (2013: 23.25%)	78	69
Profits taxed at different rates	(1)	3
Permanent differences	8	7
Temporary differences for which no benefit is recognised	4	3
Adjustments to prior year	(9)	-
Tax expense for the year	<u>80</u>	<u>82</u>

## 6. Dividends

	<b>2014</b>	<b>2013</b>
	<b>\$m</b>	<b>\$m</b>
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2013 of 13.0 cents (2012: 10.0 cents) per share	25	19
Interim dividend for the year ended 31 December 2014 of 7.0 cents (2013: 7.0 cents) per share	14	14
Special final dividend for the year ended 31 December 2013 of 4.0 cents (2012: nil) per share	8	-
Special Interim dividend for the year ended 31 December 2014 of 4.0 cents (2013: 3.0 cents) per share	8	6
	<u>55</u>	<u>39</u>

The proposed final dividend for the year ended 31 December 2014 is 15.0 cents (2013:13.0 cents) per share plus a special dividend of 6.0 cents (2013: 4.0 cents) per share that reflect the exceptional performance of the generics and injectables businesses during the year. This brings the full year dividend to 22.0 cents (2013: 20.0 cents) per share plus a special full year dividend of 10.0 cents (2013: 7.0 cents) per share.

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 14 May 2015 and has not been included as a liability in these financial statements. Based on the number of shares in issue at 31 December 2014 (198,632,000), the unrecognised liability is \$42 million.

## 7. 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:

	<b>2014</b>	<b>2013</b>
	<b>\$m</b>	<b>\$m</b>
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent	<u>278</u>	<u>212</u>
Exceptional items (see note 4)	11	62
Intangible amortisation*	14	15
Tax effect of adjustments	<u>(4)</u>	<u>(15)</u>
Adjusted earnings for the purposes of adjusted basic and diluted earnings per share being adjusted net profit attributable to equity holders of the parent	<u>299</u>	<u>274</u>

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

	<b>Number</b>	<b>Number</b>
	<b>'m</b>	<b>'m</b>
<b>Number of shares</b>		
Weighted average number of Ordinary Shares for the purposes of basic earnings per share	198	197
Effect of dilutive potential Ordinary Shares:		
Share-based awards	<u>2</u>	<u>1</u>
Weighted average number of Ordinary Shares for the purposes of diluted earnings per share	<u>200</u>	<u>198</u>

	<b>2014</b>	<b>2013</b>
	<b>Earnings per share</b>	<b>Earnings per share</b>
	<b>Cents</b>	<b>Cents</b>
Basic	<u>140.4</u>	<u>107.6</u>
Diluted	<u>139.0</u>	<u>107.1</u>
Adjusted basic	<u>151.0</u>	<u>139.1</u>
Adjusted diluted	<u>149.5</u>	<u>138.4</u>



## 8. Inventories

	As at 31 December	
	2014	2013
	\$m	\$m
Finished goods	60	77
Work-in-progress	33	30
Raw and packing materials	159	149
Goods in transit	21	20
	<u>273</u>	<u>276</u>

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

## 9. Trade and other receivables

	As at 31 December	
	2014	2013
	\$m	\$m
Trade receivables	384	385
Prepayments	42	40
VAT and sales tax recoverable	12	11
Employee advances	1	3
	<u>439</u>	<u>439</u>

## 10. Trade and other payables

	As at 31 December	
	2014	2013
	\$m	\$m
Trade payables	129	120
Accrued expenses	105	105
Other payables	14	16
	<u>248</u>	<u>241</u>

## 11. Other current liabilities

	As at 31 December	
	2014	2013
	\$m	\$m
Deferred revenue	46	47
Return and free goods provision	35	29
Other provisions	28	24
	<u>109</u>	<u>100</u>

## 12. Long-term financial debts

	As at 31 December	
	2014	2013
	\$m	\$m
Total loans	209	323
Less: current portion of loans	(64)	(60)
Long-term financial loans	<u>145</u>	<u>263</u>
Breakdown by maturity:		
Within one year	64	60
In the second year	65	61
In the third year	51	60
In the fourth year	13	51
In the fifth year	9	76
Thereafter	7	15
	<u>209</u>	<u>323</u>
Breakdown by currency:		
US Dollar	173	280
Euro	6	10
Jordanian Dinar	4	5
Algerian Dinar	13	21
Egyptian Pound	8	5
Tunisian Dinar	5	2
	<u>209</u>	<u>323</u>

The loans are held at amortised cost.

## 13. Share capital

Issued and fully paid – included in shareholders' equity:

	2014		2013	
	Number 'm	\$m	Number 'm	\$m
At 1 January	198	35	197	35
Issued during the year	1	-	1	-
At 31 December	<u>199</u>	<u>35</u>	<u>198</u>	<u>35</u>

#### 14. Net cash from operating activities

	2014	2013
	\$m	\$m
<b>Profit before tax</b>	362	298
Adjustments for:		
Depreciation, amortisation, and impairment of:		
Property, plant and equipment	49	49
Intangible assets	23	26
Investment in associate	-	16
Loss on disposal of property, plant and equipment	1	-
Gain on disposal of intangible assets	(1)	-
Movement on provisions	5	9
Cost of equity-settled employee share scheme	8	7
Finance income	(4)	(2)
Finance expense	38	37
Results from associates	6	3
<b>Cash flow before working capital</b>	<b>487</b>	<b>443</b>
Change in trade and other receivables	(16)	(110)
Change in inventories	2	(2)
Change in trade and other payables	24	35
Change in other current liabilities	7	56
Change in other non-current liabilities	-	(1)
<b>Cash generated by operations</b>	<b>504</b>	<b>421</b>
Income tax paid	(79)	(84)
<b>Net cash generated from operating activities</b>	<b>425</b>	<b>337</b>

#### 15. 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 28.8% at the end of 2014 (2013: 28.9%). 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 one Hikma Pharmaceuticals PLC board member is also a board member of Capital Bank – Jordan. Total cash balances at Capital Bank – Jordan were \$5.7 million (31 December 2013: \$17.2 million). Facilities granted by Capital Bank to the Group amounted to \$nil (31 December 2013: \$4.7 million). Interest expense/income is within market rate.

**Arab Bank:** is a related party of the Group because one senior management member in Hikma Pharmaceuticals PLC is also a board member of Arab Bank PLC. Total cash balances at Arab Bank were \$90.4 million (31 December 2013: \$51.5 million). Facilities granted by Arab Bank to the Group amounted to \$115.0 million (31 December 2013: \$169.4 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 \$0.1 million (2013: \$0.2 million). The Group's insurance expense for Jordan International Insurance Company contracts in the year 2014 was \$0.1 million (2013: \$0.4 million). The amounts due to Jordan International Insurance Company at the year-end were \$nil (2013: Due to \$0.1 million).

**Labatec Pharma:** is a related party of the Group because it is owned by Mr. Samih Darwazah. During 2014, the Group total sales to Labatec Pharma amounted to \$0.5 million (2013: \$0.4 million). At 31 December 2014, the amount owed from Labatec Pharma to the Group was \$0.1 million (2013: Owed from \$nil).

**Jordan Resources & Investments Company:** is a related party of the Group because three Board members of the Group are shareholders in the firm. During 2014 fees of \$nil (2013: \$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 2014 fees of \$0.1 million (2013: \$0.2 million) were paid. At 31 December 2014 the amount owed to American University of Beirut from the Group amounted to \$nil (2013: owed \$0.1 million).

**HikmaCure:** The Group held 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 \$2.5 million has been paid in previous periods.

**Unimark:** The Group held a non-controlling interest of 23.1% in the Indian company Unimark remedies Limited ("Unimark") at 31 December 2014 (31 December 2013: 23.1%). During 2014, the Group paid an amount of \$2.5 million in relation to a products development agreement (31 December 2013: \$3.0 million).

**Haosun:** The Group held a non-controlling interest of 30.1% in Hubei Haosun Pharmaceutical Co., Ltd ("Haosun") at 31 December 2014 (31 December 2013: 30.1%). During 2014 the total purchases from "Haosun" were \$1.0 million (31 December 2013: \$0.2 million).

## 16. Acquisition of a business

On 15 July 2014 Hikma announced that it had completed its acquisition of the US generic injectables business, Bedford Laboratories (“Bedford”) from Ben Venue Laboratories, Inc. (“Ben Venue”), a member of the Boehringer Ingelheim Group of Companies. The consideration for the acquisition comprised of an upfront cash payment of \$225 million which was paid on 15 July 2014 and contingent cash payments, subject to the achievement of performance-related milestones over a period of five years from closing the transaction.

Hikma acquired Bedford’s large product portfolio of 82 products, intellectual property rights, inventories, a strong R&D and business development pipeline and a number of employees across key business functions.

On 17 September 2014 Hikma completed the acquisition of all the assets of Ben Venue generics injectables manufacturing site in Bedford, Ohio. The acquisition is pursuant to the exclusivity arrangement entered into with Ben Venue on 28 May 2014. No incremental consideration was payable in relation to Hikma’s acquiring the Ben Venue manufacturing site.

The net assets acquired in the transaction and the provisional goodwill arising are set out below:

<b>Net assets acquired</b>	<b>Provisional fair value</b>	
	<b>\$m</b>	
Product related intangibles	123	a
Inventories	15	b
Tangible fixed assets	53	c
Deferred taxes liabilities	(13)	d
<b>Net assets acquired</b>	<b>178</b>	
Goodwill	<b>51</b>	
Total consideration	<b>229</b>	
Discharged by:		
Cash	225	
Deferred consideration	4	
	<b>229</b>	
<b>Cashflows:</b>		
Cash consideration	225	
<b>Net cash outflow arising on acquisition</b>	<b>225</b>	

- a. Product related intangibles principally represent product files owned by Bedford.
- b. Inventory acquired included raw materials (consisting of chemicals and components) and finished goods.
- c. The property, plant and equipment acquired have been valued by a third party expert at current market values.
- d. Taxable temporary differences associated with the tangible asset acquired have been identified by reference to IAS 12 “income tax”.

The goodwill arising represents synergies that will be obtained through increasing the scale of Hikma’s injectables business.

Goodwill recognised is expected to be non-deductible for income tax purposes.

The revenue and net loss from the date of the acquisition that is included in the Group’s consolidated statement of comprehensive income for the year amounted to \$7 million and \$9 million, respectively.

## 17. Foreign exchange currencies

	Period end rates		Average rates	
	2014	2013	2014	2013
USD/EUR	0.8226	0.7263	0.7523	0.7529
USD/Sudanese Pound	6.2696	5.9755	6.0277	5.6988
USD/Algerian Dinar	87.9245	78.1082	80.6145	79.3595
USD/Saudi Riyal	3.7495	3.7495	3.7495	3.7495
USD/British Pound	0.6437	0.6064	0.6068	0.6390
USD/Jordanian Dinar	0.7090	0.7090	0.7090	0.7090
USD/Egyptian Pound	7.1582	6.9586	7.0972	6.8861
USD/Japanese Yen	119.9500	105.2188	105.8700	97.4659
USD/Moroccan Dirham	9.0154	8.1069	9.0155	8.3517
USD/Tunisian Dinar	1.8612	1.6467	1.7001	1.6253

The Jordanian Dinar and Saudi Riyal have no impact on the consolidated income statement as those currencies are currently pegged to the US Dollar.

## Principal risks and uncertainties

The Board has resolved that the principal risks and uncertainties facing the Group are:

Risk	Description	Mitigation and control
<ul style="list-style-type: none"> <li>Manufacturing quality</li> </ul>	<ul style="list-style-type: none"> <li>Situations resulting in poor manufacturing quality of products have the potential to lead to:               <ul style="list-style-type: none"> <li>Harm to end users resulting in liability and reputational issues</li> <li>Regulatory action that could result in the closure of facilities and consequential loss of opportunity and potential failure to supply obligations</li> <li>Delayed or denied approvals for new products</li> <li>Product recalls</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Global quality programme which leads the manufacturing processes in all sites</li> <li>The 11 FDA approved facilities are regularly assessed by the regulator</li> <li>Documented procedures are continuously improved and staff receive training on those procedures on a regular basis</li> <li>Global quality issues team with extensive experience of implementing corrective action when issues arise</li> <li>Global product liability insurance and crisis management team</li> </ul>
<ul style="list-style-type: none"> <li>API sourcing</li> </ul>	<ul style="list-style-type: none"> <li>API and raw materials represent one of the Group's largest cost components</li> <li>As is typical in the pharmaceuticals industry, a significant proportion of the Group's API requirements is provided by a small number of API suppliers</li> <li>There is a risk that it will not be possible to secure or maintain adequate levels of API supplies in the future</li> <li>Regulatory approval of a new supplier can be lengthy and supplies may be disrupted if the Group is forced to replace a supplier which failed to meet applicable regulatory standards or terminated its arrangements with the Group</li> </ul>	<ul style="list-style-type: none"> <li>Maintaining alternative API suppliers for each of the Group's products, where possible</li> <li>API suppliers are carefully selected and the Group endeavours to build long-term partnerships with exclusive supply</li> <li>The Group has a dedicated plant in Jordan which can synthesise API, where appropriate</li> </ul>
<ul style="list-style-type: none"> <li>Political and social</li> </ul>	<ul style="list-style-type: none"> <li>Hikma operates in MENA and emerging markets which have historically higher levels of political and social instability which can result in an inability to conduct business in those markets for a substantial period of time</li> </ul>	<ul style="list-style-type: none"> <li>Geographic diversity reduces the impact of issues arising in one jurisdiction</li> <li>Extensive experience of operating in these environments and developing opportunities from change</li> <li>Contingency plans in place to transfer manufacture if key sites are affected</li> </ul>

<ul style="list-style-type: none"> <li>Product concentration</li> </ul>	<ul style="list-style-type: none"> <li>A significant proportion of Group profits derive from a relatively small portfolio of higher margin products</li> <li>Prices of these products are subject to market and regulatory forces, which are often difficult to predict</li> <li>Prices can change suddenly, which could lead to significant fluctuations in profitability and uncertainty about the level of rebates to suppliers</li> </ul>	<ul style="list-style-type: none"> <li>Internal marketing and business development departments monitor and assess the market for arising opportunities</li> <li>Expansive product portfolio</li> <li>Experienced internal regulatory teams developing products and overseeing joint venture activities</li> <li>Product related acquisitions (e.g. Bedford laboratories in 2014)</li> <li>Third party pharmaceutical product specialists are assisting in the development of manufacturing processes for new generic products where the patent has recently expired</li> </ul>
<ul style="list-style-type: none"> <li>Acquisitions</li> </ul>	<ul style="list-style-type: none"> <li>The Group strategy is to pursue value adding acquisitions to expand the product portfolio, acquire manufacturing capabilities and expand in existing and emerging markets. There is risk of misjudging key elements of an acquisition or failing to integrate the assets, particularly where they are distressed</li> <li>An acquisition of a large-scale target may entail financing-related risks and operating expenses and significantly increase the Group's leverage if financed with debt</li> </ul>	<ul style="list-style-type: none"> <li>The mergers and acquisitions team undertake extensive due diligence of each acquisition, including legal, financial and compliance</li> <li>Executive Committee reviews and tests major acquisitions before they are considered by the Board</li> <li>The Board is willing and has demonstrated its ability to refuse acquisitions where it considers the price is too high</li> <li>Dedicated integration project teams are assigned for the acquisition, which are led by the business head responsible for proposing the opportunity</li> <li>Following the acquisition of a target, the finance team, the management team and the Audit Committee closely monitor its financial and non-financial performance</li> <li>A variety of funding options are available to the Group to finance acquisitions</li> </ul>
<ul style="list-style-type: none"> <li>Conduct</li> </ul>	<ul style="list-style-type: none"> <li>The pharmaceutical industry and certain MENA markets are considered to be higher risk in relation to sales practices. Improper conduct by employees could seriously damage the reputation and licence to do business</li> </ul>	<ul style="list-style-type: none"> <li>Code of Conduct approved by the Board, translated into 7 languages and signed by all employees</li> <li>ABC compliance programme monitored by the CREC</li> <li>2,200 employees received ABC compliance training in 2014</li> </ul>



<ul style="list-style-type: none"> <li>Financial</li> </ul>	<ul style="list-style-type: none"> <li>The Group is exposed to a variety of financial risks similar to most major international manufacturers such as liquidity, exchange rates, tax uncertainty and debtor default</li> </ul>	<ul style="list-style-type: none"> <li>Extensive financial control procedures have been implemented and are assessed annually as part of the internal audit programme</li> <li>A network of banking partners is maintained for lending and deposits</li> <li>Management monitors debtor payments and takes action where necessary</li> <li>Expert external advice is procured to test and enhance processes and ensure compliance</li> <li>Where it is economic and possible to do so, the Group hedges its exchange rate and interest rate exposure</li> </ul>
---	--	---