HIKMA
QUALITY

PRESS RELEASE

Hikma delivers a robust performance in a challenging environment, with revenues up 25.6% and adjusted operating profit up 2.0%

Positive outlook for the Group in 2012, with expectation of 20% top line growth

14 March 2012 – Hikma Pharmaceuticals PLC ("Hikma") (LSE: HIK) (NASDAQ Dubai: HIK), the fast growing multinational pharmaceutical group, today reports its preliminary results for the year ended 31 December 2011.

Group financial highlights

$ million	**2011**	2010	Change
Revenue	**918.0**	730.9	+25.6%
Gross profit	**395.3**	357.3	+10.6%
Adjusted operating profit[1]	**145.8**	143.0	+2.0%
Adjusted[2] profit attributable to shareholders	**100.9**	103.1	-2.2%
Reported profit attributable to shareholders	**80.1**	98.8	-19.0%
Earnings per share (basic) (cents)	**41.3**	51.4	-19.7%
Adjusted earnings per share (diluted) (cents)	**51.0**	52.4	-2.6%
Net cash flow from operating activities	**126.4**	152.5	-17.1%
Dividend per share (cents)	**13.0**	13.0	-

- Continued our track record of doubling revenue every four years, with Group revenue up 25.6% to $918.0 million
- Increased organic revenues by 7.6% and adjusted[1] operating profit by 2.0%, despite the impact of the Arab Spring and the discontinuation of colchicine
- Net cash flow from operating activities of $126.4 million, including the $21.1 million impact of working capital financing for the Multi-Source Injectables ("MSI") acquisition
- Strong growth in MENA operating cash flow helped to offset the impact of the discontinuation of colchicine
- Successfully financed $325 million of acquisitions with new debt facilities
- Maintained the dividend at 13.0 cents per share

Group strategic highlights

- Completed the MSI acquisition, doubling the size of our global Injectables business, making us the second largest supplier of generic injectables in the US and adding revenue of $120.3 million in 2011
- Entered the Moroccan market, acquiring a 94.1%[3] stake in Promopharm S.A. ("Promopharm"), significantly expanding our geographic reach in MENA
- Made significant capital investments to increase our manufacturing capacity and capabilities in Egypt, Tunisia and Algeria. Acquired a local manufacturing presence in Sudan
- Completed strategic investments in India and China, strengthening our ability to source quality Active Pharmaceutical Ingredients ("API") and enhancing our R&D capabilities

Segmental financial highlights

- Better than expected performance in MENA, with Branded revenue increasing by 12.1% and organic[4] revenue up 9.6%. Adjusted operating profit increased by 9.3%

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[1] Before the amortisation of intangible assets (excluding software) and exceptional items (including acquisition and integration related expenses of $16.4 million and an inventory adjustment of $1.8 million)

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

[3] Hikma acquired a controlling stake of 63.9% in Promopharm on 3 October 2011. It increased this stake to 84.3% by 31 December 2011 through the purchase of additional shares in the market and to 94.1% by 6 January 2012 through a mandatory tender offer.

- Doubled revenue in our global Injectables business to $315.7 million, with a 23.3% increase in organic[5] revenue reflecting strong growth across all markets
- Generics revenue declined by 11.3% to $154.8 million, in line with guidance. Excluding exceptional colchicine sales in 2010, Generics delivered double-digit revenue growth

2012 outlook

- Strong Group performance expected in 2012, with Group revenue growth of around 20%

Said Darwazah, Chief Executive Officer of Hikma, said:

"In 2011, Hikma continued its track record of doubling revenue every four years, whilst at the same time achieving a number of strategic milestones.

These achievements are all the more impressive for having been delivered in a very challenging economic and geopolitical environment. Our success in 2011 demonstrates the strength of our diversified business model, the robust nature of our MENA operations, the excellent potential of our global Injectables business, our ability to deliver our core strategic objectives, the dedication of our talented employees and our overall commitment to quality and business ethics.

We are expecting a strong performance in 2012, reflecting the investments that we have made across the Group in 2011 and the excellent growth opportunities we see for our business, particularly in the MENA region and in the global injectables market."

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Enquiries

Hikma Pharmaceuticals PLC
Susan Ringdal, Investor Relations Director +44 (0)20 7399 2760

FTI Consulting
Ben Atwell /Julia Phillips/Jonathan Birt/Matthew Cole +44 (0)20 7831 3113

About Hikma

Hikma Pharmaceuticals PLC is a fast growing multinational 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 principally in the Middle East and North Africa ("MENA") region, where it is a market leader, the United States and Europe. In 2011, Hikma achieved revenue of $918.0 million and profit attributable to shareholders of $80.1 million.

A meeting for analysts and investors will be held today at 09:30am GMT at FTI Consulting, Holborn Gate, 26, Holborn Gate London WC2A 1PB. A live webcast of the meeting will be available at www.hikma.com. The dial-in details are: London: +44 (0) 208 817 9301; UK: +44 (0) 845 634 0041 and UK Freephone: 0800 634 5205. The Meeting ID is 6944088. In addition, we will be holding a conference call for US investors at 2.00pm GMT on +1 866 966 1187, Meeting ID: 2421402252. A recording of both meeting and call will be available on the Hikma website.

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[4] Before the consolidation of the Promopharm business

[5] Before the consolidation of the MSI and Promopharm businesses

Business and financial review

Overview

Hikma's Group revenue increased by 25.6% to $918.0 million in 2011. Excluding the contribution of the MSI and Promopharm acquisitions, organic sales growth was 7.6%.

Group gross profit increased by 10.6% to $395.3 million, compared to $357.3 million in 2010 and adjusted operating profit increased by $2.8 million or 2.0%, to $145.8 million. Adjusted operating margin decreased from 19.6% in 2010 to 15.9% in 2011. The lower margin in 2011 primarily reflects the exceptional contribution from colchicine in 2010. Profitability was also impacted by an increase in employee wages and benefits across the MENA region, the consolidation of the lower margin MSI business and the effect of foreign exchange movements on sales and raw material costs.

Management focuses on adjusted profit metrics such as adjusted operating profit and adjusted profit attributable to shareholders, which remove the impact of the amortisation of intangible assets (excluding software) and exceptional items such as transaction costs, as this provides a clearer understanding of the Group's underlying financial performance.

Summary P&L ($ million)	**2011**	2010	Change
Revenue	**918.0**	730.9	+25.6%
Gross profit	**395.3**	357.3	+10.6%
Gross margin	***43.1%***	*48.9%*	*-5.8*
Operating profit	**118.7**	135.1	-12.1%
Adjusted operating profit	**145.8**	143.0	+2.0%
Adjusted operating margin	***15.9%***	*19.6%*	*-3.7*
Profit attributable to shareholders	**80.1**	98.8	-19.0%
Adjusted profit attributable to shareholders	**100.9**	103.1	-2.2%
Earnings per share (basic) (cents)	**41.3**	51.4	-19.7%
Dividend per share (cents)	**13.0**	13.0	-
Net cash from operating activities	**126.4**	152.5	-17.1%

Group revenue by business segment

	Proforma[6] 2011	**2011**	2010
Branded	**46.8%**	**48.1%**	53.9%
Injectables	**37.3%**	**34.4%**	21.5%
Generics	**15.3%**	**16.9%**	23.9%
Others	**0.6%**	**0.6%**	0.7%

Group revenues by region

	Proforma 2011	**2011**	2010
MENA	**53.9%**	**55.4%**	61.1%
US	**37.0%**	**34.6%**	28.0%
Europe and Rest of World	**9.1%**	**10.0%**	10.9%

[6] Reflects the impact on the Group if the MSI and Promopharm businesses had been owned from the beginning of 2011

Branded

2011 highlights:

- Strong second half performance across the MENA region delivered full year revenue growth of 12.1% and organic revenue growth of 9.6%. Adjusted operating profit increased by 9.3%
- Entered the Moroccan market through the acquisition of a 94.1% controlling stake in Promopharm S.A.
- Expanded capacity in Egypt, Tunisia and Algeria and acquired a local manufacturing facility in Sudan, strengthening our presence and capabilities in the MENA region

Branded revenues increased by 12.1% to $441.9 million, compared to $394.2 million in 2010. Organic revenue growth was 9.6% to $432.1 million, with the Promopharm acquisition contributing a further $9.9 million in the three months to 31 December 2011.

In 2011, the rapid and effective response of our management teams and the commitment of our local employees across the MENA region helped to minimise the impact of the Arab Spring disruptions, particularly in Egypt, Tunisia and Libya. Our Egyptian business rebounded strongly in the second half and delivered 12.1% revenue growth for the full year. In Tunisia, sales in 2011 were maintained broadly in line with the prior year, despite the market disruptions and the lost sales of Actos, which was withdrawn during the year. In Libya, where the market was closed for more than half the year, we achieved sales of just over $10 million in 2011 and we expect demand to increase as the market recovers.

Our other key MENA markets performed well in 2011, as we focused on growing our market share through increased sales of our existing portfolio and continued new product launches. We delivered strong growth in Algeria through an increase in local manufacturing, despite lower pricing for locally produced products. In Jordan, we benefitted as anticipated from the restructuring of our distribution channels and we achieved strong growth in the Gulf markets, particularly the UAE.

We have been building our presence in Sudan in recent years, where we are the leading pharmaceutical company, with around 17%[7] market share. In the second half of 2011, we acquired the business of Elie Pharmaceuticals in Sudan, including a manufacturing facility and a number of product registrations. This acquisition will reinforce our leading market position and enable us to accelerate the launch of new products. The total consideration was $17.5 million.

For some time, entry into Morocco, the fourth largest MENA pharmaceutical market, has been an important strategic objective. In October 2011, Hikma acquired Promopharm, the ninth largest pharmaceutical company in Morocco with an attractive, well-diversified portfolio of branded generics and in-licensed products. We initially acquired a controlling stake of 63.9% and then increased this stake to 84.3% by 31 December 2011 through the purchase of additional shares in the market. Through a mandatory tender offer that closed on 6 January 2012, we raised our stake in Promopharm to 94.1%. The total consideration paid for the 94.1% stake was $152.4 million, excluding transaction costs.

Promopharm contributed $9.9 million of sales to Hikma's Branded business for the three month period to 31 December 2011 and a further $1.3 million of revenue was consolidated into the Injectables business. We see significant growth opportunities for Promopharm. In the short term, we will focus on growing sales of Promopharm's existing portfolio and R&D pipeline. Over the medium term, we are working to register Hikma's strategic products in Morocco, which we expect to drive sales growth and margin expansion.

Revenue from in-licensed products grew by 9.8% to $174.8 million, despite one of our leading in-licensed products being withdrawn from some key markets. For the year, in-licensed products represented 39.6% of Branded sales, compared to 40.4% in 2010. We continue to develop our portfolio of in-licensed products, demonstrating our position as the partner of choice in the MENA region.

In 2011, the Branded business launched a total of 43 products across all markets, including 6 new compounds and 12 new dosage forms and strengths. The Branded business also received 39 regulatory approvals across the region, including 8 for new compounds.

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[7] Advanced Marketing Statistics (AMS) Health, YTD December 2011

Gross profit in the Branded business increased by 5.2% to $214.1 million, compared to $203.4 million in 2010. The Branded business gross margin declined to 48.4%, compared to 51.6% in 2010. This reflects increases in salaries and employee benefits due to inflationary pressure across the MENA region, a higher percentage of lower margin products and tender sales and the negative impact of foreign exchange movements on sales and raw material costs. It also results from the increase of local production in Algeria and the lower prices for locally produced products.

Operating profit of the Branded business was $98.5 million, compared to $98.7 million in 2010. Adjusted operating profit was $105.1 million, up 9.3% from $96.2 million in 2010. Adjusted operating margin was 23.8%, compared to 24.4% in the prior year, principally reflecting the decline in gross profit margin.

In a very challenging year, we maintained our position as the largest regional pharmaceutical company and the fifth[8] largest pharmaceutical company overall in the MENA region. We increased our market share to 3.9%, compared to 3.7% in the prior year. At the same time, we invested significantly in our MENA facilities, increasing capacity in Egypt, Tunisia and Algeria and strengthening our sales and marketing operations across the region.

We believe Hikma is very well positioned to continue to grow slightly ahead of the overall MENA market. With the benefit from the Moroccan and Sudanese acquisitions we are expecting overall Branded revenue growth of around 20% in 2012. We expect continued inflationary pressure on MENA operating costs in 2012, which we aim to offset through new product launches and sales and marketing efficiencies. We expect gross margin and adjusted operating margin in 2012 to be broadly in line with 2011.

Injectables

2011 highlights:

- Organic Injectables revenue up 23.3%, driven by strong demand across our product portfolio and growth in contract manufacturing
- Excellent improvement in organic Injectables operating margin to 17.5% from 15.1%
- Completion of the MSI acquisition, adding $120.3 million of revenue in the eight months to 31 December 2011

Revenue in our global Injectables business increased by $158.3 million to $315.7 million, compared to $157.4 million in 2010. Organic Injectables revenues grew 23.3% to $194.1 million.

Injectables revenue by region	**Proforma[9] 2011**	**2011**	2010
US	**58.2%**	**51.3%**	19.0%
Europe	**20.7%**	**24.8%**	39.8%
MENA	**21.1%**	**23.9%**	41.2%

US Injectables sales, excluding MSI, reached $41.9 million, up 40.1% from $29.9 million in 2010. This excellent performance reflects the strength of our product portfolio, with success from recently launched products, good demand for our existing products and an increased demand for contract manufacturing.

On 2 May 2011, we completed our acquisition of MSI, establishing Hikma as the second largest supplier, by volume, of generic injectables in the US market. The results of MSI have been consolidated for the eight months to 31 December 2011, adding sales of $120.3 million to our Injectables business for 2011. On a proforma basis, MSI revenue in 2011 was $178.3 million. The MSI business contributed adjusted operating profit of $17.8 million at an adjusted operating margin of 14.8%, before the impact of acquisition and integration related costs of $10.0 million, an inventory adjustment of $1.8 million and intangible amortisation $0.5 million. Overall, MSI contributed net income of $2.7 million in 2011, ahead of our expectations.

Since May, we have been rapidly integrating this business and we have made excellent progress with our restructuring programme. Through headcount reductions and reorganisation of the manufacturing operations, we are delivering significant gains in productivity. We are driving greater value from the existing product portfolio and in 2011 we began the process of re-activating MSI's dormant ANDAs. We have also been executing our plan to build the product pipeline through

[8] IMS Health, YTD December 2011. Private retail sales only include Algeria, Jordan, Kuwait, Egypt, Tunisia, Morocco, UAE, Lebanon and Saudi Arabia

[9] Reflects the impact on the Injectables business if the MSI and Promopharm businesses had been owned from the beginning of 2011

increased R&D. We have begun to implement our plans to upgrade our Cherry Hill, New Jersey facility, with investment in new state-of-the-art manufacturing equipment with higher capacity, better reliability and of a superior quality standard. We expect completion of this investment by early 2013. As guided at the time of the acquisition, we expect total capex investment in MSI of around $25 million, of which around $4 million was incurred in 2011.

European Injectables sales increased by 24.7% to $78.2 million in 2011, compared to $62.7 million in 2010. On a constant currency basis, sales grew by 18.9%. Sales growth was driven by new contract manufacturing opportunities, increased oncology sales and higher sales of existing and recently launched products. We continued to see strong price erosion during the year, which was more than offset by volume growth.

Injectables sales in the MENA region increased by 16.2% to $75.4 million, compared to $64.9 million in 2010. Excluding, the acquisition of Promopharm, which added Injectables revenue of $1.3 million for the three months to 31 December 2011, the organic MENA Injectables business grew by 14.2%. In 2011, we saw the strongest growth coming from Algeria, Jordan and Sudan, reflecting our strengthened sales and marketing operations, new product launches, growth in oncology sales and greater success in the tender market as we grow in scale.

In October 2011, we inaugurated a new facility at our Injectables manufacturing site in Portugal. The new facility has the capability to fill and finish both sterile liquid and freeze-dried (lyophilised) products. The facility has begun producing lyophilised products for Europe and MENA and liquid products for the US. In February 2012, the US Food and Drug Administration ("FDA") approved the facility for the manufacture of lyophilised products for the US market.

In 2011, the Injectables business launched a total of 43 products across all markets, including 7 new compounds and 14 new dosage forms and strengths. The Injectables business also received a total of 61 regulatory approvals across all regions and markets, including 33 in MENA, 22 in Europe and 6 in the US.

Injectables gross profit grew by 79.7% to $127.6 million, compared to $71.0 million in 2010. Gross margin was 40.4% compared to 45.1% in 2010. Excluding MSI, the gross margin was 43.1% in 2011. The reduction in the underlying margin reflects increased overheads related to the new lyophilisation plant, which was only partially utilised during the year, and higher tender sales in MENA.

Injectables operating profit increased by 91.5% to $45.4 million, compared to $23.7 million in 2010. Injectables operating margin was 14.4%. Adjusted operating profit was $54.9 million and adjusted operating margin was 17.4%. Excluding MSI and Promopharm, operating margin was 17.5%, compared to 15.1% in 2010. This significant margin improvement reflects our strong performance across all markets, good cost control and the benefits of economies of scale.

MSI is now largely integrated into the global Injectables business and we expect the combined business to deliver very strong growth in 2012, building on the excellent performance in 2011. Given that MSI delivered better than expected profitability in 2011, we expect the adjusted operating margin of the overall Injectables business to be in the high teens in 2012, ahead of our previous expectations.

Generics

2011 highlights:

- Generics revenue was $154.8 million, in line with guidance
- Generics delivered double-digit revenue growth, excluding the exceptional colchicine sales in 2010
- Strong volume growth was partially offset by accelerating price erosion

Generics revenue was $154.8 million in 2011, down 11.3% from $174.5 million in 2010. This decline in revenue reflects the exceptional benefit of colchicine in 2010. Excluding colchicine, the Generics business delivered double-digit revenue growth through a significant increase in volumes, which was partially offset by accelerating price erosion.

The Generics segment gross profit decreased by 36.2% to $52.2 million, compared to $81.8 million in the prior year. Gross margin was 33.7%, compared to 46.9% in 2010, due to the contribution of colchicine in 2010, as well as strong price erosion in the second half of 2011 and an adverse change in product mix. Consequently, the Generics segment achieved an operating profit of $17.1 million, compared to $51.1 million in 2010 and Generics operating margin was 11.0%, compared to 29.3%.

During 2011 we made good progress with our tech transfer programme. Products manufactured in our Jordan and Saudi Arabian facilities for sale in the US represented 26.8% of Generics sales in 2011, compared to 21.2%[10] in 2010. Over the medium term, we will be focusing on leveraging our MENA production facilities and exploiting synergies in order to be more competitive in the US oral generic market.

At our oral solid dosage manufacturing facility in Eatontown, New Jersey, we have had to address observations made by the US FDA during its inspection of the facility in June 2011, which resulted in a warning letter being issued by the FDA in February 2012. We have been taking, and continue to take, the necessary steps to address the issues raised. We are committed to the highest standards of quality and compliance and regard our relationship with the FDA as critical to both our past and future success.

In 2011, the Generics business launched 2 new compounds and 5 new dosage forms and strengths and received 5 new product approvals.

Generics revenue is expected to decline in 2012, reflecting continued price erosion and limited new product launches. Looking further ahead, we expect growth to be driven by continued investment in the development of more differentiated products for this business. R&D investment will increase in 2012, resulting in an operating margin in the high single digits for the full year in 2012, before rebuilding towards more normalised levels.

Other businesses

Other businesses primarily comprise Arab Medical Containers, a manufacturer of pharmaceutical packaging, and International Pharmaceuticals Research Centre, which conducts bio-equivalency studies. These businesses, which supply Group operations and third parties, had aggregate revenues of $5.6 million, compared with aggregate revenue of $4.8 million in 2010.

These other businesses delivered an operating loss of $2.4 million in 2011, compared to an operating loss of $2.9 million in 2010.

Group

Revenue for the Group increased by 25.6% to $918.0 million in 2011, compared to $730.9 million in 2010. Excluding the contribution of the MSI and Promopharm acquisitions, organic revenue grew by $55.7 million, or 7.6%, driven by growth in the Branded and Injectables businesses.

The Group's gross profit was $395.3 million, up 10.6% from $357.3 million in 2010. Gross margin was 43.1%, compared to 48.9% in the prior year, reflecting the loss of the contribution from higher margin colchicine sales in 2010, increased employee wages and benefits across the MENA region, the consolidation of the lower margin MSI business and the effect of negative foreign exchange movements on sales and raw material costs.

Group operating expenses grew by 24.5% to $276.7 million, compared to $222.2 million in 2010. As a percentage of revenue, Group operating expenses were 30.1%, in line with 2010. The following paragraphs address the Group's main operating expenses in turn.

Sales and marketing expenses grew more slowly than Group revenue during the year, increasing by 17.5% to $125.3 million, compared to $106.7 million in 2010, and decreased as a percentage of sales to 13.6% in 2011, compared to 14.6% in 2010. This primarily reflects the strong performance of our global Injectables business, with its relatively lower sales and marketing expenses as a percentage of sales and the benefits of increased scale.

General and administrative expenses increased by 26.9% to $107.5 million, compared to $84.8 million in the prior year. As a percentage of sales, general and administrative expenses were 11.7% in 2011, compared to 11.6% in 2010. Excluding the impact of acquisition and integration costs of $16.4 million in 2011 and $7.7 million in 2010, Group general and administrative expenses were $91.2 million in 2011, or 9.9% of sales, compared to 10.5% in 2010. This reflects good control of costs across the Group in 2011.

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[10] Sales figure in 2010 excludes colchicine

In line with our strategy to increase investment in R&D across the Group, R&D grew by 32.2% to $31.2 million. Total investment in R&D represented 3.4% of Group revenue, compared to 3.2% in 2010. We expect to significantly increase our R&D investment to around 4.5% of Group sales in 2012, as we work to develop our global portfolio, particularly for our global Injectables products.

During 2011, we have had success in executing our strategy to build our API and R&D capabilities through strategic investments in India and China. We acquired a minority stake in Unimark Remedies Limited ("Unimark"), a leading manufacturer of API ingredients and API intermediates. We will collaborate with Unimark to develop new strategic APIs and finished products, enabling us to bring more products in more therapeutic areas to market globally. We also acquired a minority stake in Hubei Haosun Pharmaceutical Co Ltd ("Haosun"), a Chinese company that develops and manufactures niche, difficult to make APIs. This investment gives us access to a high quality, long term source of oncology API.

Other net operating expenses increased on a reported basis by $5.4 million to $12.6 million in 2011. However, excluding non-recurring gains of $7.2 million in 2010 arising from the revaluation of the previously held interests in the Tunisian company Ibn Al Baytar and the Algerian company Al Dar Al Arabia, net operating expenses decreased by $1.8 million in 2011 compared to the prior year.

Operating profit for the Group was $118.7 million, compared to $135.1 million in 2010. Group operating margin was 12.9%, compared to 18.5% in 2010. Adjusted Group operating profit was $145.8 million compared to $143.0 million in 2010.

Research & Development[11]

The Group's product portfolio continues to grow. In 2011 the Group's portfolio expanded to 667 compounds in 1,598 dosage forms and strengths through acquisitions and new product launches. We manufacture and/or sell 207 of these compounds under-license.

Across all businesses and markets, a total of 91 products were launched. In addition, the Group received 114 approvals.

	Total marketed products		Products launched in 2011		
	Compounds	Dosage forms and strengths	New compounds	New dosage forms and strengths	Total launches across all countries in 2011[12]
Branded	448	1,168	6	12	43
Injectables	169	308	7	14	43
Generics	50	122	2	5	5
Group	**667**	**1,598**	**15**	**31**	**91**

[11] 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

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

	Products approved in 2011			Products pending approval as at 31 Dec 2011		
	New compounds	New dosage forms and strengths	Total approvals across all countries in 2011[12]	New compounds	New dosage forms and strengths	Total pending approvals across all countries as of 31 Dec 2011[12]
Branded	8	14	39	79	149	232
Injectables	7	8	61	72	116	239
Generics	5	14	14	22	22	22
Group	**20**	**36**	**114**	**173**	**287**	**493**

To ensure the continuous development of our product pipeline, we submitted 154 regulatory filings in 2011 across all regions and markets. As of 31 December 2011, we had a total of 493 pending approvals across all regions and markets.

At 31 December 2011, we had a total of 126 new products under development, the majority of which should receive several marketing authorisations for differing strengths and/or product forms over the next few years.

Net finance expense

Net finance expense increased to $22.9 million, compared to $13.5 million in 2010. The increase reflects higher borrowings in 2011 as a result of the MSI, Promopharm, Elie Pharmaceuticals, Unimark and Haosun acquisitions. Additionally, it reflects higher bank charges related to trade financing in the MENA region. We expect the net finance expense in 2012 to be around $32 million, reflecting the full year cost of new debt facilities, including higher interest loans in local currencies that will help to provide a natural hedge for foreign currency exposure. It also reflects an increase in bank charges as we continue to grow our MENA business.

Profit before tax

Profit before tax for the Group decreased by 22.4% to $93.9 million, compared to $121.0 million in 2010. Adjusted profit before tax was $121.0 million, compared to $128.9 million in 2010.

Tax

The Group incurred a tax expense of $10.4 million in 2011, compared to $21.5 million in 2010. The effective tax rate was 11.1%, compared to 17.7% in 2010. This reflects the reduced profitability in the US in 2011, as well as the benefit of a European Union tax credit arising in Portugal in 2011. Given the changing geographic mix of sales, we expect the Group's effective tax rate to be around 20% in 2012.

Profit for the year

The Group's profit attributable to equity holders of the parent was $80.1 million, compared to $98.8 million in 2010. Adjusted profit attributable to equity holders of the parent decreased by 2.2% to $100.9 million, compared to $103.1 million in 2010.

Earnings per share

Basic earnings per share for the year to 31 December 2011 were 41.3 cents, compared to 51.4 cents in 2010. Adjusted diluted earnings per share were 51.0 cents, compared to 52.4 cents in 2010.

Dividend

The Board has recommended a final dividend of 7.5 cents per share (approximately 4.6 pence per share), which will make a dividend for the full year of 13.0 cents per share, maintained in line with 2010. The proposed final dividend will be paid on 24 May 2012 to shareholders on the register on 20 April 2012, subject to approval by shareholders at the Annual General Meeting.

Net cash flow, working capital and net debt

Group cash flow from operations was $126.4 million, including the $21.1 million impact of financing MSI's working capital requirements, compared to $152.5 million in 2010. Excluding MSI, Group net cash flow from operating activities decreased by 3.3% to $147.5 million. Strong growth in operating cash flow in MENA helped to offset the exceptional colchicine benefit in 2010.

Excluding the MSI acquisition, the Group continued to deliver significant improvements in working capital in 2011, reducing its overall working capital cycle by 15 days to 198 days. This reflects our commitment to improve collections, increase the factoring of receivables and optimise our supply chain. Including acquisitions, the Group working capital cycle improved by 20 days to 193 days, reflecting the shorter payment terms in the US.

Capital expenditure increased to $69.0 million, compared to $49.1 million in 2010. In 2011, investment was focused on the expansion of our manufacturing capabilities in the MENA region, which accounted for $47.3 million in expenditure. This underlines our future growth expectations for MENA and our commitment to the region. Further investment included upgrades to the MSI facility and the completion of our new lyophilisation plant in Portugal as well as maintenance capex. We expect capital expenditure in 2012 to be between $85 and $90 million, as we continue to expand our manufacturing capacity in the MENA region and our Injectables capacity in the US.

Group net debt increased from $101.1 million at 31 December 2010 to $421.9 million at 31 December 2011, reflecting the successful negotiation of new debt facilities of $345.0 million. Net debt to EBITDA was 2.6 times, compared to 0.6 times at 31 December 2010. The increase in borrowing was principally to finance $325.0 million of acquisitions completed during the year.

In December 2011, the Group further enhanced its borrowing capacity by signing a new $110 million loan agreement with the International Finance Corporation ("IFC"). The nine-year loan facility will be used to support Hikma's ongoing programme of capital expenditure and expansion in MENA. This facility is currently undrawn.

Balance sheet

During the year, shareholder equity was negatively impacted by unrealised foreign exchanges losses of $15.3 million, reflecting the depreciation of the Euro, the Moroccan Dirham and the Algerian Dinar against the US dollar, resulting from the revaluation of net assets denominated in currencies other than US dollars.

2012 outlook

We expect to deliver Group revenue growth of around 20% in 2012. Overall, we remain confident in Hikma's medium and long term growth prospects and look forward to another strong year in 2012.

Responsibility statement

The responsibility statement below has been prepared in connection with the company's full annual report for the year ended 31 December 2010. Certain parts thereof are not included within this announcement.

We confirm to the best of our knowledge:

- The financial statements, prepared in accordance with the 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; and

- The Business review, which is incorporated into the Directors' report, includes a fair review of the development and performance of the business and the position of 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.

By order of the Board

Said Darwazah
Chief Executive Officer

Khalid Nabilsi
Chief Financial Officer

13 March 2012

Cautionary statement

This preliminary announcement has been prepared solely to provide additional information to shareholders 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

Certain statements in this announcement are forward-looking statements - using words such as "intends", "believes", "anticipates" and "expects". Where included, these have been made by the Directors in good faith based on the information available to them up to the time of their approval of this announcement. By their nature, forward-looking statements are based on assumptions and 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. 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, the Company 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.

Hikma Pharmaceuticals PLC

Consolidated statement of comprehensive income for the year ended 31 December 2011

	Notes	2011 $000	2010 $000
Continuing operations			
Revenue	3	918,025	730,936
Cost of sales	3	(522,676)	(373,592)
Gross profit	3	**395,349**	**357,344**
Sales and marketing costs		(125,295)	(106,673)
General and administrative expenses		(107,540)	(84,755)
Research and development costs		(31,218)	(23,608)
Other operating expenses (net)		(12,608)	(7,213)
Total operating expenses		**(276,661)**	**(222,249)**
Adjusted operating profit		**145,824**	**143,025**
Exceptional items:			
- Acquisition and integration related expenses	4	(16,368)	(7,705)
- Gains on revaluation of previously held equity interests	4	-	7,176
- Inventory related adjustment	4	(1,770)	-
Intangible amortisation*	4	(8,998)	(7,401)
Operating profit	3	**118,688**	**135,095**
Results from associated companies		(1,164)	-
Finance income		468	346
Finance expense		(23,368)	(13,856)
Other expense (net)		(732)	(603)
Profit before tax		**93,892**	**120,982**
Tax	5	(10,423)	(21,455)
Profit for the year		**83,469**	**99,527**
Attributable to:			
Non-controlling interests		3,362	678
Equity holders of the parent		**80,107**	**98,849**
		83,469	**99,527**
Cumulative effect of change in fair value of available for sale investments		(42)	75
Cumulative effect of change in fair value of financial derivatives		(692)	(256)
Exchange difference on translation of foreign operations		(15,294)	(19,532)
Total comprehensive income for the year		**67,441**	**79,814**
Attributable to:			
Non-controlling interests		3,557	(1,023)
Equity holders of the parent		**63,884**	**80,837**
		67,441	**79,814**
Earnings per share (cents)			

Basic	7	41.3	51.4
Diluted	7	40.5	50.2
Adjusted basic	7	52.0	53.6
Adjusted diluted	7	51.0	52.4

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

Hikma Pharmaceuticals PLC

Consolidated balance sheet
at 31 December 2011

	Note	2011 $000	2010 $000
Non-current assets			
Intangible assets		408,804	269,120
Property, plant and equipment		421,357	317,463
Interests in associated companies		37,445	-
Deferred tax assets		36,072	23,288
Available for sale investments		435	477
Financial and other non-current assets		11,644	11,357
		915,757	**621,705**
Current assets			
Inventories	8	239,260	182,192
Income tax asset		1,486	7,518
Trade and other receivables	9	315,856	237,185
Collateralised and restricted cash		2,595	3,573
Cash and cash equivalents		94,715	62,718
Other current assets		5,973	929
		659,885	**494,115**
Total assets		**1,575,642**	**1,115,820**
Current liabilities			
Bank overdrafts and loans		152,853	81,015
Obligations under finance leases		3,300	2,251
Trade and other payables	10	171,098	127,555
Income tax provision		14,561	12,621
Other provisions		9,398	8,641
Other current liabilities		39,373	36,540
		390,583	**268,623**
Net current assets		**269,302**	**225,492**
Non-current liabilities			
Long-term financial debts	11	344,895	78,040
Deferred income		249	335
Obligations under finance leases		18,134	6,118
Deferred tax liabilities		23,147	12,404
		386,425	**96,897**
Total liabilities		**777,008**	**365,520**
Net assets		**798,634**	**750,300**
Equity			
Share capital	12	34,904	34,525
Share premium		278,094	275,968
Own shares		(2,222)	(2,220)
Other reserves		465,799	435,649
Equity attributable to equity holders of the parent		**776,575**	**743,922**
Non-controlling interests		22,059	6,378
Total equity		**798,634**	**750,300**

Hikma Pharmaceuticals PLC

Consolidated statement of changes in equity at 31 December 2011

	Merger reserve $000	Revaluation reserves $000	Translation reserves $000	Retained earnings $000	Total reserves $000	Share capital $000	Share premium $000	Own shares $000	Total equity attributable to equity shareholders of the parent $000	Non-controlling interests $000	Total equity $000
Balance at 1 January 2010	33,920	4,266	5,751	327,130	371,067	34,236	272,785	(2,203)	675,885	7,372	**683,257**
Profit for the year	-	-	-	98,849	98,849	-	-	-	98,849	678	**99,527**
Cumulative effect of change in fair value of available for sale investments	-	-	-	75	75	-	-	-	75	-	**75**
Cumulative effect of change in fair value of financial derivatives	-	-	-	(256)	(256)	-	-	-	(256)	-	**(256)**
Realisation of revaluation reserve	-	(181)	-	181	-	-	-	-	-	-	**-**
Currency translation loss	-	-	(17,831)	-	(17,831)	-	-	-	(17,831)	(1,701)	**(19,532)**
Total comprehensive income for the year	-	(181)	(17,831)	98,849	80,837	-	-	-	80,837	(1,023)	**79,814**
Issue of equity shares	-	-	-	-	-	289	3,183	-	3,472	-	**3,472**
Purchase of own shares	-	-	-	-	-	-	-	(107)	(107)	-	**(107)**
Cost of equity settled employee share scheme	-	-	-	4,473	4,473	-	-	-	4,473	-	**4,473**
Exercise of employees long term incentive plan	-	-	-	(90)	(90)	-	-	90	-	-	**-**
deferred tax arising on share-based payments	-	-	-	1,461	1,461	-	-	-	1,461	-	**1,461**
Current tax arising on share-based payments	-	-	-	974	974	-	-	-	974	-	**974**
Dividends on ordinary shares (note 12)	-	-	-	(23,073)	(23,073)	-	-	-	(23,073)	-	**(23,073)**
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	29	**29**
Balance at 31 December 2010 and 1 January 2011	**33,920**	**4,085**	**(12,080)**	**409,724**	**435,649**	**34,525**	**275,968**	**(2,220)**	**743,922**	**6,378**	**750,300**
Profit for the year	-	-	-	80,107	80,107	-	-	-	80,107	3,362	**83,469**
Cumulative effect of change in fair value of available for sale investments	-	-	-	(42)	(42)	-	-	-	(42)	-	**(42)**
Cumulative effect of change in fair value of financial derivatives	-	-	-	(692)	(692)	-	-	-	(692)	-	**(692)**
Realisation of revaluation reserve	-	(181)	-	181	-	-	-	-	-	-	**-**
Currency translation loss	-	-	(15,489)	-	(15,489)	-	-	-	(15,489)	195	**(15,294)**

Total comprehensive income for the year	-	(181)	(15,489)	79,554	63,884	-	-	-	63,884	3,557	**67,441**
Issue of equity shares	-	-	-	-	-	379	2,126	-	2,505	-	**2,505**
Purchase of own shares	-	-	-	-	-	-	-	(115)	(115)	-	**(115)**
Cost of equity settled employee share scheme	-	-	-	7,507	7,507	-	-	-	7,507	-	**7,507**
Exercise of employees long term incentive plan	-	-	-	(113)	(113)	-	-	113	-	-	**-**
Deferred tax arising on share-based payments	-	-	-	(5,644)	(5,644)	-	-	-	(5,644)	-	**(5,644)**
Current tax arising on share-based payments	-	-	-	3,750	3,750	-	-	-	3,750	-	**3,750**
Dividends on ordinary shares (note 6)	-	-	-	(25,201)	(25,201)	-	-	-	(25,201)	(100)	**(25,301)**
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	26,650	**26,650**
Adjustment arising from change in non-controlling interests	-	-	-	(14,033)	(14,033)	-	-	-	(14,033)	(14,914)	**(28,947)**
Issue of equity shares of subsidiary	-	-	-	-	-	-	-	-	-	488	**488**
Balance at 31 December 2011	**33,920**	**3,904**	**(27,569)**	**455,544**	**465,799**	**34,904**	**278,094**	**(2,222)**	**776,575**	**22,059**	**798,634**

Hikma Pharmaceuticals PLC

Consolidated cash flow statement
at 31 December 2011

	Note	2011 $000	2010 $000
Net cash from operating activities		**126,397**	**152,540**
Investing activities			
Purchases of property, plant and equipment		(69,032)	(49,121)
Proceeds from disposal of property, plant and equipment		696	1,556
Purchase of intangible assets		(8,967)	(4,074)
Proceeds from disposal of intangible assets		191	566
Acquisition of interest in associated companies		(38,610)	-
Investment in financial and other non-current assets		(287)	(10,800)
Proceeds from disposal of available for sale investments		-	140
Acquisition of subsidiary undertakings net of cash acquired		(217,779)	(23,000)
Payments of costs directly attributable to acquisitions	4	(10,147)	(7,705)
Finance income		468	346
Net cash used in investing activities		**(343,467)**	**(92,092)**
Financing activities			
Decrease/(Increase) in collateralised cash		978	(1,140)
Increase in long-term financial debts		335,353	19,045
Repayment of long-term financial debts		(68,364)	(59,177)
Increase in short-term borrowings		59,095	14,147
Decrease in obligations under finance leases		(2,028)	(616)
Dividends paid		(25,201)	(23,073)
Dividends paid to non-controlling shareholders		(101)	-
Interest paid		(23,758)	(13,754)
Proceeds from issue of new shares		2,390	3,365
Proceeds from non-controlling interest for capital increase in subsidiary		488	-
Acquisition of non-controlling interest in subsidiary		(29,196)	-
Net cash generated by/(used in) financing activities		**249,656**	**(61,203)**
Net increase/(decrease) in cash and cash equivalents		**32,586**	**(755)**
Cash and cash equivalents at beginning of year		62,718	65,663
Foreign exchange translation movements		(589)	(2,190)
Cash and cash equivalents at end of year		**94,715**	**62,718**

Hikma Pharmaceuticals PLC

1. Basis of preparation

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 December 2011 or 2010, but is derived from those accounts. Statutory accounts for 2010 have been delivered to the Registrar of Companies and those for 2011 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 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 2010 and 31 December 2011 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).

2. 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 increased its year end net debt position to $421.9 million (2010: $101.1 million) following significant investment in acquisitions. Operating cash flow in 2011 was $126.4 million (2010: $152.5 million). The Group has $396.4 million (2010: $264.8 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 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.

Hikma Pharmaceuticals PLC

3. Segmental reporting

For management purposes, the Group is currently organised into three operating divisions – Branded, Injectables and Generics. These divisions are the basis on which the Group reports its segment information.

The Group discloses underlying operating profit as the measure of segment 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 2011:

Year ended 31 December 2011	**Branded $000**	**Injectables $000**	**Generic $000**	**Others $000**	**Group $000**
Revenue	441,907	315,728	154,813	5,577	918,025
Cost of sales	(227,830)	(188,151)	(102,609)	(4,086)	(522,676)
Gross profit	214,077	127,577	52,204	1,491	395,349
Adjusted segment result	**105,143**	**54,938**	**17,124**	**(2,369)**	**174,836**
Exceptional items:					
- Integration related expenses	(921)	(4,551)	-	-	**(5,472)**
- Inventory related adjustments	-	(1,770)	-	-	**(1,770)**
Intangible amortisation*	(5,763)	(3,186)	(39)	(10)	**(8,998)**
Segment result	98,459	45,431	17,085	(2,379)	158,596
Adjusted Unallocated corporate expenses					**(29,012)**
Exceptional items:					
- Acquisition related expenses					(10,896)
Unallocated corporate expenses					(39,908)
Adjusted operating profit					**145,824**
Operating profit					118,688
Results from associated companies					(1,164)
Finance income					468
Finance expense					(23,368)
Other expense (net)					(732)
Profit before tax					93,892
Tax					(10,423)
Profit for the year					83,469
Attributable to:					
Non-controlling interest					3,362
Equity holders of the parent					80,107
					83,469

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

Hikma Pharmaceuticals PLC

3. Segmental reporting - continued

"Others" mainly comprise Arab Medical Containers Ltd, International Pharmaceutical Research Center Ltd and the chemicals division of Hikma Pharmaceuticals Ltd Jordan.

Unallocated corporate expenses are primarily made up of employee costs, office costs, professional fees, donations, travel expenses and acquisition related expenses.

Segment assets and liabilities 2011	**Branded $000**	**Injectables $000**	**Generic $000**	**Corporate and others $000**	**Group $000**
Additions to property, plant and equipment (cost)	44,869	11,926	12,925	975	70,695
Acquisition of subsidaries' property, plant and equipment (net book value)	24,125	50,071	-	-	74,196
Additions to intangible assets	5,054	2,520	1,106	287	8,967
Intangible assets arising on acquisition	110,900	40,324	-	-	151,224
Total property, plant and equipment and intangible assets (net book value)	527,240	244,725	50,759	7,437	830,161
Depreciation	18,205	10,521	6,250	684	35,660
Amortisation (including software)	7,064	3,748	307	224	11,343
Interests in associated companies	-	-	-	37,445	37,445
Balance sheet					
Total assets	958,709	389,819	168,526	58,588	1,575,642
Total liabilities	490,523	197,271	31,514	57,700	777,008

Hikma Pharmaceuticals PLC

3. Segmental reporting – continued

The following is an analysis of the Group's revenue and results by reportable segment in 2010:

Year ended 31 December 2010	**Branded $000**	**Injectables $000**	**Generic $000**	**Others $000**	**Group $000**
Revenue	394,166	157,439	174,491	4,840	730,936
Cost of sales	(190,733)	(86,437)	(92,710)	(3,712)	(373,592)
Gross profit	203,433	71,002	81,781	1,128	357,344
Adjusted segment result	**96,230**	**26,224**	**51,258**	**(2,889)**	**170,823**
Exceptional items :					
- Gains on revaluation of previously held equity interests	7,176	-	-	-	**7,176**
Intangible amortisation*	(4,732)	(2,500)	(169)	-	**(7,401)**
Segment result	98,674	23,724	51,089	(2,889)	170,598
Adjusted unallocated corporate expenses					(27,798)
Exceptional items :					
- Acquisition related expenses					(7,705)
Unallocated corporate expenses					(35,503)
Adjusted operating profit					**143,025**
Operating profit					135,095
Finance income					346
Finance expense					(13,856)
Other expense (net)					(603)
Profit before tax					120,982
Tax					(21,455)
Profit for the year					99,527
Attributable to:					
Non-controlling interest					678
Equity holders of the parent					98,849
					99,527

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

"Others" mainly comprise Arab Medical Containers Ltd, International Pharmaceutical Research Center Ltd and the chemicals division of Hikma Pharmaceuticals Ltd Jordan.

Unallocated corporate expenses are primarily made up of employee costs, office costs, professional fees, donations, travel expenses and acquisition related expenses.

3. Segmental reporting - continued

Segment assets and liabilities 2010	Branded $000	Injectables $000	Generic $000	Corporate and others $000	Group $000
Additions to property, plant and equipment (cost)	32,747	7,428	6,798	2,125	49,098
Acquisition of subsidiary's property, plant and equipment (net book value)	24,437	-	-	-	24,437
Additions to intangible assets	2,147	1,902	5	20	4,074
Intangible assets arising on acquisition	28,066	-	-	-	28,066
Total property, plant and equipment and intangible assets (net book value)	397,301	146,818	32,682	9,782	586,583
Depreciation	16,032	5,517	6,373	1,169	29,091
Amortisation (including software)	6,044	2,848	365	85	9,342
Balance sheet					
Total assets	755,936	184,039	150,015	25,830	1,115,820
Total liabilities	240,438	77,217	26,967	20,898	365,520

3. Segmental reporting - continued

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

	Sales revenue by geographical market	
	For the year ended 31 December	
	2011	2010
	$000	$000
Middle East and North Africa	508,776	446,524
United States	317,334	204,389
Europe and Rest of the World	87,622	79,133
United Kingdom	4,293	890
	918,025	730,936

The top selling markets are USA, Saudi Arabia and Algeria with total sales of USD 317.3 million (2010: USD 204.4 million), USD 121.4 million (2010: USD 118.5 million) and USD 102.5 million (2010: USD 88.8 million), respectively.

Included in revenues arising from the Branded and Injectables segments are revenues of approximately USD 101.9 million (2010: USD 99.4 million) which arose from sales to the Group's largest customer which is located in Saudi Arabia.

The following is an analysis of the total non current assets excluding deferred tax and financial instruments and an analysis of total assets by the geographical area in which the assets are located:

	Total non current assets excluding deferred tax and financial instruments as at 31 December		Total assets as at 31 December	
	2011	2010	2011	2010
	$000	$000	$000	$000
Middle East and North Africa	567,935	417,076	1,019,288	774,402
Europe	141,481	146,844	197,128	185,945
United States	131,589	33,589	349,705	150,018
United Kingdom	800	431	9,521	5,455
	841,805	597,940	1,575,642	1,115,820

4. Exceptional items and intangible amortisation

Exceptional items are disclosed separately in the statement of comprehensive income to assist in the understanding of the Group's underlying performance.

	2011 $000	2010 $000
Acquisition related expenses	(10,896)	(7,705)
Integration related expenses	(5,472)	-
	(16,368)	**(7,705)**
Gains on revaluation of previously held equity interests	-	7,176
Inventory related adjustment	(1,770)	-
Exceptional items	**(18,138)**	**(529)**
Intangible amortisation *	(8,998)	(7,401)
Exceptional items and intangible amortisation	**(27,136)**	**(7,930)**
Tax effect	6,374	3,666
Impact on profit for the year	**(20,762)**	**(4,264)**

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

Acquisition and integration related expenses are costs incurred in acquiring the Baxter Healthcare Multi-Source injectables business (MSI), Société de Promotion Pharmaceutique du Maghreb S.A. (Promopharm) S.A, and Elie Pharmaceuticals Businesses, now called (“Savanna”). Acquisition related expenses are included in the unallocated corporate expenses while integration related expenses are included in segment results. Further details are set out in note 15 “Acquisition of subsidiaries”.

Acquisition related expenses mainly comprises of third party consulting services, legal and professional fees.

USD 10.1 million (31 December 2010: USD 7.7million) of costs have been classified as investing activities in the cash flow statement relating to the cash outflow in respect of acquisition and integration costs in the period.

The inventory related adjustments reflect the fair value uplift of the inventory acquired as part of the MSI acquisition (refer to note 15).

In the prior year, acquisition related expenses related to transaction costs incurred in acquiring Ibn Al Baytar, Al Dar Al Arabia and MSI, for which the process of completion commenced in the second half of 2010. These were included in the unallocated corporate expenses.

Gains on revaluation of previously held equity interests related to gains arising from the remeasurement to fair value of the previously held equity interests in Ibn Al Baytar and Al Dar Al Arabia. These were included within other operating expenses (net).

5. Tax

	2011 $000	2010 $000
Current tax:		
Foreign tax	15,541	27,037
Prior year adjustments	(1,358)	(691)
Deferred tax	(3,760)	(4,891)
	10,423	21,455

UK corporation tax is calculated at 26.5% (2010: 28%) of the estimated assessable profit made in the UK for the year.
Effective tax rate for the Group is 11.1% (2010: 17.74%).
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 statement of comprehensive income as follows:

	2011 $000	2010 $000
Profit before tax:	93,892	120,982
Tax at the UK corporation tax rate of 26.5% (2010: 28%)	24,881	33,875
Profits taxed at different rates	(10,796)	(15,184)
Permanent differences	(5,158)	853
Temporary differences for which no benefit is recognised	2,854	2,602
Prior year adjustments	(1,358)	(691)
Tax expense for the year	10,423	21,455

Hikma Pharmaceuticals PLC

6. Dividends

	2011 $000	2010 $000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2010 of 7.5 cents (2009: 6.5 cents) per share	14,497	12,473
Interim dividend for the year ended 31 December 2011 of 5.5 cents (2010: 5.5 cents) per share	10,704	10,600
	25,201	23,073

The proposed final dividend for the year ended 31 December 2011 is 7.5 cents (2010: 7.5 cents) per share, bringing the total dividends for the year to 13.0 cents (2010: 13.0 cents) per share.

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7. Earnings per share

Earnings per share are 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 are 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. A reconciliation of the basic and adjusted earnings used is also set out below:

	2011 $000	2010 $000
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent	80,107	98,849
Exceptional items (see note 4)	18,138	529
Intangible amortisation*	8,998	7,401
Tax effect of adjustments	(6,374)	(3,666)
Adjusted earnings for the purposes of adjusted basic and diluted earnings per share being adjusted net profit attributable to equity holders of the parent	100,869	103,113
Number of shares	**Number '000**	**Number '000**
Weighted average number of Ordinary Shares for the purposes of basic earnings per share	194,135	192,304
Effect of dilutive potential Ordinary Shares:		
Share based awards	3,633	4,551
Weighted average number of Ordinary Shares for the purposes of diluted earnings per share	197,768	196,855

	2011 Earnings per share Cents	2010 Earnings per share Cents
Basic	41.3	51.4
Diluted	40.5	50.2
Adjusted basic	52.0	53.6
Adjusted diluted	51.0	52.4

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

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8. Inventories

	2011 $000	2010 $000
Finished goods	77,862	50,829
Work-in-progress	28,039	29,592
Raw and packing materials	114,449	81,864
Goods in transit	18,910	19,907
	239,260	182,192

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

9. Trade and other receivables

	2011 $000	2010* $000
Trade receivables	292,100	216,334
Prepayments	16,015	12,451
Value added tax recoverable	5,188	6,219
Interest receivable	490	223
Employee advances	2,063	1,958
	315,856	237,185

* Certain balances have been reclassified to conform with current period presentation. Trade receivables in 2010 were net of USD 16,000,000 of provisions for expired goods, certain returns and other rebates, which have now been included in other current liabilities.

10. Trade and other payables

	2011 $000	2010 $000
Trade payables	97,756	74,936
Accrued expenses	60,276	42,428
Employees' provident fund *	4,181	2,625
VAT and sales tax payables	535	452
Dividends payable **	2,207	2,256
Social security withholdings	1,107	1,130
Income tax withholdings	2,482	2,074
Other payables	2,554	1,654
	171,098	127,555

* The employees’ provident fund liability mainly represents the outstanding contributions due to the Hikma Pharmaceuticals Limited – Jordan retirement benefit plan, on which the fund receives 5% interest.

** Dividends payable includes USD 2,022,000 (2010: USD 2,072,000) due to the previous shareholders of APM.

11. Long-term financial debts

	2011 $000	2010 $000
Total loans	410,197	114,235
Less: current portion of loans	(65,302)	(36,195)
Long-term financial loans	344,895	78,040
Breakdown by maturity:		
Within one year	65,302	36,195
In the second year	84,488	34,193
In third year	63,732	26,700
In the fourth year	65,490	6,167
In the fifth year	58,069	3,735
Thereafter	73,116	7,245
	410,197	114,235
Breakdown by currency:		
USD	346,405	67,237
Euro	18,394	30,181
Algerian Dinar	37,400	10,951
Egyptian Pound	4,343	1,998
Tunisian Dinar	3,655	3,868
	410,197	114,235

The loans are held at amortised cost.

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

a) A five year USD 100 million syndicated loan and a four year USD 45 million revolver was entered into on 2 May 2011. The term loan has been partially repaid by USD 25 million on 15 December 2011. There is an outstanding balance at the year end of USD 81 million and an unused revolver balance of USD 39 million. Quarterly repayments for the term loan should commence on 30 June 2012 and will continue until 2 May 2016. The revolver maturity date is 2 May 2015. This financing has been used to fund the acquisitions of the MSI injectables business in the US.

b) A seven year syndicated loan of up to USD 180 million was entered into on 27 September 2011. The loan has an outstanding balance at year end of 140 million and a zero unused available limit. The syndicated loan has been underwritten by USD 140 million. As of the balance sheet date the syndicate was not closed. Quarterly repayments for the term loan should commence 18 months after the date of the agreement and will continue until the 84th month after the date of the agreement. Payment will be made with equal instalments representing 3.182% from the loan balance and a bullet payment of 30% at the maturity of the loan. The loan has been used to finance the Moroccan acquisition and the Group general capital expenditures.

12. Share capital

Issued and fully paid – included in shareholders' equity:

	2011		2010	
	Number '000	**$000**	**Number '000**	**$000**
At 1 January	193,517	34,525	191,628	34,236
Issued during the year	2,334	379	1,889	289
At 31 December	195,851	34,904	193,517	34,525

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13. Net cash from operating activities

		2011 $000	2010 $000
Profit before tax		93,892	120,982
Adjustments for:			
Depreciation and amortisation of:			
Property, plant and equipment		35,660	29,091
Intangible assets		11,343	9,342
Gain on revaluation of previously held equity interest		-	(7,176)
Loss on disposal of property, plant and equipment		22	376
Gain on disposal of intangible assets		(91)	(162)
Movement on provisions		757	2,488
Movement on deferred income		(87)	(159)
Cost of equity settled employee share scheme		7,507	4,473
Payments of costs directly attributable to acquisitions	4	10,147	7,705
Finance income		(468)	(346)
Interest and bank charges		23,368	13,856
Results from associates		1,164	-
Cash flow before working capital		**183,214**	**180,470**
Change in trade and other receivables		(59,898)	10,689
Change in other current assets		(4,570)	322
Change in inventories		(8,199)	(19,295)
Change in trade and other payables		15,987	16,102
Change in other current liabilities		1,958	(3,091)
Cash generated by operations		**128,492**	**185,197**
Income tax paid		(2,095)	(32,657)
Net cash generated from operating activities		**126,397**	**152,540**

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14. Related party balances

Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its associate and other related parties are disclosed below.

During the year, Group companies entered into the following trading 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 ownership percentage of 29.2% at the end of 2011 (2010: 29.5%). Further details on the relationship between Mr. Samih Darwazah, Mr. Said Darwazah, Mr. Mazen Darwazah and Mr. Ali Al-Husry, and Darhold Limited are given in the Directors' Report.

Other than dividends (as paid to all shareholders), there were no transactions between the Group and Darhold Limited in the year.

Capital Bank - Jordan: is a related party of the Group because during the year two board members of the Bank were also board members at Hikma Pharmaceuticals PLC. Total cash balances at Capital Bank – Jordan were USD 610,000 (2010: USD 2,169,000). Loans and overdrafts granted by Capital Bank to the Group amounted to USD 3,841,000 (2010: USD 48,000) with interest rates ranging between 8.25% and 3MLIBOR + 1. Total interest expense incurred against Group facilities was USD 7,000 (2010: USD 18,000). Total interest income received was Nil (2010: USD 8,000) and total commission paid in the year was USD 8,000 (2010: USD 76,000).

Jordan International Insurance Company: is a related party of the Group because one board member of the company is also a board member at Hikma Pharmaceuticals PLC. Total insurance premiums paid by the Group to Jordan International Insurance Company during the year were USD 3,035,000 (2010: USD 2,166,000). The Group's insurance expense for Jordan International Insurance Company contracts in the year 2011 was USD 2,902,000 (2010: USD 2,481,000). The amounts due from Jordan International Insurance Company at the year end were USD 109,000 (2010: Due to USD 66,000).

Mr. Yousef Abd Ali: Mr. Yousef Abd Ali is a related party of the Group because he holds a non-controlling interest in Hikma Lebanon of 33%, the amount owed to Mr. Yousef by the Group as at 31 December 2011 was USD 150,000 (2010: USD 161,000).

Labatec Pharma: is a related party of the Group because it is owned by Mr. Samih Darwazah. During 2011 the Group total sales to Labatec Pharma amounted to USD 34,000 (2010: USD 414,000) and the Group total purchases from Labatec amounted to USD 3,805,000 (2010: USD 1,373,000). At 31 December 2011 the amount owed to Labatec Pharma from the Group was USD 753,000 (2010: USD 193,000).

King and Spalding: is a related party of the Group because the partner of the firm is a board member and the company secretary of West-Ward. King and Spalding is an outside legal counsel firm that handles general legal matters for West-Ward. During 2011 fees of USD 1,216,000 (2010: USD 927,000) were paid for legal services provided.

15. Acquisition of subsidiaries

During the year, Hikma acquired three businesses: Baxter Healthcare Corporation's Multi-Source injectables (MSI) business, Société de Promotion Pharmaceutique du Maghreb S.A. (Promopharm) and Savanna Pharmaceuticals Industries Co.Ltd (Savanna), as disclosed below:

MSI

On 2 May 2011, the Group completed the acquisition of Baxter Healthcare Corporation's Multi-Source Injectables (MSI) business for cash consideration of USD103,839,000 and deferred consideration of USD 12,684,000 of which USD 11,542,000 is the discounted value of a non interest bearing note and due in two payments, February 2012 and November 2012. This deferred consideration has been treated as a financial liability in accordance with IAS 32 Financial Instruments: Presentation and IFRS 3 revised (2008): Business Combinations.

The purpose of the acquisition was to significantly enhance the scale and scope of Hikma's global Injectables platform.

The acquisition was a trade and asset based transaction. It is considered a business combination in accordance with IFRS 3 revised (2008): Business Combinations as Hikma's wholly owned subsidiary West-Ward Pharmaceutical acquired an integrated set of activities and assets that can be managed for the purpose of providing a return to the shareholders.

Due to the timing of the acquisition, the fair value and goodwill arising on acquisition stated below are considered to be provisional.

The goodwill arising represents the synergies that will be obtained by integrating MSI into the existing business and increasing the scale of Hikma's Injectables business.

The Group consolidated statement of comprehensive income for the year includes pre tax acquisition and integration related costs amounting to USD 9,983,000 and the amortisation of a fair value inventory adjustment of USD 1,770,000.

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

Hikma Pharmaceuticals PLC

15. Acquisition of subsidiaries – continued

Multi-Source Injectables	**Book value $000**	**Fair value adjustment $000**		**Fair value $000**
Product rights	-	8,435	a	8,435
Property, plant and equipment	125,263	(75,192)	b	50,071
Inventories	48,312	(12,059)	c	36,253
Prepaid expenses	7,906	-		7,906
Deferred taxes asset	-	14,937	d	14,937
Liabilities	(11,264)	(21,704)	e	(32,968)
Identifiable net assets	170,217	(85,583)		84,634
Consideration				116,523
Less: identifiable net assets				(84,634)
Goodwill				**31,889**
Consideration is satisfied by :				
Cash				103,839
Deferred consideration				12,684
				116,523
Cash consideration				103,839
Cash and cash equivalents acquired				-
Net cash outflow arising on acquisition				103,839

a. Product rights relating to thirty six product licenses and approvals has been valued based on the type of rights acquired. A discounted cash flow approach has been taken based on excess earnings by product group, applying a discount rate applicable for any market participant.

Useful lives of 9 -14 years have been determined.

b. The property, plant and equipment acquired have been valued by a third party expert at current market values.

c. Inventories have been valued as follows:

a. Raw materials at the current replacement cost.

b. Finished goods and work in process at the estimated selling prices less a cost to dispose and complete less a reasonable profit attributable to selling effort.

Following a rigorous internal review of inventory acquired as part of the acquisition, it has been determined that certain inventory items are not marketable. Consequently, the value of this inventory has been reduced to nil.

d. Taxable temporary differences have been identified by reference to IAS 12 “income tax”.

e. Liabilities include finance lease obligations acquired which have been revalued using a discounted future cash flow method and applying the Company’s incremental borrowing rate as the discount rate, in addition to other fair value adjustments.

Certain measurement period adjustments have been recorded following the discovery of quality issues relating to certain products.

15. Acquisition of subsidiaries – continued

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

Full year impact of acquisition:

The revenue and net gain, excluding pre tax acquisition and integration related costs amounting to USD 9,983,000 and the amortisation of a fair value inventory adjustment of USD 1,770,000 of MSI from the date of the acquisition that is included in the Group's consolidated statement of comprehensive income for the year amounted to USD 120,300,000 and USD 11,636,000 respectively.

Promopharm

On 3 October 2011, the Group completed the acquisition of 63.9% of Société de Promotion Pharmaceutique du Maghreb S.A. (Promopharm) business for cash consideration of USD 111,195,000. The consolidated statement of comprehensive income for the year includes pre tax acquisition related costs amounting to USD 4,696,000.

By 31 December 2011 the Group acquired an additional stake of 20.4% for a cash consideration of USD 29,196,000 through the purchase of additional shares in the market. The additional 20.4% stake has been treated as a separate transaction and was therefore accounted for as an acquisition of non-controlling interest in accordance with IAS 27 Consolidated and Separate Financial Statements. The difference between the consideration paid, including related expenses of USD 1,174,000, and reduction in non-controlling interest, has been adjusted against retained earnings attributable to the equity holders of the parent in accordance with IAS 32 Financial Instruments: Presentation.

Subsequent to 31 December 2011 the Group acquired an additional 9.8% stake for cash consideration of USD 12,009,000 to bring the total ownership to 94.1%. This was completed as part of a mandatory tender offer, which closed on 6 January 2012.

This acquisition will deliver a substantial local manufacturing presence in Morocco, the fourth largest pharmaceutical market in MENA, and completes Hikma's footprint in the region and provides an excellent distribution platform for launching Hikma's leading strategic products in the Moroccan market. This acquisition will create opportunities to export Promopharm's product portfolio to Hikma's existing markets, leveraging Hikma's extensive sales and marketing operations across MENA, and developing Hikma's presence in West African markets.

Due to the timing of the acquisition closing on 3 October 2011, the fair value and goodwill arising on acquisition stated below are considered to be provisional.

The goodwill arising represents synergies that will be obtained by integrating Promopharm into the existing business.

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15. Acquisition of subsidiaries - continued

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

Promopharm	**Book value $000**	**Fair value adjustment $000**		**Fair value $000**
Trade name	-	4,213	a	4,213
Customer relationships/base	-	15,914	b	15,914
Product related	-	19,100	c	19,100
Software	63	-		63
Cash and cash equivalent	16,982	-		16,982
Accounts receivable, net	9,179	-		9,179
Inventories	12,377	-		12,377
Deferred taxes asset	1,052	-		1,052
Tangible fixed assets	15,732	500	d	16,232
Financial debts	(1,248)	-		(1,248)
Trade accounts payable	(7,628)	-		(7,628)
Income tax provision	(342)	-		(342)
Provisions	(159)	-		(159)
Deferred taxes liabilities	-	(11,918)	e	(11,918)
Net assets acquired	46,008	27,809		73,817

Total consideration	111,195
Less: identifiable net assets	(73,817)
Less: non-controlling interest - 36.1%	26,649
Goodwill	**64,027**

Consideration is satisfied by:	
Cash	111,195
	111,195

Cash consideration	111,195
Cash and cash equivalents acquired	(16,982)
Net cash outflow arising on acquisition	94,213

a. Trade names relate to twenty six generic drugs included in Promopharms's portfolio as well as eighteen others in the pipeline which have been valued under the relief from royalty method. Useful lives of ten years have been determined.

b. Customer relationships represent established customer relationships with individuals or other businesses that repeatedly order from a company. Customer relationships were valued by using the multi excess earnings method. Useful lives of 15 years have been determined.

c. Product related intangibles represent molecule rights, sales and distribution agreements and manufacturing and licensing agreements.

d. The property, plant and equipment acquired have been valued by a third party expert at current market values.

e. Taxable temporary differences have been identified by reference to IAS 12 "income tax".

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

15. Acquisition of subsidiaries - continued

The revenue and net gain, excluding pre tax acquisition related costs amounting to USD 4,696,000 of Promopharm from the date of the acquisition that is included in the Groups' consolidated statement of comprehensive income for the year amounted to USD 11,187,000 and USD 1,203,000 respectively.

Full year impact of acquisitions:

If the acquisition of MSI and Promopharm had been completed on the first day of the financial year, the Group's revenues for the year would have been approximately USD 1,012,914,000 and the Group's profit attributable to equity holders of the Parent would have been approximately USD 82,451,000. The appropriate additional contribution by entity for the period from the beginning of the year up to the acquisition date is illustrated in the table below:

	Effect on Group's revenues $000	Effect on Group's profit $000
MSI	57,971	2,597
Promopharm	36,918	(253)
	94,889	2,344

16. Foreign exchange currencies

The currencies that have a significant impact on the Group accounts and the exchange rates used are as follows:

	Period end rates		Average rates	
	2011	2010	2011	2010
USD/EUR	0.7722	0.7545	0.7180	0.7531
USD/Sudanese Pound	2.8918	3.1049	2.9869	2.5209
USD/Algerian Dinar	76.0061	74.0273	72.8147	74.3916
USD/Saudi Riyal	3.7495	3.7495	3.7495	3.7495
USD/British Pound	0.6470	0.6464	0.6233	0.6467
USD/Jordanian Dinar	0.7090	0.7090	0.7090	0.7090
USD/Egyptian Pound	6.0481	5.8224	5.9648	5.6555
USD/Japanese Yen	77.4136	81.5533	79.7414	87.8289
USD/Moroccan Dirham	8.6133	8.4104	8.3682	8.4898

Principal Risks and Uncertainties

The Group's business faces risks and uncertainties. The section below sets out the principal risks and uncertainties that the Group considers could have a significant effect on its financial condition, results of operations or future performance. The list is not set out in order of priority and other risks, currently unknown or not considered material, could have a similar effect.

Operational risks

Risk	Potential impact	Mitigation
Compliance with regulatory requirements		
> Failure to comply with applicable regulatory requirements and manufacturing standards (often referred to as 'Current Good Manufacturing Practices' or cGMP)	> Delays in supply or an inability to market or develop the Group's products > Delayed or denied approvals for the introduction of new products > Product complaints or recalls > Bans on product sales or importation > Disruptions to operations > Potential for litigation	> 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,	> Slowdown in revenue growth from new products	> Experienced regulatory teams able to accelerate submission processes across all of our markets

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	> Inability to deliver a positive return on investments in R&D, manufacturing and sales and marketing	> Highly qualified sales and marketing teams across all markets > A diversified product pipeline with over 173 compounds pending approval, covering a broad range of therapeutic areas > A systematic commitment to quality that helps to secure approval and acceptance of new products and mitigate potential safety issues
Product safety		
> Unforeseen product safety issues for marketed products, particularly in respect of in-licensed products	> Interruptions to revenue flow > Costs of recall, potential for litigation > Reputational damage	> Diversification of product portfolio across key markets and therapies > Working with stakeholders to understand issues as they arise
Product development		
> Failure to secure new products or compounds for development	> Inability to grow sales and increase profitability for the Group > Lower return on investment in research and development	> Experienced and successful in-house R&D team, with specifically targeted product development pathways > Continually developing and multi-faceted approach to new product development > Strong business development team > Track record of building in-licensed brands > Position as licensee of choice for our key MENA geography

Co-operation with Third parties		
> Inability to renew or extend in-licensing or other co-operation agreements with third parties	> Loss of products from our portfolio > Revenue interruptions > Failure to recoup sales and marketing and business development costs	> Investment in long-term relationships with existing in-licensing partners > Experienced legal team capable of negotiating robust agreements with our partners > Continuous development of new partners for licensing and co-operation > Diverse revenue model with in-house R&D capabilities
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 Eurozone), political environment or sustained civil unrest in any particular market or	> Disruptions to manufacturing and marketing plans	> Geographic diversification, with 22 manufacturing facilities and sales in more than 40 countries

country > Unforeseen events such as fire or flooding could cause disruptions to manufacturing or supply	> Lost revenue streams > Inability to market or supply products	> Product diversification, with 667 products and 1,598 dosage strengths and forms
Litigation		
> Commercial, product liability and other claims brought against the Group	> Financial impact on Group results from adverse resolution of proceedings > Reputational damage	> In-house legal counsel with relevant jurisdictional experience

Financial risks

Risk	**Impact**	**Mitigation**
Foreign exchange risk		
> Exposure to foreign exchange movements, primarily in the European, Algerian, Sudanese and Egyptian currencies	> Fluctuations in the Group's net asset values and profits 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,	> Continual evaluation of headroom and borrowing > Committed debt facilities

	therefore, to execute our long term strategic plans	> 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