

HIKMA PHARMACEUTICALS PLC

Hikma

Prospectus

Global Co-ordinator,
Bookrunner, Lead Manager and Sponsor
Merrill Lynch International

Joint Lead Manager
Citigroup

Co-Lead Manager
Export & Finance Bank

This document comprises a prospectus relating to Hikma Pharmaceuticals plc (the "Company") prepared in accordance with the Prospectus Rules of the Financial Services Authority made under section 73A of the Financial Services and Markets Act 2000 (as amended).

The Company and its Directors (whose names appear on page 9 of this document) accept responsibility for the information contained in this document. To the best of the knowledge of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and contains no omission likely to affect its import.

Application has been made to the Financial Services Authority for all of the Ordinary Shares, issued and to be issued in connection with the Global Offer, to be admitted to listing on the Official List and to the London Stock Exchange and for such Ordinary Shares to be admitted to trading on the London Stock Exchange's Domestic Market (together "Admission"). Conditional dealings in the Ordinary Shares are expected to commence on the London Stock Exchange on 1 November 2005. It is expected that Admission will become effective, and that unconditional dealings will commence in the Ordinary Shares on the London Stock Exchange, at 8.00 am on 4 November 2005. All dealings in the Ordinary Shares prior to the commencement of unconditional dealings will be of no effect if Admission does not take place and such dealings will be at the sole risk of the parties concerned.

The Company intends to apply for a secondary listing of global depositary receipts on the Dubai International Financial Exchange.

For a discussion of certain risk and other factors that should be considered in connection with an investment in the Ordinary Shares, see Part II: *"Risk Factors"*.

HIKMA PHARMACEUTICALS PLC

(incorporated under the Companies Act 1985 and registered in England and Wales with registered number 5557934)

Global Offer of 51,311,193 Ordinary Shares
at a price of 290p per Ordinary Share

Admission to the Official List and to trading on the London Stock Exchange

Global Co-ordinator, Bookrunner, Lead Manager and Sponsor
Merrill Lynch International

Joint Lead Manager
Citigroup

Co-Lead Manager
Export & Finance Bank

Share capital immediately following Admission

Authorised			*Issued and fully paid**	
Number	*Amount*	Ordinary Shares of 10p each	*Number*	*Amount*
500,000,000	**£50,000,000**		**166,537,951**	**£16,653,795**

* Assuming no exercise of the Over-allotment Option

The Company will issue 24,137,931 New Shares (assuming no exercise of the Over-allotment Option) and the Selling Shareholders will offer 27,173,262 Existing Shares under the Global Offer. The Company will not receive any of the proceeds of the sale of the Existing Shares, all of which will be paid to the Selling Shareholders. The Ordinary Shares are being offered to certain institutional investors in the United Kingdom, qualified institutional buyers ("QIBs") (as defined in Rule 144A ("Rule 144A") under the US Securities Act of 1933, as amended (the "Securities Act")) in the United States and certain institutional investors in the rest of the world. The New Shares to be issued pursuant to the Global Offer will, following Admission, rank equal in all respects to the Existing Shares and will rank in full for all dividends and other distributions declared, made or paid on Ordinary Shares after Admission.

The distribution of this document and the offering and sale of the Ordinary Shares in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. This document does not constitute part of any offer to sell, or the solicitation of an offer to subscribe for or buy, any Ordinary Shares to any person in any jurisdiction to whom or in which such offer or solicitation is unlawful and is not for distribution in or into the United States, Canada, Australia or Japan. The Ordinary Shares have not been and will not be registered under the Securities Act and subject to certain exceptions, the Ordinary Shares may not be offered or sold within the United States. The Ordinary Shares have not been and will not be registered with any securities regulatory authority of any state or other jurisdiction of the United States or under the applicable securities laws of Australia, Canada or Japan. Subject to certain exceptions, the Ordinary Shares may not be offered or sold in Australia, Canada or Japan or to, or for the account or benefit of, any resident of Australia, Canada or Japan. No one has taken any action that would permit a public offering to be made in any jurisdiction. The Ordinary Shares are being offered and sold outside the United States in reliance on Regulation S under the Securities Act ("Regulation S") and within the United States only to persons reasonably believed to be QIBs in reliance upon Rule 144A or another exemption from or transaction not subject to the registration requirements of the Securities Act and in compliance with any applicable state securities laws. Prospective purchasers are hereby notified that the sellers of Ordinary Shares may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A or another exemption from, or transaction not subject to, the registration requirements of the Securities Act. For a description of these and certain further restrictions on the placing, sale and transfer of the Ordinary Shares and distribution of this document, see Part XIII: *Details of the Global Offer.*

Merrill Lynch International, which is authorised and regulated by the Financial Services Authority, is acting for the Company and no one else in connection with the Global Offer and will not regard any other person (whether or not a recipient of this document) as a client in relation to the Global Offer and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Merrill Lynch International or for providing advice in relation to the Global Offer or any matters referred to in this document.

Investors should rely on only the information in this document. No person has been authorised to give any information or to make any representations other than those contained in this document in connection with the Global Offer and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Company, the Selling Shareholders, Merrill Lynch International or the Managers. No representation or warranty, express or implied, is made by any Manager or selling agent as to the accuracy or completeness of such information, and nothing contained in this document is, or shall be relied upon as, a promise or representation by any Manager or selling agent as to the past, present or future. Without prejudice to any obligation of the Company to publish a supplementary prospectus pursuant to section 87G of the FSMA and paragraph 3.4.1 of the Prospectus Rules, neither the delivery of this document nor any subscription or sale made under this document shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Company or of the Group taken as a whole since the date hereof or that the information contained herein is correct as of any time subsequent to its date.

The contents of this document are not to be construed as legal, business or tax advice. Each prospective investor should consult his or her own lawyer, financial adviser or tax adviser for legal, financial or tax advice in relation to any purchase or proposed purchase of Ordinary Shares.

In connection with the Global Offer, the Managers and any of their affiliates, acting as investors for their own accounts, may take up Ordinary Shares and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for their own accounts in such Ordinary Shares and other securities of the Company or related investments in connection with the Global Offer or otherwise. Accordingly, references in this document to the Ordinary Shares being issued, offered, subscribed, acquired, placed or otherwise dealt in should be read as including any issue or offer to, or subscription, acquisition, dealing or placing by the Managers and any of their affiliates acting as investors for their own accounts. The Managers do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligations to do so.

Pursuant to requirements of applicable US law, this document is confidential and not for distribution in the United States. Recipients of this document in the United States are authorised to use it solely for the purpose of considering the purchase of the Ordinary Shares and may not reproduce or distribute this document, in whole or in part, and may not disclose any of the contents of this document or use any information herein for any purpose other than considering an investment in the Ordinary Shares. Such recipients of this document agree to the foregoing by accepting delivery of this document.

Each purchaser of the Ordinary Shares in the United States will be deemed to have made the representations described in Part XIII: *Details of the Global Offer* and is hereby notified that the offer and sale of the Ordinary Shares to it is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A or another applicable exemption. In addition, until 40 days after the commencement of the Global Offer, an offer or sale of any of the Ordinary Shares within the United States by any dealer (whether or not participating in the Global Offer) may violate the registration requirements of the Securities Act if the offer or sale is made otherwise than in accordance with Rule 144A or pursuant to another applicable exemption from registration under the Securities Act.

None of the Company or the Managers is making any representation to any offeree or purchaser of the Ordinary Shares regarding the legality of an investment by such offeree or purchaser.

Prior to making any decision as to whether to purchase the Ordinary Shares, prospective investors should read this document. In making an investment decision, prospective investors must rely upon their own examination of the Company and the terms of this document, including the risks involved.

Stabilisation and Over-allotment

In connection with the Global Offer, Merrill Lynch International, as stabilising manager may (but will be under no obligation to) over-allot Ordinary Shares up to a maximum of 5 per cent. of the total number of Ordinary Shares comprised in the Global Offer or effect other stabilisation transactions with a view to supporting the market price of the Ordinary Shares at a higher level than that which might otherwise prevail in the open market. Such stabilisation activities may be effected on any securities market, over-the-counter market, stock exchange or otherwise and may be undertaken at any time during the period commencing on the date of the commencement of conditional trading and ending no later than 30 calendar days thereafter. However, there is no obligation on Merrill Lynch International or any of its agents to effect stabilising transactions and no assurance that stabilising transactions will be undertaken. Such stabilisation, if commenced, may be discontinued at any time without prior notice. In no event will measures be taken to stabilise the market price of the Ordinary Shares above the Offer Price.

Except as required by law or regulation above, Merrill Lynch International does not intend to disclose the extent of any over-allotments made and/or stabilisation transactions conducted in relation to the Global Offer.

The Company has granted to Merrill Lynch International, as stabilising manager, the Over-allotment Option pursuant to which Merrill Lynch International may require the Company to issue additional New Shares at the Offer Price to cover over-allotments, if any, made in connection with the Global Offer and to cover any short positions resulting from stabilisation transactions. The number of New Shares to be subject to the Over-allotment Option is, in aggregate, expected to be equal to approximately 5 per cent. of the total number of Ordinary Shares to be issued or sold in the Global Offer (before any exercise of the Over-allotment Option). The Over-allotment Option may be exercised from the date of the commencement of conditional trading for a period of 30 calendar days thereafter, provided that it may only be exercised to the extent that Ordinary Shares have been over-allotted.

THE ORDINARY SHARES OFFERED BY THIS DOCUMENT HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE US SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER US REGULATORY AUTHORITY, NOR HAVE ANY SUCH AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE GLOBAL OFFER OR CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ANNOTATED, 1955, AS AMENDED ("RSA 421-B"), WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

Forward-looking statements

This document includes statements that are, or may be deemed to be "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "projects", "anticipates", "expects", "intends", "may", "will", or "should" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this document and include, but are not limited to, statements regarding Hikma's intentions, beliefs or current expectations concerning, amongst other things, Hikma's results of operations, financial condition, liquidity, prospects, growth, strategies and the pharmaceutical industry.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance and the actual results of the Group's operations, financial condition and liquidity, and the development of the markets and the industry in which the Group operates may differ materially from those described in, or suggested by, the forward-looking statements contained in this document. In addition, even if the results of operations, financial condition and liquidity, and the development of the markets and the industry in which the Group operates are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative

of results or developments in subsequent periods. A number of factors could cause results and developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation, the factors discussed in Part II: *Risk Factors*, Part IV: *Information on Hikma* and Part VI: *Operating and Financial Review*.

Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this document reflect the Group's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group's operations, results of operations, growth strategy and liquidity. Investors should specifically consider the factors identified in this document which could cause actual results to differ before making an investment decision. Subject to the requirements of the Prospectus Rules, the Disclosure Rules and the Listing Rules, the Group undertakes no obligation publicly to release the result of any revisions to any forward-looking statements in this document that may occur due to any change in the Company's expectations or to reflect events or circumstances after the date of this document.

No incorporation of website information

The contents of the Company's website (including any materials which are hyper-linked), which are referred to in this document, do not form part of this document.

Available information

The Company has agreed that, for so long as any of the Ordinary Shares are "restricted securities" within the meaning of Rule 144(a)(3) of the Securities Act, the Company will, during any period in which it is neither subject to Section 13 or 15(d) of the US Securities Exchange Act of 1934, as amended, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, make available to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, upon the request of such holder, beneficial owner or prospective purchaser, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

Enforceability of US judgements

The Company is a holding company organised as a public company incorporated under the laws of England and Wales with business operations conducted through various subsidiaries. Many of the Company's directors and officers reside outside the United States. In addition, although Hikma has substantial assets in the United States, a large portion of its assets and the assets of its directors and officers is located outside of the United States. As a result, it may not be possible for US investors to effect service of process within the United States upon the Company or its directors and officers located outside the United States or to enforce against them any judgements of US courts predicated upon civil liability provisions under US federal securities laws. There is also doubt as to the enforceability in England and Wales, whether by original actions or by seeking to enforce judgements of US courts, of claims based on the federal securities laws of the United States. In addition, punitive damages in actions brought in the United States or elsewhere may be unenforceable in England and Wales.

Presentation of financial and currency and other information

Financial information

Unless otherwise indicated, the financial information in this document, including the pro forma financial information in Part XII of this document, has been prepared in accordance with IFRS and has been prepared in a manner consistent with the accounting policies adopted by Hikma in its most recently published financial statements. In making an investment decision, potential investors must rely upon their own examination of the Group, the terms of the Global Offer and the financial information provided in this document.

The report on the pro forma financial information in Part XII is included solely to comply with the requirements of the Financial Services Authority. All pro forma financial information is extracted without adjustment from the IFRS pro forma net asset statements in Part XII as referred to.

Percentages in tables have been rounded and accordingly may not add up to 100 per cent. Certain financial data have been rounded, and accordingly the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data.

In this document references to "EBITDA" are to operating profit before depreciation, amortisation and impairment of property, plant and equipment and intangible assets. Although EBITDA is not a measure of operating income, operating performance or liquidity under IFRS, the Company has presented this financial

measure because it understands that EBITDA is used by some investors to determine a Company's ability to service indebtedness and fund ongoing capital expenditures. EBITDA should not, however, be considered in isolation or as a substitute for operating profit as determined by IFRS, or as an indicator of the Company's operating performance or of its cash flows from operating activities as determined in accordance with IFRS.

Currency information

Unless otherwise indicated, all references in this document to "pounds sterling", "£", "pence" or "p" are to the lawful currency of the United Kingdom, references in this document to "euro", "€" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended, references to "US$", "dollars" or "US dollars" are to the lawful currency of the United States, references to Algerian dinar or Jordanian dinars are to the lawful currency of Algeria and Jordan, respectively, and references to riyals are to the lawful currency of the Kingdom of Saudi Arabia. The Company prepares its financial statements in US dollars.

Market, Economic and Industry Data

Hikma operates in markets in which it is difficult in certain cases to obtain precise market, economic and industry information. Where third party information has been used in this document, the source of such information has been identified. Unless the source is otherwise stated, the market, economic and industry data in this document constitute the Directors' estimates, using underlying data from independent third parties. Hikma obtained market data and certain industry forecasts used in this document from internal surveys, reports and studies, where appropriate, as well as market research, publicly available information and industry publications. Industry publications generally state that the information they contain has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. All such data, of IMS or otherwise, contained in this document has been accurately reproduced and, as far as Hikma is aware and able to ascertain from information published by IMS or such other third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Data provided by IMS may differ from that compiled by Hikma with respect to its products. Of particular significance in this regard are the following:

- Hikma publishes its financial results on a financial year and on a semi annual basis, whereas IMS issues data on a monthly, quarterly, semi-annual or yearly basis.
- The electronic IMS database, which is supplied to Hikma monthly in the case of Lebanon, Algeria, Saudi Arabia, Jordan and the UAE, is updated monthly and uses the average exchange rates for the relevant month. In the case of Algeria, the IMS database is updated quarterly (and supplied to Hikma on a quarterly basis) and uses the average exchange rates for the relevant quarter.
- IMS sales data are compiled using actual wholesaler data and data from statistically representative panels of retail and hospital pharmacies, which data are then projected by IMS to give figures for national markets. In Saudi Arabia and Algeria, IMS uses actual wholesalers' data reporting and data from representative panels of retail and hospital pharmacies. In Jordan, IMS data is projected from a representative panel of directly reporting pharmacies.
- Hikma reports it sales based on shipping sales to its direct customers (i.e. distributors, pharmacies or hospitals) whereas IMS sales figures are based on "street" sales. Street sales are calculated on actual sales by the distributors, pharmacies and hospitals to the end users. The street sales reported by IMS in some MENA Region markets, including Saudi Arabia, Jordan and Lebanon are based on pharmacy purchase prices—the prices paid by pharmacies to the distributors, which includes a distributor's markup. In other MENA Region markets, including Algeria and UAE, street sales are reported by IMS based on the actual price paid by the patient.

Unless otherwise stated, the pharmaceutical information regarding both the market and Hikma's business included in this document, relates to prescription pharmaceuticals. IMS information for the MENA Region includes information on "over-the-counter" ("OTC"), as well as prescription pharmaceutical products. Accordingly, all market information, including Hikma's ranking by sales and the ranking of its major products by sales in the relevant therapeutic category for the Algerian, Saudi Arabian, Jordanian and other MENA Region markets, includes both prescription and OTC pharmaceutical products. IMS data for the United States and Europe include only prescription pharmaceuticals.

All references in this document to the MENA Region refer collectively to the following countries in the Middle East and North Africa: People's Democratic Republic of Algeria ("Algeria"), Kingdom of Saudi Arabia ("Saudi Arabia"), Hashemite Kingdom of Jordan ("Jordan"), United Arab Emirates ("UAE"), Kingdom of Bahrain ("Bahrain"), State of Kuwait ("Kuwait"), State of Qatar ("Qatar"), Sultanate of Oman ("Oman"), Republic of Yemen ("Yemen"), Republic of Iraq ("Iraq"), Republic of Lebanon ("Lebanon"), Syrian Arab Republic ("Syria"), Arab Republic of Egypt ("Egypt"), Republic of Tunisia ("Tunisia"), Great Socialist People's Libyan Arab Jamahiriya ("Libya") and Republic of the Sudan ("Sudan"). References to the Gulf States are to the following countries: Kuwait, Qatar, United Arab Emirates, Bahrain and Oman.

References to the CIS countries in this document refer to the Republic of Armenia ("Armenia"), Republic of Azerbaijan ("Azerbaijan"), the Republic of Georgia ("Georgia") and Ukraine ("Ukraine").

References to JPI in this document refer to Al Jazeera Pharmaceutical Industries Limited, Hikma's associated company in Saudi Arabia.

References to "new products" in this document refer to new pharmaceutical compounds and exclude new dosage strengths or forms of existing products.

"FDA approval," where used in this document in relation to manufacturing facilities (as opposed to approval of pharmaceutical products), means that the facilities in question have been inspected by the FDA and deemed to be in conformity with cGMP requirements.

Secondary Listing on the DIFX and the Global Depositary Receipts

The Company intends to apply for a secondary listing of the Company's equity securities in the form of global depositary receipts ("GDRs") on the Dubai International Financial Exchange (the "DIFX"). Neither the Company nor any other person is offering GDRs anywhere in the world. Nothing herein should be construed as an obligation on the Company to list its GDRs on the DIFX by any particular date or at all. Information regarding the GDRs will be made available at the time of such listing, if granted. If a listing is obtained for the Company's GDRs on the DIFX in the future, investors are advised to confirm the arrangements for trading GDRs on the DIFX and to inform themselves about trading, settlement and regulatory matters. If a listing is granted, there can be no assurance that an active trading market for the GDRs will develop or, if developed, will be sustained.

GLOBAL OFFER STATISTICS

Offer Price	290p
Number of Ordinary Shares in the Global Offer[1]	51,311,193
of which: New Shares	24,137,931
of which: Existing Shares	27,173,262
Percentage of the enlarged issued Ordinary Share capital in the Global Offer[1]	30.8%
Number of Ordinary Shares subject to the Over-allotment Option	2,565,560
Number of Ordinary Shares in issue following the Global Offer	166,537,951
Market capitalisation at the Offer Price[1]	£483.0 million
Net proceeds of the Global Offer receivable by the Company[2]	£62.8 million
Net proceeds of the Global Offer receivable by the Selling Shareholders	£76.4 million

EXPECTED TIMETABLE FOR THE GLOBAL OFFER

Event	**2005**
Latest time and date for receipt of indications of interest under the Global Offer	5.00 pm on 31 October 2005
Announcement of Offer Price and allocation	1 November 2005
Commencement of conditional dealings in Ordinary Shares on the London Stock Exchange	8.00 am on 1 November 2005
Admission and commencement of unconditional dealings in Ordinary Shares on the London Stock Exchange	8.00 am on 4 November 2005
CREST accounts credited	8.30 am on 4 November 2005
Despatch of definitive share certificates (where applicable)	from 7 November 2005

All times are London times unless otherwise indicated. Each of the times and dates in the above timetable is subject to change.

It should be noted that, if Admission does not occur, all conditional dealings will be of no effect and any such dealings will be at the sole risk of the parties concerned.

Notes:

(1) Assumes no exercise of the Over-allotment Option.

(2) Net proceeds receivable by the Company are stated after deduction of underwriting commissions and estimated expenses of the Global Offer (including VAT) of £7.2 million.

CONTENTS

DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS

DIRECTORS

Samih Darwazah (Chairman and Chief Executive Officer)
Mazen Darwazah (Vice-Chairman and Director)
Ali Al-Husry (Non-Executive Director)
Michael Ashton (Non-Executive Director)
Breffni Byrne (Non-Executive Director)
Sir David Rowe-Ham (Non-Executive Director)

SENIOR MANAGEMENT

Bassam Kanaan (Chief Financial Officer)
Nabil Rizk (Chief Executive Officer, Generic Pharmaceuticals business; Head of Group R&D and API Sourcing)
Taghreed Al-Shunnar (General Manager, Branded Pharmaceuticals business)
Majda Labadi (General Manager, Injectable Pharmaceuticals business)
Gabriel Kalisse (Chief Information Officer)

COMPANY SECRETARY

Henry Knowles

REGISTERED OFFICE AND DIRECTORS' ADDRESS

Broadwalk House
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Joint Lead Manager

Citigroup Global Markets UK Equity Limited
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Co-Lead Manager

Export & Finance Bank
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Legal Advisers to the Sponsor and Managers

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Auditors and Reporting Accountants

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United Kingdom

Registrars

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The Registry
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Beckenham
Kent BR3 4TU
United Kingdom

PART I: SUMMARY INFORMATION

The following summary information should be read as an introduction to the more detailed information appearing elsewhere in this document. Any decision by a prospective investor to invest in Ordinary Shares should be based on consideration of the document as a whole and not solely on this summarised information. Following the implementation of the relevant provisions of the Prospectus Directive (Directive 2003/71/EC) in each member state of the European Economic Area, civil liability will attach to those persons responsible for this summary, including any translation thereof, but only if this summary is misleading, inaccurate or inconsistent when read together with the other parts of this document. Where a claim relating to the information contained in this document is brought before a court in a member state of the European Economic Area, the plaintiff investor may, under the national legislation of that member state where the claim is brought, be required to bear the costs of translating this document before legal proceedings are initiated.

1. INFORMATION ON HIKMA

Hikma is a multinational pharmaceutical group focused on developing, manufacturing and marketing a broad range of generic and in-licensed pharmaceutical products in solid, semi-solid, liquid and injectable final dosage forms. Currently, Hikma sells 113 generic pharmaceutical products in 251 dosage strengths and forms in 34 countries. Hikma also sells 25 pharmaceutical products under promotion and distribution agreements with, or licences from, 12 originator pharmaceutical companies and one generic pharmaceutical company. The majority of Hikma's operations are in the United States, the Middle East and North Africa, or MENA Region, and Europe. In the MENA Region, Hikma sells its products primarily in Algeria, Saudi Arabia and Jordan. Hikma had 1,727 full-time employees as of 30 September 2005.

Hikma's operations are conducted through three businesses: Generic Pharmaceuticals, Branded Pharmaceuticals and Injectable Pharmaceuticals. The principal activities and primary product lines of these businesses are summarised below:

Business 2004 net sales (US$ millions) / % Hikma's of 2004 net sales	Principal activities	Principal geographies
Generic Pharmaceuticals $108.0 50.4	• Manufactures, markets and sells 36 non-branded solid generic pharmaceutical products in 79 dosage strengths and forms. • Therapeutic focus: CNS, cardiovascular, anti-infectives and musculoskeletal. • Top five products: lisinopril (anti-hypertensive), folic acid (anti-anaemia), lithium carbonate (anti-psychotic), chloroquine phosphate (anti-malarial) and methocarbamol (muscle relaxant). • 12 sales and marketing representatives.	United States
Branded Pharmaceuticals $74.0 34.6	• Manufactures, markets and sells 47 branded solid, semi-solid and liquid generic pharmaceutical products, including five OTC products, in 112 dosage strengths and forms. • Manufactures and/or markets 18 in-licensed products, including three OTC products, in 31 dosage strengths and forms. • Therapeutic focus: anti-infectives, immunomodulating agents, musculoskeletal and, increasingly, cardiovascular. • Top five products: Amoclan (penicillin), Prograf (immunosuppresive agent), Suprax (cephalosporin), Penamox (penicillin) and Oprazole (anti-ulcer). • 294 sales and marketing representatives, including 288 in the MENA Region.	MENA Region

Business: 2004 net sales (US$ millions) / % of Hikma's 2004 net sales	Principal activities	Principal geographies
Injectable Pharmaceuticals $28.9 13.5	• Manufactures, markets and sells 30 branded and non-branded generic injectable pharmaceutical products in 60 dosage strengths and forms. • Manufactures and/or markets seven originator pharmaceutical products under licence in 16 dosage strengths and forms. • Therapeutic focus: anti-infectives, especially cephalosporins. • Top five products: cefuroxime, ceftriaxone, cefazolin, cefotaxime and ceftizoxime (all cephalosporins). • 55 sales and marketing representatives, including 45 in the MENA Region.	MENA Region United States Europe

The following table shows, for each of the Group's businesses, the number of regulatory filings submitted for approval since 1 January 2005, the number of pending approvals and new products (i.e., new pharmaceutical compounds) under development as of 30 September 2005 and the expected annual submissions of new products for approval in the next two years.

Business	Filings submitted from 1 January to 30 September 2005[1]	All pending approvals as of 30 September 2005[1]	New products under development as of 30 September 2005	Expected annual submissions of new products for approval in next two years
Generic Pharmaceuticals	13	20	41	10
Branded Pharmaceuticals	18	16	21	10
Injectable Pharmaceuticals	25	42	28	10
Group total	56	78	90	30

[1] To avoid duplication, the data presented does not "double count" when the same product is filed or is pending approval in multiple countries.

Hikma maintains manufacturing facilities in the United States, Jordan, Portugal and Italy, as well as in Saudi Arabia through JPI. In addition, Hikma is currently constructing a manufacturing plant in Algeria, which is expected to be operational in the first half of 2006. In addition to approvals from the local regulatory authorities, Hikma's manufacturing facilities in the United States, Jordan and Portugal have been approved by the FDA, and Hikma's manufacturing facilities in Jordan have been certified by the MHRA.

2. STRATEGY

Hikma's key strategic objectives are to:

- consolidate its strong market positions in the MENA Region by launching new products, expanding its geographic reach and increasing market share;
- grow its Injectable Pharmaceuticals business by successfully launching new products into the MENA Region, the United States and Europe and strengthening its sales and marketing network; and
- continue to pursue profitable growth in the United States by focusing on high margin, niche product opportunities.

3. COMPETITIVE STRENGTHS

The Directors believe that Hikma's competitive strengths include its:

- broad product portfolio and geographic coverage;
- well-established and successful presence in the US market;
- leading position in the Algerian, Saudi Arabian and Jordanian markets;
- strong marketing capabilities and brand recognition in the MENA Region;
- strong relations with licensors;

- efficient, experienced and successful R&D team;
- continuous emphasis on quality;
- API sourcing strength;
- senior management team with international experience and ownership interests; and
- proven financial performance.

4. RISK FACTORS

Hikma's business, results of operations and/or financial condition could suffer if it:

- is unable to develop, manufacture or commercialise successfully new products in a timely manner or to obtain API or other raw materials, or if the costs of API increase substantially;
- is not successful in its strategy of expanding the number and range of injectable pharmaceutical products it markets in the United States and Europe;
- loses a significant government contract or licensing agreement;
- loses key personnel;
- experiences difficulties in integrating any technologies, products or businesses it acquires, or if it incurs significant charges to earnings with respect to such acquisitions;
- experiences problems integrating its information technology systems across the Group;
- loses a significant distribution customer;
- is unable to compete successfully;
- or any of its third party suppliers fail to comply with governmental regulations;
- fails to comply with environmental, health and safety laws and regulations or faces environmental, health and safety litigation or liability;
- is exposed to product liability claims;
- is subject to US healthcare fraud and abuse regulations that could result in significant liability and require Hikma to change its business practices and restrict its operations in the future; or
- its suppliers encounter problems manufacturing products; or
- its products are not accepted by customers or independent third parties.

In addition:

- Hikma's policies in the United States regarding returns, allowances and chargebacks and marketing programmes adopted by US wholesalers may reduce Hikma's sales in future fiscal periods.
- Fluctuations in exchange rates may adversely affect Hikma's business and results of operations.
- Hikma is subject to risks associated with cross border sales and purchases.
- Political, social and economic instability in the MENA Region may adversely affect Hikma's business or financial condition.
- Third parties may claim that Hikma infringes their proprietary rights and may prevent Hikma from manufacturing and selling its products.
- The implementation of an export tax in Jordan in 2007 or other changes in tax laws could adversely affect Hikma's earnings.
- Reforms in the healthcare industry and the uncertainty associated with pharmaceutical pricing, reimbursement and related matters could adversely affect the marketing and pricing of, and demand for, Hikma's products.
- The interests of certain shareholders may conflict with those of other shareholders, and if they take actions that are not in the best interest of investors, it may harm the value of any investment in the Ordinary Shares.

- If an active trading market for the Ordinary Shares does not develop, investors may have difficulties selling their Ordinary Shares.
- The number of shares eligible for public sale after the Global Offer could adversely affect the trading price of the Ordinary Shares.
- The Ordinary Shares may be subject to market price volatility and their market price may decline disproportionately in response to adverse developments that are unrelated to the Group's operating performance.
- Not all rights available to shareholders under US law will be available to holders of Ordinary Shares.

5. PRINCIPAL AND/OR SIGNIFICANT SELLING SHAREHOLDERS

The following table sets out the current and anticipated shareholdings of the Principal and/or significant Selling Shareholders in Hikma Pharmaceuticals plc prior to and following the Global Offer:

	Ordinary Shares currently held	Percentage of existing issued share capital	Percentage of issued share capital following Admission[1]
Darhold Limited	52,649,972	37.0	31.6
Citicorp International Finance Corporation	17,790,016	12.5	0.0
Al-Masirah Investment Company	8,476,532	6.0	2.5
Directors and Senior Management	6,314,688	4.4	3.1
International Finance Corporation	4,147,512	2.9	1.5

(1) Assumes no exercise of the Over-allotment Option.

Following the Global Offer, Darhold Limited (the holding company through which the Darwazah family and other founding shareholders hold their interest in the Company) will control the exercise of approximately 31.6 per cent. (assuming no exercise of the Over-allotment Option) of the rights to vote at general meetings of the Company.

6. SELECTED FINANCIAL INFORMATION

The table below sets out Hikma's summary financial information for the periods indicated. The data has been extracted without material adjustment from the historical financial information of the Hikma Group which has been prepared in accordance with IFRS.

Summary Income Statement and Other Data

	Year ended 31 December			Six months ended 30 June	
	2002	2003	2004	2004	2005
	(audited)	(audited)	(audited)	(unaudited)	(audited)
	(US$ millions)			(US$ millions)	
Income Statement:					
Net sales	137.6	187.7	214.1	106.5	132.2
Costs of sales	(65.3)	(92.1)	(103.9)	(52.2)	(59.0)
Gross profit	**72.3**	**95.6**	**110.2**	**54.3**	**73.2**
Sales and marketing	(14.7)	(19.2)	(21.1)	(9.6)	(14.3)
General and administrative	(11.2)	(13.3)	(16.0)	(7.2)	(10.3)
Research and development	(4.9)	(7.4)	(9.7)	(3.3)	(7.2)
Other operating expenses	(1.8)	(0.4)	(2.2)	(1.1)	(2.5)
Provision for impairment of fixed assets	(3.5)	—	—	—	—
Operating profit	**36.2**	**55.3**	**61.2**	**33.1**	**38.9**
Share of results of associates	(1.6)	0.3	0.7	0.4	0.8
Financing income	0.1	0.5	0.3	0.2	0.5
Interest expense and other bank charges	(4.1)	(3.4)	(3.8)	(1.9)	(2.4)
Other income/(expense)	0.1	0.3	0.6	(0.1)	0.9
Profit before taxes and minority interest	**30.7**	**53.0**	**59.0**	**31.7**	**38.7**
Tax	(13.7)	(21.3)	(20.8)	(10.9)	(12.9)
Profit before minority interest	**17.0**	**31.7**	**38.2**	**20.8**	**25.8**
Minority interest	(0.1)	(0.3)	(0.7)	(0.1)	(0.7)
Profit for the year/period	**16.9**	**31.4**	**37.5**	**20.7**	**25.1**
Other Data:					
EBITDA	44.0	60.9	67.9	36.4	43.8
Net cash generated from/(used in):					
Operating activities	25.3	35.8	33.9	0.6	0.9
Investing activities	(19.0)	(23.1)	(26.5)	(15.1)	(0.9)
Financing activities	(9.9)	7.7	(5.4)	(1.6)	3.4

Summary Balance Sheet

	Year ended 31 December			Six months ended 30 June	
	2002	2003	2004	2004	2005
	(audited)	(audited)	(audited)	(unaudited)	(audited)
	(US$ millions)			(US$ millions)	
Balance Sheet Data:					
Investments in cash deposits, collateralised cash and cash and cash equivalents	19.5	42.9	49.1	31.2	50.7
Net current assets	44.7	75.6	87.2	80.0	114.8
Total assets	152.7	210.4	246.5	229.1	298.0
Total non-current liabilities	16.4	34.6	28.1	31.4	49.2
Total equity	77.3	107.9	145.2	124.7	162.6

7. SUMMARY OF THE GLOBAL OFFER

The Company is raising gross proceeds of approximately £70 million under the Global Offer through the issue of 24,137,931 New Shares (assuming no exercise of the Over-allotment Option). The Selling Shareholders will sell Existing Shares under the Global Offer. The Company will not receive any of the proceeds of the sale of the Existing Shares, all of which will be paid to the Selling Shareholders. The Ordinary Shares are being offered to certain institutional investors in the United Kingdom, to QIBs in the United States in transactions exempt from, or not subject to, the registration requirements of the Securities Act and to certain institutional investors in the rest of the world.

Admission is expected to take place and unconditional dealings in the Ordinary Shares are expected to commence on the London Stock Exchange at 8.00 a.m. on 4 November 2005. Prior to that time, it is expected that dealings in the Ordinary Shares will commence on a conditional basis on the London Stock Exchange on 1 November 2005. These times and dates may be changed.

8. USE OF PROCEEDS

The net proceeds to the Group from the issue of Ordinary Shares being offered in the Global Offer are approximately £62.8 million after the deduction of commissions, other fees and expenses payable by the Group (assuming the Over-allotment Option is not exercised).

The Group intends to use the net proceeds it receives from the Global Offer first to pay down approximately $50 million of outstanding debt, then to provide funding for capital expenditure programmes primarily related to the construction of a cephalosporin plant in Portugal, which will cost approximately $20 million, a penicillin plant in Jordan, which will cost approximately $10 million and the expansion of the existing lyophilized injectable plant in Italy, which will cost approximately $8 million. The remainder will be used to fund general working capital requirements and to provide enhanced financial flexibility to make opportunistic bolt-on acquisitions that may present themselves in the future.

9. DIVIDEND POLICY

The Directors intend to adopt a progressive dividend policy. Assuming that there are sufficient distributable reserves at the time, the Board initially intends to target a dividend of approximately 20 per cent. of the annual reported Group profits after tax for the financial year.

PART II: RISK FACTORS

Any investment in Hikma's Ordinary Shares is subject to a number of risks. Prospective investors should consider carefully the following risk factors in addition to the other information presented in this document. Risks that all generic pharmaceutical businesses face, and additional risks not currently known to Hikma or that Hikma currently believes are not material, may also adversely affect its business, financial condition and results of operations. The trading price of the Ordinary Shares could decline due to any of these risk factors, and investors could lose part or all of their investment.

1. RISKS RELATING TO HIKMA

If Hikma is unable to develop, manufacture or commercialise successfully new products in a timely manner, its business, results of operations and financial condition will suffer.

Hikma's future results of operations depend, to a significant extent, on its ability to develop, manufacture and commercialise successfully new products in a timely manner. Hikma must develop, test and manufacture generic pharmaceutical products as well as prove that its generic products are the bio-equivalent of the original patented compound. All of Hikma's products must meet and continue to comply with regulatory and safety standards to receive and satisfy conditions of regulatory approvals. The development, manufacture and commercialisation process is both time consuming and costly and involves a high degree of business risk. For example, Hikma may face difficulty securing, on a timely basis, on commercially reasonable terms, or at all, the raw materials required for the manufacture of its products. In addition, new products under development, if and when fully developed and tested, may not perform as expected, necessary regulatory approvals may not be obtained in a timely manner, if at all, and such products may not be able to be successfully or profitably produced or marketed. Delays or unanticipated costs in any part of the process or Hikma's failure to obtain regulatory approval for its products, including failure to maintain its manufacturing facilities in compliance with all applicable regulatory requirements, could adversely affect Hikma's business, financial condition and results of operations by restricting or delaying the introduction of new products.

The loss of a significant US Government contract could adversely impact the Group's financial condition and results of operations.

Currently, Hikma has six contracts with the US government, the largest of which is with the Department of Veterans Affairs for the sale of lisinopril. Sales under these six contracts represented approximately 17.6 per cent. of the Group's net sales in the year ended 31 December 2004 and 13.7 per cent. in the six months ended 30 June 2005. Sales of lisinopril under the contract with the Department of Veterans Affairs represented approximately 16.6 per cent. of the Group's net sales in the year ended 31 December 2004 and 12.6 per cent. in the six months ended 30 June 2005. This contract is for the period from December 2002 through December 2003, with four one-year extension periods, at the option of the Department of Veterans Affairs. The contract has been extended twice by the US government and is up for extension in December of this year. Given competitive pressure in the US market, particularly with respect to pricing, there can be no assurance that this contract will be renewed or the price at which it will be renewed. Failure by the Group to bid successfully for US government contracts in the future, or the loss or inability to extend a significant contract, including the lisinopril contract, at commercially reasonable terms, particularly with respect to price, or at all, could have a material adverse effect on the Group's business, financial condition and results of operations.

If Hikma is unable to obtain API or other raw materials, or if the costs of API increase substantially, Hikma's operations could be seriously impaired.

For most of its products, Hikma depends on third party manufacturers for API and other raw materials. These raw materials are generally available from a limited number of suppliers. In some instances, Hikma uses sole sources of supply for a number of raw materials used in manufacturing its products and packaging components. Hikma does not have long-term supply agreements for most of its raw materials. Accordingly, Hikma is subject to the risk that its suppliers may not continue to supply it with raw materials on satisfactory terms or at all. Any curtailment in the availability of raw materials could result in production or other delays, and, in the case of products for which only one raw material supplier exists, could result in a material loss of sales, with consequent adverse effects on Hikma's business. Furthermore, the price of API can fluctuate sharply over a short period of time. A substantial increase in API costs would adversely affect Hikma's business, financial condition and results of operations.

In addition, because regulatory authorities must generally approve raw material sources for pharmaceutical products, changes in raw material suppliers may result in production delays, higher raw material costs and loss of

sales and customers. Furthermore, when Hikma imports APIs or other raw materials from countries where it does not operate, those imports are subject, in some instances, to customs and other government clearance, duties and regulation by the countries of origin, political instability and currency fluctuations. In addition to the costs and delays attendant to regulatory approval of the API manufacturing facilities and new API finished dosage pharmaceutical products, any significant interruption of Hikma's supply of raw materials could have a material adverse effect on Hikma's business, financial condition and results of operations.

The manufacture of Hikma's products is highly exacting and complex and subject to strict regulation. If Hikma or its suppliers encounter problems manufacturing products, lose their regulatory certifications or cease to manufacture products, Hikma's business could suffer.

The manufacture of Hikma's products is highly exacting and complex due in part to strict regulatory requirements governing their manufacture. Problems arise during manufacturing for a variety of reasons including equipment malfunction, failure to follow specific protocols and procedures, problems with raw materials and environmental factors. If problems arise during the production of a batch of product, that batch may have to be discarded. This could, amongst other things, lead to increased costs, lost sales, damage to customer relations, time and expense spent investigating the cause and, depending on the cause, similar losses with respect to other batches or products. If problems are not discovered before the product is released to the market, recall and product liability costs may also be incurred. In addition, if the problems are severe or if the FDA or other regulatory authority otherwise determines that Hikma's manufacturing facilities or controls do not meet the relevant regulatory requirements, Hikma may lose or have suspended its FDA or other regulatory approvals and certifications, and it may be prohibited from manufacturing and distributing some or all products. The suspension or loss of FDA or other regulatory approvals and certifications, or a partial or complete shutdown, could severely harm Hikma's reputation and have a material adverse effect on Hikma's business, financial condition and results of operations.

The manufacture of certain of Hikma's products and product candidates, such as sustained-release products or injectables, is more demanding than the manufacture of other products. Successful manufacturing of these types of products requires precise manufacturing process controls, raw materials that conform to very tight tolerances for specific characteristics and equipment that operates consistently within narrow performance ranges. Manufacturing complexities and testing requirements for such products increase the overall difficulty of manufacturing them and resolving manufacturing problems that Hikma may encounter.

Oral cephalosporin products of the Branded Pharmaceuticals business, including Suprax, are manufactured at JPI. Should disruption or cancellation of supply occur, due to operational reasons or a decision by JPI to cease the manufacture of oral cephalosporins, the Branded Pharmaceuticals business would be required to find and make arrangements with alternative manufacturers, whether within the Group or not, which it may not be able to do in a timely manner or at all. To the extent Hikma or any of its suppliers experiences significant manufacturing problems with respect to any of Hikma's products, or ceases to manufacture them for Hikma this could have an adverse effect on Hikma's business, financial condition and results of operations.

Political, social and economic instability in the Middle East or North Africa may adversely affect Hikma's business, financial condition and results of operations.

For the year ended 31 December 2004, approximately 40.1 per cent. of Hikma's sales were to countries in the Middle East or North Africa. Some of the countries where Hikma distributes its products have experienced in the recent past or are currently experiencing political, social and economic instability, terrorist acts or war. Political, economic and military conditions could affect Hikma's operations in the MENA Region. Hikma could also be adversely affected by the interruption or curtailment of trade between countries in the MENA Region, the United States and/or the states of the European Union and Hikma's trading partners or a significant downturn in the economic or financial condition of countries in the MENA Region, in particular Algeria, Saudi Arabia or Jordan. Any such events would not be covered by insurance. Hikma's business in the MENA Region may also be adversely affected by any of the following: laws protecting local manufacturers; uncertainty as to the enforceability of, and government control over commercial rights; expropriation by foreign governmental entities; limitations on repatriation of investment income, capital and other assets; currency restrictions; and other adverse regulatory or legislative developments in the MENA markets.

Hikma may not succeed in its strategy of expanding the number and range of injectable pharmaceutical products it markets directly in the United States and Europe.

For the year ended 31 December 2004, 38.4 per cent of Hikma's Injectable Pharmaceuticals business was derived from out-licensed products and contract manufacturing where the products are sold by third parties. As part of its business strategy and growth plan, Hikma plans to expand significantly the number and range of injectable

pharmaceutical products that it markets directly in the United States and Europe. Hikma may incur substantial costs in expanding its injectable business into these markets. In particular, Hikma will need to maximise manufacturing efficiencies to be able to satisfy the increase in product demand, increase its existing sales and marketing force and, in some instances, either purchase or establish its own distribution company. Hikma may not be able to operate its plants at the required levels to support increased product demand, hire sufficient scientific and sales personnel to achieve its injectable growth strategy, manage its own sales force in the new markets it expands to, particularly the United States, or manufacture new product lines. If Hikma's expansion is unsuccessful, it may incur losses, and the costs of implementing its injectables strategy could lower its overall profits. Furthermore, after making investments to expand its injectables business, Hikma may find that the demand for injectables is lower than it had expected, which may negatively impact its business, financial condition and results of operations.

Hikma depends on key officers and qualified scientific, technical and sales employees. The loss of key personnel could adversely impact Hikma's business.

Hikma is highly dependent on the principal members of its management staff and some of its scientific, technical and sales personnel. Hikma has employment agreements with most of its Senior Management that include non-competition and non-solicitation provisions and provide for specified notice periods, but Hikma does not maintain key man life insurance policies for any of them. Most of Hikma's scientific, technical and sales personnel are employed at "will", which means their employment can be terminated by either party with minimal or no notice. The loss of any member of the senior management team or any other key employee may significantly delay or prevent the achievement of Hikma's product development or business objectives.

Due to the specialised scientific nature of Hikma's business, Hikma is highly dependent upon its ability to continue to attract and retain qualified scientific and technical personnel. Hikma also depends on its sales force to market and sell its products in some of the markets where it operates, and the success of such sales and marketing efforts depends to a significant extent on the personal relationships between a particular sales representative and his or her customers. Loss of the services of, or failure to recruit, key scientific, technical or sales personnel could be materially detrimental to Hikma's business and financial condition. Hikma faces competition for scientific and technical personnel from other companies, academic institutions, government entities and other organisations.

Hikma's policies in the United States regarding returns, allowances and chargebacks, and marketing programmes adopted by US wholesalers, may reduce Hikma's sales in future fiscal periods.

Based on industry practice in the United States, Hikma has liberal return policies and has been willing to give customers post-sale inventory allowances. Under these arrangements, from time to time, Hikma gives its US customers credits on its products that its customers still hold in inventory after Hikma has decreased the market prices of such products. Therefore, if additional competitors enter the marketplace and significantly lower the prices of any competing products, Hikma would be likely to have to reduce the price of its comparable products. As a result, Hikma would be obliged to provide significant credits to its customers who are holding inventories of such products, which could reduce sales and gross margin for goods already sold and for the period during which the credit is provided. Like its competitors, Hikma also gives credits for chargebacks to wholesalers who have contracted with Hikma for their sales to hospitals, group purchasing organisations, pharmacies or other retail customers. A chargeback is the difference between the price the wholesaler pays and the price the wholesaler's end customer pays for a product. Although Hikma establishes reserves based on historical experience and its best estimates of the impact these policies may have in subsequent periods, the reserves so established may not be adequate and actual product returns, allowances and chargebacks may exceed Hikma's estimates and have an adverse impact on its business, financial condition and results of operations.

Fluctuations in exchange rates may adversely affect Hikma's business and results of operations.

Hikma has significant operations in several countries, including the United States, Portugal, Algeria, Saudi Arabia and Jordan. In addition, Hikma makes purchases and sales in a large number of other countries. Accordingly, some of Hikma's sales, expenses, assets and liabilities are in currencies other than the US dollar (Hikma's reporting currency) and as such Hikma's results are subject to exchange rate risks. To the extent that Hikma incurs expenses in one currency but generates sales in another, any change in the values of those non-US dollar currencies relative to the US dollar could cause Hikma's profits to decrease or its products to be less competitive than those of its competitors. To the extent that cash and receivables that are denominated in currencies other than the US dollar are greater or less than Hikma's liabilities denominated in such non-US dollar currencies, Hikma will be exposed to the risk of fluctuations and movements in the foreign exchange markets. This may have an adverse impact on Hikma's business, financial condition and results of operations.

Hikma is subject to risks associated with cross border sales and purchases, which could harm its operations.

A significant portion of sales of Hikma's branded and injectable pharmaceutical products are sold outside the relevant products' country of manufacture. As part of its business strategy and growth plan, Hikma plans to expand further its sales of products manufactured in Portugal or the MENA Region into the United States and to market its products in more countries in Europe and the CIS, which will result in an increase in cross border sales and purchases. Cross-border operations are subject to risks, including but not limited to:

- inadequate protection of intellectual property;
- difficulties and costs associated with complying with a wide variety of complex domestic and foreign laws, regulations and treaties, some of which are subject to change;
- legal uncertainties regarding, and timing delays associated with, customs procedures, tariffs, import or export licensing requirements and other trade barriers;
- differing local product preferences and product requirements;
- increased difficulty in collecting delinquent or unpaid accounts;
- risk of loss at sea or other delays in the delivery of products caused by transportation problems; and
- differing tax regimes.

Any of these factors, individually or in the aggregate, could adversely affect Hikma's operating results.

Furthermore, economic sanctions and restrictions on exports and other transfers of goods have been implemented by the United States and the European Union in relation to certain countries in which Hikma or its subsidiaries do business, including but not limited to Iraq, Libya, Sudan and Syria. The United States and the European Union have also enacted sanctions that prohibit transactions by US or EU persons and entities involving certain specially designated individuals and entities from sanctioned countries or participating in sanctioned activities including, but not limited to, terrorism and drug trafficking. Such regulations and their enforcement could change in a way that could affect Hikma's sales to such countries. In addition, failure to comply with such regulations could result in significant fines, debarment from the ability to contract with the US government or its agencies, as well as reputational damage. Any of the foregoing could result in a material adverse effect on Hikma's business, reputation, financial condition and results of operation. For the year ended 31 December 2004, Hikma's revenues generated by its transactions in countries subject to US and EU sanctions represented approximately 5.9 per cent. of Hikma's net sales. No US persons are involved in the supply of Hikma products and services in the countries subject to US economic sanctions. None of the proceeds of the Global Offer will be specifically used to fund activities that are subject to US or EU economic sanctions or export controls.

Hikma manufactures some of its best-selling products under licence from third party pharmaceutical companies. The loss of these licences could have an adverse impact on Hikma's business, financial condition and results of operations.

As part of Hikma's business strategy, Hikma has pursued licensing arrangements to expand its product offerings and geographic presence. As of 30 September 2005, Hikma had active licences or exclusive promotion and distribution rights from 12 originator pharmaceutical companies, Astellas Pharma (formerly Fujisawa), Rovi, Nycomed, Tanabe Seiyaku, Edmond Pharma, Sinclair, Helsinn, Eli Lilly, Cheil Jedang, Dong-A, Daewoong and, IBSA and one generic pharmaceutical company, Nicholas Piramal, to register, distribute, sell and market, and in some cases manufacture, certain of their products in the MENA Region. Sales of products under licence represented approximately 10.9 per cent. of Hikma's sales for the year ended 31 December 2004 and some of Hikma's top branded pharmaceutical products, such as Prograf and Suprax, are manufactured and/or sold under licence. The license agreements for several in-licensed products, including Suprax and ceftizoxime are terminable on six months' notice as their initial terms have expired, and the same will be true of the agreement for Prograf in 2008. The loss of these or other material licences or the failure to renew such licences on commercially reasonable terms, or at all, could have an adverse effect on Hikma's business, financial condition and results of operations.

Third parties may claim that Hikma infringes their proprietary rights and may prevent Hikma from manufacturing and selling its products.

There has been substantial litigation in the pharmaceutical industry with respect to the manufacture, use and sale of generic pharmaceutical products. These lawsuits relate to the validity and infringement of patents or proprietary rights of third parties. Originator and generic pharmaceutical companies are increasingly patenting not only the relevant molecules or manufacturing processes relating to a final dosage product, but formulations and API production processes as well. A successful claim of patent or other intellectual property infringement

against Hikma, its API suppliers or against its licensor with respect to a product licensed to Hikma could have a material adverse effect on Hikma's business, financial condition and results of operations.

In the past, the Group has filed requests for approval of its ANDAs under Paragraph III of the US Drug Price Competition and Patent Term Restoration Act of 1984, commonly known as the Hatch-Waxman Act, on the basis that it would not market its generic product until after the expiry of the relevant patent. Accordingly, the Group has not generally been subject to third party patent infringement claims. In the future, Hikma anticipates that an increasing number of its ANDA filings in the United Sates may include a Paragraph IV certification on the basis that there is an existing patent covering the relevant originator pharmaceutical product but that Hikma's product does not infringe that patent. This strategy may result in an increase in third party intellectual property infringement claims, which could be costly and time consuming, distract management's attention from current operations and require Hikma to enter into costly royalty or licence agreements if Hikma is able to obtain royalty or licence agreements on acceptable terms or at all. In addition, claims filed by an originator pharmaceutical company challenging Hikma's Paragraph IV certifications could result in delays in the launch of the relevant product, which would result in additional costs and lower-than expected sales for the relevant financial period.

Hikma may also be subject to significant damages or an injunction preventing it from manufacturing, selling or using some of its products in the event of a successful claim of patent or other intellectual property infringement. Furthermore, a significant third party claim could result in management's attention being distracted from current operations. Any of these events could impact adversely Hikma's business, financial condition and results of operations.

Hikma's business could suffer if it experiences difficulties in integrating any technologies, products or businesses it acquires, or if it incurs significant charges to earnings with respect to such acquisitions.

Hikma regularly reviews potential acquisitions of technologies, products or businesses. Acquisitions typically entail many risks and could result in difficulties in integrating the operations and personnel of acquired companies and/or the technologies or products acquired by Hikma. If Hikma is not able to integrate successfully its acquisitions, it may not be able to obtain the advantages that the acquisitions were intended to create, which could adversely affect Hikma's business, financial condition and results of operations. In addition, in connection with acquisitions, Hikma could experience disruptions in its business or employee base. There is also a risk that key employees of companies acquired by Hikma or key employees necessary to commercialise successfully technologies and products that Hikma acquires, may seek employment elsewhere, including with Hikma's competitors.

As a result of acquiring businesses or products or entering into other significant transactions, Hikma may incur significant charges to earnings for merger and related expenses, including transaction costs, closure costs and acquired in-process research and development charges. Charges that Hikma may incur in connection with acquisitions could adversely affect its results of operations.

Hikma's ability to market its products successfully depends, in part, upon the acceptance of the products not only by customers, but also by independent third parties.

Hikma's ability to market its products successfully depends, in part, on the acceptance of products by independent third parties, including wholesalers, distributors, physicians, hospitals, pharmacies, GPOs, government representatives and other retailers, as well as patients. This is the case, in particular, in those markets where Hikma distributes its products directly to hospitals or pharmacies, or where it tenders for governmental contracts. In addition, Hikma relies to a significant extent on the strength of its brands and reputation, especially for the sale of its products in the MENA Region. Unanticipated side effects or unfavourable publicity concerning any of Hikma's products or brands, or the brands of its in-licensed products, could have an adverse effect on Hikma's ability to achieve acceptance by prescribing physicians, managed care providers, pharmacies and other retailers, customers and patients.

The change of the corporate tax regime in Jordan in 2007 or other changes in tax laws could adversely affect Hikma's earnings.

Changes in the tax laws of any of the countries in which Hikma does significant business, as well as changes in Hikma's effective tax rate for a fiscal year caused by other factors, including changes in the interpretation of tax law by local tax officials, could adversely affect Hikma's net income.

Under current regulations in the MENA Region, profits derived from exports from Jordan are not subject to tax. However, as a result of Jordan's accession to the WTO, all corporate profits will become subject to tax beginning in 2008. The corporate income tax rate is expected to be at a flat rate of 15.0 per cent. of taxable profit. Hikma expects to become subject to this tax unless it is able to rely on an exemption from such tax liability. Hikma may

not be eligible for, or be able to rely on, any such exemption. The implementation of corporate tax on profits derived from exports from Jordan could affect Hikma's earnings and results of operations.

Hikma's information technology systems are not fully integrated across the Group and problems with integration and the ongoing updating of such systems could compromise Hikma's management reporting and operations.

Hikma is currently upgrading its information technology system through implementation of the SAP software across its network. The integration of the SAP software is subject to a number of risks, including the risk that the new system will not operate as initially planned or that the system will not be integrated in a timely manner. Administrative difficulties in the integration process or the failure of the resultant system could adversely affect the management and tracking of manufacturing levels, internal accounting, marketing and flow of data amongst different parts of Hikma's business, as Hikma may not have access to reliable data.

Generic and branded pharmaceutical products are sold to a limited number of distribution customers, the loss of whose business could have an adverse impact on Hikma's sales.

Hikma's products are distributed principally through contracted third parties or distributors and, in the United States, wholesalers. These contracted third parties in turn sell Hikma's products to pharmacies, mail order customers, mass-merchandisers, hospitals and governmental agencies.

In the United States, due to the ongoing consolidation of wholesalers and distributors and the growth of large national pharmacy chains, there exists a limited number of customers that comprise a significant share of the market. Sales to Hikma's top three wholesaler customers represented approximately 56.7 per cent. of Hikma's sales in the United States in the year ended 31 December 2004. Hikma does not have long-term agreements with any of these wholesalers and thus their purchases from Hikma may cease or be reduced at any time in the future. Furthermore, any change in their buying patterns or changes in their policies and practices in relation to their working capital or inventory management, or the loss of any significant client or contract, may result in a reduction in their purchases of Hikma's products. The loss of a large wholesaler customer in the United States would have a negative impact on the Group's business, results of operations and financial condition.

Because Hikma does not market and distribute its products itself in most European countries, or is prohibited from distributing itself by local laws in some MENA jurisdictions, it distributes its products through third parties by way of agency and distribution agreements. In some MENA countries, including Saudi Arabia, Hikma sells its products through a sole distributor. These arrangements may be terminated by either party providing the other with notice of termination or upon expiry of the contract governing the arrangement. Hikma may not be able to negotiate these third party arrangements successfully or any of these arrangements may not be available on commercially reasonable terms or at all. The loss of a significant distribution customer or sales representative in Europe or in the MENA Region, would have a negative impact on Hikma's business, financial condition and results of operations.

2. RISKS RELATING TO THE GENERIC DRUGS INDUSTRY

The generic drugs industry is highly competitive and, if Hikma is unable to compete successfully, its sales will decline and its business will be harmed.

Hikma's products face intense competition from products developed or under development by other generic drug manufacturers, the original manufacturers of the brand name equivalents of its generic pharmaceutical products and manufacturers of new pharmaceutical products that may compete with Hikma's generic pharmaceutical products. Hikma is facing increased competition from other generic drug companies with lower cost bases than Hikma. Many of Hikma's competitors have greater financial resources and marketing capabilities than it does. Hikma's competitors may succeed in developing technologies and products that are more effective, more popular or cheaper than those which Hikma develops or licenses. These developments could render Hikma's technologies and products obsolete or uncompetitive, which would harm Hikma's business and financial results.

Competition will remain intense as the pharmaceutical industry adjusts to increased pressures to contain healthcare costs. Originator pharmaceutical companies continually seek new ways to defeat generic competition, such as by developing and marketing their own generic pharmaceutical products when original patented products are about to face generic competition or by charging generic companies for the right/license to manufacture and market such "authorised generics".

Furthermore, many originator pharmaceutical companies increasingly use state and federal legislative and regulatory means in the United States to delay generic competition. Such efforts have included, amongst others:

- pursuing new patents for existing products just before the expiry of one patent, which could extend patent protection for a number of years or otherwise delay the launch of a generic alternative;

- submitting citizen petitions to request the FDA to take administrative action against generic companies with respect to their ANDA submissions;
- pursuing pediatric exclusivity for their brand products; and
- seeking changes to the US Pharmacopeia, an industry-recognized compendium of drug standards, with the purpose of enhancing the protection of originator pharmaceutical companies' rights and access to the market.

In addition, US state law initiatives have been undertaken from time to time by some originator pharmaceutical companies that may affect generic drug manufacturing, distribution, or sales. Several years ago, for example, significant consideration was given to limiting pharmacists' authority to substitute certain products that require strict dosing titration; this was the case even though the FDA (which had reviewed and approved the drugs at issue) recommended that the products be considered therapeutically interchangeable. Anti-substitution efforts at the state legislative level have been relatively few in number and limited in scope but if any of the originator pharmaceutical companies' efforts to delay generic competition are successful, Hikma may be unable to sell those products that are affected by these efforts, which could have a material adverse effect on its business and results of operations. There are also increasing state-level regulatory burdens related to manufacturing, distribution, and government health program reimbursement for all drug products and Hikma cannot predict how current or future regulatory activities may affect its business.

Failure by Hikma or any of its third party suppliers to comply with governmental regulations could harm Hikma's business.

Hikma is subject to extensive, complex, costly and evolving regulation by the governments of the countries in which it operates. In the United States, that regulation is carried out by the federal government, principally the FDA, and to a lesser extent by the state governmental agencies. In addition, the US Federal Food, Drug, and Cosmetic Act and other federal statutes and regulations govern or influence the development, approval, manufacturing, packing, labelling, storing, record keeping, advertising, promotion, sale and distribution of Hikma's products in the United States, and comparable regulations govern its operations in other countries in which Hikma does business.

The FDA and the relevant regulatory authorities in Europe and the MENA Region conduct periodic inspections to confirm that Hikma is in compliance with all applicable requirements. Plant inspections are conducted to determine whether the methods used by Hikma in, and facilities and controls used for, the manufacture, processing, packing, and holding of pharmaceutical products conform to, and are operated and administered in conformity with, the relevant cGMP and other applicable regulations. Following these inspections, the relevant regulator may issue notices listing conditions that the inspectors believe may violate cGMP or other applicable regulations, and warning letters that could cause Hikma to modify certain activities identified during the inspection.

Under the US Hatch-Waxman Act, Hikma is required to secure pre-market approval of ANDAs with the FDA for its generic pharmaceutical products. Hikma's ANDAs may not be approved, and delays in the review process or failure to obtain approval of Hikma's ANDAs could have a material adverse effect on Hikma's business and financial condition. In addition, because Hikma markets controlled substances in the United States, it must meet the requirements of the US Controlled Substance Act and the regulations issued under this act. These regulations include stringent requirements for manufacturing products, receipt and handling procedures and security to prevent diversion of, or unauthorised access to, the controlled substances in each stage of the production and distribution process.

Failure to comply with the regulations of the FDA or other US governmental agencies such as OSHA and the DEA can result in fines, unanticipated compliance expenditures, recall or seizure of products, total or partial suspension of production or distribution, suspension of the FDA's review of Hikma's ANDAs or other product applications, enforcement actions, injunctions and criminal prosecution, as well as reputational harm and reduced sales. Under certain circumstances, the FDA also has the authority to revoke previously granted drug approvals. If the compliance programmes Hikma has instituted internally do not meet regulatory agency standards or if compliance is deemed deficient in any significant way, it could have a material adverse effect on Hikma.

In connection with Hikma's activities in Europe and the MENA Region, Hikma is also subject to regulatory requirements governing the approval, manufacturing, labelling, marketing and sale of pharmaceutical products. These requirements vary from country to country. Approval by the relevant regulatory authorities of the relevant country must be obtained prior to marketing the products in that country. For example, some of Hikma's operations are subject to regulation by the EMEA and MHRA while in the MENA Region operations are generally subject to regulation by the Ministry of Health of the relevant country. The approval process may be more or less rigorous from country to country, and the time required for approval may be longer or shorter than

that required in the United States. Bio-equivalency studies conducted outside of any country may not be accepted by that particular country, and the approval of a pharmaceutical product in one country does not ensure that the product will be approved in another country. In addition, regulatory agency approval of pricing is required in many countries and may be required in order to market any drug Hikma develops in those countries.

The process for obtaining governmental approval to manufacture and market pharmaceutical products is rigorous, time consuming and costly. Moreover, if Hikma obtains regulatory agency approval for a drug, it may be limited with respect to the indicated uses for which the drug may be marketed, which could in turn restrict Hikma's potential market for the drug. The discovery of previously unknown problems with any of Hikma's pharmaceutical products could result in restrictions on the use of a drug including possible withdrawals of the drug from the market.

Hikma has affiliations, licence agreements and other arrangements with third parties that depend on regulatory approvals of their processes and products. These third parties are subject to regulatory compliance similar to Hikma's. If any of those third parties does not comply with its regulatory requirements, Hikma could be adversely affected if their non-compliance results in an interruption in Hikma's supply of API, or in the case of any of Hikma's licensors, it hinders Hikma's ability to produce its in-licensed products.

Failure by Hikma or any of its third party suppliers or licensors to comply with governmental regulations or any adverse regulatory action could disrupt Hikma's business and have an adverse impact on its financial condition and results of operations.

In some countries where Hikma sells its products the government sets the price for pharmaceutical products, which could have a negative effect on Hikma's financial performance. Reforms in the healthcare industry and the uncertainty associated with pharmaceutical pricing, reimbursement and related matters could adversely affect the marketing and pricing of, and demand for, Hikma's products.

In certain markets Hikma's ability to set its prices depending primarily on market forces is restricted by governmental bid and tender processes. The concentrated buying power of governments and related bid and sale processes could result in downward pressure on product pricing. Any failure by Hikma to offer acceptable prices to governmental customers could have an adverse impact on its business. Furthermore, in Europe, Algeria, Saudi Arabia, Jordan and other countries in which Hikma has a significant sales presence, the government sets the price for pharmaceutical products. Accordingly, the government in any of these areas could set an initial price, or reduce an existing price agreed for pharmaceutical products which could have a negative effect on Hikma's financial performance.

Increasing expenditures on healthcare have been the subject of considerable public attention in the United States and globally. Both private and governmental entities are seeking ways to reduce or contain healthcare costs. In many countries in which Hikma currently operates, pharmaceutical prices are subject to regulation. Both the federal and state governments in the United States and other governments continue to propose and pass new legislation, rules and regulations designed to contain or reduce the cost of healthcare. In the United States, numerous proposals that would effect changes in the US healthcare system have been introduced or proposed in the US Congress and in some US state legislatures. Similar activities are taking place in Europe, Algeria, Saudi Arabia, Jordan and other countries in which Hikma has a significant sales presence.

Existing regulations that affect the price of pharmaceutical and other medical products may also change before Hikma's products are approved for marketing. Cost control initiatives could decrease the price that Hikma receives for any product it develops in the future. In addition, third-party payers are increasingly challenging the price and cost-effectiveness of medical products and services and litigation has been filed against a number of pharmaceutical companies in relation to these issues. Hikma's products may not be considered cost effective or adequate third-party reimbursement may not be available to enable Hikma to maintain price levels sufficient to realise an adequate return on its investment, which could have an adverse impact on Hikma's business, financial condition and results of operations.

The cost of complying with new government regulations can be substantial and the governments of the countries in which Hikma operates may, in the future, implement regulations that could have a material adverse effect on Hikma's business, financial condition, results of operations or prospects.

If Hikma fails to comply with environmental, health and safety laws and regulations or faces environmental, health and safety litigation or liability, it may incur costs and expenditures, face potential business interruption and/or regulatory enforcement.

Hikma's product development programmes and manufacturing processes involve the use of chemicals and include hazardous or toxic materials. These programmes and processes expose Hikma to risks of accidental contamination, events of non-compliance with environmental, health and safety laws and regulatory enforcement, personal injury, property damage and claims and litigation resulting from such events. If an accident occurs, or if contamination caused by prior operations is discovered, Hikma could be liable for clean-up

obligations, damages or fines, which could have an adverse effect on its business and results of operations. While Hikma is not aware of any significant contamination incidents or material non-compliance with environmental, health and safety laws, no detailed independent analysis has been undertaken in this regard at most of Hikma's sites.

The environmental laws of many jurisdictions in which Hikma operates may impose potential obligations on Hikma to clean up contaminated sites. These obligations may relate to sites that Hikma acquires, owns or operates, that it formerly owned or operated, or for which it may otherwise have retained liability or where waste from its operations was disposed. Were such environmental clean up obligations to arise they could significantly reduce Hikma's operating results. In particular, any financial accruals which Hikma may make for these obligations might be insufficient if the assumptions underlying the accruals proved to be incorrect, or if Hikma is held responsible for additional contamination.

Stricter environmental, health and safety laws and enforcement policies could result in substantial costs and liabilities for Hikma, and could result in its handling, manufacture, use, reuse or disposal of substances or pollutants being subjected to more rigorous scrutiny by relevant regulatory authorities than is currently the case. Compliance with these laws could result in significant capital expenditures, as well as other costs, thereby potentially harming Hikma's business, financial condition and results of operations.

Hikma may be exposed to product liability claims that could cause it to incur significant costs or cease selling some of its products.

The pharmaceuticals industry is characterised by high levels of product liability claims, primarily aimed at originator pharmaceutical companies and their products. Generic pharmaceutical companies such as Hikma may be liable, or incur costs related to, liability claims if any of their products cause injury or are found unsuitable during development, manufacture, sale or use. For Hikma, the risk of product liability claims is more significant with respect to those products manufactured by Hikma under licence from an originator pharmaceutical company. The risk exists even with respect to products that have received, or may receive in the future, regulatory approval for commercial use.

Hikma currently has insurance coverage for product liability claims. However, such insurance may not be sufficient to cover all or even a material part of a significant product liability claim. Furthermore, at any time, insurance coverage may not be available to Hikma on commercially reasonable terms or at all. Product liability claims or recalls could result in negative publicity or force Hikma's management to devote significant time, attention and resources to those matters.

Hikma is subject to US healthcare fraud and abuse regulations that could result in significant liability and require Hikma to change its business practices and restrict its operations in the future.

Hikma's industry is subject to various US national, supranational, federal and state laws pertaining to healthcare fraud and abuse, including anti-kickback and false claims laws. Violations of these laws are punishable by criminal and/or civil sanctions, including, in some instances, substantial fines, imprisonment and exclusion from participation in national, federal and state healthcare programs, including Medicare, Medicaid, and Veterans' Administration health programs. These laws and regulations are broad in scope and are subject to evolving interpretations, which could require Hikma to alter one or more of its sales or marketing practices. In addition, violations of these laws, or allegations of such violations, could disrupt Hikma's business and result in a material adverse effect on Hikma's sales, profitability and financial condition.

In the United States, the Federal False Claims Act allows persons meeting specified requirements to bring suits alleging false or fraudulent Medicare or Medicaid claims and to share in any amounts paid to the government in fines or settlement. The frequency of suits being brought under this act has increased significantly in recent years and accordingly the risk that a manufacturer of pharmaceutical products will be required to defend a false claim action, pay fines and/or be excluded from Medicare and Medicaid programmes has increased. Federal false claims litigation can lead to civil monetary penalties, criminal fines and imprisonment and/or exclusion from participation in Medicare, Medicaid and other federally funded health programs.

Currently, certain federal and state governmental authorities in the United States, including the US Department of Justice and the US Department of Health and Human Resources, are investigating issues surrounding pricing information reported by several drug manufacturers and used in the calculation of reimbursement under the Medicaid program administered jointly by the federal and state governments. As far as management are aware, Hikma is not the subject of any such investigations. Hikma cannot be certain that any such investigations or claims under the Federal False Claims Act will not be brought against it, or if they are brought that such claims might not be successful.

3. RISKS RELATING TO THE GLOBAL OFFER AND THE ORDINARY SHARES

The interests of certain shareholders may conflict with those of other shareholders, and if they take actions that are not in the best interest of investors, it may harm the value of any investment in the Ordinary Shares.

Assuming that the Over-allotment Option is not exercised, upon completion of the Global Offer, Darhold Limited, the holding company through which the Darwazah family and other founding shareholders hold their interest in Hikma, will beneficially own approximately 31.6 per cent. of Hikma's Ordinary Shares. Accordingly, Darhold Limited will potentially possess sufficient voting power to have a significant influence on matters requiring shareholder approval, including amendments to the Articles, approval of substantial acquisitions or disposals, share buy-backs or other purchases of Ordinary Shares that could give shareholders the opportunity to realise a premium over the then-prevailing market price for their Ordinary Shares.

There has been no prior public trading market for the Ordinary Shares. If an active trading market for the Ordinary Shares does not develop, investors may have difficulties selling their Ordinary Shares.

Prior to the Global Offer, there has been no public trading market for Hikma's shares. Hikma does not know the extent to which investor interest in Hikma will lead to the development of a trading market or how liquid that market might be, or, if a trading market does develop, whether it will be sustained. If an active and liquid trading market does not develop or is not sustained, investors may have difficulty selling their Ordinary Shares.

The number of shares eligible for public sale after the Global Offer could adversely affect the trading price of the Ordinary Shares.

Assuming that the Over-allotment Option is not exercised, Darhold Limited, the Directors and Senior Management will together own an aggregate of approximately 34.7 per cent. of the Company's issued ordinary share capital. Hikma is unable to predict whether substantial amounts of Ordinary Shares in addition to those which will be available in the Global Offer will be sold in the open market following the termination of the restrictions in the Underwriting Agreement (further details of which are contained in paragraph 10.2 of Part XIV: *Additional Information*). Any future sales of substantial amounts of Ordinary Shares in the public market by a significant shareholder or a block of shareholders, or even the perception that such sales could occur, may decrease the market price of Hikma's Ordinary Shares.

The Ordinary Shares may be subject to market price volatility and the market price of the Ordinary Shares may decline disproportionately in response to adverse developments that are unrelated to the Group's operating performance.

The Offer Price may not be indicative of the market price for the Ordinary Shares following Admission. The market price of the Ordinary Shares may be volatile and subject to wide fluctuations. The market price of the Ordinary Shares may fluctuate as a result of a variety of factors, including, but not limited to, those referred to in these *Risk Factors* as well as period-to-period variations in operating results or changes in turnover or profit estimates by Hikma, industry participants or financial analysts. The price could also be adversely affected by developments unrelated to the Group's operating performance such as the operating and share price performance of other companies that investors may consider comparable to Hikma, speculation about Hikma in the press or the investment community, strategic actions by competitors, such as acquisitions and restructurings, and changes in market conditions or the regulatory environment.

Holders of Ordinary Shares outside the United Kingdom may not be able to exercise their pre-emptive rights.

In the case of an allotment of Ordinary Shares for cash, Hikma's existing shareholders are entitled to pre-emptive rights unless waived by a resolution of the shareholders at a general meeting or in certain circumstances as stated in the Articles. If Hikma allots Ordinary Shares for cash in the future and pre-emptive rights are not waived, holders of the Ordinary Shares outside the United Kingdom may not be able to exercise their pre-emptive rights for Ordinary Shares unless Hikma decides to comply with applicable local laws and regulations and, in the case of holders in the United States, a registration statement under the Securities Act is effective with respect to such rights, or an exemption from the registration requirements of the Securities Act is available. Hikma intends to evaluate at the time of any rights or similar offering the costs and potential liabilities associated with any such registration statement or an exemption from registration, as well as the indirect benefits of enabling holders in the United States of Hikma's Ordinary Shares to exercise any pre-emptive rights for Ordinary Shares and any other factors considered appropriate at the time, and then to make a decision as to how to proceed. Hikma cannot assure its US shareholders that steps will be taken to enable them to exercise their pre-emptive rights, or to permit them to receive any proceeds or other amounts relating to their pre-emptive rights.

The rights of holders of Ordinary Shares are governed by English law. Not all rights available to shareholders under US law will be available to holders of Ordinary Shares.

Rights afforded to holders of Ordinary Shares under English law differ in certain respects from the rights of shareholders in typical US corporations. The rights of holders of Ordinary Shares are governed by English law as well as Hikma's Articles. In particular, English law significantly limits the circumstances under which shareholders of English companies may bring derivative actions. Under English law, in most cases, only Hikma can be the proper claimant for the purposes of maintaining proceedings in respect of wrongful acts committed against it. Neither an individual shareholder nor any group of shareholders has any right of action in such circumstances. In addition, English law does not afford appraisal rights to dissenting shareholders in the form typically available to shareholders in a US company.

PART III: INDUSTRY AND REGULATORY OVERVIEW

1. INDUSTRY OVERVIEW

Introduction

The pharmaceutical industry is one of the world's largest industries and according to IMS, a leading international pharmaceutical market research company, was worth $562.9 billion in 2004 and is estimated to grow at a CAGR of 7.4 per cent. between 2004 and 2009, to be worth approximately $806.1 billion in 2009.[1] Approximately 44.2 per cent. of global sales in 2004 were made in North America, 30.1 per cent. in Europe and 2.7 per cent. in Africa, the Middle East and the CIS.[2]

Broadly speaking, the prescription pharmaceutical market can be divided into originator products, which are new pharmaceutical products developed by research driven pharmaceutical companies and protected by patents, and generic pharmaceutical products which are not patent protected. Prescription pharmaceuticals are those pharmaceutical products that are only available for purchase with a doctor's prescription. Unless otherwise stated, the pharmaceutical information regarding both the market and Hikma's business relates to prescription pharmaceuticals.

Typically, a novel or new pharmaceutical product is invented by a research based pharmaceutical company, a biotechnology company or an academic institution, and the relevant patent authority will grant the originator a patent which allows only the patent holder the right to develop and commercialise the drug, usually for up to 20 years from the date the patent application is filed. Generic pharmaceutical products are the therapeutic equivalent of originator pharmaceutical products and are marketed after the patent for the originator pharmaceutical product has expired or when a generic alternative can be produced without infringing an existing patent. Unlike originator pharmaceutical companies that develop entirely new pharmaceutical products involving lengthy clinical tests and trials to prove safety and efficacy, generic drug manufacturers must demonstrate to the regulators bio-equivalence of their generic drug to the original product, which is a far less time consuming and costly process. Two pharmaceutical products are bio-equivalent when their therapeutic effects, including safety and efficacy, are the same when administered in equal doses under equal conditions to human subjects, i.e., when the two pharmaceutical products show the same rate and extent of absorption in a human. Generic pharmaceutical products have the same API as the originator drug to which they are bio-equivalent. The risk of product liability claims tends to be less significant with respect to generic pharmaceutical products as opposed to originator pharmaceutical products due to the length of time the originator pharmaceutical product has been in use.

Market exclusivity through patents and other proprietary rights enables originator pharmaceutical companies to charge more for their products as compared to generic pharmaceutical products, and hence be compensated for the cost of developing a new drug. When a drug loses its patent protection, any generic pharmaceutical manufacturer is able to develop a generic version of the drug, subject to compliance with the relevant regulatory approvals. The competitive nature of the generic pharmaceutical industry means that generic pharmaceutical products tend to be sold at between 30 to 80 per cent. less than the original price of the patented product.

Although generic pharmaceutical products currently comprise only a small portion of the value of the global pharmaceutical market, they account for an increasing share of worldwide prescriptions, as governments and healthcare participants, especially health insurance companies, seek to achieve cost savings in their drug expenditure. The global generic pharmaceutical market was estimated at $62.0 billion[3] in 2004 and is estimated to grow at a rate of around 10 per cent. per annum over the next three years.[4]

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1 IMS, Market Prognosis Global, June 2005.

2 *Id*.

3 IMS, Midas, February 2005.

4 Management analysis, based on historical data and industry research by independent third parties.

The following table provides information on the market size and expected CAGR of the global pharmaceutical industry according to IMS's geographic categorisation.

Figure 1 : Worldwide Pharmaceutical market share by region in 2004

Global Market	Sales for the year ended 31 December 2004 (US$ billions)	% compound annual growth rate (in constant US$) forecast 2004-2009
North America	249.0	8.3
European Union	154.6	6.2
Rest of Europe	14.6	11.0
Japan	66.1	2.9
Africa	6.3	7.6
Middle East	4.7	5.4
Latin America	24.4	8.7
Total	562.9	7.4

Source: IMS Global Health – June 2005

United States

The United States, with a population of approximately 294 million[5], is by far the single largest market in the world for generic pharmaceutical products, with sales of $18.1[6] billion in 2004, making up approximately 29.1 per cent. of the global generic market. It is estimated that overall generic penetration within the United States in 2004 was approximately 7.7 per cent. by value.[7]

For the period from 2001 to 2004, the United States generic pharmaceutical market grew at a CAGR of 11.7 per cent.[8] IMS estimates that this growth will continue at an average rate of 16.1 per cent. over the next three years.[9] Hikma believes the key drivers of this growth will include the following:

- *Number of products coming off patent*. The significant number of patented pharmaceutical products losing patent protection will make it legally permissible for generic manufacturers like Hikma to produce and market competing generic pharmaceutical products. Management estimates that in the period from 2005 to 2009, pharmaceutical products worth approximately $63 billion in sales will lose patent protection;[10]
- *Ageing population*. In 1995, the over-65 age group represented 12.8 per cent. of the total population in the United States.[11] This figure is expected to grow to 18.5 per cent. of the total population in 2025[12] making this segment of the population the largest consumer of pharmaceutical products in the United States;
- *Medicare reform.* Implementation of the Medicare Act 2003 will increase the availability of pharmaceutical products to a larger number of patients by expanding the scope of Medicare coverage for pharmaceutical products in the United States. According to IMS, the introduction of the Medicare Act will increase the US federal government's share of the national drug bill from 13.0 per cent. to 40.0 per cent., placing greater emphasis on containing costs;[13] and
- *Cost containment measures*. As expenditure on pharmaceutical products increases (healthcare expenditure is likely to exceed 16 per cent. of US GDP by 2007)[14], cost containment measures by both public and private healthcare payers are likely to support increased use of lower cost generic pharmaceutical products.

The US generic drug industry is very competitive and has experienced downward pressure on prices in recent years. Over the last two years the number of competitors has increased as offshore manufacturers with lower operating costs compared to some US-based manufacturers have entered the US market. This increased

5 World Bank, World Development Indicators database, July 2005.
6 IMS, Midas, February 2005.
7 *Id.*
8 Management estimates, based on historical data and industry research by independent third parties.
9 IMS, Generic Focus, 2005.
10 Management estimates, based on historical data and industry research by independent third parties.
11 CIA, The World Fact Book, July 1996.
12 US Census Bureau, Populations Projections Branch, October 1996.
13 IMS, Generic Focus, 2005.
14 IMS, Generic Focus, 2003-2007.

competition has resulted in a decline in prices in the US generics market and a reduction in gross margins for industry participants. This price erosion is expected to continue and may even increase as lower cost producers cut prices to gain market share.

Generic manufacturers compete on a range of factors including price, product development, timeliness of product approvals and customer service. For further information on competition in the generics industry, see Part IV: *Information on Hikma — Competition*.

MENA Region

Overview

The Company estimates that sales of all pharmaceutical products (including patented, generics and OTC) in the MENA Region, together with Turkey and Iran, had a value of approximately $12 billion in 2004[15], making up approximately two per cent. of the global pharmaceutical market.[16] Hikma's three largest national markets within the MENA Region are Algeria, Saudi Arabia and Jordan. In 2004, average generic penetration by value was approximately 32.0 per cent. in Algeria, 33.0 per cent. in Saudi Arabia and 48.0 per cent. in Jordan, and average generic penetration by volume was 45.0 per cent., 41.0 per cent. and 63.0 per cent., respectively.[17]

The pharmaceutical market in the MENA Region tends to be a branded market, in which both patented, generic and OTC pharmaceutical products are marketed under specific brand names. Brand promotion and marketing are important competitive factors, as generic pharmaceutical products with strong brand reputations can gain significant market share. Given the importance of brand recognition, the first company to launch a generic version of a particular product is often well placed to take and maintain a significant share of the market. For this reason, generic pharmaceutical companies in the MENA Region spend considerable resources on building brands and strengthening relationships with doctors and pharmacists who can recommend their brands.

In all countries in the MENA Region, the respective government, usually through its Ministry of Health, sets the prices for private sale (i.e., excluding sales under competitive tender to the government) of generic pharmaceutical products. These ministries typically set the price at which a generic drug can be sold by comparison to the price of the originator pharmaceutical product and other products in the same therapeutic category sold in the relevant market. The price for the first generic drug to be approved is typically set at approximately the originator price less 25 to 30 per cent. Subsequent generic pharmaceutical products are often priced at small discounts to the previously registered generic pharmaceutical product in that market. The first generic manufacturer to file for registration will therefore be granted the highest price amongst the generic competitors. As a result of prices being set by the government, competition in the private pharmaceutical markets of the MENA Region focuses on factors other than price, such as reputation, brand promotion and marketing. For a description of pricing regulation in the MENA Region see *Regulatory Overview — Pricing regulation* below.

For the period from 2001 to 2004, the total pharmaceutical market in the MENA Region grew at a CAGR of 9.6 per cent.[18] It is estimated that the pharmaceutical market in the MENA Region will continue to grow at rates of between eight and ten per cent. over the next three years.[19] In Algeria, Saudi Arabia and Jordan, it is expected to grow at average annual rates of approximately 7.7 per cent. in Algeria, 8.1 per cent. in Saudi Arabia and 9.4 per cent. in Jordan over the next three years.[20] Hikma believes that the key drivers of this growth will include the following:

- *Growing per capita income and medical expenditure.* Per capita income and medical expenditure is growing rapidly in the MENA Region. In 2004, the per capita income in Algeria, Saudi Arabia and Jordan was $2,305, $10,442 and $1,964, respectively[21] compared to $40,100 in the United States.[22]
- *Affordability of generic pharmaceutical products.* Due to lower average income levels in countries in the MENA Region countries compared to more developed countries, the majority of the population is currently unable to afford modern medicine. Accordingly, affordability of drugs, which favours the use of lower cost generic pharmaceutical products, is an important driver of market growth in the MENA Region.

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15 Management estimates, based on historical data, IMS data and other industry analysis by independent third parties. Includes OTC products as well as prescription products.

16 *Id.*

17 *Id.*

18 Management estimates, based on historical data and industry research by independent third parties.

19 *Id.*

20 *Id.*

21 The Economist Intelligence Unit Limited, The Economist Intelligence Unit, August 2005 [hereinafter *EIU*]. 2004 and 2005 data are estimated.

22 CIA, The World Fact Book, updated July 2005.

- *Expanding healthcare infrastructure.* Many people in the MENA Region currently do not have access to modern medical treatment and pharmaceutical products due to the more limited healthcare infrastructure that is available. The majority of doctors, medical personnel and health centres are found in major cities and other urban areas. Over the last decade, there has been a significant improvement in healthcare infrastructure. Hikma believes that improved access to medical services will strengthen demand for pharmaceutical products.
- *Favourable demographic trends.* Demographic trends, including increasing literacy, life expectancy and birth rates, are improving in many countries of the MENA Region. Hikma believes that improved demographic trends will result in greater awareness of health-related issues and demand for pharmaceutical products. For a more detailed description of demographic trends in Algeria, Saudi Arabia and Jordan see *Hikma's key markets in the MENA Region* below.

Hikma's key markets in the MENA Region

Algeria. In 2004, Algeria had an estimated population of 33.4 million.[23] According to IMS, pharmaceutical sales in Algeria have increased from $552 million in 2000 to $674 million in 2004, and are expected to reach $1.1 billion by 2010.[24] Pharmaceutical companies in Algeria market their products primarily to physicians, hospitals, distributors and pharmacies. Although pharmacies generally buy directly from the manufacturer or through a distributor, emphasis is placed on marketing to individual physicians as they are the prescribers of drugs.

In 2004, the estimated total healthcare expenditure in Algeria was 4.2 per cent. of its GDP,[25] including public and private health expenditure. The Algerian government's budget for healthcare expenditure was approximately $97 per capita,[26] while the average private expenditure per person was $88.[27] GDP has grown in the last five years by a CAGR of 9.6 per cent. per annum to $77 billion in 2004.[28] Life expectancy has increased from 69 years in 1995 to an estimated 73 years in 2005, and birth rates have decreased from 27.2 per 1,000 inhabitants in 1995 to 21.1 per 1,000 inhabitants in 2005.[29] Literacy rates have increased to 71.1 per cent. in 2004.[30]

For a description of the pharmaceutical pricing regulation and the reimbursement regime in Algeria, see *Regulatory and Intellectual Property Overview — MENA Region — Algeria — Pricing and reimbursement* below.

Saudi Arabia. In 2004, Saudi Arabia had a population of 24.0 million.[31] According to IMS, pharmaceutical sales in Saudi Arabia have increased from $561 million in 1995 to $1.1 billion in 2004, and are expected to reach $1.7 billion by 2010.[32] Pharmaceutical companies in Saudi Arabia market their products primarily to physicians, hospitals, hospital purchasing groups and pharmacies with the largest end-purchasers of pharmaceuticals being distributors, hospitals and pharmacies. However, emphasis is placed on marketing to individual physicians as they are the prescribers of drugs.

In 2004, the estimated total healthcare expenditure in Saudi Arabia was 5.0 per cent. of its GDP,[33] including public and private health expenditure. The Saudi Arabian government's budget for healthcare expenditure was approximately $523 per capita,[34] while the average private expenditure per person was approximately $389.[35] GDP has grown in the last five years by a CAGR of 9.3 per cent. per annum to $250.6 billion in 2004.[36] Life expectancy has also increased from 73 years in 1995 to an estimated 75 years in 2005, and birth rates have increased in 1995 from 34.9 per 1,000 inhabitants to 37.2 per 1,000 inhabitants in 2005.[37] Literacy rates have increased to 79.7 per cent. in 2004.[38]

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23 EIU, *supra* n. 21. 2004 and 2005 data are estimated.
24 IMS data 2004 and management estimates based on historical data. Includes OTC products, as well as prescription products.
25 EIU, *supra* n. 21. 2004 and 2005 data are estimated.
26 *Id*. Public health expenditure is calculated as the sum of outlays on health paid for by taxes, social security contributions and external resources (without double counting the government transfers to social security and extra-budgetary funds). 2004 and 2005 data are estimated.
27 Euromonitor Plc, 2005. 2004 and 2005 data are estimated.
28 EIU, *supra* n. 21. 2004 and 2005 data are estimated.
29 *Id*. 2004 and 2005 data are estimated.
30 Euromonitor Plc 2005. 2004 and 2005 data are estimated.
31 EIU, *supra* n. 21. 2004 and 2005 data are estimated.
32 IMS data 2004 and management estimates based on historical data. Includes OTC products, as well as prescription products.
33 EIU, *supra* n. 21. 2004 and 2005 data are estimated.
34 EIU, *supra* n. 21. Public health expenditure is calculated as the sum of outlays on health paid for by taxes, social security contributions and external resources (without double-counting the government transfers to social security and extra-budgetary funds).
35 Euromonitor Plc 2005. 2004 and 2005 data are estimated.
36 EIU, *supra* n. 21. 2004 and 2005 data are estimated.
37 *Id.*
38 Euromonitor Plc 2005. 2004 and 2005 data are estimated.

For a description of the pharmaceutical pricing regulation and the reimbursement regime in Saudi Arabia, see *Regulatory and Intellectual Property Overview — MENA Region — Saudi Arabia — Pricing and reimbursement* below.

Jordan. In 2004, Jordan had a population of approximately 5.6 million.[39] According to IMS, pharmaceutical sales in Jordan have increased from $75 million in 1995 to $120 million in 2004, and are expected to reach $206 million by 2010.[40] Pharmaceutical companies in Jordan market their products primarily to physicians, hospitals and pharmacies. The largest end-purchasers of pharmaceuticals are hospitals and pharmacies which generally buy directly from the manufacturer or through a distributor.

In 2004, the total expenditure for healthcare in Jordan was 9.8 per cent. of its GDP,[41] including public and private health expenditure. The Jordanian government's budget for healthcare expenditures was approximately $366 per capita,[42] while the average private expenditure per person was approximately $194.[43] GDP has grown in the last five years by a CAGR of 6.3 per cent. per annum to $11.0 billion in 2004.[44] Life expectancy has also increased from 69 years in 1995 to an estimated 71 years in 2004[45], and birth rates have decreased from 29.4 per 1,000 inhabitants in 1995 to 24.4 per 1,000 inhabitants in 2005.[46] Literacy rates have increased to 91.8 per cent. in 2004.[47]

For a description of the pharmaceutical pricing regulation and the reimbursement regime in Jordan, see *Regulatory and Intellectual Property Overview — MENA Region — Jordan — Pricing and reimbursement* below.

Europe

Across Europe, individual countries differ with respect to the size of the pharmaceutical market and the generic segment of that market. Generic penetration also varies from country to country, although the trend is towards greater generic use. In countries with higher cost pharmaceuticals, such as Germany, the United Kingdom, The Netherlands and Denmark, governments have encouraged the use of generics to minimise healthcare costs. In other markets with lower cost pharmaceuticals, such as Spain, France, Belgium and Italy, healthcare costs have not been as pressing an issue, resulting in lower generic penetration.

The Injectable Pharmaceutical Market

In addition to its operations in the key geographic markets discussed above, Hikma is also building its presence in the injectable pharmaceutical market, which is a specialised sub-segment of the global pharmaceutical market.

Global sales of patented and generic injectable pharmaceutical products reached $116.1 billion in 2004, according to IMS.[48] Of this total, Hikma estimates that the generic injectable pharmaceutical market had a value of approximately $8 billion to $9 billion in 2004, constituting approximately seven per cent. of the overall injectable market.[49] In 2004, it was estimated that the generic injectable market had a value of approximately $5.5 billion in the United States and approximately $1.2 billion in Europe.[50]

Several factors have limited the number of manufacturers in the generic injectable pharmaceutical market relative to the markets for generic oral pharmaceutical products. As a result, prices, margins and competition generally tend to be more favourable for generic injectable products than for generic oral products. These factors include:

- *Challenging regulatory and manufacturing requirements*. Regulatory authorities, particularly the FDA, impose stringent standards on the manufacture of injectable products due to the fact that they are injected directly into the body and enter the bloodstream without the benefit of barriers to contamination and infection provided by the digestive system. These manufacturing challenges require specialised and sterile manufacturing facilities and techniques, which demand a significant investment to achieve

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39 EIU, *supra* n. 21. 2004 and 2005 data are estimated.

40 IMS data, 2004 and management estimates. Includes OTC products, as well as prescription products.

41 Euromonitor Plc 2005. 2004 and 2005 data are estimated.

42 *Id.* Public health expenditure is calculated as the sum of outlays on health paid for by taxes, social security contributions and external resources (without double-counting the government transfers to social security and extra-budgetary funds). 2004 and 2005 data are estimated.

43 *Id.* 2004 and 2005 data are estimated.

44 EIU, *supra* n. 21. 2004 and 2005 data are estimated.

45 Euromonitor Plc 2005. 2004 and 2005 data are estimated.

46 *Id.*

47 *Id.*

48 IMS 2004 data.

49 Management estimates, based on historical data and industry research by independent third parties.

50 *Id.*

necessary manufacturing standards and maintain regulatory compliance. In addition, some injectable products, including cephalosporins, are required by the FDA and other regulatory authorities to be manufactured in dedicated facilities to prevent cross-contamination.

- *The need for specialised product and manufacturing expertise*. Injectable pharmaceutical products may be produced in three forms: liquid, powder and lyophilized (freeze-dried). Hikma believes that to compete effectively, a company requires the manufacturing expertise, equipment and facilities to produce each of these three forms.
- *Difficult-to-source API.* Manufacturing injectable pharmaceutical products for some therapeutic categories requires API that may be difficult to obtain. Some of these API are currently available only from a limited number of suppliers.
- *Hospital-based distribution channels*. The injectable pharmaceutical products' marketplace in the United States consists primarily of hospitals, long-term care facilities and clinics. In contrast to the retail pharmacy market for oral pharmaceutical products, where the pharmacist is the key decision-maker driving the drug substitution process, the US injectable pharmaceutical marketplace is dominated by hospitals, long-term care facilities and clinics that have relationships with GPOs. GPOs enter into collective purchasing contracts with pharmaceutical suppliers for products in an effort to secure favourable drug pricing on behalf of their members. As in the United States, distribution channels for injectable pharmaceutical products in the MENA Region and Europe are different from those for oral products, with manufacturers marketing and selling directly to hospitals or hospital buying groups.

According to IMS, the top five types of injectable products were erythropoietin products ($11.6 billion of sales in 2004), antineoplastics ($6.6 billion of sales in 2004), interferons ($5.2 billion of sales in 2004), cephalosporins and combinations ($4.9 billion of sales in 2004) and heparins ($4.1 billion of sales in 2004).[51]

Hikma believes that in addition to the key drivers of generic growth generally, a further driver of the injectable market will be the number of patented injectable products coming off patent.

2. REGULATORY AND INTELLECTUAL PROPERTY OVERVIEW

Pharmaceutical Product Regulation

In common with other companies operating in the pharmaceutical industry, companies in the Hikma Group are subject to extensive governmental and other regulation in all the markets in which they operate, including the United States, Algeria, Saudi Arabia, Jordan and member states of the European Union. There is no single worldwide harmonised set of regulations relating to the development, manufacture and sale of pharmaceutical products and a business which manufactures and markets pharmaceutical products will be subject to different laws, regulations and codes depending on the regions or countries in which the business is operating. Such regional and national laws, regulations and codes prescribe the requirements necessary to show the safety, quality and efficacy of pharmaceutical products before they can be approved for marketing by the relevant regulatory authority. Regulations also govern the testing, manufacturing, labelling, storage, advertising, marketing, promotion, pricing, reimbursement and sale of pharmaceutical products. Failure to comply with applicable laws and regulations can result in warnings, fines, criminal penalties, civil injunctions against shipment of products, product recalls and seizure of products.

The costs of originating and developing new products and of complying with the regulations that govern the pharmaceutical industry are immense and the originator pharmaceutical industry can only be economically viable if incentives are provided to originator pharmaceutical companies to continue to invest the often vast sums required. Incentives are generally provided to such companies by the grant of a patent that provides a period of market exclusivity for new products in order to enable them to recover their investment in the product and to provide for future investment in new products. Market exclusivity is generally given by governments to pharmaceutical companies through the country's or region's laws relating to intellectual property and data exclusivity.

Intellectual Property Rights relating to the Pharmaceutical Industry

The principal intellectual property rights used by the pharmaceutical industry to obtain and retain market exclusivity are patent rights. Patents are granted on a territorial basis and provide the patent holder with the right to prevent third parties from using the technology which is the subject of the patent for a fixed period in the

[51] IMS 2004 data. For antineoplastics, data excludes alkylating agents, antimetabolites, vinca alkaloids and other plant products and antineoplastic antibodies.

territories in which the patent has been granted. In most instances, while a pharmaceutical product is protected by patents, no other company is able to manufacture or sell that product, so the originator pharmaceutical company's or patent holder's, if different, revenues are protected from competition in the patent territory during the patent term.

Pharmaceutical products can be protected by patents in a number of ways. The most common patents used are product patents and process patents.

- *Product patents*. A pharmaceutical product patent will prevent anyone other than the patent holder from making, using, importing, offering for sale and selling a pharmaceutical product that embodies or uses the technology that is the subject of the patent, without permission or licence from the patent holder. Most pharmaceutical companies will apply for a number of patents in respect of a particular pharmaceutical product in an attempt to protect the API of the product in question to the fullest extent possible. As well as patenting the new chemical entity itself, the originator will also look to obtain further product patents in respect of different aspects of its product, such as patents covering specific formulations, compositions, dosage forms, methods of administration, new indications and patents for products comprising combinations of APIs. Such patents can usefully extend the market exclusivity of an API, the basic compound patent for which has expired, or is about to expire.
- *Process patents*. Pharmaceutical process patents protect only the method by which a product is made and, in some cases, the product itself when made by that method. Process patents do not protect the molecular structure of the product itself so, if someone makes the same product by a different non-infringing process, the holder of a process patent cannot prevent the product from being reproduced by a different process than that which is the subject of the patent.

Different countries have different intellectual property regimes, with some recognising both product and process patents. Markets such as the United States, Canada, Japan, the member states of the European Union, South Africa and, within the MENA Region, Jordan and Algeria, recognise product and process patents, and, to a lesser or greater extent, enable the patent holder to enforce these rights against infringers. Markets such as Brazil and India currently do not recognise product patents, but do recognise process patents, while Saudi Arabia, in practice, recognises product patents but not process patents.

The period between filing for a patent and market launch can be a number of years as a result of the time consuming clinical trial and marketing approval process. This means that the period of market exclusivity for a patented pharmaceutical product is often much less than the patent period, which is generally 20 years from the date of filing of the application for the patent. In order to compensate originator pharmaceutical companies for this delay in recouping their investment in developing new products, some governments, including those in the European Union and the United States, have implemented legislation which effectively extends the patent term for the patent covering the pharmaceutical product by a certain number of years. Further details of these patent term extensions are set out in the relevant sections below.

In 1995, the body which is now known as the World Trade Organisation, or WTO, implemented a treaty called "Trade Related Aspects of Intellectual Property Rights", or TRIPs. TRIPs sets out a minimum standard for the protection of intellectual property with which signatory countries must comply and, in particular, requires signatories to provide product patent protection to originator pharmaceutical companies providing the originator pharmaceutical company with patent protection of 20 years from the date of filing the patent application. Countries which wish to become members of the WTO are required to implement the rules set out in TRIPs into their national laws. Many countries, including Jordan, Qatar, Egypt and the UAE, have become members of the WTO in the last decade. The WTO has granted emerging market countries a transition period to adapt their legislation to enable them to introduce patent protection gradually. Further details in relation to certain relevant countries are set out below.

A number of countries, including the United States, provide exemptions from the monopoly rights of the patentee with respect to acts carried out relating to the development, and submission for marketing authorisation, of generic pharmaceutical products before the relevant patent has expired. These provisions, known as "Bolar provisions" or "Bolar exemptions," can enable generic pharmaceutical companies to develop and seek approval for generic versions of patented products to allow them to enter the market for the relevant products immediately upon the patent's expiry. These exemptions are explained in more detail in the separate country/regions sections below.

Data Exclusivity

In order to obtain its marketing authorisation for the product, the originator pharmaceutical company needs to submit a substantial dossier of pharmacological, toxicological and clinical data to the regulatory authority. The preparation and submission of this regulatory data is both time consuming and very costly.

If a third party, typically a generic pharmaceutical company, seeks to put its version of an already approved product on the market, it must also obtain the appropriate regulatory approvals. Some governments have implemented legislation which expedites regulatory approvals for third party versions of already approved products, if the applicants can show that their version is bio-equivalent to the originator pharmaceutical company's product. The expedited approvals process incorporates as its basis the regulatory data submitted by the originator pharmaceutical company to obtain its marketing approvals.

In order to balance the rights of the originator pharmaceutical company against the desire to introduce generic versions of previously patented products as quickly as possible, some governments have provided originator pharmaceutical companies with exclusive rights over their regulatory data for certain prescribed periods. This means that during the period of data exclusivity that the government has given the originator pharmaceutical company, no other applicant for regulatory approval is entitled to refer to or make use of such data even if publicly available.

Data exclusivity is therefore separate and distinct from patent rights. The data exclusivity period, being dependent on the date the marketing authorisation is granted, can and often does run parallel to the patent term. In many cases, depending on when the authorisation is obtained and the period of data exclusivity given and where patent protection (including any extensions) has expired on a particular product, the originator pharmaceutical company may still, by virtue of its data exclusivity period, be able to prevent third parties from obtaining market authorisation for a generic version of its product.

Other Intellectual Property Rights

In addition to patent rights and rights of data exclusivity, other intellectual property rights may assist in the retention of market exclusivity for pharmaceutical products. These include trademark rights, which give the right holder the exclusive right to market a product under the brand protected by the trademarks, and design rights over the packaging and shape of the products and also over the devices used to deliver the product to the patient. In the branded generics industry, trademarks, including registered trademarks, assume a greater relative importance in the obtaining and retention of market exclusivity.

United States

Pharmaceutical products regulation

All pharmaceutical companies manufacturing and selling products in the United States, including Hikma, are subject to extensive regulation by the US federal government, principally through the FDA and the DEA and, to a lesser extent, the EPA and state and local governments. Pharmaceutical companies are also subject to the laws of the United States relating to intellectual property and data exclusivity, which are outlined below.

Generic drug approval

Approval from the FDA is required before any dosage form of any new drug, including a generic version of a previously approved drug, can be marketed in the United States. The Drug Price Competition and Patent Term Restoration Act of 1984, otherwise known as the Hatch-Waxman Act, established abbreviated application procedures for drugs that are no longer protected by patents and that are shown to be equivalent to previously approved proprietary drugs. Approval to manufacture these generic pharmaceutical products is obtained by filing an ANDA with the FDA. This is much less time consuming and less costly than the initial approval of a novel pharmaceutical product, which has to go through extensive clinical trials which are required by the FDA under an NDA.

An ANDA is a comprehensive submission that must contain data and information pertaining to the product's pharmaceutical ingredients, production and test methods, quality control, packing, labelling and storage. In addition, the ANDA must demonstrate that the product is bio-equivalent to the originator reference drug. Bio-equivalence is generally shown by blood level studies comparing the rate and extent of absorption of equivalent doses of test and reference pharmaceutical products at specified time points. Because ANDA applicants do not have to perform the same kind of clinical studies required by the originator pharmaceutical company to show safety and effectiveness, the generic pharmaceutical development and test process is less time consuming and less costly. Intravenous pharmaceutical products are exempted from bio-equivalence testing, whereas generic pharmaceutical products that are not injected (i.e. are absorbed) must undergo more extensive testing to demonstrate equivalence. Generally, the generic drug development and the ANDA review process can take between two and five years.

The Hatch-Waxman Act provides that a generic applicant must make certain certifications with respect to the patent status of the drug for which it is seeking approval. An ANDA applicant is required to review the patents of the originator pharmaceutical company listed in the FDA publication, *Approved Drug Products with Therapeutic*

Equivalence Evaluations, popularly known as the "Orange Book", and make an appropriate certification. There are several types of certifications that can be made. "Paragraph IV" certifications are on the basis that the ANDA applicant either believes that its product, or the use of its product, does not infringe on the originator pharmaceutical company's patents listed in the Orange Book, or believes that such patents are not valid or enforceable.

The first generic company to file a Paragraph IV certification may be eligible to receive a six-month marketing exclusivity period from the date a court rules the originator pharmaceutical company's patent on the drug is invalid, not infringed or enforceable. When submitting an ANDA with a Paragraph IV certification for the exclusive right to market a generic drug, the applicant must notify the NDA applicant and patent holder of its submission. If the patent holder sues for infringement of the patent within 45 days of such notification, the FDA approval of the generic pharmaceutical product is automatically postponed for 30 months. Litigation in relation to Paragraph IV ANDA submissions has tended to be a protracted and costly process because patent holders have been able to secure and use additional patents related to their products in order to obtain multiple 30 month stays. However, the Medicare Act 2003 now limits originator pharmaceutical companies to one 30-month stay to resolve allegations of patent infringements.

A "Paragraph III" filing is made when the ANDA applicant does not intend to market its generic pharmaceutical product until after the patent expires. "Paragraph II" certifications are made when the relevant patent has already expired. A "Paragraph I" filing is made when the originator pharmaceutical company has not submitted the required patent information for patent listing in the Orange Book.

Generic pharmaceutical products manufactured outside the United States, and which are imported to be marketed in the United States, are subject to the same system of FDA approval. Such pharmaceutical products also are subject to US customs regulations at the port of entry.

The Generic Drug Enforcement Act of 1992 allows the FDA to impose disbarment and other penalties on individuals and companies that commit certain illegal acts relating to the generic drug approval process. In some situations, it requires the FDA to deny or postpone review of ANDAs from a company or an individual that has committed or is alleged to have committed certain violations. It also provides for temporary denial of approval of applications during the investigation of certain violations that could lead to disbarment and also, in more limited circumstances, provides for the suspension of the marketing of approved pharmaceutical products by the affected company. Lastly, the Generic Drug Enforcement Act allows for civil penalties and withdrawal of previously approved applications.

Controlled substances

Some of the products manufactured by Hikma are classified as "controlled substances" under the Controlled Substances Act, which established certain security personnel, reporting, record keeping and import and export requirements to be administered. Hikma is registered with the DEA to manufacture and distribute certain controlled substances. Controlled substances, which have varying degrees of potential for abuse, require specialised controls for production, storage and distribution to prevent theft and diversion to unlawful channels of distribution. Violation of controlled substances requirements may result in civil and/or criminal penalties, and loss of registration needed to conduct business.

Manufacturing

The FDA regulates the facilities and procedures used to manufacture pharmaceutical products for sale in the United States irrespective of the country of manufacture. Hikma is subject to the periodic inspections of its US, Jordanian and Portuguese facilities by the FDA of conformity with cGMP. In the United States, the DEA and other authorities conduct inspections to assess compliance with applicable regulations. FDA cGMP regulations must be followed at all times during the manufacture of pharmaceutical products. Compliance with cGMP must be demonstrated in order for the FDA to permit API produced in a non-US facility to be imported into the United States for incorporation into a final dosage form and/or for a final dosage form product manufactured at that facility to be imported and sold in the United States, provided in both cases that the requisite marketing approvals for the product have been obtained in the United States. This requires that manufacturing facilities achieve suitable standards of quality and hygiene control, are supervised by suitably qualified and continuously trained persons, and maintain comprehensive record keeping to ensure consistency and that the causes of any deviations from set standards are identified and investigated and action is taken to rectify current deviations and prevent recurrences. In particular, manufacturing facilities must be approved by the FDA and named on marketing authorisations as suitable for the manufacture of the relevant product.

Failure to comply with cGMP and other FDA requirements can result in the issuance of observation notices on Form 483 and warning letters. A Form 483 notice is typically issued at the conclusion of an FDA inspection and lists conditions the FDA investigators believe may violate cGMP or other FDA regulations. If the FDA believes a

company is not in compliance with cGMP, certain sanctions may be imposed, including suspension of manufacturing, seizure of products or voluntary recalls of product. Product approvals may also be delayed or withdrawn if compliance with regulatory standards is not maintained or if problems occur after the product reaches the market.

The FDA and the Federal Trade Commission also have stringent labelling, advertising, promotion and marketing regulations which must be followed. Failure to abide by these regulations can result in regulatory action ranging from the issuance of warning letters requiring a company to correct irregularities, to product recalls and product seizures.

Pricing and reimbursement

In contrast to most other countries, the United States does not impose price controls on prescription pharmaceutical products. Medicaid, Medicare and other government-funded healthcare programmes govern provider reimbursement levels for pharmaceuticals, including generics in many cases. Medicaid pays for medical assistance for those on low incomes while Medicare provides health insurance mainly for those over age 65. The Medicaid program requires that pharmaceutical manufacturers pay rebates to individual states on Medicaid-reimbursed pharmaceutical products. Agreements with federal and state governments provide that the manufacturer will remit on a quarterly basis to each state Medicaid agency 11 per cent. of the average manufacturer price for its products marketed under ANDAs and covered by the state Medicaid program. The Medicare Act 2003, when fully implemented in 2006, will increase the availability of pharmaceutical products to a larger number of patients by expanding the scope of Medicare coverage for pharmaceutical products in the United States. This is likely to increase the overall volume of drugs sold, as well as the government-funded share of existing volumes. Given the government's emphasis on containing costs, the generic share of the overall market should increase by volume albeit at lower Medicare prices. The precise nature of the impact or its effect, if any, on Hikma's profitability cannot be predicted.

Intellectual property rights

The United States, as a member of the Paris Convention for the Protection of Industrial Property and the Patent Cooperation Treaty, and as a signatory to TRIPs, recognises both product and process patents. Furthermore, the USPTO potentially allows a wide range of product and process patents covering many different aspects of pharmaceutical products and processes for manufacturing them. It is common for originator pharmaceutical companies to file a number of patents on each pharmaceutical product in order to maximise its period of exclusivity.

Patents granted in the United States now last for 20 years from the date of filing with the USPTO but, for patents filed in the United States before 8 June 1995, the period of patent protection runs for the greater of the 20 years term or 17 years from the date on which the patent was issued.

Patent term extensions for patents covering the API are also available in the United States under the Hatch-Waxman Act, if the date of first marketing of the drug was delayed as a result of the regulatory approvals process. Any extension given is limited to the earlier of five years from the expiry of the 20-year patent term, or 14 years from the date of regulatory approval.

A section of US patent law known as the Bolar exemption, also provides that it shall not be an act of infringement to make, use, offer to sell, or sell within the United States or import into the United States a patented invention solely for uses reasonably related to the development and submission of information under federal law which regulates the manufacture, use, or sale of pharmaceutical products or veterinary biological products. This enables generic pharmaceutical companies to develop and seek approval for generic versions of patented products prior to the date of patent expiry, so that the generic version can be launched as soon as possible after the patent exclusivity has expired.

The pharmaceutical industry in United States is very litigious. It has seen a very large number of patent infringement cases in recent years in which originator patent holders have used their patent rights to try to keep generic versions of the originator pharmaceutical company's products out of the US market and/or to claim damages from the generic new entrant for infringement of their patent rights. Generic entrants to the US market, especially those who file ANDAs under Paragraph IV certifications, are particularly exposed to this expensive and time consuming patent infringement litigation.

Data Exclusivity

In addition to the provisions for patent life extensions, the Hatch-Waxman Act provides for two periods of non-patent exclusivity. A five year period of data exclusivity is awarded to the NDA sponsor that receives approval of a new chemical entity, viz., a new molecule irrespective of salts or esters. Therefore, ANDAs for regulatory

approval of generic versions of such originator pharmaceutical products cannot be submitted to the FDA until five years after the pharmaceutical product has been approved unless a Paragraph IV certification has been filed, in which case the ANDA may be submitted after four years. This period may run simultaneous to the product's patent life or beyond it. In addition, approvals of molecules that are not new chemical entities, e.g., another salt form, and new indications for existing products entitle the application sponsor to three years of data exclusivity. Generic companies may file ANDAs at any time during this shorter period of exclusivity, although the FDA may not authorise marketing until expiration of the three years.

MENA Region

Overview

Pharmaceutical products regulation

The health authorities in the MENA Region countries generally have separate independent approval processes that must be followed prior to the sale of a product in the country in question, although approval by the Saudi Health Authority greatly facilitates and expedites approval by the rest of the GCC countries. Before giving approval to any product, it is normal for relevant authorities, usually the Ministry of Health of the country in question, to require that approval has first been given to the product in the country of origin and, in some cases, also by the regulatory authority of a country with a more intensive and developed regulatory system, such as the United States, Japan or most European Union countries. For originator or licensed products, the manufacturer must file a dossier with information on the product as compiled or developed by the originator pharmaceutical company including a full technical file, bio-availability data, all published clinical studies and any toxicological, mutagenicity and carcinogenicity studies conducted by the originator pharmaceutical company. For generic pharmaceutical products, the manufacturer must file a full technical file, including bio-equivalence data and published clinical studies, usually the ones conducted by the originator pharmaceutical company when it first sought approval for the product.

To obtain registration of pharmaceutical products in the MENA Region, pharmaceutical companies must prepare and submit a complete and comprehensive application to the relevant Ministry of Health. The application is then assessed by the Ministry of Health in that country and further queries may need to be addressed by the pharmaceutical company. The registration process, from the date of filing a complete application to obtaining approval, takes approximately 18 to 24 months in Algeria, 12 to 18 months in Saudi Arabia, and 6 to 12 months in Jordan.

Hikma's pharmaceutical products are typically registered in Jordan before Hikma can apply for registration in any other countries in the MENA Region, as Jordan is considered to be Hikma's principal base in the Middle East. The registration fees differ in each country in the MENA Region and are as follows - Jordan: US$2,000 for originator pharmaceutical products and US$1,000 for generic pharmaceutical products; Saudi Arabia: US$1,100 for both originator and generic pharmaceutical products; Algeria: US$3,000-5,000 for both originator and pharmaceutical generic products; UAE: US$150 for both originator and generic pharmaceutical products; Lebanon: US$1,400 for both originator and generic pharmaceutical products; and Bahrain: US$150 for both originator and generic pharmaceutical products. In Jordan, registration fees are paid to the JFDA and, for all other countries in the MENA Region, registration fees are paid to the Ministry of Health in the relevant country.

Generally in the MENA Region, the regulatory body, the regulatory approval process and the method for setting prices is the same for prescription and OTC products unlike the United States and Europe where the pricing and approval process is different as between prescription and OTC products. The restrictions on marketing and sale, however, are generally higher for prescription products than for OTCs. In Jordan, the JFDA has sole discretion in determining which products are prescription pharmaceutical products and which are OTC pharmaceutical products.

In many countries in the MENA Region, pharmacists can substitute specific branded pharmaceutical products with equivalent products, branded or otherwise. In Algeria, Saudi Arabia and Jordan there is no requirement that the pharmacist first consult with, or obtain approval from, the prescribing physician. In some countries the only restriction on such substitution is in relation to narcotics and drugs that affect the mind, which require written approval from the prescribing physician.

In order to export products to the United States or Europe, the companies which manufacture the products in the MENA region need approval of their manufacturing facilities not only by their own local authority but also by the relevant European health authority or by the FDA, as applicable.

Intellectual property rights

In many countries in the MENA Region, product and/or process patents have not generally been available and, where available, have not always been enforced. As a result, there is not the same distinction between originator patented pharmaceutical products and generic pharmaceutical products as in the United States and the European

Union. Accordingly, almost all generic pharmaceutical products are sold on a branded basis and rely on perceptions of quality, both of the product and of the manufacturer, as well as on price which is less affected by whether the product is the subject of a patent or not. Where patent laws have been enforced it has usually been in relation to product rather than process patents.

Branding is important in the MENA Region. Trademarks are registered with the Ministry of Industry and Trade in Jordan, the National Algerian Institute for Industrial Property in Algeria and the Ministry of Commerce and Industry in Saudi Arabia.

The admission of some countries in the MENA Region to the WTO and the requirement to adhere to TRIPs has resulted in the implementation of more comprehensive intellectual property laws in those countries, which include Jordan, Egypt and the UAE. Most of these participating countries have been deemed to have "developing" status which means they need only implement TRIPs by the end of 2005. The TRIPs agreement is not retroactive, however, which means that it will only apply to patents that are granted after the date on which a country becomes a party to TRIPs. Signatory countries will not be required to comply with TRIPs for products the subject of pre-existing patent rights. Once countries in the MENA Region implement TRIPs, manufacturers of generic pharmaceutical products will have to wait until the originator pharmaceutical company's patent expires before seeking marketing approval and subsequently selling generic pharmaceutical products, as is currently the case in the United States and European Union.

As in the United States, health authorities in the MENA Region permit generic drug producers to conduct the necessary research and development required to develop a generic version of an originator drug prior to expiry of the relevant patent, pursuant to the so-called "Bolar exemption" to the TRIPs provisions described above. There is no exclusivity period granted to those who are first to file a generic pharmaceutical product.

Data exclusivity

Jordan is the only country in the MENA Region which provides originator pharmaceutical companies with a data exclusivity period for originator pharmaceutical products. For originator pharmaceutical products registered in Jordan, this data exclusivity period is five years from the date of first registration of the product in Jordan, during which time no pharmaceutical company can make use of the originator pharmaceutical company's data to apply to register a generic version of the originator pharmaceutical product.

Pricing and reimbursement

Government-funded healthcare programs differ across the MENA Region, as does the extent to which a government reimburses or subsidises pharmaceutical products. In some countries, such as Saudi Arabia, Algeria and Libya, the government provides a comparatively high level of reimbursement, whereas in other countries, such as Jordan and Lebanon, the government's reimbursement for pharmaceutical products is lower. Private healthcare programs do not cover a significant proportion of the population in many countries in the MENA Region.

In Jordan and Saudi Arabia, only pharmaceutical products which are obtained from government hospitals and medical facilities are subsidised for nationals of those countries. Pharmaceutical products purchased from non-government medical facilities must be paid for at full cost, unless covered by private healthcare. In Algeria, pharmaceutical products purchased from either government or non-government medical facilities are subsidised.

The level of subsidy also differs among MENA Region countries. For example, in Jordan and Saudi Arabia the government will sometimes subsidise 100 per cent. of the cost, whereas in Algeria the government generally only subsidises 70 to 80 per cent. of the cost.

Jordan

Pharmaceutical products regulation

The JFDA is the regulatory authority recently established to regulate the use and sale of food products, pharmaceutical products and medical devices in Jordan. Although the JFDA is a distinct body from the Jordanian Ministry of Health, the chairman of the board of the JFDA is the Jordanian Minister of Health.

All pharmaceutical companies manufacturing and selling products in Jordan must comply with the JFDA's strict regulations, as set out in the Drugs and Pharmacy Law 2001. Hikma does not anticipate any significant changes to these regulations.

Generic drug approval

The JFDA has to approve a pharmaceutical product prior to its sale in Jordan. Subject to the enforcement of exclusivity periods as a result of patent rights, which can now be enjoyed in Jordan by originator pharmaceutical companies, and of data exclusivity rights, the JFDA will approve and register generic versions of originator pharmaceutical products that comply with its requirements. These stipulate that the originator pharmaceutical product on which the generic pharmaceutical product is based must already be registered in a country with a highly developed regulatory system, such as the United States, the United Kingdom, Canada or Japan. In addition, the originator pharmaceutical product must also be registered in the manufacturer's country of origin, if different. In order to register a generic pharmaceutical product for approval in Jordan, the manufacturer must file a technical dossier including details on stability, methods of analysis, comparative dissolution and bio-equivalence.

Unlike in the United States and the European Union, there is no requirement that the supplier of raw materials, including API, is approved by the Jordanian health authority.

Manufacturing

Like all countries in the MENA Region, Jordan requires products marketed in Jordan to be manufactured in compliance with Arabian GMP and WHO guidelines. These requirements are broadly similar to the United States and European standards. Periodic inspections of manufacturing facilities are carried out by the JFDA. Failure to comply with the regulations would result in the issuance of notes or warning letters requesting manufacturers to conform with Arabian GMP and WHO guidelines and non-compliance may ultimately lead to de-registration of the product.

Pricing and reimbursement

In Jordan, the JFDA's Drug Pricing Committee sets prices for drugs and in doing so applies two different standards based on whether the product to be manufactured and/or sold is a patented drug or a branded generic:

- For patented products, reference is made to the price of the same drug in its country of origin, the price of similar products, if any, within Jordan, the price in other countries where the drug is registered and the extent to which Jordanian patients can benefit from the introduction of a new drug.
- For locally manufactured branded generics, if the drug is the first branded generic seeking pricing in Jordan, then the price is typically set at no more than 80 per cent. of the originator pharmaceutical company's price. If it is not the first such branded generic, then the price is typically set at or around the lowest price for other branded generics in the marketplace. These prices are not revised downwards when new and cheaper drugs enter the market. For imported generics, the price is set after considering the price of the drug in its country of origin, in countries neighbouring its country of origin and in other countries in the MENA Region.

Approximately 80 per cent. of Jordan's population is covered by one of three types of medical insurance:

- government, covering all government employees and their families, where the cost of medical treatment expenses is almost fully subsidised;
- military, covering all military employees, both current and retired, and their families, where the cost of medical treatment expenses is fully subsidised; and
- private, covering employees of private corporations and their families, where members are required to pay approximately 20 per cent. of the cost of their medical treatment expenses.

Intellectual property rights

Although trademark protection has existed in Jordan since 1952 and patent protection has existed since 1953, historically in practice, intellectual property protection has been weak and process patents were not recognised until recently. Jordan's recent admission to the WTO in 2000 and the requirement to adhere to GATT and TRIPs has resulted in the implementation of more comprehensive intellectual property laws.

Jordan now recognises both product and process patents, including for pharmaceutical products. Patents are granted for a term of 20 years from the date of the filing of the application, or from the priority date in case of a claim to priority. Patent term extensions are not generally available, although extensions may be granted for pharmaceutical products in certain circumstances pursuant to the Jordan/US Free Trade Agreement signed in 2000 and effective on 17 December 2001. Applicants have a 12-month period from the date of filing the first international patent during which they may file their patent applications with the Jordanian Patent Office, located at the Ministry of Industry and Trade.

In practice, however, most originator pharmaceutical companies generally do not file for Jordanian patents within this 12 month period and, therefore, patents are often not granted in Jordan. Instead, most originator pharmaceutical companies rely on the five year data exclusivity period to protect their pharmaceutical product from generic threat in Jordan, as well as the additional three year protection period in the case of new indications, as discussed below.

Jordan is also implementing the provisions designed to give effect to the so-called "Bolar exemption" (described above), which allows for a third party to develop and test a generic drug before the originator patent expires, thereby permitting generic pharmaceutical products to be on the market as soon as the originator pharmaceutical company's patent has expired. This means that the third party does not have to wait until the originator pharmaceutical company's patent has expired before starting to develop a generic version.

Data Exclusivity

In Jordan, reforms implemented in connection with the Jordan/US Free Trade Agreement have resulted in a five year data exclusivity period being granted to originator pharmaceutical products. This is different to a patent style monopoly and applies even if the product is not patented. This means that an originator or licensed pharmaceutical product cannot be registered or sold in generic form by another manufacturer using the originator pharmaceutical company's data for the first five years after that product has been registered by the JFDA. Pursuant to the Jordan/US Free Trade Agreement, additional three year protection periods also exist in respect of new indications of originator pharmaceutical products. As a result, a generic version of the originator drug cannot be promoted, approved, manufactured or sold in respect of the newly registered indication for a period of three years after that indication has been registered with the JFDA.

Saudi Arabia

Pharmaceutical products regulation

Generally the product approval process in Saudi Arabia is similar to that outlined above for Jordan. However, in Saudi Arabia the introduction of a new centralised process means that approval of a pharmaceutical product by the Saudi Arabian Ministry of Health greatly facilitates and expedites approval by the analogous administrative bodies in other GCC countries. Pharmaceutical products are regulated by Royal Decree number M/18 in Saudi Arabia, which includes the Executive Lists of the Regulation of Pharmacy Practice.

A non-Saudi Arabian company wishing to market and sell pharmaceutical products in Saudi Arabia is required by law to appoint a local distributor and to register that company and its products with the Saudi Arabian Ministry of Health. The Saudi Arabian Commercial Agency Regulations govern such distribution arrangements, which are required to be registered with the Saudi Arabian Ministry of Commerce, as well as being listed with the local Chamber of Commerce and Industry.

Generic Drug Approval

As in Jordan, the Saudi Arabian Ministry of Health must approve all pharmaceutical products prior to sale in Saudi Arabia. Although Saudi Arabia has not yet officially joined the WTO, the Saudi Arabian Ministry of Health upholds patent protection for the duration of the patent life in the originator pharmaceutical company's country of origin. As in Jordan, the Saudi Arabian Ministry of Health will approve and register generic versions of originator pharmaceutical products that comply with its requirements, including the filing of a technical dossier. This allows the generic applicant to file an abridged application for approval, provided the generic manufacturer can demonstrate specific similarities, including bio-equivalence, to the already authorised product.

As in Jordan, there is no requirement that the supplier of raw materials, including API, is approved by the Ministry of Health.

Manufacturing

The manufacturing requirements for Saudi Arabia are similar to those for Jordan. Furthermore, registration of the manufacturing site is a pre-requisite for registration of any generic or originator pharmaceutical product in Saudi Arabia.

Pricing and reimbursement

The pricing system in Saudi Arabia is strictly controlled by the Saudi Arabian Ministry of Health, and pharmaceutical products cannot be sold without its approval. The Saudi Arabian Ministry of Health uses a price reference system which considers the price of a drug in its country of origin, in countries neighbouring the country of origin, and in a variety of other markets neighbouring Saudi Arabia, including Jordan, Algeria and Egypt.

The Saudi Arabian government fully subsidises the cost of pharmaceutical products for its citizens. For non-citizens, the cost of pharmaceutical products is often, but not always, covered by private health insurance provided by employer companies, although the extent of the subsidy varies depending on the type of private health insurance provided.

Intellectual property rights

Although Saudi Arabia is scheduled to join the WTO in 2006, the Saudi Arabian Ministry of Health enforces product patents for the duration of the patent life in the originator pharmaceutical company's country of origin.

Patents are generally not filed in Saudi Arabia as pharmaceutical companies instead rely on protection granted by the originator's country of origin patent. There is increasing pressure from the Saudi Arabian Ministry of Health to register patents in Saudi Arabia via a formal registration system. The King Abdel Aziz City for Science and Technology is the body formally responsible for patent registration in Saudi Arabia and both product and process patents are, in theory, able to be granted for a period of 20 years from the date of filing the application. To date, very few patents have been filed in relation to pharmaceutical products, and, in practice, only product patents are recognised in Saudi Arabia. Although Saudi Arabian intellectual property law provides for the recognition of process patents, in practice they are generally not recognised.

Data Exclusivity

There is no data exclusivity period provided for in Saudi Arabia.

Algeria

Pharmaceutical products regulation.

Generally the product approval process in Algeria is similar to that outlined above in respect of Jordan. The Algerian Ministry of Health is the body which regulates pharmaceutical products in Algeria and all pharmaceutical companies manufacturing and selling products in Algeria must comply with the regulations set out in the Recueil Juridique Regissant Le Functionnement des Pharmacies d'Officine (the Legal Compilation Governing Pharmacy) 1997. Hikma does not anticipate any significant changes to these regulations.

Generic Drug Approval

As in Jordan and Saudi Arabia, the Algerian Ministry of Health must approve all pharmaceutical products prior to sale in Algeria and will approve and register generic versions of originator pharmaceutical products that comply with its requirements, including the filing of a technical dossier. This allows the generic applicant to file an abridged application for approval, provided the generic manufacturer can demonstrate specific similarities, including bio-equivalence, to the already authorised product. The generic drug approval process in Algeria is similar to that in Saudi Arabia.

As in Jordan, there is no requirement that the supplier of raw materials, including API, is approved by the Ministry of Health.

Manufacturing

The manufacturing requirements for Algeria are similar to those for Jordan and Saudi Arabia. Again, registration of the manufacturing site is a pre-requisite for registration of any generic or originator pharmaceutical product in Algeria.

Pricing and reimbursement

The pricing system in Algeria is controlled by the Algerian Ministry of Health, which must approve the prices of all pharmaceutical products prior to their sale in Algeria. The price of the first and any subsequent generic pharmaceutical products is generally set at a 30 per cent. discount to the originator pharmaceutical company's price.

The Algerian Ministry of Health periodically publishes a list of the pharmaceutical products which are reimbursed. Almost 70 per cent. of Algeria's population has government-funded medical insurance and, in most cases, patients pay around 20 per cent. of their treatment cost. For chronic and serious diseases, however, patients are often fully reimbursed.

Intellectual property rights

Although Algeria is scheduled to join the WTO in 2006, the Algerian Ministry of Health has increasingly enforced product patents and also recognises process patents. Currently, the exact nature of the enforcement of patent laws remains unclear. For the most part, however, an originator pharmaceutical product is protected in Algeria for the duration of the original patent life in the product's country of origin, even if no patent is actually filed in Algeria. In effect, the validity and existence of the originator pharmaceutical company's compound patent in its country of origin alone will prevent manufacture and sale of a generic copy in Algeria.

Both product and process patents can be filed in Algeria with the National Algerian Institute for Industrial Property, provided the applicant files its patent application within 12 months from the date of filing the first international patent. Patents are granted for a term of 20 years from the date of application and patent term extensions are not available.

Data Exclusivity

There is no data exclusivity period provided for in Algeria.

Other Countries

Pharmaceutical products regulation

Regulation in other countries in the MENA Region is essentially the same as that in Jordan in that pharmaceutical products must be approved for sale, and prices are set by, the relevant Ministry of Health.

Intellectual property rights

In other countries that have joined WTO and are in a transition period, such as Qatar, the United Arab Emirates and other Gulf countries, patent rights are generally protected and enforced for the duration of the product patent in the originator's country of origin.

Data Exclusivity

There is no data exclusivity period provided for in any other countries in the MENA Region.

European Union

Pharmaceutical products regulation

In the European Union, drug approval and manufacture is regulated at both the national and European level. As a result of a review by the European Commission of the pharmaceutical industry in Europe, widespread changes have recently been implemented or will be implemented in the near future across the member states of the European Union, which are likely to impact on the generics industry.

Within the European Union there are three types of marketing authorisation procedures: the centralised procedure, the mutual recognition procedure and the independent national procedure. Under EU law, a marketing authorisation for a product granted by a national regulatory authority under the independent national procedure permits the product to be marketed in that member state only. An application under the centralised procedure, on the other hand, must be submitted to the EMEA and, if granted, allows marketing of that product throughout the European Union. The centralised procedure is mandatory for all biotechnology products, and, as of the end of October 2005, is also compulsory for certain new chemical entities and orphan medicinal products.

The system of mutual recognition in the European Union is not automatic. Any product authorised under the independent national system requires a further authorisation in each member state to which it is to be marketed. However, the other member states in which authorisation is sought are able to rely on the assessment of the product done by the "reference member state" in which it has been authorised. All products, whether centrally authorised or authorised by mutual recognition, may only be sold in other member states if the product information is in the official language of that state, which effectively requires specific repackaging and labelling of the product.

Generic drug approval

Before a new pharmaceutical product can be marketed in the European Union a marketing authorisation must be obtained. If a generic pharmaceutical product is shown to be essentially the same as, or bio-equivalent to, one that is already on the market and which has been authorised in the European Union for a specified number of years, as explained in the section on data exclusivity below, no further pre-clinical or clinical trials are required

for that new generic pharmaceutical product to be authorised. The generic applicant can file an abridged application for marketing authorisation, but in order to take advantage of the abridged procedure, the generic manufacturer must demonstrate specific similarities, including bio-equivalence, to the already authorised product. Access to such data is governed by the European laws relating to data exclusivity which are outlined below.

Other products, such as new dosages of established products, must be subjected to further testing, and "bridging data" in respect of these further tests must be submitted along with the abridged application.

Manufacturing

Regulatory authorities in the European Union may conduct inspections of the manufacturing facilities to review procedures, operating systems and personnel qualifications. In addition to obtaining approval for each product, in most EU countries the pharmaceutical product manufacturer's facilities must obtain approval from the national supervisory authority. Like the United States and certain countries in the MENA Region, the European Union has a code of GMP which is the standard used by the national authorities.

Pricing and reimbursement

In order to control expenditure on pharmaceuticals, most member states in the European Union regulate the pricing of products and, in some cases, limit the range of different forms of drug available for prescription by national health services. These controls can result in considerable price differences between member states. In addition, in past years, as part of overall programs to reduce healthcare costs, certain European governments have prohibited price increases and have introduced various systems designed to lower prices.

Intellectual property rights

European Union member states are members of the Patent Cooperation Treaty, the Paris Convention for the Protection of Industrial Property, the EPC and the WTO. As such, they recognise both product and process patents. The only exception is Malta, which is not a signatory of the Patent Cooperation Treaty, but which also recognises both product and process patents.

A patent application filed with the EPO under the EPC is processed centrally and, if granted, becomes a European patent. The European patent will constitute a bundle of national patents in each EU country where the patentee has designated and paid for the patent to enter into force, each of which can be enforced separately through the relevant national courts against infringers.

The patent examination process in the EPO typically takes from two to five years from filing, depending on the nature of the issues raised during examination. Once a European patent has been granted, there is a nine month period during which third parties have the opportunity to centrally oppose the grant of that patent by the EPO. Thereafter, any challenge to a European patent must be brought in the Patent Offices or the courts of the countries in which national patent rights have been obtained. Any such challenge in one of those countries will not necessarily affect the equivalent patents in any other country.

The term of patents granted in the signatory countries to the EPC is 20 years from the date of filing of the patent application. European Union legislation also provides for a form of patent term extension for patents covering authorised pharmaceutical products by way of SPCs.

SPCs must be applied for by the patent holder within six months of the later of the grant of first authorisation of the pharmaceutical product or grant of the patent, provided that it is applied for before patent expiry. SPCs provide an extended period of patent protection limited to protection of the authorised product. The SPC takes effect upon the expiry of the patent and may endure for up to 15 years from the date of first authorisation, or five years from the date that the patent expires, whichever is the shorter.

As in the United States, the courts of the member states with large markets for pharmaceuticals have seen a large number of patent infringement cases brought by the originator pharmaceutical companies against generic companies. In some countries a court's ruling on non-infringement and/or invalidity of the originator pharmaceutical company's patent has become a prerequisite to generic companies launching their generic versions in the relevant market.

Traditionally, the national courts of Member States have taken differing approaches with regard to whether conducting clinical and other trials on a patented drug constitute infringements of the patent similar to the issue addressed by the Bolar exemption under US law. For example, the UK courts have considered such tests to be potential infringements. The German courts, however, have taken the opposite view. As a result, much of the generic pharmaceutical product development has tended in the past to occur in countries outside the European Union such as the United States that have the Bolar exemption.

However, as of October 2005, provisions are now in place across the European Union such that the conducting of necessary tests and trials as part of the application process for generic authorisation will not be considered as infringing on the originator pharmaceutical company's patent. These Bolar provisions are intended to harmonise the previously inconsistent position across the European Union. More particularly, Member States are required to legislate that generics companies are not infringing patents by conducting studies and trials with a view to establishing that their products are bio-equivalent to already marketed drugs, and the consequential practical requirements of doing so. They must also allow generics manufacturers to conduct appropriate pre-clinical and clinical studies when their products are not (or cannot be shown to be) bio-equivalent to such marketed products, or are manufactured differently, such that they are not strictly generic versions. These new regulations should enable generics manufacturers to test and (subject to data exclusivity periods, as explained below) file for marketing authorisations prior to the expiry of the patent on the originator drug so that generics manufacturers may launch their generic pharmaceutical products immediately upon patent expiry.

Data Exclusivity

An applicant for a generic marketing authorisation currently cannot avail itself of the abridged procedure in the European Union by relying on the originator pharmaceutical company's data until expiry of the relevant period of exclusivity given to that data. For products first authorised prior to 30 October 2005, this period is six or ten years (depending on the Member State in question) after the grant of the first marketing authorisation sought for the relevant product, due to data exclusivity provisions which have been in place. From 30 October 2005, the implementation of a new EU directive (2004/27/EC) harmonised the data exclusivity period for originator pharmaceutical products throughout the EU member states which are legallly obliged to have implemented the directive by 30 October 2005. The new regime for data exclusivity provides for an eight-year data exclusivity period commencing from the grant of first marketing authorisation. After the eight-year period has expired, a generic applicant can refer to the data of the originator pharmaceutical company in order to file an abridged application for approval of its generic equivalent product. However, the applicant will not be able to launch its product for a further two years. This ten-year total period may be extended to 11 years if the original marketing authorisation holder obtains within those initial eight years a further authorisation for a new therapeutic use of the product which is shown to be of significant clinical benefit. This new regime for data exclusivity will apply to products first authorised after 30 October 2005.

3. ENVIRONMENTAL, HEALTH AND SAFETY REGULATION

The Hikma Group's operations are subject to, environmental, health and safety law requirements in the countries where it operates and in particular where it has manufacturing facilities, namely the United States, Portugal, Italy, Saudi Arabia (through JPI), Jordan and, once operational, Algeria. Environmental and health and safety authorities in the relevant jurisdictions, including the EPA in the United States, administer laws which regulate, amongst others, the emission of pollutants into the air (including the workplace), the discharge of pollutants into bodies of water; the storage, use and handling of hazardous substances; the disposal of hazardous substances; the exposure of persons to hazardous substances; and the general health, safety and welfare of employees and members of the public. In certain cases, such laws may impose strict liability for pollution of the environment and/or cleaning up contamination resulting from spills, disposals or other releases of hazardous substances or waste and/or any migration of such hazardous substances or waste. Costs, damages and/or fines may result from investigation and remediation of such contamination at properties operated by Hikma and/or at off-site locations, including where Hikma has arranged for the disposal of hazardous substances or waste. If it is determined that Hikma's operations or facilities are not in compliance with environmental and/or health and safety laws, Hikma could be subject to litigation, regulatory enforcement, fines, penalties and/or additional costs to comply. The amount of any clean-up costs, damages, fines and/or penalties, especially in the United States, could be material.

PART IV: INFORMATION ON HIKMA

1. OVERVIEW

Hikma is a multinational pharmaceutical group focused on developing, manufacturing and marketing a broad range of generic and in-licensed pharmaceutical products in solid, semi-solid, liquid and injectable final dosage forms. Currently, Hikma sells 113 generic pharmaceutical products in 251 dosage strengths and forms in 34 countries. Hikma also sells 25 pharmaceutical products under promotion and distribution agreements with, or licences from, 12 originator pharmaceutical companies and one generic pharmaceutical company. The majority of Hikma's operations are in the United States, the MENA Region and Europe. In the MENA Region, Hikma sells its products primarily in Algeria, Saudi Arabia and Jordan. Hikma's other markets in the MENA Region include Sudan, the UAE, Libya, Iraq, Lebanon, Bahrain, Kuwait, Egypt, Qatar, Oman, Yemen, Tunisia and Syria. Hikma is the second largest generic pharmaceutical company in Algeria, the fourth largest generic pharmaceutical company in Saudi Arabia and the second largest pharmaceutical company in Jordan by sales value.[52] Hikma had 1,727 full-time employees as of 30 September 2005.

Hikma's operations are conducted through three businesses: Generic Pharmaceuticals, Branded Pharmaceuticals and Injectable Pharmaceuticals. The principal activities and primary product lines of these three businesses are summarised below:

Business 2004 net sales (US$ millions) / % of Hikma's 2004 net sales	Principal activities	Principal geographies
Generic Pharmaceuticals $108.0 50.4	• Manufactures, markets and sells 36 non-branded solid generic pharmaceutical products in 79 dosage strengths and forms. • Therapeutic focus: CNS, cardiovascular, anti-infectives and musculoskeletal. • Top five products: lisinopril (anti-hypertensive), folic acid (anti-anaemia), lithium carbonate (anti-psychotic), chloroquine (anti-malarial) and methacarbamol (muscle relaxant). • 12 sales and marketing representatives.	United States
Branded Pharmaceuticals $74.0 34.6	• Manufactures, markets and sells 47 branded solid, semi-solid and liquid generic pharmaceutical products, including five OTC products, in 112 dosage strengths and forms. • Manufactures and/or markets 18 in-licensed products (including three OTC products) in 31 dosage strengths and forms, under promotion and distribution agreements with, or licences from, 10 originator pharmaceutical companies and one generic pharmaceutical company. • Therapeutic focus: anti-infectives, immunomodulating agents, musculoskeletal and, increasingly, cardiovascular. • Top five products: Amoclan (penicillin), Prograf (immunosuppresive agent), Suprax (cephalosporin), Penamox (penicillin) and Oprazole (anti-ulcer). • 294 sales and marketing representatives, including 288 in the MENA Region.	MENA Region (primarily Algeria, Saudi Arabia and Jordan)
Injectable Pharmaceuticals $28.9 13.5	• Manufactures, markets and sells 30 branded and non-branded generic injectable pharmaceutical products in 60 dosage strengths and forms. • Manufactures and/or markets seven originator pharmaceutical products under licence from four originator pharmaceutical companies in 16 dosage strengths and forms. • Historically focused on out-licensing and contract manufacturing • Therapeutic focus: anti-infectives, especially cephalosporins. • Top five products: cefuroxime, ceftriaxone, cefazolin, cefotaxime and ceftizoxime (all cephalosporins). • 55 sales and marketing representatives, including 45 in the MENA Region.	MENA Region United States Europe (primarily Portugal, Germany, the Czech Republic and Finland)

[52] IMS MAT Q2 2005 for Algeria, Saudi Arabia and Jordan. Market data and company data includes both prescription and OTC pharmaceutical products.

From 1 January 1995 to 30 September 2005, the Group's businesses were granted 951 approvals to manufacture and/or sell their products in 31 countries including: 40 ANDA approvals from the FDA in the United States, over 700 marketing approvals in the MENA Region, 130 marketing approvals in Europe and 70 marketing approvals in the CIS countries and other markets. These approvals include the registration of new products (i.e. new pharmaceutical compounds), the registration of existing products in new countries and the registration of new dosage strengths or forms of existing products.

The following table shows, for each of the Group's businesses, the number of regulatory filings submitted for approval since 1 January 2005, the number of pending approvals and new products (i.e., new pharmaceutical compounds) under development as of 30 September 2005 and the expected annual submissions of new products for approval in the next two years.

Business	Filings submitted from 1 January to 30 September 2005[1]	Pending approvals as of 30 September 2005[1]	Pending approvals for new products as of 30 September 2005	New products under development as of 30 September 2005	Expected annual submissions of new products for approval in next two years
Generic Pharmaceuticals	13	20	13	41	10
Branded Pharmaceuticals	18	16	4	21	10
Injectable Pharmaceuticals	25	42	25	28	10
Group total	56	78	42	90	30

(1) To avoid duplication, the data presented does not "double count" when the same product is filed or is pending approval in multiple countries.

The Company estimates that the currently marketed equivalent products of the 42 new products covered by the Group's pending approvals had sales of approximately $8.8 billion in the year ended 31 December 2004 in the markets covered by the pending approvals.

Hikma maintains manufacturing facilities in the United States, Jordan, Portugal and Italy, as well as in Saudi Arabia through JPI, with an aggregate size of more than 57,000 square metres. Hikma's manufacturing facilities in the United States, Jordan and Portugal are FDA approved, and Hikma's manufacturing facilities for finished dose products in Jordan have also been certified by the MHRA. JPI's facilities are expected to gain FDA approval in the last quarter of 2005. In addition, Hikma is currently constructing a manufacturing plant in Algeria, which is expected to be operational in the first half of 2006.

In addition to its three businesses, Hikma co-ordinates certain functions at group level to maximise cost savings, enhance its negotiating power when purchasing raw materials and streamline financial reporting. Hikma's group functions include API sourcing, research and development, legal, and finance, accounting and information technology.

For the year ended 31 December 2004, Hikma had net sales of $214.1 million and gross profit of $110.2 million, representing a gross profit margin of 51.5 per cent. Hikma's operating profit and net profit for the year ended 31 December 2004 were $61.2 million and $37.5 million, respectively. In the six months ended 30 June 2005, Hikma had net sales of $132.2 million and gross profit of $73.2, representing a gross profit margin of 55.4 per cent. Hikma's operating profit and net profit in the six months ended 30 June 2005 were $38.9 million and $25.1 million, respectively.

Hikma Pharmaceuticals plc was incorporated in England and Wales on 8 September 2005 and is the successor to a number of corporations, the oldest of which was established in 1978 in Jordan.

2. HISTORY

The Hikma Group was founded in 1978 in Amman, Jordan by Mr. Samih Darwazah, its current Chairman and Chief Executive Officer. Since 1978, Mr. Darwazah and other founding shareholders have been actively involved in the management of the Group. From 1978 to 1989 the Group's primary focus was on the branded generic pharmaceuticals business in the MENA Region. In the early 1990s, the Group expanded outside the MENA Region by establishing its injectable pharmaceutical operations in Portugal in 1990 and acquiring its non-branded generic pharmaceuticals business in the United States in 1991. In 1992, the Group also started exporting branded generic pharmaceutical products from Jordan to countries in Eastern Europe. In the last two years, the Group has placed increasing emphasis on achieving synergies from its multinational operations by centralising and coordinating its Group research and development, API sourcing and manufacturing strategies.

The key events in Hikma's history include:

- 1978 — commenced manufacturing branded generic pharmaceutical products in Jordan for the Middle East market.
- 1980 — commenced manufacturing patented pharmaceutical products under licence for the Middle East market.
- 1982 — commenced exporting products to North Africa.
- 1990 — acquired land in Sintra, Portugal for the construction of an FDA-compliant manufacturing plant for injectable pharmaceutical products.
- 1991 — acquired West-ward, a 50-year-old American generic pharmaceuticals company with its headquarters, manufacturing and research facilities in Eatontown, New Jersey. At the time of the acquisition, West-ward was experiencing losses and had been notified by the FDA of certain manufacturing compliance issues. Following the acquisition, a management team was brought in to develop the business and, in particular, to focus on improving the regulatory, operational, sales and marketing and R&D functions.
- 1994 — West-ward became fully FDA-compliant as a result of the restructuring and increased focus on regulatory compliance started in 1991.
- 1996 — Hikma's manufacturing facilities in Jordan were inspected and approved by the FDA making Hikma the first Arab pharmaceutical company to have its facilities FDA approved in this way.
- 2001 — Hikma's manufacturing facilities in Portugal received FDA approval and Hikma started manufacturing injectable powdered cephalosporin for sale in the MENA Region and Portugal.

  Hikma's Jordanian facility obtained approval from the MHRA to sell certain of Hikma's pharmaceutical products in the United Kingdom.
- 2003 — Hikma's Injectable Pharmaceuticals business commenced commercial scale production of liquid injectables.
- 2005 — Hikma's Injectable Pharmaceuticals business expanded into the lyophilized segment of the injectables market with the acquisition of a specialised manufacturing plant in Italy for an aggregate cash and deferred consideration of €1 million.

3. HIKMA'S STRATEGY

Hikma's key strategic objectives are to:

- consolidate its strong market positions in the MENA Region by launching new products, expanding its geographic reach and increasing market share;
- grow its Injectable Pharmaceuticals business by successfully launching new products into the MENA Region, the United States and Europe and strengthening its sales and marketing network; and
- continue to pursue profitable growth in the United States by focusing on high margin, niche product opportunities.

Hikma aims to capitalise on its multinational infrastructure in research and development, manufacturing and API sourcing and expand its sales and marketing network in order to achieve profitable growth. Hikma's multinational infrastructure enables it to develop, manufacture and market efficiently a broad portfolio of generic and in-licensed pharmaceutical products, which it sells in a number of geographic regions.

Product strategy

Hikma's product strategy focuses on the timely identification, development and promotion of new generic pharmaceutical products where it can generate attractive margins and growth. Hikma also intends to leverage its leading sales and marketing network in the MENA Region by seeking opportunities to manufacture and market additional in-licensed products.

Hikma's product selection strategy primarily focuses on five criteria:

Market potential. Hikma considers a range of market-related factors when selecting potential products to develop and commercialise, including existing and potential market size, potential pricing and margins, and expected competition.

Selection of attractive therapeutic categories. Hikma has particular strength in the anti-infectives, alimentary and CNS therapeutic categories. Hikma aims to select new products that are either in complementary therapeutic categories or other fast growing therapeutic categories.

Competitive advantages in sourcing APIs. Hikma aims to select new products where it has an advantage in sourcing the API, either through its relationships with third party suppliers or through its own API manufacturing capabilities. Hikma co-ordinates its API sourcing activities on a groupwide basis to enhance purchasing efficiencies. The Group also works collaboratively with a number of its preferred API suppliers to assist them in obtaining regulatory approvals, thereby building strong relationships and facilitating the sourcing of high quality API at competitive prices.

Products which are technically challenging to develop or manufacture. Hikma believes it has a particular expertise in commercialising products that present developmental, manufacturing or other technical challenges, such as unstable formulations, multiple API combination products, complex delivery systems or injectable products. By selecting products with these characteristics, Hikma aims to benefit from the higher barriers to entry.

Line extensions to existing products. For each product, Hikma aims to develop and market a broad range of dosage strengths and forms, thereby providing customers with the convenience of obtaining all of their product needs from a single manufacturer.

Research and development and manufacturing

Hikma plans to increase its investment in research and development, particularly in Jordan where the Group benefits from lower labour and infrastructure costs, whilst maintaining its current research and development capabilities in the United States. Products developed in Jordan are sold in a wide range of geographic markets, including the United States, the MENA Region and Europe, and include solid, semi-solid, liquid and injectable pharmaceutical products.

Hikma's multiple manufacturing facilities, including three facilities with FDA approval, provide it with the flexibility to select the most appropriate manufacturing strategy for a particular product, taking into account factors such as regulatory requirements, cost and capacity.

In addition to these Group strategies, each of Hikma's three core businesses have developed strategies targeted to the markets in which they operate.

Generic Pharmaceuticals strategy

The Generic Pharmaceuticals business continues to focus on strengthening its market position in niche and selective high volume products. This strategy includes undertaking the following:

- maintaining a strong pipeline of products by targeting 10 ANDA filings annually with the FDA for the next two years, including selectively filing Paragraph IV certifications for products where, after internal analysis, Hikma believes that its generic alternative will not infringe the originator pharmaceutical company's existing patents with respect to that product;
- actively monitoring and quickly responding to customers' product preferences, including demand for particular pack sizes, dosage strengths, delivery systems and sales and marketing support;
- expanding its sales and marketing infrastructure to facilitate increased calling efforts on wholesalers, distributors, GPOs and other customers, thereby increasing their awareness of Hikma's product portfolio and driving further sales growth;
- competitively pricing its generic pharmaceutical products relative to current and potential competitors' pricing levels; and
- considering select acquisitions, where those acquisitions will accelerate the business's growth at a reasonable cost.

Branded Pharmaceuticals strategy

The Branded Pharmaceuticals business continues to focus on leveraging its strong brand reputation and leading sales and marketing network to drive growth. This strategy includes undertaking the following:

- continuing to leverage its strong brand reputation and sales network in the MENA Region;

- targeting 10 new product filings annually for approval for the next two years, including two in-licensed products;
- growing the market share of the business's existing products by active sales and marketing efforts as well as regional expansion into new countries where products have not yet been registered;
- identifying opportunities to manufacture and distribute new in-licensed pharmaceutical products by leveraging its leading sales and distribution network and brand recognition in the MENA Region;
- implementing a European strategy to capitalise on growth opportunities in that area and expanding sales of its products in Europe;
- considering select acquisitions, principally of sales, marketing or distribution infrastructure, where those acquisitions will accelerate the business's growth in new markets at a reasonable cost; and
- maintaining and enhancing Hikma's brand reputation by ensuring regularly scheduled visits to physicians and pharmacists to increase awareness of Hikma's product portfolio.

Injectable Pharmaceuticals strategy

The Injectable Pharmaceuticals business continues to focus on developing a broad portfolio of products that are both owned and marketed by Hikma, thereby reducing the historical significance of the out-licensed and contract manufacturing businesses. This strategy includes undertaking the following:

- targeting 10 new product filings annually for approval for the next two years;
- developing its sales force and distribution infrastructure, either organically or through acquisitions, in order to expand the business's customer base, in particular with respect to hospitals and buying groups for hospitals in the United States and Europe;
- expanding its portfolio of products beyond the historical focus on cephalosporins to provide its customers with a wide range of injectable pharmaceutical products across a broad spectrum of therapeutic classes;
- considering select acquisitions where those acquisitions will accelerate the business's growth in new markets at a reasonable cost; and
- building scale and product diversity, with the objective of improving product margins.

4. COMPETITIVE STRENGTHS

Hikma believes that its efforts to implement its business strategy will be enhanced by the following competitive strengths:

Broad product portfolio. Hikma's three businesses provide it with a broad product portfolio consisting of 138 pharmaceutical products. Currently, Hikma manufactures 83 solid, semi-solid and liquid generic pharmaceutical products as tablets, capsules, suppositories and liquids in 191 dosage strengths and forms, utilising immediate or sustained release. Hikma also manufactures 30 liquid, powder or lyophilized generic injectable pharmaceutical products in 60 dosage strengths which are packaged in vials, ampoules or infusion bags. In addition, Hikma manufactures and/or sells 25 in-licensed pharmaceutical products in 47 dosage strengths and forms under licence or distribution agreements with 12 originator pharmaceutical companies and one generic pharmaceutical company. Hikma's products cover most major therapeutic categories, including anti-infectives, cardiovascular, CNS and musculoskeletal.

Broad geographic coverage. Hikma products are manufactured in the United States, Jordan, Portugal, Italy and, through JPI, in Saudi Arabia, and are sold in 34 countries. Hikma also operates research and development centres in Jordan and the United States. The geographic spread of Hikma's operations lessens the impact on the Group's results and financial condition of disruptions or other extraordinary events at any one of its three businesses or a downturn in the economic conditions of a particular market. In addition, this multinational scope provides Hikma with the operational flexibility to enable it to conduct cost-effective research and development and manufacturing activities in countries with lower labour and infrastructure costs.

Well-established and successful presence in the US market. Hikma's Generic Pharmaceuticals operations in the United States are conducted through its subsidiary West-ward, which was acquired in 1991. West-ward has operated in the US market for over 50 years. Under Hikma's management, since West-ward was acquired in 1991, the Generic Pharmaceuticals business has been transformed from a loss-making operation to a business generating sales of $108.0 million in the year ended 31 December 2004. The Directors believe that the Group has a strong compliance record with the FDA, evidenced by new products generally being approved within 18 months of filing. From 1995 to 30 September 2005, the Group received 40 ANDA approvals from the FDA.

Leading position in the Algerian, Saudi Arabian and Jordanian markets. Hikma has an established and sustainable position in its key MENA Region markets of Algeria, Saudi Arabia and Jordan. Based on IMS sales

value, Hikma is the fourth largest pharmaceutical company and second largest generic pharmaceutical company in Algeria, the fifteenth largest pharmaceutical company and fourth largest generic pharmaceutical company in Saudi Arabia and the second largest pharmaceutical company in Jordan.[53] According to IMS, for the year ended 30 June 2005, Hikma had a total market share by sales value of 5.9 per cent. in Algeria, 1.7 per cent. in Saudi Arabia and 6.1 per cent. in Jordan.[54] Five of Hikma's top ten selling products in Jordan are ranked in the top three by sales within their respective therapeutic sub-category; two of Hikma's top ten selling products in Saudi Arabia are ranked in the top three by sales within their respective therapeutic sub-category; and eight of Hikma's top ten selling products in Algeria are ranked in the top three products by sales within their respective therapeutic sub-category.[55]

Strong marketing capabilities and brand recognition in the MENA Region. Hikma believes that its dedicated and highly trained sales and marketing force of 333 employees is one of the largest in the MENA Region, particularly in each of Algeria, Saudi Arabia and Jordan where Hikma currently employs 76, 80 and 107 sales persons, respectively. In addition, Hikma has sales and marketing capabilities in the Gulf States, Sudan, Lebanon, Tunisia, Libya and Egypt. This sales force has established strong relationships with physicians, hospitals, pharmacies and purchasing groups for hospitals across the MENA Region.

Strong relations with licensors. Hikma believes that its strong position in the MENA Region makes it an attractive partner for multinational pharmaceutical companies seeking access to this region. In-licensing gives Hikma the opportunity to benefit from the data exclusively or patent protection provided to patented products by local intellectual property laws in the MENA Region. Hikma has exclusive licence or promotion and distribution agreements with 12 originator pharmaceutical companies and one generic pharmaceutical company for the manufacture and/or sale of 25 solid and injectable products, ten of which are from Astellas Pharma, with whom Hikma entered into its first in-licensing agreement in 1979. In the year ended 31 December 2004, sales of in-licensed products constituted approximately 10.9 per cent. of Hikma's net sales. Of those sales, approximately half related to products that enjoyed data exclusivity or patent protection in some countries in the MENA Region.

Efficient, experienced and successful research and development team. Hikma's research and development team consists of approximately 123 professionals and scientists with expertise in areas such as pharmaceutical formulation, analytical chemistry and drug delivery. Hikma has particular expertise in manufacturing technically challenging products such as injectables, complex formulations, unstable compounds and sustained released tablets and capsules. Hikma's historical success in research and development is illustrated in it having obtained 951 regulatory approvals since 1995, including 40 approvals by the FDA. As of 30 September 2005, Hikma had 78 regulatory approvals pending, including 36 ANDAs in the United States and 90 products under development. In addition, Hikma's research and development expertise has enabled it to develop five strategic APIs for captive use.

Continuous emphasis on quality. Hikma focuses on manufacturing high quality products and aims to have most of its manufacturing facilities approved by the FDA. Hikma's facilities in Jordan (including its API manufacturing facility), the United States and Portugal have been approved by the FDA to manufacture products for sale in the United States. In addition, Hikma's facilities in Jordan have been accredited by the MHRA to manufacture products for sale in the United Kingdom. These regulatory approvals enhance Hikma's reputation in the MENA Region and the CIS countries where perception and reputation for high quality are key elements in a company's success. The Company believes that Hikma's strong reputation for high quality production and manufacturing processes has also been a significant factor in the development of its strong brand name recognition within the MENA Region. Hikma has been inspected 29 times by the FDA in the last ten years, and all inspections concluded that Hikma's facilities worldwide conformed to compliance guidelines applicable at the time of inspection.

API sourcing strength. Hikma's API sourcing team is responsible for identifying and securing API and other raw materials for the Group. Hikma's dedicated API team has extensive experience and in-depth knowledge of the industry which allows it to identify the most effective and appropriate API suppliers. The Group has relationships with approximately 69 suppliers of API including relationships spanning more than 10 years with 26 of its suppliers. Hikma believes that it is the main customer for 20 of its suppliers. Hikma sources several APIs from suppliers in Asia that have a lower cost basis and therefore offer lower API prices than their Western competitors. Hikma has the capability to manufacture a limited amount of the API required for some of its finished products. This capability is currently being utilised to manufacture five APIs that the Group believes would be either difficult or expensive to source from third parties.

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53 IMS Mat Q2 2005 sales data for Algeria, Saudi Arabia and Jordan. Data includes sales of products by the Branded and Injectable Pharmaceuticals businesses and OTC, as well as prescription pharmaceutical products.

54 *Id.*

55 *Id.*

Senior management team with international experience and ownership interest. Hikma has an experienced senior management team including the Group's founder, Mr. Samih Darwazah. The Executive Directors and Senior Management together have significant experience in the pharmaceutical industry, with an average of 16.5 years with the Group. The current management team has a proven track record in international markets, demonstrated by the establishment of Hikma as a leading generic pharmaceutical company in the MENA Region, the successful turnaround of its West-ward acquisition in the United States and the development of its injectable operations in Europe. Following the Global Offer, the Directors and Senior Management will together beneficially own approximately 3.1 per cent. of Hikma's outstanding Ordinary Shares, assuming no exercise of the Over-allotment Option.

Proven financial performance. Hikma has experienced continuous growth in sales each year since 1996. Hikma's sales have increased from $137.6 million in the year ended 31 December 2002 to $214.1 million in the year ended 31 December 2004, representing a compounded annual growth rate of 24.7 per cent., while net profit has increased from $16.9 million to $37.5 million, representing a compounded annual growth rate of 48.9 per cent. In addition, Hikma has achieved consistently high gross profit and operating margins in the last three financial years with gross profit margins of 52.5 per cent., 51.0 per cent. and 51.5 per cent. and operating margins of 26.3 per cent., 29.5 per cent., and 28.6 per cent. in the years ended 31 December 2002, 2003 and 2004, respectively.

5. PRINCIPAL AREAS OF OPERATIONS

Segmental analysis

The following table summarises the composition of Hikma's net sales by business segment for the periods indicated.

	Year ended 31 December						Six months ended 30 June			
	2002		2003		2004		2004		2005	
	(audited)		(audited)		(audited)		(unaudited)		(audited)	
	(US$ millions, except %)						(US$ millions, except %)			
	$	%	$	%	$	%	$	%	$	%
Business										
Generic Pharmaceuticals	67.0	48.7	110.8	59.0	108.0	50.4	47.9	45.0	56.6	42.8
Branded Pharmaceuticals	49.6	36.1	53.1	28.3	74.0	34.6	42.2	39.6	51.1	38.7
Injectable Pharmaceuticals	19.2	14.0	22.2	11.8	28.9	13.5	14.5	13.6	22.2	16.8
Others	1.8	1.2	1.6	0.9	3.2	1.5	1.9	1.8	2.3	1.7
Net Sales	137.6	100.0	187.7	100.0	214.1	100.0	106.5	100.0	132.2	100.0

Geographical analysis

The following table summarises the composition of Hikma's net sales by geographic region for the periods indicated.

	Year ended 31 December						Six months ended 30 June			
	2002		2003		2004		2004		2005	
	(audited)		(audited)		(audited)		(unaudited)		(audited)	
	(US$ millions, except %)						(US$ millions, except %)			
	$	%	$	%	$	%	$	%	$	%
Geographical Region										
United States	67.1	48.8	111.8	59.6	114.9	53.6	49.5	46.4	62.4	47.2
MENA Region	62.2	45.2	65.7	35.0	85.8	40.1	51.0	47.9	60.9	46.1
Europe	7.9	5.7	10.0	5.3	12.5	5.8	6.0	5.7	8.9	6.7
Others	0.4	0.3	0.2	0.1	0.9	0.5	—	—	—	—
Net Sales	137.6	100.0	187.7	100.0	214.1	100.0	106.5	100.0	132.2	100.0

Product classification

Each of Hikma's pharmaceutical products is classified under one of the World Health Organisation's first level Anatomical Therapeutic Chemical categories, or ATC 1 Therapeutic Categories, including alimentary tract and metabolism ("alimentary"), antineoplastic and immunomodulating agents ("immunomodulating agents"), blood and blood forming organs ("blood"), anti-infectives for systemic use ("anti-infectives"), the cardiovascular system ("cardiovascular"), the central nervous system ("central nervous system" or "CNS"), dermatologicals ("dermatologicals") the genitourinary system and sex hormones ("genitourinary"), the musculoskeletal system ("musculoskeletal"), antiparasitic products, insecticides and repellents ("antiparasitics"), the respiratory system ("respiratory"), and systemic hormonal preparations ("hormones").

The World Health Organisation further sub-divides the ATC therapeutic categories into second, third, fourth and fifth level therapeutic categories. Each increase in ATC category level corresponds to a more narrow sub-set within the particular therapeutic category. Hikma believes that the ATC 4 therapeutic categories correspond more closely to the sub-set of pharmaceutical products which directly compete with any particular product produced by the Group.

Generic Pharmaceuticals Business

Introduction to Hikma's Generic Pharmaceuticals business

Generic prescription pharmaceutical products are finished pharmaceutical products sold by Hikma under the chemical name of the active pharmaceutical compound, and generally only available for purchase with a doctor's prescription.

Hikma's Generic Pharmaceuticals business develops, manufactures, markets and sells 36 solid non-branded generic pharmaceutical products in 79 dosage strengths and forms, including one product for veterinary use. Products sold by the Generic Pharmaceuticals business are manufactured in the United States or Jordan.

The Generic Pharmaceuticals business accounted for approximately 50.4 per cent. of Hikma's net sales in the year ended 31 December 2004 and 42.8 per cent. of Hikma's net sales in the six months ended 30 June 2005. In the year ended 31 December 2004 and the six months ended 30 June 2005, almost all of the Generic Pharmaceuticals business's net sales were in the United States, where products were sold primarily through wholesalers and distributors and directly to mail order companies, large chains and the US government.

The following table provides selected financial information for the Generic Pharmaceuticals business for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2002	2003	2004	2004	2005
	(audited)	(audited)	(audited)	(unaudited)	(audited)
	(US$ millions except %)			(US$ in millions except %)	
Net sales	67.0	110.8	108.0	47.9	56.6
Gross profit	38.8	60.1	59.2	23.7	33.4
Gross margin	58.0%	54.3%	54.8%	49.4%	58.9%
Segment result	28.6	44.3	41.0	16.8	21.8
Operating margin	42.7%	40.0%	38.0%	35.1%	38.6%

Products

The Generic Pharmaceuticals business sells solid pharmaceutical products as tablets, capsules or dry powder for reconstitution as suspension utilising either immediate or sustained release delivery.

The following table shows the top ten products of the Generic Pharmaceuticals business for the year ended 31 December 2004.

Pharmaceutical compound	Therapeutic category (indication)	Dosage/form	Equivalent originator pharmaceutical product
lisinopril	cardiovascular (anti-hypertensive)	2.5, 5, 10, 20, 30 and 40 mg tablets	Zestril®
folic acid	blood (anti-anaemia)	1 mg tablets	Folvite®
lithium carbonate SR	CNS (anti-psychotic)	450 mg tablets	Eskalith CR®
chloroquine phosphate	antiparasitics (anti-malarial)	250 and 500 mg tablets	Aralen®
methocarbamol	musculoskeletal (muscle relaxant)	500 and 750 mg tablets	Robaxin®
butalbital, acetaminophen and caffeine	CNS (non-narcotic analgesic)	50/325/40 mg tablets	Fioricet®
isosorbide dinitrate	cardiovascular (anti-angina)	5, 10 and 20 mg tablets	Isordil®
butalbital, acetaminophen, and caffeine with codeine	CNS (narcotic analgesic)	50/325/40/30 mg capsules	Fioricet® (with codeine)
butalbital, aspirin and caffeine	CNS (non-narcotic analgesic)	50/325/40 mg tablets	Fiorinal®
captopril	cardiovascular (anti-hypertensive)	12.5, 25, 50 and 100 mg tablets	Capoten®

These top ten selling products represented approximately 76.1 per cent. of the Generic Pharmaceuticals business's net sales in the year ended 31 December 2004 and 71.6 per cent. in the six months ended 30 June 2005. The Group's best-selling product, lisinopril, accounted for approximately 33.0 per cent. of the Generic Pharmaceuticals business's net sales in the year ended 31 December 2004 and 29.5 per cent. in the six months ended 30 June 2005. Substantially all of the lisinopril revenue is derived from a contract with the US government. See *Customers, Sales and Distribution* below for a description of the lisinopril contract with the US government.

Although the Generic Pharmaceuticals business manufactures solid non-branded pharmaceutical products in most major therapeutic categories, its primary focus is on the CNS, cardiovascular, anti-infectives and musculoskeletal therapeutic categories. Hikma believes that it offers an extensive portfolio of products across those therapeutic categories.

Contract manufacturing and private label

The Generic Pharmaceuticals business distributes all of its products, except for lisinopril and captopril, under the West-ward label as well as private label arrangements. In addition, it produces 25 products under contract manufacturing arrangements with other pharmaceutical companies. Where sales are made under private label, Hikma owns the ANDA but packages the product under the name of the private label customer. Where products are produced under contract manufacturing, the ANDA is owned by the contract manufacturing customer, not by Hikma. Collectively, private label arrangements and contract manufacturing represented approximately 14.4 per cent. of the Generic Pharmaceuticals business net sales in the year ended 31 December 2004.

Regulatory Approvals

Historical approvals and 2005 submissions. Historically, the Generic Pharmaceuticals business has typically received FDA approval for new products within 18 months of filing. From 1995 to 30 September 2005, the Generic Pharmaceuticals business received 33 ANDA approvals from the FDA, including one product for veterinary use. From 1 January through 30 September 2005, the Generic Pharmaceuticals business submitted 13 ANDAs for FDA approval, ten of which relate to new products (i.e. new pharmaceutical compounds not currently marketed by the Generic Pharmaceuticals business) and the remainder to new dosage strengths or forms of previously approved products.

The following table shows the Generic Pharmaceuticals business's products approved by the FDA since 2001. The table includes approvals for new products as well as new dosages or forms of a previously approved product.

Year of approval	Total No. of approvals	Pharmaceutical compounds	Dosage/form	Equivalent originator pharmaceutical product	Therapeutic category (indication)
2001	1	butalbital, acetaminophen and caffeine with codeine	50/325/40/30 mg capsules	Fioricet® (with codeine)	CNS (narcotic analgesic)
2002	3	lithium carbonate	300 mg capsules	Eskalith®	CNS (anti-psychotic)
		lisinopril	2.5, 5, 10, 20 and 40 mg tablets	Zestril®	cardiovascular (anti-hypertensive)
		lisinopril/HCTZ	10/12.5, 20/12.5 and 20/25 mg tablets	Prinizole®	cardiovascular (anti-hypertensive)
2003	6	doxycycline hyclate	100 mg tablets	Vibramycin®	anti-infectives (doxycycline)
		lisinopril	30 mg tablets	Zestril®	cardiovascular (anti-hypertensive)
		lithium carbonate	450 mg sustained release tablets	Eskalith CR®	CNS (anti-psychotic)
		lithium carbonate	150 mg capsules	Eskalith®	CNS (anti-psychotic)
		phenylbutazone	1 gm tablets	Bizolin®	musculoskeletal (anti-inflammatory for veterinary use)
		glyburide	1.5, 3 and 6 mg tablets	Glynase PresTab®	alimentary (anti-diabetic)
2004	3	naproxen sodium	250 and 500 mg tablets	Naprosyn®	musculoskeletal (anti-inflammatory)
		prednisone	2.5 mg tablets	Deltasone®	alimentary (intestinal anti-inflammatory)
		ciprofloxacin hydrochloride	250 and 500 mg tablets	Cipro®	anti-infectives (fluoroquinolones)

Year of approval	Total No. of approvals	Pharmaceutical compounds	Dosage/form	Equivalent originator pharmaceutical product	Therapeutic category (indication)
Through to 30 September 2005	4	isosorbide mononitrate	60 mg sustained release tablets	Imdur®	cardiovascular (anti-angina)
		amoxicillin and clavulanate potassium	200 and 400 mg suspension	Augmentin®	anti-infectives (penicillin)
		doxycycline hyclate*	20 mg capsules	Periostat®	anti-infectives (doxycycline)
		rifampin/ isoniazid	300 mg/150 mg capsules	Rifamate®	anti-infectives (anti-tuberculosis)

* Pursuant to a court settlement of patent infringement proceedings, Hikma is unable to launch generic Periostat® in the United States until the originator pharmaceutical company's patents covering Periostat® have expired.

Pending approvals and products under development. As of 30 September 2005, the Generic Pharmaceuticals business had 20 approvals pending with the FDA, of which 13 relate to new products (i.e. new pharmaceutical compounds not currently marketed by the Generic Pharmaceuticals business) and the remainder to new dosage strengths or forms of previously approved products. None of the pending applications contains a Paragraph IV certification. The pending applications are at various stages in the review process and there can be no assurance that approvals for any application currently under review at the FDA will be granted.

The Generic Pharmaceuticals business has 41 new products under development, primarily in the cardiovascular, alimentary and CNS therapeutic categories. These products are expected to be approved and launched between 2007 and 2009. As part of its business plan, over the next two years, the Generic Pharmaceuticals business intends to submit ten new products annually to the FDA for approval.

Customers, Sales and Distribution

In the year ended 31 December 2004, almost all of the Generics Pharmaceuticals business's sales were made in the United States where it had more than 250 customers. The most significant customers in the United States are pharmaceutical wholesalers and distributors, with three wholesalers accounting for approximately 56.7 per cent. (including US government tender sales) of divisional sales in 2004. As is customary in the generic pharmaceutical industry, Hikma does not have long term agreements with any of its US wholesalers. The Generic Pharmaceuticals business also sells directly to mail order companies and to large chains.

In the year ended 31 December 2004, approximately 34.9 per cent. of the Generic Pharmaceuticals business's net sales were to the US government under tendered contracts. These contracts generally have a performance period of one year, with four one-year options to extend, exercisable by the government. Although the Generic Pharmaceuticals business bids directly for government contracts, once the bid is successful the contracts are managed by wholesalers. Currently, the Generic Pharmaceuticals business sells products to the US government under six tendered contracts, the largest of which is for lisinopril. In 2002, the Generic Pharmaceuticals business entered into a sales contract with the Department of Veterans Affairs, an agency of the US government, for the supply of lisinopril. The contract is for the initial period from December 2002 through December 2003, with four one-year options to extend, exercisable at the option of the government. The first two options have been exercised and the next option to extend is exercisable by the government in December 2005. In addition, the price and other terms of the contract are reconsidered at the time of extension. No assurance can be given that this contract will be extended in the future or at what price. The contract may be terminated by the Department of Veterans Affairs at any time without cause in which case the Generic Pharmaceuticals business would only be entitled to a percentage of the contract price reflecting the percentage of the work performed prior to the notice of termination, plus reasonable charges that have resulted from the termination. The loss of this contract would have a significant impact on the financial results of the Generic Pharmaceuticals business and the Group.

The Generic Pharmaceuticals business has configured its sales and marketing organisation to meet the needs of its different types of customers. As of 30 September 2005, the Generic Pharmaceuticals business's sales organisation consisted of 12 employees, five of whom were senior marketing executives, with the remainder being sales co-ordinators, telemarketers or customer service representatives. Two of these 12 sales and marketing representatives also market and sell the Injectable Pharmaceutical business's products in the United States. The Generic Pharmaceuticals business also employed three independent sales representatives who are compensated on a commission basis. The Generic Pharmaceuticals business's senior marketing executives call regularly on

wholesalers, distributors, mail order companies and large chains. These selling efforts are supported with telemarketing, as well as professional journal advertising and exhibitions at key medical and pharmaceutical conventions.

Branded Pharmaceuticals

Introduction to Hikma's Branded Pharmaceuticals business

Branded prescription pharmaceutical products are finished pharmaceutical products sold under a specific brand name, which are only available for purchase with a doctor's prescription. All of Hikma's branded pharmaceutical products are prescription products except for eight OTC products which can be purchased from a pharmacist without a doctor's prescription.

Hikma's Branded Pharmaceuticals business develops, manufactures and sells 47 solid, semi-solid and liquid branded generic pharmaceutical products in 112 dosage strengths and forms. The business also manufacturers and/or sells in the MENA Region 18 pharmaceutical products in 31 dosage strengths and forms under license or distribution and promotion agreements with 10 originator pharmaceutical companies and one generic pharmaceutical company. Of the 65 branded generic and in-licensed pharmaceutical products sold by the Branded Pharmaceuticals business eight are OTC products. Hikma markets its branded generic pharmaceutical products under its own brand names and the originator pharmaceutical products under the name of the originator pharmaceutical company together with the Hikma name.

Most of the Branded Pharmaceuticals business's products are sold within the MENA Region where generic pharmaceutical products are generally sold as branded products and non-branded generic penetration is low. Having been established in the MENA Region for over 25 years and as the first Arab company to obtain FDA approval, Hikma believes it is perceived in the MENA Region as a high quality international pharmaceutical company.

Most products sold by the Branded Pharmaceuticals business are manufactured at its facilities in Jordan, which have FDA approval of conformity with cGMP and in Saudi Arabia through JPI's manufacturing facilities.

The Branded Pharmaceuticals business sells its products in the MENA Region using its own sales and marketing force which markets directly to physicians, hospitals and pharmacies. In countries such as Saudi Arabia and the Gulf States, Hikma appoints an independent third party distributor, as required by the laws of those jurisdictions.

The Branded Pharmaceuticals business accounted for approximately 34.6 per cent. of Hikma's net sales in the year ended 31 December 2004 and 38.7 per cent. of Hikma's net sales in the six months ended 30 June 2005. Sales in the MENA Region represented approximately 94.2 per cent. of the Branded Pharmaceuticals business's net sales in the year ended 31 December 2004 and 93.8 per cent of the Branded Pharmaceuticals business's net sales in the six months ended 30 June 2005.

The following table provides selected financial information for the Branded Pharmaceuticals business for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2002	2003	2004	2004	2005
	(audited)	(audited)	(audited)	(unaudited)	(audited)
	(US$ millions, except %)			(US$ millions, except %)	
Net sales	49.6	53.1	74.0	42.2	51.1
Gross profit	24.2	25.9	39.7	24.4	30.6
Gross margin	48.8%	48.6%	53.6%	57.8%	59.9%
Segment result	6.3	11.3	22.4	16.1	17.8
Operating margin	12.7%	21.2%	30.3%	38.2%	34.8%

The following table summarises the composition of the Branded Pharmaceuticals business's net sales in its main geographical markets, Algeria, Saudi Arabia and Jordan, for the periods indicated. Other branded pharmaceutical sales relate to products sold to the other countries in the MENA Region, principally Sudan, the Gulf States and Lebanon as well as Europe and the CIS.

	Year ended 31 December						Six months ended 30 June			
	2002		2003		2004		2004		2005	
	(audited)		(audited)		(audited)		(unaudited)		(audited)	
	(US$ millions, except %)						(US$ millions, except %)			
	$	%	$	%	$	%	$	%	$	%
Algeria	12.6	25.5	20.0	37.7	28.7	38.7	18.7	44.2	20.6	40.3
Saudi Arabia	9.8	19.8	9.2	17.3	13.5	18.3	7.3	17.4	9.5	18.6
Jordan	6.1	12.3	6.6	12.5	9.2	12.5	5.0	11.8	5.5	10.8
Other	21.1	42.4	17.3	32.5	22.6	30.5	11.2	26.6	15.5	30.3
Total net sales	49.6	100.0	53.1	100.0	74.0	100.0	42.2	100.0	51.1	100.0

Products

The Branded Pharmaceuticals business sells pharmaceutical products as tablets, capsules, suppositories, dry powder for reconstitution as suspensions or liquids utilising either immediate or sustained release delivery.

The following table provides a summary of net sales of the top ten products of the Branded Pharmaceuticals business for the year ended 31 December 2004:

Product/ Brand	Pharmaceutical compound	Therapeutic category (indication)	2004 net sales (US$ millions)	% of Branded Pharmaceuticals net sales	Equivalent originator pharmaceutical product	Own brand or licensor	Market share(%)/ market position by value [1][2]		
							Algeria	Saudi Arabia	Jordan
Amoclan	amoxicillin clavulanate potassium	anti-infectives (penicillin)	15.8	21.3	Augmentin®	own brand	25.4/1	7.2/4	16.4/1
Prograf	tacrolimus	immunomodulating agents (immunosuppressive agents)	9.8	13.3	N/A	Astellas Pharma	N/A	N/A	N/A
Suprax	cefixime	anti-infectives (cephalosporin)	6.7	9.0	N/A	Astellas Pharma	—	9.2/3	12.3/1
Penamox	amoxicillin	anti-infectives (penicillin)	4.9	6.6	Amoxil®	own brand	12.0/3	1.8/13	10.0/3
Oprazole	omeprazole	alimentary (anti-ulcers)	4.8	6.5	Prilosec/Losec®	own brand	33.9/1	3.3/10	7.2/5
Votrex	diclofenac sodium	musculoskeletal (anti-inflammatory)	3.7	5.0	Voltaren®	own brand	14.1/2	1.2/19	5.2/4
Nopain	naproxen	musculoskeletal (anti-inflammatory)	2.7	3.7	Anaprox®	own brand	8.2/5	0.1/34	6.2/4
Trifed (OTC)	triprolidine/ pseudoe-phedrine	respiratory (anti-allergy)	2.4	3.2	Actifed®	own brand	4.7/6	1.4/10	4.3/7
Ciprolon	ciprofloxacin hydrochloride	anti-infectives (fluoroquinolone)	2.3	3.1	Ciprobay®	own brand	90.0/1	n.a.	3.3/13
Flucand	fluconazole	anti-infectives (anti-fungal)	2.0	2.8	Diflucan®	own brand	29.7/2	0.9/9	8.7/6

(1) IMS MAT Q2 2005. Calculated based on data compiled by IMS and relates to the product's market share and position by sales value within the relevant therapeutic category. Data for Prograf is not available from IMS. IMS data includes solid, semi solid, liquid and injectable prescription pharmaceutical products, as well as OTC products.

(2) Hikma has presented the market position and market share of its products based on the ATC 4 Therapeutic Category that each of its products fall within, except for those products where the sub-classification does not go below the ATC 3 level (including Flucand and Nopain, amongst others), in which case the ATC 3 classification has been used.

These top ten selling products represented approximately 74.4 per cent. of the Branded Pharmaceuticals business's net sales in the year ended 31 December 2004 and 80.7 per cent. of the Branded Pharmaceuticals business's net sales in the six months ended 30 June 2005.

Although the Branded Pharmaceuticals business manufactures and/or sells products in 11 therapeutic categories, its primary focus is on the anti-infectives, immunomodulating agents, musculoskeletal and increasingly, on the cardiovascular therapeutic categories.

OTC products

The Branded Pharmaceuticals business manfactures and/or sells eight OTC products, including Trifed, Feral (ferrous sulphate/folic acid, blood (iron)), Dolomol (paracetamol, CNS (non-narcotic analgesics)), Remofen (ibuprofen, musculoskeletal (anti-rheumatic)), Aquasal (anhydrous glucose, sodium chloride, sodium citrate, potassium chloride (oral rehydration salt)), Riabal (prifinium bromide, alimentary (functional bowel disorder)), Neurovitan (alimentary, vitamin B complex) and Votrex Tissugel (diclofenac epolamine, musculoskeletal (anti-inflammatory)). These OTC products represented approximately 6.5 per cent. of the Branded Pharmaceuticals business's net sales in the year ended 31 December 2004. Of the eight OTC products sold by the Branded Pharmaceuticals business three products (Riabal, Neurovitan and Votrex Tissugel) are in-licensed from Astellas Pharma or IBSA.

In-licensed products

In-licensed products are mostly originator pharmaceutical products that are produced and/or sold by the Branded Pharmaceuticals business under licence from an originator company and marketed under the licensor's brand name. Two of the Group's in-licensed products are branded generic pharmaceutical products licensed from a generic pharmaceutical company. In-licensed products display on their labels the Hikma trademark, as well as

the licensor's brand name and identity. Hikma enters into a licence either to manufacture a product, in which case the licensor customarily provides the API, or to market and distribute a finished product which Hikma purchases directly from the licensor.

In Jordan, data exclusivity regulations mean that Hikma benefits from a five year period of market exclusivity from when its in-licensed originator pharmaceutical product is first registered, even if the product's patent in the applicable country of origin has expired or expires during the exclusivity period. This prevents other manufacturers from producing another generic or branded version of the in-licensed originator product for sale in Jordan and allows Hikma time to establish market share. Generally, in Saudi Arabia and Algeria any originator pharmaceutical product enjoys exclusivity until the originator pharmaceutical company's patents expire in the product's country of origin. Accordingly, Hikma also benefits from a period of exclusivity for its in-licensed products in the Gulf State markets, Saudi Arabia and Algeria for as long as the licensor's patent is valid in the product's country of origin.

By entering into licensing or distribution agreements for originator pharmaceutical products, the Branded Pharmaceuticals business gains exclusive rights to patent protected drugs, whilst the economic return to the originator pharmaceutical company is included in the price paid by the Branded Pharmaceuticals business for either the API or the finished product under the relevant agreements. Hikma believes that in the future it may be required to pay a licensing fee in addition to purchasing the API from the originator pharmaceutical company. Typically, the licensing or distribution agreements have average terms of between five and ten years and are renewed automatically. The licensing agreements for several in-licensed products, including Prograf and Suprax have, or soon will have, passed their initial ten-year terms and therefore have, or soon will become, subject to termination upon six months' notice. The Branded Pharmaceuticals business has generally been able to renegotiate prices or territories as appropriate during a contract's term and it is rare for licences or distribution agreements to be terminated. Some of the Branded Pharmaceuticals business's licence or distribution agreements do not specify minimum quantities of product to be purchased from the licensor, although this is a term in some of the contracts. Under the licence agreement for Prograf, however, Hikma must grant a royalty-free exclusive licence for improvements to Astellas Pharma.

In the year ended 31 December 2004, the Branded Pharmaceuticals business had a total of 17 active licences from nine originator pharmaceutical companies, including Astellas Pharma, Tanabe Seiyaku, Daewoong, Edmond Pharma, Nycomed, Cheil Jedang, Sinclair, Helsinn and IBSA and one generic pharmaceutical company, Nicholas Piramal to register, distribute, sell and market, and in some cases, manufacture specified products. Hikma also sells one patent-protected originator pharmaceutical product under a promotion and distribution agreement with Eli Lilly. The terms of the promotion and distribution agreement with Eli Lilly are similar to the Branded Pharmaceuticals business's agreements for in-licensed products. Of the 17 active licences, eight are for products protected by patents or data exclusivity provisions in Algeria, Saudi Arabia or Jordan. Six active licences are from Astellas Pharma with whom Hikma entered into its first licence agreement in 1979. In April 2005, Fujisawa merged with Yamanouchi Pharmaceuticals and was renamed Astellas Pharma Inc. Hikma is not aware of any threats to its current licence agreements with Astellas Pharma but no assurance can be given that these agreements may not be modified or cancelled by Astellas Pharma in the future as a result of the merger or otherwise.

In the year ended 31 December 2004, sales of pharmaceutical products under licence constituted approximately 10.9 per cent. of Hikma's net sales and 28.9 per cent. of the Branded Pharmaceuticals business's net sales. In the year ended 31 December 2004, sales of in-licensed products that benefit from data exclusivity or patent protection in the MENA Region constituted approximately 5.4 per cent. of Hikma's net sales and 15.6 per cent. of the Branded Pharmaceuticals business's net sales. Hikma expects the proportion of sales of its Branded Pharmaceuticals business represented by in-licensed products to remain at its current level in the next three years.

Hikma's key markets for its Branded Pharmaceuticals business are Algeria, Saudi Arabia and Jordan. Details of the Branded Pharmaceuticals business's operations in these countries are set forth below.

Key markets

Algeria. Hikma's sales of branded pharmaceutical products in Algeria represented approximately 38.7 per cent. of the Branded Pharmaceuticals business's net sales in the year ended 31 December 2004 and 40.3 per cent. in the six months ended 30 June 2005. Based on IMS data, in the year ended 30 June 2005 Hikma was the second largest generic pharmaceutical company and fourth largest pharmaceutical company in Algeria with a market share of approximately 5.9 per cent. by sales value.[56] Currently, the Branded Pharmaceuticals business sells 19 branded pharmaceutical products in 32 dosage strengths and forms in Algeria. Of these products, three are in-licensed from originator pharmaceutical companies and one is still patent protected. Of the Branded

[56] IMS MAT Q2 2005 sales data for Algeria. Data includes sales of products by the Branded and Injectable Pharmaceuticals businesses and OTC, as well as prescription pharmaceutical products.

Pharmaceuticals businesses's top ten products by sales in Algeria in the year ended 31 December 2004, eight products — Amoclan, Votrex, Opracide (omeprazole, alimentary (anti-ulcers)), Flucand, Restamine (loratadine respiratory (antihistamine)), Ciprolon, Totinal (ketotifen, respiratory (antihistamine)) and Glibil (glyburide, alimentary (anti-diabetic)) — were among the top three products in the market by IMS sales value in the relevant ATC 4 therapeutic sub-category. Leading products for the Branded Pharmaceuticals business's in Algeria include Amoclan, Penamox and Opracide. Hikma's Branded Pharmaceuticals business in Algeria focuses on the anti-infectives, musculoskeletal, immunomodulating agents and alimentary therapeutic categories. Hikma launched Ciptadine (ciproheptadine, respiratory (anti-allergy)) and Riabal in the year ended 31 December 2004.

Saudi Arabia. Hikma's sales of branded pharmaceutical products in Saudi Arabia represented approximately 18.3 per cent. of the Branded Pharmaceuticals business's net sales in the year ended 31 December 2004 and 18.6 per cent. in the six months ended June 2005. Based on IMS data, in the year ended 30 June 2005, Hikma was the fourth largest generic pharmaceutical manufacturer and fifteenth largest pharmaceutical manufacturer in Saudi Arabia with a market share of approximately 1.7 per cent by sales value.[57] Currently, the Branded Pharmaceuticals business sells 19 branded pharmaceutical products in Saudi Arabia in 30 dosage strengths and forms. Of these products, four are in-licensed from originator pharmaceutical companies and two are still patent protected. Of the Branded Pharmaceuticals businesses's top ten products by sales in Saudi Arabia in the year ended 31 December 2004, Hypoten (atenolol, cardiovascular (anti-hypertensive)) and Amoclan held a top three position in the market by IMS sales value in the relevant ATC 4 therapeutic sub-category. Leading products of the Branded Pharmaceuticals business in Saudi Arabia include Amoclan, Prograf and Suprax. In Saudi Arabia, Hikma's Branded Pharmaceuticals business focuses on the anti-infectives, immunomodulating agents and alimentary therapeutic categories.

Jordan. Hikma's sales of branded pharmaceutical products in Jordan represented approximately 12.5 per cent. of the Branded Pharmaceuticals business's net sales in the year ended 31 December 2004 and 10.8 per cent. in the six months ended 31 December 2004. Based on IMS data, in the year ended 30 June 2005, Hikma was the second largest generic and pharmaceutical company in Jordan, with a market share of approximately 6.1 per cent. by sales value.[58] Currently, the Branded Pharmaceuticals business sells 59 branded pharmaceutical products in Jordan in 131 dosage strengths and forms. Of these products, 15 are in-licensed from originator pharmaceutical companies, two are in-licensed from a generic pharmaceutical company, Nicholas Piramal, and one is sold under a promotion and distribution agreement with Eli Lilly. Of these products, nine are patent or data protected. Of the Branded Pharmaceuticals business's top ten products by sales in Jordan in the year ended 31 December 2004, five products — Amoclan, Penamox, Suprax, Prazin (alprazolam, CNS (anti-anxiety)) and Nidazole (metronidazole, systemic trichomonacides) — were among the top three products in the market by IMS sales value in the relevant ATC 4 therapeutic sub-category. Leading products of the Branded Pharmaceuticals business in Jordan include Amoclan, Prograf and Suprax. In Jordan, Hikma's Branded Pharmaceuticals business focuses on the anti-infectives, immunomodulating agents and alimentary therapeutic categories. Hikma launched Klaxin (clarithromycin, anti-infectives), SST (fruit acids/sorbitol, alimentary (dry mouth)), Protopic (tacrolimus, immunomodulating agents (treatment of atopic dermatitis)) and Aloclair (polyvinylpirrolidone, alimentary (mouth ulcers)) in the year ended 31 December 2004.

Regulatory Approvals

As a Jordan-based manufacturer, the Branded Pharmaceuticals business initially applies for product approvals by submitting first in Jordan. Once the Jordanian authorities have approved a product application, submissions are filed in other countries in the MENA Region whose authorities take into consideration the initial Jordanian approval.

Historical approvals and 2005 submissions. Historically, the Branded Pharmaceuticals business has typically received approval from the Jordanian Ministry of Health for new products between six and nine months after the filing of a complete marketing application. From 1995 to 30 September 2005, the Branded Pharmaceuticals business received over 515 marketing approvals across the MENA Region and Europe. These figures reflect multiple approvals for the same product in different regions, as well as filings for new dosage strengths or forms of previously approved products. From 1 January through 30 September 2005, the Branded Pharmaceuticals business submitted 16 filings for approval by the Jordanian Ministry of Health, five of which related to new products (i.e. new pharmaceutical compounds not currently marketed by the Branded Pharmaceuticals business in Jordan or any other country in the MENA Region) and the remainder to new dosage strengths or forms of previously approved products. During that period the Branded Pharmaceuticals business also submitted two filings for approvals of new dosage strengths or forms of previously approved products in Europe.

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57 IMS MAT Q2 2005 sales data for Saudi Arabia. Data includes sales of products by the Branded and Injectable Pharmaceuticals businesses and OTC, as well as prescription pharmaceutical products. Including sales by JPI, Hikma's market share in Saudi Arabia was approximately 3.1 per cent. in the year ended 30 June 2005.

58 IMS MAT Q2 2005 sales data for Jordan. Data includes sales of products by the Branded and Injectable Pharmaceuticals businesses and OTC, as well as prescription pharmaceutical products.

The following table shows the Branded Pharmaceuticals business's products registered in Jordan since 2001. The table includes approvals for new products as well as new dosage strengths or forms of previously approved products.

Registrations in Jordan	Product/ Brand	Pharmaceutical compound	Dosage/ form	Equivalent originator pharmaceutical product	Own brand or licensor	Therapeutic category (indication)
2001 Total: 10	Hydrosone	hydrocortisone	20 mg tablets	Hydrocortone®	own brand	systemic hormones (adrenocorticosteroids)
	Sodium bicarbonate	sodium bicarbonate	500 mg capsules	N/A	own brand	alimentary (antiacids)
	Famodine	famotidine	20 mg tablets	Pepcid®	own brand	alimentary (anti-ulcer)
	Oprazole	omeprazole	10 mg tablets	Prilosec/Losec®	own brand	alimentary (anti-ulcer)
	Klaxin	clarithromycin	500 mg tablets	Biaxin/Klacid®	own brand	anti-infectives (macrolides)
	Mucotec	erdosteine	35/mg/ml suspension	N/A	Edmond	respiratory (mucolytics, cough/ colds)
	Tanatril	imidapril	5 mg tablets	N/A	Tanabe Seiyaku	cardiovascular (anti-hypertensive)
	Tanatril	imidapril	10 mg tablets	N/A	Tanabe Seiyaku	cardiovascular (anti-hypertensive)
	Amoclan	amoxicillin & clavulanate potassium	400 mg/5 ml 57 mg/5 ml suspension	Augmentin®	own brand	anti-infectives (penicillin)
	Amoclan BID	amoxicillin & clavulanate potassium	200 mg/5 ml 28.5/5 ml suspension	Augmentin®	own brand	anti-infectives (penicillin)
2002 Total: 5	Cardox	doxazocin	4 mg tablets	Cardura®	own brand	cardiovascular (anti-hypertensive)
	SS Cream	herbal extract	—	N/A	Cheil Jedang	genitourinary (premature ejaculation)
	Predone	prednisone	5 mg tablets	Deltasone®	own brand	systemic hormones (adrenocorticosteroids)
	Amoclan	amoxicillin & clavulanate potassium	875 mg/ 125 mg tablets	Augmentin®	own brand	anti-infectives (penicillin)
	Oprazole	omeprazole	20 mg tablets	Prilosec/Losec®	own brand	alimentary (anti-ulcer)
2003 Total: 8	Cardox	doxazocin	1 mg tablets	Cardura®	own brand	cardiovascular (anti-hypertensive)
	Suprax D	cefixime	400 mg tablets	N/A	Astellas Pharma	anti-infectives (cephalosporins)
	Cortisone	cortisone acetate	25 mg tablets	Cortone acetate®	own brand	systemic hormones (adrenocorticosteroids)
	Zomax	azithromycin dihydrate	500 mg tablets	Zithromax®	own brand	anti-infectives (macrolides)
	Votrex Tissugel (OTC)	diclofenac epolamine	1.3 mg patch	N/A	IBSA	musculoskeletal (analgesic and anti-inflammatory)
	Aloclair	polyvinylpyrrolidone	mouth wash	N/A	Sinclair	alimentary (mouth ulcers)
	Gelclair	polyvinylpyrrolidone	mouth wash	N/A	Helsinn	alimentary (mouth ulcers)

Registrations in Jordan	Product/ Brand	Pharmaceutical compound	Dosage/ form	Equivalent originator pharmaceutical product	Own brand or licensor	Therapeutic category (indication)
	SST	fruit acids/ sorbitol	tablets	N/A	Sinclair	alimentary (dry mouth)
2004 Total: 5	Tanatril	imidapril	20 mg tablets	N/A	Tanabe Seiyaku	cardiovascular (anti-hypertensive)
	Protopic	tacrolimus	0.1% tube	N/A	Astellas Pharma	immunomodulating agents (treatment of atopic dermatitis)
	Protopic	tacrolimus	0.03% tube	N/A	Astellas Pharma	immunomodulating agents (treatment of atopic dermatitis)
	Prograf	tacrolimus	0.5 mg capsules	N/A	Astellas Pharma	immunomodulating agents (immunosuppressive agent)
	Hikma morphine	morphine sulphate pentahydrate	10 mg tablets	MS contin®	own brand	CNS (narcotic analgesic)
As of 30 September 2005 Total: 8	Micetal	flutrimazole	cream	N/A	Uriach	dermatologicals (anti-fungal)
	Micetal	flutrimazole	gel	N/A	Uriach	dermatologicals (anti-fungal)
	EasyEf	recombinant epidermal growth factor	spray	N/A	Daewoong	dermatologicals (treatment of foot ulcers)
	Xefo	lornoxicam	8 mg tablets	N/A	Nycomed	musculoskeletal (anti-inflammatory)
	Glorion	glimepiride	1mg tablets	Amaryl®	own brand	alimentary (anti-diabetic)
	Glorion	glimepiride	2mg tablets	Amaryl®	own brand	alimentary (anti-diabetic)
	Glorion	glimepiride	3mg tablets	Amaryl®	own brand	alimentary (anti-diabetic)
	Glorion	glimepiride	4mg tablets	Amaryl®	own brand	alimentary (anti-diabetic)

Pending approvals and products under development. As of 30 September 2005, the Branded Pharmaceuticals business had 12 approvals pending in Jordan, of which four relate to new products (i.e. new pharmaceutical compounds not currently marketed by the Branded Pharmaceuticals business in Jordan or any country in the MENA Region) and the remainder to different dosage strengths or forms of previously approved products together with four approvals pending in Europe, none of which relate to new products. The four new products pending approval in Jordan include two in-licensed products and two branded generics. The pending applications are at various stages in the review process and there can be no assurance that approvals for any application currently under review will be granted.

The Branded Pharmaceuticals business has 21 new products under development in the cardiovascular, alimentary, respiratory, dermatologicals, anti-infectives, CNS and blood therapeutic categories, for which either development or internal regulatory work is in progress. These products are expected to be launched between 2006 and 2008. As part of its business plan, over the next two years, the Branded Pharmaceuticals business aims to submit ten new products including two new in-licensed products annually for approval.

Customers, Sales and Distribution

MENA Region. The MENA Region accounted for approximately 94.2 per cent. of the Branded Pharmaceuticals business's sales in the year ended 31 December 2004. In the year ended 31 December 2004, the Branded

Pharmaceuticals business had more than 2,300 customers of which approximately 2,000 were in Jordan, there was a single distributor in Saudi Arabia and 120 customers were in Algeria; these customers included pharmacies, hospitals and distributors. Because of the large number of customers throughout the MENA Region, Hikma believes that it is not dependent on a single customer or a group of customers for the success of its Branded Pharmaceuticals business.

The Branded Pharmaceuticals business markets its products in the MENA Region primarily to physicians, hospitals and pharmacies. The largest purchasers are distributors, hospitals and pharmacies which buy directly from the Branded Pharmaceuticals business. As is customary in the generic pharmaceutical industry, Hikma does not have long term agreements with any of these customers. Sales of branded pharmaceutical products depend on the promotion and development of the brand, and marketing is therefore primarily targeted at building relationships with the doctors who can prescribe Hikma's products and the pharmacists who can stock them. As part of its selling and marketing efforts, Hikma's sales force regularly visits both doctors and pharmacists. In addition when a new branded pharmaceutical product is being launched, Hikma's sales force heightens awareness of the product and promotes it through launch symposia, as well as targeted distribution of complimentary drug samples and promotion materials.

Including originator pharmaceutical products sold under licence or distribution agreements, sales in the MENA Region are mainly to the private sector, although government tender sales constituted approximately 16.7 per cent. of the Branded Pharmaceuticals business in the year ended 31 December 2004. Tender sales are predominantly to the Ministry of Health or Ministry of Defence of the relevant country. When deciding whether to tender for a contract, the Branded Pharmaceuticals business considers a range of factors, including economic return, availability of API, required production capacity and the potential for economies of scale.

Hikma believes that its Branded Pharmaceuticals business has one of the largest sales forces in the MENA Region consisting of 288 employees, 30 of whom are specialised product marketing executives and the remainder are medical representatives, supervisors and sales managers. The sales force is divided geographically with 86 employees in Jordan (including 23 specialised product marketing executives), 70 in Algeria (including four specialised product marketing executives), 66 in Saudi Arabia (including three specialised product marketing executives), 21 in the Gulf States, 21 in Sudan, 17 in Lebanon, five in Libya, one in Egypt and one in Tunisia. In addition, the Branded Pharmaceuticals business employs a sales force of six in Slovakia and there is a "new markets" unit dedicated to exploring and initiating the marketing and selling of branded generic pharmaceutical products in other geographical areas such as sub-Saharan Africa, the CIS countries and other countries in Europe.

The Branded Pharmaceuticals business's sales force is trained on an ongoing basis to ensure each sales person understands and can provide suitable information on the nature of the products, their medical use, efficacy and safety.

Where possible, the Branded Pharmaceuticals business aims to distribute its products directly through its own distribution network. However, in countries such as Saudi Arabia and the Gulf States, whilst the Branded Pharmaceuticals business promotes its products using its own sales force, it appoints an independent third party distributor as required by the laws of those jurisdictions. In the year ended 31 December 2004, approximately 57.7 per cent. of the Branded Pharmaceuticals business's net sales were made through such third party distributors. In 2002, Hikma made the strategic decision to start manufacturing in Algeria in order to take advantage of benefits given to local manufacturers in that country in terms of product pricing and distribution.

Other. Net sales of branded pharmaceutical products in markets outside the MENA Region comprised approximately 5.8 per cent. of the Branded Pharmaceuticals business in the year ended 31 December 2004. The Branded Pharmaceuticals business's primary customers outside the MENA Region are wholesalers in Slovakia, Germany and other European countries. Historically sales of branded pharmaceutical products outside the MENA Region have been largely opportunistic.

Injectable Pharmaceuticals Business

Introduction to Hikma's Injectable Pharmaceuticals business

Hikma's Injectable Pharmaceuticals business develops, manufactures, markets and sells 30 branded and non-branded generic injectable pharmaceutical products in 60 dosage strengths and forms and seven originator pharmaceutical products in 16 dosage strengths and forms that are in-licensed to Hikma. The in-licensed products are distributed primarily in the MENA region. The Injectable Pharmaceuticals business manufactures products in seven therapeutic categories, with a focus on anti-infectives, primarily cephalosporins. The Injectable Pharmaceuticals business produces powder cephalosporins and liquid injectables at its FDA-approved plant in Portugal and lyophilized injectables at its IBPP plant in Italy.

In March 2005 the Group acquired 100 per cent. of IBPP and certain related intellectual property for cash and deferred consideration of €1.0 million which manufactures injectable products in liquid and lyophilized forms sold in vials and ampoules at its facilities in Pavia, Italy. IBPP's facilities are certified by the Italian Ministry of Health. For more information about this acquisition see Note 28 to the Group's financial statements in Part XI of this document.

The Injectable Pharmaceuticals business accounted for approximately 13.5 per cent. of Hikma's net sales in the year ended 31 December 2004 and 16.8 per cent. of Hikma's net sales in the six months ended 30 June 2005. In the year ended 31 December 2004 net sales in the MENA Region represented approximately $13.4 million or 46.6 per cent. of the Injectable Pharmaceuticals business's net sales; sales in Europe amounted to approximately $8.6 million or 30.0 per cent. of segmental net sales, while sales in the United States amounted to approximately $6.8 million or 23.4 per cent. of segmental net sales. In all these markets injectable pharmaceutical products are sold primarily to hospitals, pharmacies within hospitals, wholesalers and distributors.

The following table provides selected financial information for the Injectable Pharmaceuticals business for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2002	2003	2004	2004	2005
	(audited)	(audited)	(audited)	(unaudited)	(audited)
	(US$ million, except %)			(US$ millions, except %)	
Net sales	19.2	22.2	28.9	14.5	22.2
Gross profit	8.4	8.9	9.7	5.6	8.6
Gross margin	43.8%	39.8%	33.7%	38.7%	38.6%
Segmental result	4.6	4.1	4.1	2.8	3.6
Operating margin	23.9%	18.5%	14.1%	19.4%	16.0%

Products

The Injectable Pharmaceuticals business sells injectable pharmaceutical products in powder, liquid or lyophilized form, packaged in sterilised vials, ampoules or infusion bags.

The following table provides a summary of net sales of the top ten products of the Injectable Pharmaceuticals business for the year ended 31 December 2004:

Product/ Brand	Pharmaceutical compound	Therapeutic category (indication)	2004 net sales (US$ millions)	% of Injectable Pharma-ceuticals sales	Equivalent originator pharmaceutical product	Own brand or licensor
Hikma Cefazolin	cefazolin sodium	anti-infectives (cephalosporin)	6.1	21.2	Ancef®	own brand
Maxil	cefuroxime sodium	anti-infectives (cephalosporin)	5.2	17.9	Zinacef®	own brand
Samixon	ceftriaxone sodium	anti-infectives (cephalosporin)	4.4	15.3	Rocephin®	own brand
Ceftax	cefotaxime sodium	anti-infectives (cephalosporin)	2.4	8.4	Claforan®	own brand
Cefizox	ceftizoxime sodium	anti-infectives (cephalosporin)	2.0	7.1	N/A	Astellas Pharma
Ciprolon	ciprofloxacin	anti-infectives (fluoroquinolone)	2.0	7.0	Ciprobay®	own brand
Hikma Heparin	heparin	blood (anti-coagulant agent)	1.1	3.9	Heparin Leo®	own brand
Votrex	diclofenac sodium	musculoskeletal (anti inflammatory)	1.1	3.6	Voltaren®	own brand
Amoclan	amoxicillin & clavulanate potassium	anti-infectives (penicillin)	0.7	2.5	Augmentin®	own brand
Midazolam	midazolam	CNS (sedative)	0.5	1.6	Versed®	own brand

These top ten selling products represented approximately 88.2 per cent. of the Injectable Pharmaceuticals business's net sales in the year ended 31 December 2004 and 80.0 per cent. of the Injectable Pharmaceuticals business's net sales in the six months ended 30 June 2005.

Although the Injectable Pharmaceuticals business manufactures injectable pharmaceutical products in seven therapeutic categories, its primary focus is on the anti-infectives (particularly cephalosporins) and, increasingly, musculoskeletal and cardiovascular therapeutic categories. Hikma believes that its Injectable Pharmaceuticals business offers one of the most comprehensive portfolios of injectable generic cephalosporins in the pharmaceutical industry.

Out-licensing and contract manufacturing

Historically, the Injectable Pharmaceuticals business has out-licensed its injectable pharmaceutical products, cefazolin, cefuroxime and epinephrine, for sale in the United States to several pharmaceutical or distribution companies, including Cura, APP, Ranbaxy and Baxter. Under these arrangements, the product is manufactured by the Injectable Pharmaceuticals business using Hikma's own ANDAs but is marketed and distributed under the label of the relevant contracting party. The Injectable Pharmaceuticals business has similar arrangements with Orion for the sale of its products under Orion's label in Finland, and with Ardez for the sale of its products under Ardez's label in the Czech Republic.

Hikma also manufactures products under contract for Merck Generics, Italfarmaco, Lyomark, Salutas and Bruno. Under these agreements the products contain the contracting parties' pharmaceutical compounds and are distributed under their respective label.

In the year ended 31 December 2004, sales made pursuant to out-licensing and contract manufacturing arrangements represented approximately 38.4 per cent. of the Injectable Pharmaceuticals business's net sales.

In-licensed products

The Injectable Pharmaceuticals business has a total of seven active licences from Astellas Pharma, Rovi, Dong A and Cheil Jedang to register, distribute, sell and market, and in some cases manufacture specified injectable pharmaceutical products. These products are sold by the Injectable Pharmaceuticals business in the MENA Region and one in-licensed product is also sold in Portugal. Of the seven in-licensed products, three are still under patent or data protection in Algeria, Saudi Arabia or Jordan.

The contractual framework governing Hikma's in-licensed injectable products is similar to that described above under *Branded Pharmaceuticals — In-licensed products*. Hikma's licence agreement with Astellas Pharma for ceftizoxime has passed its initial ten-year term and therefore is subject to termination upon six months' notice. Like in-licensed solid pharmaceutical products, Hikma's in-licensed injectable products are marketed under the licensor's brand name, together with the Hikma name.

In the year ended 31 December 2004, sales of injectable products under licence constituted less than one per cent. of Hikma's net sales and approximately 2.2 per cent. of the Injectable Pharmaceuticals business's net sales. Hikma expects the proportion of sales of its Injectable Pharmaceuticals business represented by in-licensed products to increase.

Regulatory Approvals

Historical approvals and 2005 submissions. Historically, the Injectable Pharmaceuticals business has received FDA approval for new products on average within 18 to 24 months of filing. From 1995 to 30 September 2005, the Injectable Pharmaceuticals business received 329 product marketing approvals, including seven ANDA approvals from the FDA, 216 approvals in the MENA Region, 102 approvals in 11 countries in Europe and four in other markets. These figures reflect multiple approvals for the same product in different regions, as well as filings for new dosage strengths or forms of previously approved products.

The following table shows the Injectable Pharmaceuticals business's products approved by the relevant regulatory authorities since 2001. The table includes approvals for new products as well as new dosage strengths or forms for previously approved products.

Year of Approval	Market[1]	Pharmaceutical compound or licensed brand	Dosage/ form	Equivalent originator pharmaceutical product	Own brand or licensor	Therapeutic category (indication)
2001 Total: 7	USA (1 approval)	cefazolin sodium	500 mg and 1 gm vials 1 gm bottle	Ancef®	own brand	anti-infectives (cephalosporin)
	Portugal (5 approvals)	ceftriaxone sodium	250, 500 mg and 1 gm vials 1 and 2 gm bottle	Rocephin®	own brand	anti-infectives (cephalosporin)
	Jordan (1 approval)	midazolam	5 mg/ml ampoules	Versed®	own brand	CNS (sedatives)
2002 Total: 3	USA (2 approvals)	cefotaxime sodium	500 mg, 1 and 2 gm vials, 1 and 2 gm bottles and 10 gm bottles pharmacy bulk packages	Claforan®	own brand	anti-infectives (cephalosporin)
	Slovakia (1 approval)	ciprofloxacin	200 mg /100 ml vial	Ciprobay®	own brand	anti-infectives (fluoroquinolones)
2003 Total: 9	Finland (4 approvals)	ceftriaxone sodium	250 and 500 mg vials 1 and 2 gm bottles	Rocephin®	own brand	anti-infectives (cephalosporin)
	Portugal (2 approvals)	cefuroxime sodium	750 mg vial	Zinacef®	own brand	anti-infectives (cephalosporin)
	Portugal (2 approvals)	amoxicillin and clavulanate potassium	1.2 and 2.2 gm vials	Augmentin®	own brand	anti-infectives (penicillin)
	Portugal (1 approval)	ciprofloxacin	200 mg/100 ml vials	Ciprobay®	own brand	anti-infectives (fluoroquinolones)
2004 Total: 54	USA (2 approvals)	cefuroxime sodium	750 mg and 1.5 gm vial 750 mg and 1.5 gm bottle, 7.5 gm bottle pharmacy bulk package	Zinacef®	own brand	anti-infectives (cephalosporin)
	Germany (4 approvals)	ceftriaxone sodium	1 gm and 500 mg vial 1 and 2 gm bottle	Rocephin®	own brand	anti-infectives (cephalosporin)
	Czech Republic (2 approvals)	ceftriaxone sodium	250 and 500 mg vial 1 and 2 gm bottle	Rocephin®	own brand	anti-infectives (cephalosporin)
	USA (1 approval)	cefazolin sodium	10 gm bottle pharmacy bulk package	Ancef®	own brand	anti-infectives (cephalosporin)
	United Kingdom (4 approvals)	ceftriaxone sodium	250 and 500 mg vial	Rocephin®	own brand	anti-infectives (cephalosporin)
	The Netherlands (4 approvals)	ceftriaxone sodium	250 and 500 mg vial 1 and 2 gm bottle	Rocephin®	own brand	anti-infectives (cephalosporin)

Year of Approval	Market[1]	Pharmaceutical compound or licensed brand	Dosage/ form	Equivalent originator pharmaceutical product	Own brand or licensor	Therapeutic category (indication)
2004 (continuation)	Portugal (2 approvals)	ondansetron	4 mg/ 2 ml and 8 mg/ 4 ml ampoules	Zofran®	own brand	alimentary (anti-emetic)
	Germany (2 approvals)	atracurium	50 mg/5 ml and 25 mg/2.5 ml ampoules	Tracrium®	own brand	musculoskeletal (muscle relaxant)
	Germany (2 approvals)	cefazolin sodium	1 g vial 2 gm bottle	Ancef®	own brand	anti-infectives (cephalosporin)
	Germany (2 approvals)	cefuroxime sodium	750 mg vial and 1.5 mg bottle	Zinacef®	own brand	anti-infectives (cephalosporin)
	Germany (2 approvals)	cefotaxime sodium	1 and 2 gm vials	Claforan®	own brand	anti-infectives (cephalosporin)
	Germany (1 approval)	clindamycin phosphate	150 mg/ml solution	Cleocin HCL®	own brand	anti-infectives (lincosamides)
	Ireland (4 approvals)	dobutamine	250 mg/50 ml, 250 mg/20 ml and 250 mg/5 ml ampoules	Dobutrex®	own brand	cardiovascular (cardiac stimulants)
	Spain (2 approvals)	midazolam	1 mg/ml and 5 mg/ml ampoules	Versed®	own brand	CNS (sedatives)
	Italy (2 approvals)	midazolam	1 mg/ml and 5 mg/ml ampoules	Versed®	own brand	CNS (sedatives)
	The Netherlands (2 approvals)	midazolam	1 mg/ml and 5 mg/ml ampoules	Versed®	own brand	CNS (sedatives)
	Germany (1 approval)	diclofenac sodium	25 mg/ml ampoules	Voltaren®	own brand	musculoskeletal (anti-inflammatory)
	Germany (1 approval)	pancuronium bromide	2 mg/ml ampoules	Pancuronium®	own brand	musculoskeletal (muscle relaxant)
	Germany (3 approvals)	piperacillin sodium	1, 2 and 4 gm vials	Piperacillin®	own brand	anti-infectives (penicillins)
	Germany (5 approvals)	sufentanil	10 mcg/2 ml, 1000 mcg/20 ml, 250 mg/5 ml, 50 mcg/1 ml, 50 mcg/10 ml ampoules	Sufenta®	own brand	CNS (anaesthetics)
	Germany (1 approval)	tramadol HCL	100 mg/2 ml ampoules	Tramal®	own brand	CNS (analgesic)
	Jordan (1 approval)	filgrastim (Leucostim®)	75 mcg vial	Neupogen®	Dong-A	immunomodulating agents (immunostimulant)
	Jordan (4 approvals)	bemiparin sodium (Hibor®)	3500, 5000, 7500 and 1000 IU/pre-filled syringe	N/A	Rovi	blood (anti-coagulant agent)

(1) Information for the MENA Region includes only filings for approval in Jordan.

Year of Approval	Market[1]	Pharmaceutical compound (licensed brand)	Dosage/ form	Equivalent originator pharmaceutical product	Own brand or licensor	Therapeutic category (indication)
As of 30 September 2005 Total: 20	Germany (1 approval)	ranitidine	50 mg/5 ml ampoules	Zantac®	own brand	alimentary (anti-ulcer)
	Ukraine (1 approval)	prifinium bromide (Riabal®)	7.5 mg/ml and 2 ml ampoules	N/A	Astellas Pharma	alimentary (functional bowel disorder)
	Jordan (2 approvals)	filgrastim (Leucostim®)	150 and 300 mcg/vial	Neupogen®	Dong-A	immunomodulating agents (immunostimulant)
	Jordan (1 approval)	micafungin sodium (Mycamine®)	50 mg/vial	N/A	Astellas Pharma	anti-infectives (antimycotic)
	Jordan (1 approval)	bemiparin sodium (Hibor®)	2500 IU/pre-filled syringe	N/A	Rovi	blood (anti-coagulant agent)
	Jordan (1 approval)	somatropin (Growtropin®)	4 IU vials	Humatrope®	Dong-A	hormones (growth hormone)
	The Netherlands (1 approval)	ciprofloxacin	200 mg and 100 ml bottles	Ciprobay®	own brand	anti-infectives (fluoroquinolones)
	Czech Republic (1 approval)	cefotaxime sodium	1 gm vial	Claforan®	own brand	anti-infectives (cephalosporin)
	Czech Republic (2 approvals)	fluconazole	200 mg/100 ml bottle 100 mg/50 ml vial	Diflucan®	own brand	anti-infectives (triazole derivatives)
	Slovakia (2 approvals)	amoxicillin clavulanate sodium	0.6 mg, 1.2	Augmentin®	own brand	anti-infectives (penicillin)
	Jordan (1 approval)	Omeprazole	40 mg vials	Prilosec/ Losec®	own brand	alimentary (anti-ulcer)
	Jordan (1 approval)	phenytoin sodium	50 mg/ml 50 ml ampoules	Dilantin®	own brand	CNS (anti-epilectic)
	Jordan (2 approvals)	propofol	10 mg/ml 20 ml ampoules and 50 ml vials	Diprivan®	CJ Corp	CNS (general anesthetic)
	Czech Republic (2 approvals)	ondansetron	8 mg/4 ml and 4 mg/2 ml ampoules	Zofran®	own brand	alimentary (anti-emetic)
	USA (1 approval)	fluconazole	200 mg/100 ml bottle	Diflucan®	own brand	anti-infectives (anti-fungal)

(1) Information for the MENA Region includes only filings for approval in Jordan.

From 1 January to 30 September 2005, the Injectable Pharmaceuticals business submitted four ANDA's for FDA approval, all of which relate to new products (i.e. new pharmaceutical compounds not currently marketed by the Injectable Pharmaceuticals business in the United States), 17 approvals in Jordan, nine of which relate to new

products (i.e. pharmaceutical compounds not currently marketed by the Injectable Pharmaceutical business in Jordan or any other country in the MENA Region) and, four approvals in Europe, three of which relate to new products (i.e. pharmaceutical compounds not currently marketed by the Injectable Pharmaceuticals business in Europe).

Pending approvals and products under development. As of 30 September 2005, the Injectable Pharmaceuticals business had 16 approvals pending with the FDA, 13 of which relate to new products (i.e. pharmaceutical compounds not currently marketed by the Injectable Pharmaceuticals business in the United States), 17 approvals pending in Jordan, of which nine relate to new products (i.e. pharmaceutical compounds not currently marketed by the Injectable Pharmaceutical business in Jordan or any other country in the MENA Region) , and nine approvals pending in Europe, three of which relate to new products (ie. pharmaceutical compounds not currently marketed by the Injectable Pharmaceuticals business in Europe). The pending approvals are at various stages in the review process and there can be no assurance that approvals for any application currently under review will be granted.

The Injectable Pharmaceuticals business has 28 new products under development, primarily in the CNS, cardiovascular and anti-infectives therapeutic categories. The products are expected to be launched between 2007 and 2009. As part of its business plan, over the next two years the Injectable Pharmaceuticals business aims to submit ten new products annually for approval.

Customers, sales and distribution

MENA Region. The MENA Region accounted for approximately 46.6 per cent. of the Injectable Pharmaceuticals business's net sales in the year ended 31 December 2004. In the year ended 31 December 2004, the Injectable Pharmaceuticals business had over 80 customers across the MENA Region, including three customers in Algeria, one in Saudi Arabia and over 65 in Jordan. The Injectable Pharmaceuticals business's primary customers in the MENA Region are hospitals, pharmacies in hospitals or buying groups for hospitals. As is customary in the generic pharmaceuticals industry, Hikma does not have long term agreements with any of these customers. The Injectable Pharmaceuticals business serves these customers primarily through its direct sales force of 45 employees, including 21 employees in Jordan, 14 in Saudi Arabia, six in Algeria and four in Sudan. However, in Saudi Arabia and the Gulf States, whilst the Injectable Pharmaceuticals business promotes its products using its own sales force, it sells them through independent third party distributors as required by the laws of those jurisdictions. As of 30 September 2005, the Injectable Pharmaceuticals business employed a sales force in the MENA Region consisting of 45 field sales and marketing professionals, including five sales managers.

Including in-licensed products, sales in the MENA Region are mainly to the private sector, although government tender sales constituted approximately 16.6 per cent. of the Injectable Pharmaceuticals business in the year ended 31 December 2004. Tender sales are predominately to the Ministry of Health or Ministry of Defence of the relevant country. When deciding whether to tender for a contract, the Injectable Pharmaceuticals business considers a range of factors, including economic return, availability of API, required production capacity and the potential for economies of scale.

United States. The United States accounted for approximately 23.4 per cent. of the Injectable Pharmaceuticals business's net sales in the year ended 31 December 2004 with its primary customers being Cura and Ranbaxy under out-licensing agreements.

Through the sales division of the Generic Pharmaceuticals business, the Injectable Pharmaceuticals business distributes directly all of its FDA-approved products in the United States primarily to GPOs, hospitals, generic distributors and wholesalers. As of 30 September 2005, there were two sales professionals employed by the Generic Pharmaceuticals business dedicated to the sale of injectable products in the United States. As part of its strategic initiatives for its Injectable Pharmaceuticals business, Hikma expects to implement its own sales and distribution network in the United States in the first half of 2006.

Europe. Europe accounted for approximately 30.0 per cent. of the Injectable Pharmaceuticals business's net sales in the year ended 31 December 2004. In the year ended 31 December 2004, the Injectable Pharmaceuticals business had approximately 300 hundred customers in Europe with its primary customers being hospitals, pharmacies in hospitals and buying groups for hospitals. In Portugal and Germany, Hikma serves these customers through its direct sales force or wholly-owned distribution companies. As of 30 September 2005, there were four sales representatives and one manager in Germany and four sales representatives and one manager in Portugal. In the Czech Republic and Finland, the primary customers are Ardez and Orion pursuant to out-licensing agreements.

Sales of Hikma injectable products in the United Kingdom are made through an independent third party distributor. As part of its strategic initiatives for its Injectable Pharmaceuticals business, Hikma plans to establish distribution networks or enter into distribution agreements in Austria and The Netherlands by the third quarter of 2006.

6. OTHER BUSINESSES

In addition to the three core businesses, Hikma conducts the businesses described below. These other businesses had aggregate net sales of $3.2 million, or 1.5 per cent. of the Group's net sales, in the year ended 31 December 2004 and $2.3 million, or 1.7 per cent. of the Group's net sales, in the six months ended 30 June 2005.

Arab Medical Containers

AMC, a wholly-owned subsidiary of Hikma, manufactures plastic specialised packaging, including bottles, caps, dosage cups and spoons, for use by the pharmaceutical, cosmetic and veterinary industries. The business is the only company in Jordan qualified to supply plastic packaging to the pharmaceutical industry and employs approximately 88 people.

Approximately 40.0 per cent. of AMC's production is sold to the Hikma Group, at prevailing market prices. AMC generated net sales to third parties of $1.7 million in the year ended 31 December 2004 and $1.4 million in the six months ended 30 June 2005.

International Pharmaceuticals Research Center and Specialized Pharmaceuticals Research Center

IPRC, a 51.0 per cent. owned subsidiary of Hikma, conducts bio-equivalency studies for pharmaceutical companies based primarily in Jordan, Saudi Arabia, UAE and, more recently, Ireland. IPRC is the only company in the Middle East approved by the FDA to conduct bio-equivalency studies. The business employs approximately 82 people, of which 27 are chemists and pharmacists involved in analytical testing. See *Non Wholly-Owned Companies* below for more detailed information regarding IPRC.

Approximately 35 to 40 per cent. of IPRC's revenues are generated from bio-equivalency studies undertaken for the Hikma Group, which are charged at prevailing market prices. IPRC generated net sales to third parties of $1.5 million in the year ended 31 December 2004 and $0.9 million in the six months ended 30 June 2005.

Hikma has also established a new subsidiary, Specialized Pharmaceuticals Research Center, to conduct research into new drug delivery systems; this company currently has no significant trading activities or equipment.

7. NON WHOLLY-OWNED COMPANIES

Some of Hikma's operations are undertaken by non wholly-owned subsidiaries. The following table sets out details of these companies as of the date of this document.

Name	Principal activities	Hikma's ownership interest (%)	Other shareholders with > 5% interest
Consolidated for accounting purposes			
International Pharmaceuticals Research Center Limited[1]	• Undertakes bio-equivalency studies for Hikma and third parties • Founded in 1994 • Headquartered in Amman, Jordan • 82 employees	51	Dr Naji Najib (25.8%) May Murad (12.3%)
Specialized Pharmaceuticals Research Center Limited	• Established to undertake research relating to pharmaceutical drug delivery systems • Currently no significant trading activities or equipment • Founded in 2001 • Headquartered in Amman, Jordan • 14 employees	95	Dr Naji Najib (5.0%)
Pharma Ixir Co. Ltd.	• Marketing and distribution of Hikma's pharmaceutical products in Sudan • Founded in 1996 • Headquartered in Al Khartoum, Sudan • 25 employees	51	Basheer Hasan Al-Basheer (26%) Dr Ahmad Ghattas (15%) Dr Hasan Ajbna (8%)

Name	Principal activities	Hikma's ownership interest (%)	Other shareholders with > 5% interest
Associates for accounting purposes			
Al Jazeera Pharmaceutical Industries Limited	• Saudi Arabian pharmaceutical company with operations, including research and development, manufacturing and sales • Manufactures cephalosporin tablets, syrups and suppositories for the Hikma Group • Founded in 1994 • Headquartered in Riyadh, Saudi Arabia • 325 employees	47.5	Abdulaziz Ibrahim Al-Jammaz (22.5%) Fawaz Fahad Al-Gozibi (15%) Dr Suad Ibrahim Al-Jammaz (15%)
Investments for accounting purposes			
Societe Hikma Pharma Tunisie Ltd.	• Marketing and distribution of Hikma's pharmaceutical products in Tunisia • Founded in 1998 • Headquartered in Industrial Eastern Area, Tunisia • 11 employees	49	Hikma Ibn Al-Baytar (51%)
Societe d'Industries Pharmaceutiques Ibn Al-Baytar S.A.	• Production, sales and distribution of pharmaceutical products in Tunisia for Hikma and third parties • Founded in 1996 • Headquartered in Industrial Eastern Area, Tunisia • 84 employees	32.16	Hizaoui Belgasem (16%) Mohamed Ben Ezzedine (13%) Nadia Ben Ezzedine (13%) La Cooperation Pharmaceutique Française (12.5%) PCT Tunisie (5.0%)

(1) Consolidated from 4 January 2004 following the increase in Hikma's interest in the company from 33.3 per cent. to 51 per cent. as of that date.

8. GROUP FUNCTIONS

Hikma's organisational structure reflects its strategy and business model by combining decentralised responsibility for sales and marketing at each business with the co-ordination of certain group functions to maximise cost savings, increase Hikma's negotiating power and streamline financial reporting. Hikma's centrally co-ordinated functions include API sourcing and other procurement, research and development and finance, accounting, legal and information technology. Hikma believes that this structure is financially and operationally efficient, facilitates the sharing of best practices and enhances relationships with customers.

API Sourcing

The majority of the raw material used in the manufacturing of Hikma's products are supplied from a variety of external sources, including other manufacturers, licensees, agents and traders.

With approximately 70 suppliers and API and raw materials costs representing approximately 31.4 per cent. of Hikma's net sales in the year ended 31 December 2004, API sourcing represents one of Hikma's largest cost components. Hikma's top five suppliers of finished API products together supply approximately 64.0 per cent. of Hikma's total finished API requirements. An important part of Hikma's strategy is to source high quality API from reliable sources at competitive prices. The API sourcing function complements the individual purchasing departments of each business, allowing Hikma to follow different raw material sourcing strategies for each of its different product lines whilst using aggregate volumes as a basis for increasing its negotiating power with suppliers. A key element of Hikma's strategy on API sourcing is to build strong long-term relationships with API suppliers to ensure continuity and availability of supply. Hikma's dedicated API team has extensive experience and in-depth knowledge of the industry which allows it to identify appropriate API sources and dependable suppliers for Hikma's purposes. The API sourcing function is managed by two vice-presidents, one in Jordan and one in the United States and employs 10 individuals who are based in China, India, Jordan and the United States.

For each product Hikma submits to the FDA for approval for sale in the US market, Hikma's API suppliers are required to file a Drug Master File, or DMF, with the FDA, and each API supplier must be approved by the FDA as part of the finished product approval process. The manufacturer's quality control systems and cGMP compliance are therefore important factors that Hikma considers when selecting an API supplier. As a result, historically Hikma's main API suppliers have been based in Europe, Japan or the United States where cGMP standards were enforced. However, more recently, as more Asian suppliers have begun implementing appropriate compliance systems, Hikma has begun to buy from lower cost suppliers in that region. Hikma's compliance department collaborates with API suppliers in India, China, Taiwan and Korea to assist them in obtaining FDA approval. As part of this strategy Hikma has established a liaison office in India which provides further support to the overall API sourcing team.

Hikma uses a variety of methods to ensure it can regulate the supply of APIs it needs for production, including the use of exclusive supply contracts, partnerships and, where appropriate, the synthesis of its own API at its dedicated plant in Jordan. As of 30 September 2005, Hikma purchased API from 69 suppliers in 17 different countries with 20 suppliers being preferred vendors. When choosing whether to purchase or manufacture an API, Hikma considers the technology required to produce the API and the availability and flexibility of other suppliers. Hikma endeavours to have at least two qualified suppliers of API for its key products, with the exception of its in-licensed products which are sourced from the licensors. Hikma has not experienced any significant problems with its suppliers and the Board believes that each of the qualified suppliers of a specific API can fulfil Hikma's full requirements for that API.

Hikma maintains a certain amount of safety stock of strategic raw materials at its facilities to cover at least 30 days' worth of its production requirements. Although a change in suppliers could require significant effort or investment by Hikma, Hikma does not believe that the loss of any existing supplier would have a material adverse effect on its business.

Hikma has its own API manufacturing plant based in Jordan which is FDA-approved and started manufacturing API in 2002. When manufacturing API, Hikma acquires chemical intermediates and synthesises them to produce API. Hikma's API production is directed primarily at API which is low volume, high cost or difficult to source from third parties. The API manufacturing plant has a sterile unit for production of sterile raw materials required by the Group. Currently, Hikma manufactures API for three of its solid pharmaceutical products and for one injectable pharmaceutical product, and the Group has filed five related DMFs with the FDA and received approval to market one finished solid product containing internally produced API. As of 30 September 2005, Hikma had 13 new APIs under development. See *Manufacturing and Facilities — Manufacturing — API* below for more information regarding Hikma's API production.

Research and Development

Research and development is a critical driver of Hikma's future growth. The Group's research and development, or R&D, function aims to increase the number of approvals that the Group submits to regulatory authorities in the United States, the MENA Region and Europe.

The R&D function is in charge of product formulation, process design and monitoring of bio-equivalency testing for all of Hikma's businesses. It also focuses on:

- developing new generic solid, semi-solid, liquid and injectable pharmaceutical products;
- improving and upgrading manufacturing techniques;
- when a pharmaceutical compound is already registered in multiple dosage forms, producing a generic version of the full range of forms or dosages so as to be able to provide its customers a complete product offering; and
- performing research and development activities related to the manufacture of API such as chemical synthesis, fermentation and purification.

Since 2003, an increasing amount of the Group's research and development has been conducted from its facility in Jordan where labour and infrastructure costs are significantly lower. As of 30 September 2005, the R&D function included approximately 123 professionals and scientists, 22 of whom have MSc or PhD qualifications. Among them, they have expertise in areas such as pharmaceutical formulation, analytical chemistry and drug delivery. Of these 123 employees, 23 are located in the United States, 91 are in Jordan and nine are in Italy and Portugal. Forty-three employees, including support staff, are involved in the formulation of pharmaceutical products, 78 in analytical research and 41 in project management and administration.

The Group also has 14 scientists at IPRC specialising in bio-equivalency testing, two scientists at AMC and 12 R&D professionals and scientists at Specialized Pharmaceuticals Research Center.

From 1 January to 30 September 2005, Hikma filed a total of 56 marketing approvals for registration (including 17 ANDAs) for the sale of pharmaceutical products, which includes the registration of new products (i.e. new pharmaceutical compounds not currently marketed by Hikma in a geographical region), the registration of existing products in new countries within a geographical region and the registration of new dosage strengths or forms of existing products. The following table sets out a breakdown of Hikma's approvals, filed and pending by business as of 30 September 2005:

	Filings from 1 January to 30 September 2005	New product filings from 1 January to 30 September 2005	Pending approvals as of 30 September 2005	Pending approvals for new products as of 30 September 2005
Generic Pharmaceuticals				
United States	13	10	20	13
Branded Pharmaceuticals				
MENA Region	16	5	12	4
Europe	2	—	4	—
	18	5	16	4
Injectable Pharmaceuticals				
United States	4	4	16	13
MENA Region	17	9	17	9
Europe	4	3	9	3
	25	16	42	25
	56	31	78	42

* To avoid duplication, this data includes only filings in Jordan for the MENA Region and the first filing in Europe.

Hikma estimates that the currently marketed equivalent products of the 42 new products covered by the Group's pending approvals had sales of approximately $8.8 billion in the year ended 31 December 2004 in the markets covered by the pending approvals.

From 1 January to 30 September 2005, Hikma had a total of 90 new products under development, the majority of which it anticipates will receive several marketing authorisations, including separate marketing authorisations in differing strengths and/or product forms between 2006 and 2009. The following table sets out a breakdown of Hikma's new products under development by business as of 30 September 2005.

Business:	As of 30 September 2005	Primary therapeutic category
Generic Pharmaceuticals	41	cardiovascular, alimentary, and CNS
Branded Pharmaceuticals	21	cardiovascular, alimentary, respiratory, dermatologicals, CNS and blood
Injectable Pharmaceuticals	28	cardiovascular and muscoloskeletal

The following table compares Hikma's research and development expenses with Hikma's net sales for the periods indicated.

	Year ended 31 December			Six months ended 30 June	
	2002	2003	2004	2004	2005
	(audited)	(audited)	(audited)	(unaudited)	(audited)
	(US$ million, except %)			(US$ millions, except %)	
Total R&D expenses	4.9	7.4	9.7	3.3	7.2
Ratio of total R&D expenses to sales	3.5%	3.9%	4.5%	3.1%	5.4%

Hikma expects, for the foreseeable future, to continue to finance its research and development activities out of its operating cashflow.

When considering the development of new products, the R&D team works closely with those involved in sales and marketing in the relevant business and considers the following five criteria:

- market potential;
- selection of attractive therapeutic categories;

- competitive advantages in sourcing APIs;
- technically challenging products to develop and manufacture; and
- line extensions to existing products.

In addition, the R&D team considers the intellectual property framework, including patent expiration dates for the originator pharmaceutical product in its home market as well as the markets Hikma is contemplating launching the product, and the availability of non-infringing API.

The R&D team performs a variety of feasibility studies including those in relation to product formulations, stability, scale up of manufacture and pilot studies to prove bio-equivalence. Hikma performs some of its bio-equivalency studies at IPRC, as well as to other FDA approved organisations in the United States. Hikma has a specific analytical research laboratory based in Jordan that focuses on developing appropriate testing methods for product development and quality control testing. Most of the analytical research required for an ANDA submission is now conducted from this laboratory in Jordan.

Where appropriate Hikma co-operates with other leading research and development organisations through collaborative partnerships in order to accelerate its research and development efforts. For example, the Group has entered into research alliances with Rutgers University in the United States and is working with NanoVector in Italy to develop products using nanotechnology.

Finance, accounting, legal and information technology

The finance, accounting and information technology functions employ 22 people who are responsible for strategy planning, accounting, legal affairs, treasury and financial reporting, preparing the Group's business plan and budget, for streamlining and rationalising financial and accounting functions within the Group.

In the year ended 31 December 2004, the Group began implementing SAP, an integrated enterprise resource planning software platform. Implementation of this platform has been completed in the United States and is expected to commence in Jordan in 2006. As Hikma's business continues to grow, this software will be an important component in many of the Group's key business processes including budgeting, production planning, inventory management, customer services and sales.

9. MANUFACTURING AND FACILITIES

Manufacturing

Hikma currently manufactures finished solid pharmaceutical products at its facilities in the United States, solid, semi-solid and liquid pharmaceutical products and API at its facilities in Jordan and injectable products at its facilities in Portugal and Italy. In addition, Hikma has manufacturing facilities in Saudi Arabia (through JPI) for the production of solid, semi-solid and liquid pharmaceutical products. Currently, Hikma is constructing a manufacturing facility in Algeria, which is expected to be operational by the first half of 2006. This facility will be used to manufacture solid, semi-solid and liquid branded generic pharmaceutical products for the Algerian market. Hikma's manufacturing facilities in the United States, Jordan and Portugal are FDA approved. Hikma's manufacturing facilities for finished dosage pharmaceutical products in Jordan have received MHRA certification.

Hikma's manufacturing facilities comply with local cGMP requirements and with FDA and MHRA requirements for products exported to the United States or the European Union. In addition, Hikma's manufacturing operations in the United States are required to comply with OSHA, EPA and DEA requirements. Since 1995, the Group has been inspected by the FDA 29 times, and all inspections concluded that Hikma's facilities worldwide conformed to compliance guidelines applicable at the time of inspection. Hikma has also been regularly inspected by the JFDA and MHRA in Jordan and Infarmed in Portugal; since 1995 no material issues have been raised by any of those regulatory authorities.

Hikma has fully integrated manufacturing support systems at each of its facilities, including quality assurance, quality control, regulatory affairs and inventory control. These support systems enable Hikma to deliver reliable services and goods to its customers on a timely basis, whilst maintaining its high quality standards and monitoring regulatory compliance.

Solid, semi-solid and liquid pharmaceutical products. Hikma's manufacture of its solid, semi-solid and liquid generic pharmaceutical products is a linear process and is subject to strict quality and anti-contamination controls throughout each stage in the production process. Each production line consists of a series of rooms through which the product passes at different stages of its development and each production line only manufactures one product at a specific dosage at any one time. When the ingredients have been combined, the dosages are

produced as capsules or tablets in different formats, suppositories, or liquids and then packaged and tested for strength, quality and purity.

In the United States, Hikma produces its generic solid products at facilities located in Eatontown, New Jersey. Due to the continued growth in sales of its generic solid dosage pharmaceutical products, Hikma has expanded its manufacturing facilities in the United States with the opening in 2005 of a 7,432 square metres building to be used primarily for packaging and warehousing. For a description of Hikma's US facilities and capacity see *Facilities* below.

Hikma operates three separate facilities in Jordan: a general formulation plant, an API plant and a penicillin formulation plant. For a description of Hikma's facilities and capacity in Jordan see *Facilities* below. As part of its growth strategy, Hikma is building a new penicillin plant in Jordan, which is expected to exceed 5,000 square metres and be operational in 2007 at an estimated cost of $10 million. Upon completion of this facility, all of Hikma's penicillin manufacture in Jordan will be conducted in the new building and the current penicillin facility will be decontaminated. Decontamination is expected to be completed in 2007 at a cost not expected to exceed $100,000. With the addition of the new penicillin plant, Hikma's capacity is expected to increase to 156 million tablets, 360 million capsules and 15 million bottles.

Injectable pharmaceutical products. The manufacture of injectable pharmaceutical products is complex and requires that sterile environments be maintained throughout the production process. In addition, particular care is required to assure that there is no cross-contamination, and cGMP standards enforced by the FDA and other regulatory authorities require that separate dedicated facilities be kept for the manufacture of cephalosporins. The production of injectables is a linear process, subject to very strict quality and anti-contamination controls throughout each stage, including aseptical or terminal sterilisation. Each production line manufactures one product at a time starting with washing the ampoules or vials, sterilising them and then filling the product in a clean, controlled environment to ensure its sterility. Furthermore, after it has been sealed, each ampoule or vial goes through a particle screener to ensure that no foreign particles have contaminated the products and ampoules are visually inspected for product defects.

Hikma's injectable manufacturing facilities in Portugal consist of four production lines. One line is dedicated solely to the production of cephalosporins, whilst the other lines produce liquid injectables. The liquid facility has a broad filling capability, including the ability to fill single and multiple dose vials and infusion bags. Hikma maintains separate laboratories, warehouse space, and quality assurance and control functions for its cephalosporin line. For a description of Hikma's facilities and capacity in Portugal see *Facilities* below.

As part of its injectable pharmaceuticals growth strategy, Hikma is building a new 7,500 square metre cephalosporin manufacturing facility in Portugal, which is expected to be operational in 2007 at an estimated cost of $20 million. Upon completion of this facility, all of Hikma's cephalosporin manufacture will be conducted in the new building and the current cephalosporin facility will be decontaminated and used for the production of liquid injectable products. Decontamination is expected to be completed by 2007 at a cost of approximately $150,000. With the addition of the new manufacturing facility, Hikma's cephalosporin capacity is expected to increase to 35 million small vials.

Hikma also has a manufacturing facility for injectables in Italy. This facility has the capability to lyophilize products and has a capacity of 8.0 million lyophilized vials and ampoules, 34 million liquid ampoules and five million liquid vials. Hikma is planning to expand its lyophilized injectables plant in Italy at a cost of approximately $8 million. This expansion is expected to be completed in 2007 and will involve adding two lyophilizers, building a warehouse and packaging department, acquiring technology to automate packaging and expanding the current quality control laboratory, which is expected to increase capacity by approximately 60 per cent.

API. Hikma acquires most of its APIs from third party suppliers, but also manufactures some strategic API at its manufacturing plant in Jordan for captive use and also to support the development of some of its future products. As of 30 September 2005, Hikma manufactured API compounds for three of its solid pharmaceutical products and one injectable pharmaceutical product and sourced the remainder from third party producers.

When manufacturing its APIs, Hikma acquires chemical intermediates and synthesises them to produce API. The manufacturing process involves a wide variety of raw materials which Hikma obtains from sources that comply with the requirements of the regulatory authorities in the markets to which it supplies its products, including the FDA for products sold in the United States. Hikma has submitted five DMFs and received approval for marketing one finished product containing internally-produced API.

Hikma expects to selectively manufacture APIs internally in order to maximise the advantages it gains from its ability to produce API for captive use and to increase both the volume and the breadth of its API production. This will enable Hikma to manufacture internally a growing proportion of the API that it uses in its products. As of 30 September 2005, Hikma had 13 APIs under development.

Facilities

The following table shows information relating to Hikma's principal facilities as of 30 September 2005:

Facility location	Approximate size (sq m)	Capacity	Capacity utilisation (%)	Use	Own/Lease	Approval
Eatontown, NJ, USA	4,181	3.5 billion tablets/capsules	67%(1)	manufacturing	own	FDA
Eatontown, NJ, USA	2,694	N/A	N/A	offices, R&D, quality control and analytical research	own	FDA
Eatontown, NJ, USA	2,973	N/A	N/A	warehouse	lease	FDA
Eatontown, NJ, USA	7,432	10.3 million bottles in different package sizes	84%(1)	packaging and administration	own	FDA
Amman, Jordan	8,103	760 million tablets 75 million capsules 4 million bottles	60%(2)	manufacturing, R&D, quality control, warehouse	own	FDA, MHRA JFDA
Amman, Jordan	1,500	100 million tablets 75 million capsules 10 million bottles	70%(2)	manufacturing of penicillin	own	FDA, MHRA JFDA
Amman, Jordan	2,500	2.3 tonnes	80%(2)	API manufacturing	own	FDA, JFDA
Sintra, Portugal	6,500	10 to 12 million vials 20 million ampoules 15 million cephalosporin vials 2.5 million infusion bags	50%(3) 70-80% 100% recently added	manufacturing, quality control and analytical research, warehousing and administration	own	FDA, Infarmed
Pavia, Italy	3,000	8 million lyophilized vials and ampoules 34 million liquid ampoules 5 million liquid vials	73%(4) (lyophilized) 50% (liquids)	manufacturing, quality control and analytical research, warehousing and administration	own	Italian Ministry of Health
Algiers, Algeria	4,800	150 million tablets/capsules 5 million syrup bottles 20 million suppositories	60%(5)	manufacturing	own	Algerian Ministry of Health

(1) Based on three daily shifts (8 hours each) and 252 working days in the year.
(2) Based on two daily shifts (8 hours each) and 240 working days in the year.
(3) Based on two daily shifts (8 hours each) and 210 working days in the year.
(4) Based on one six-hour shift and 200 working days in the year.
(5) Estimated when operational.

Hikma's associated company in Saudi Arabia, JPI, has a 15,100 square metre facility in Riyadh. This facility has the capacity to manufacture 500 million tablets, 150 million capsules, 30 million bottles, 20 million suppositories, as well as two million tubes of ointments. Capacity utilisation at JPI's plant is currently approximately 70 per cent. JPI's facility has been certified by the Saudi Arabian Ministry of Health and the State Institute for Drug control in Slovakia, and is expected to gain FDA approval in the fourth quarter of 2005.

Hikma leases approximately 3,000 square metres of warehouse space in Jordan and 2,973 square metres in the United States. The lease for the US warehouse has a term of five years from 6 December 2002 and can be renewed once for an additional five years. Upon eventual expiry of this lease in 2012, Hikma will be required to move to a new facility or renegotiate a new lease with its current landlord.

Environmental considerations

Hikma is subject to the environmental, health and safety laws in the countries where it operates and in particular where it has manufacturing facilities in the United States (including those promulgated by the Environmental Protection Agency, or EPA), Portugal, Italy, Jordan, Saudi Arabia (through JPI) and, once operational, Algeria, that govern activities and operations that may have adverse environmental and/or health and safety effects such as discharges to air and water, handling, storage and disposal practices for solid and hazardous wastes and general health, safety and welfare of employees and members of the public. For a description of environmental, health and safety regulations related to Hikma's business see Part III: *Regulatory Overview — Environmental Regulation.*

Hikma has made, and will continue to make, expenditures to comply with existing environmental health and safety laws and new requirements arising from new or amended statutes and regulations. Hikma cannot accurately predict the impact and costs that future compliance with environmental, health and safety laws and regulations may impose on its business.

10. INTELLECTUAL PROPERTY

Trademarks

As of 30 September 2005, Hikma had 195 trademarks, including the Hikma name, registered in Jordan. For all major products sold by Hikma in Jordan, Algeria and Tunisia, Hikma has either registered, or is in the process of registering and/or renewing, trademarks for its pharmaceutical products, or uses the relevant trademarks under licence from third parties. In the case of Saudi Arabia and other countries in the MENA Region, Hikma has not in the past registered its trademarks but will seek to register trademarks for its existing and new products in the near future. Hikma does not expect there to be any problems with registering trademarks for its products in Saudi Arabia and the other countries in the MENA Region. Hikma's principal trademarks are Amoclan, Hikma's brand of amoxicillin and clauvulanate potassium, Votrex, Hikma's brand of diclofenac sodium, Oprazole, Hikma's brand of omeprazole, Penamox, Hikma's brand of amoxicillin, Samixon, Hikma's brand of ceftriaxone and Ciprolon, Hikma's brand of ciprofloxacin. Hikma also licenses the use of some of its brand names, including Prograf, from third parties. Except for Amoclan, which is registered in the United Kingdom, Hikma has no trademarks registered in the European Union or the United States.

Patents

As of 30 September 2005, Hikma had five patents and two patent applications pending. These patents relate primarily to processes and formulations transferred to Hikma when it acquired the lyophilized manufacturing plant in Italy. The Group does not own any patents relating to APIs.

Licenses

Hikma has licenses from Astellas Pharma, Rovi, Nycomed, Tanabe Seiyaku, Edmond Pharma, Sinclair, Helsinn, Cheil Jedang, and Nicholas Piramal, amongst others, to register, distribute, sell and market, and in some cases, manufacture, certain of their products. The licensor retains all intellectual property rights under these licenses and, in some cases, Hikma is required to exclusively license back to the licensor any improvements it makes to the licensed intellectual property rights.

Hikma is not materially dependent on any specific patent or licence.

11. COMPETITION

Hikma competes with both originator and generic pharmaceutical companies that manufacture or sell drugs in the same therapeutic classes to its own products (including originator pharmaceutical companies that also manufacture generic drugs). Many of Hikma's competitors have greater financial, production and research and development resources, substantially larger sales and marketing organisations, lower cost bases or substantially greater name recognition than Hikma. Some originator pharmaceutical companies, in an attempt to participate in the generic drug sales of their branded products, have introduced generic equivalents of their own branded products, both prior and subsequent to the expiry of their patents or FDA exclusivity periods for such drugs. These competitors have also introduced generic equivalents of originator pharmaceutical products other than their own.

Hikma believes that the primary factors driving competition in the generic pharmaceutical industry are price, product development, timely regulatory approval, manufacturing capabilities, product quality, customer service and, in the case of branded generics, brand recognition and reputation. In addition to the normal competitive forces that affect the level of prices, a further constraint exists in the form of government intervention, such as price controls, budgets or patient contribution requirements. These controls are imposed either by law or because

the government or healthcare providers in a particular jurisdiction are the principal purchasers of the product or reimburse the principal purchasers. The extent of price controls is largely determined by the financial situation of the relevant social health insurance. Price control mechanisms operate differently in different jurisdictions and can result in large price differentials amongst markets and may be amplified by currency fluctuations. See Part III: *Industry and Regulatory Overview — Pricing Regulation* for a description of pricing dynamics in the United States, the European Union and the MENA Region.

The competition experienced by Hikma varies among markets, type of product and classes of customer. The level of market share, sales and gross profit attributable to a particular generic pharmaceutical product is normally related to the number of competitors in that product's market, to the timing of that product's regulatory approval and launch and to the extent of the product's barriers to entry. In order to remain competitive, Hikma must continue to develop and introduce new products in a timely and cost-effective manner.

Generic Pharmaceuticals business

Legislation in the United States encourages where possible the use of generic pharmaceuticals as an alternative to originator drugs, including requiring the use of generics in certain medical programs across the United States, and generally allows pharmacy substitution of originator drugs with generic ones. Nevertheless, Hikma operates in a highly competitive, price-sensitive market. Hikma competes in the US private and tender market on the basis of price, quality, product range and customer service, as well as through its ability to provide certain niche products. Hikma's principal competitors in the United States for its generic solid dose pharmaceutical products are Watson Labs, Teva, Mylan, Amide and Ranbaxy. In addition, in the future Hikma expects increased competition from low cost generic pharmaceutical producers in India and China. For a description of the generic industry in the United States see Part III: *Industry and Regulatory Overview*.

Branded Pharmaceuticals business

In the MENA Region, branded pharmaceutical products compete in the private market as well as the tender market, both of which are highly competitive. Hikma's main competitors in Jordan are Arab Pharmaceutical Manufacturing, Dar al Dawa and Pfizer, in Saudi Arabia, GlaxoSmithKline, Pfizer and Novartis and in Algeria, Pfizer and Sanofi-Aventis. Hikma also competes with local generic manufacturers in these countries. For a description of the generic industry in the MENA Region see Part III: *Industry and Regulatory Overview*.

Injectable Pharmaceuticals business

Hikma's Injectable Pharmaceuticals business competes primarily with other injectable manufacturers such as APP and Baxter. In addition, Hikma competes with companies such as Teva and Novartis (through its Sandoz generics business) in the United States and Hospira, Ratiopharm and Merck Generics in Europe. In the future, Hikma expects increased competition from new entrants to the injectable pharmaceuticals business such as Ranbaxy, Orchid and Lupin.

12. EMPLOYEES

On 31 December 2004, Hikma had 1,427 full-time employees. Of these, 236 employees were located in the United States, 622 were located in Jordan, 174 were located in Portugal and 395 in other countries.

The following table shows the number of Hikma full-time employees as of 30 September 2005, subdivided by departments and geographical location:

Country	Total	Production/ Logistics[1]	Research & Development	Sales & Marketing	Management and General Administration
United States	291	229	23	12	27
Jordan	692	366	91	101	134
Portugal	210	172	7	6	25
Algeria	158	60	—	76	22
Italy	37	29	2	—	6
Others (MENA and Europe sales forces (excluding Jordan and Algeria) and employees of consolidated companies, etc.)[2]	339	136	28	157	18
Total	1,727	992	151	352	232

(1) Includes quality control and regulatory affairs.
(2) Includes employees of AMC, IPRC and Specialized Pharmaceuticals Research Center Limited.

Approximately 72.0 per cent. of Hikma's employees in the United States are represented by unions. Since 1995, neither Hikma nor any of its subsidiaries have experienced any material labour relation concerns or faced material industrial action. Hikma believes that it has good relations with its US labour unions and its employees generally.

13. LEGAL PROCEEDINGS

The Group is involved in a number of legal proceedings in the ordinary course of its business, none of which individually or in the aggregate, it believes would have a material adverse effect on its business. It is the Group's policy to accrue for amounts related to these legal matters if it is probable that a liability has been incurred and an amount is reasonably estimable.

14. INSURANCE

As part of Hikma's insurance programme, Hikma maintains business interruption insurance, general and product liability insurance, all risks facilities insurance, insurance covering machinery breakdowns, and cargo transport insurance covering substantially most Hikma Group companies and operations to the extent Hikma considers appropriate or otherwise required by applicable law. In addition, the Generic and Injectable Pharmaceutical businesses have policies for workers' compensation. This coverage costs the Hikma group approximately $1.6 million per year. Hikma has not made any significant claims under any of the Group's policies. Hikma also maintains directors and officers' insurance for its directors and senior management.

Hikma believes that the level of insurance maintained by the Group is in line with industry practices.

PART V: DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

1. DIRECTORS AND SENIOR MANAGEMENT

Directors

Name	Position	Age
Samih Darwazah	Chief Executive Officer and Chairman	75
Mazen Darwazah	Vice Chairman	47
Ali Al-Husry	Non-Executive Director	48
Michael Ashton	Non-Executive Director	59
Breffni Byrne	Non-Executive Director	59
Sir David Rowe-Ham	Senior Independent Non-Executive Director	69

Samih Darwazah is the Chief Executive Officer of the Company and Chairman of its Board of Directors. Mr. Darwazah established Hikma Pharmaceuticals Limited in 1978, having qualified as a pharmacist in 1954. Prior to founding the Hikma Group, Mr. Darwazah worked for Eli Lilly from 1964 to 1976. In the years 1995 to 1996 he served as Minister of Energy and Mineral Resources in Jordan. He founded the Jordan Trade Association and was also a member of the Advisory Economic Council to His Majesty the King of Jordan. He holds a masters degree from the St. Louis College of Pharmacy, Missouri.

Mazen Darwazah is the Vice-Chairman of the Company. Mr Darwazah joined Hikma in 1985 as a medical representative and has held several positions, including serving as the Chairman of Hikma Pharmaceuticals Limited- Jordan, Trust Pharma Limited and Pharma Ixir Co. Ltd. and as the Chief Executive Officer of Hikma Pharmaceuticals Limited. He is a director of Jordan International Insurance Company, Export & Finance Bank and of several other organisations. In the years 2001 to 2003 he was the president of the Jordanian Association of Manufacturers of Pharmaceuticals and Medical Appliances, and he has served as member of the Jordanian Higher Education Counsel from 2003 to the present. He holds a degree from Beirut University, Lebanon. Mazen Darwazah is Samih Darwazah's son.

Ali Al-Husry has been a director of the Company since 1991. He is also serving as the Chairman and Chief Executive Officer of Export & Finance Bank. Mr. Al Husry is also a director of The Association of Banks in Jordan, the Jordanian Insurance Commission and several other organisations. He has a degree in mechanical engineering from the University of Southern California and an M.B.A. from INSEAD, France.

Michael Ashton is a director and chief executive officer of SkyePharma PLC. Mr. Ashton has over 32 years of experience in the pharmaceutical industry having worked with Merck Inc., Pfizer Inc., Purepac Inc, and prior to his appointment at SkyePharma in 1998, Faulding Inc., where he was chairman, president and chief executive officer from 1989. Mr. Ashton is a non-executive director of Transition Inc., Astralis Inc. and Vital Living Inc.

Breffni Byrne is Chairman of NCB Stockbrokers and a director of Irish Life and Permanent plc, Coillte Teoranta (the Irish state forestry company), Tedcastles Holdings and other companies. Mr. Byrne is a chartered accountant and he was formerly a senior partner of Arthur Andersen in Ireland and director of Risk Management for Andersen's audit practice in the Middle East, India, Africa and Scandinavia. He has a masters degree in Economic Science from University College, Dublin.

Sir David Rowe-Ham is Chairman of Olayan Europe Ltd., BNP Paribas South Asia Investment Co Ltd and Coral Products PLC. He is a former President of The Crown Agents Foundation and was previously a director of a number of public and private companies including Chubb plc and Williams plc, and Chairman of Brewin Dolphin Holdings PLC.

Senior Management

Name	Position	Age
Bassam Kanaan	Chief Financial Officer of the Group	40
Nabil Rizk	Chief Executive Officer, Generic Pharmaceuticals business Head of Group R&D and API Sourcing	60
Taghreed Al-Shunnar	General Manager, Branded Pharmaceuticals business	41
Majda Labadi	General Manager, Injectable Pharmaceuticals business	50
Gabriel Kalisse	Chief Information Officer of the Group	45

The business address of each of the Directors is 5 Appold Street, London, EC2A 2HA. The business addresses of each of the Senior Management are as follows:

Senior Manager	Business Address
Bassam Kanaan	Hikma Pharmaceuticals Limited, P.O. Box 182400, 11118 Amman, Jordan
Nabil Rizk	West-ward Pharmaceutical Corporation, 465 Industrial Way West, Eatontown, New Jersey 07724
Taghreed Al-Shunnar	Hikma Pharmaceuticals Limited, P.O. Box 182400, 11118 Amman, Jordan
Majda Labadi	Hikma Farmacêutica S.A., Estrada Rio Da Mo no. 8, 8A, 8B - Fervença, 2705-906 Terrugem SNT, Portugal
Gabriel Kalisse	Hikma Pharmaceuticals Limited, P.O. Box 182400, 11118 Amman, Jordan

Bassam Kanaan is the Chief Financial Officer of the Group. Mr Kanaan joined Hikma in 2001 and was previously with PADICO. He served as a board member of several large corporations including Palestine Telecommunication Co. and Central Electricity Generation Company in Jordan. He qualified as a CPA with Deloitte & Touche in Los Angeles where he worked as audit manager and holds an Executive M.B.A. from Northwestern University and a B.A. from Claremont McKenna College in the United States.

Nabil Rizk is the Chief Executive Officer of the Generic Pharmaceuticals business and Head of Group R&D and API Sourcing. Prior to joining the Company in 1991, Mr. Rizk worked as Vice President of Operations for Pioneer Pharmaceuticals, Inc., a division of Dow Chemical, and from 1976 to 1983 he served in various capacities with Hudson Pharmaceuticals, a division of Cadence Corporation including as Manager of Quality Control and Quality Assurance and Laboratory Supervisor (Research & Development). He holds a masters degree in chemistry from the New Jersey Institute of Technology and a B.S. in applied chemistry from Cairo University.

Taghreed Al-Shunnar was appointed the General Manager of the Branded Pharmaceuticals business in January 2004. Mrs. Shunnar joined the Company in 1988 soon after graduating from the University in Jordan with a degree in pharmacy. In 1995, she was made Marketing Planning Director of Hikma Pharmaceuticals Limited and five years later appointed the Executive Vice President.

Majda Labadi is the General Manager of the Injectable Pharmaceuticals business. Mrs. Labadi joined the Company in 1985 as a purchasing manager at Hikma Pharmaceuticals Limited and held several positions there culminating in her current appointment in March 2001. She holds a master degree in health economics and a B.A. from the American University of Beirut.

Gabriel Kalisse is the Chief Information Officer of the Group. Mr. Kalisse joined the Company in 1989 and in the years 1996 to 2001 he served as the Group Chief Financial Officer and from 2001 to 2004 as the General Manager of Hikma Pharmaceuticals Limited- Jordan. Mr Kalisse holds an M.B.A. from INSEAD.

2. EMPLOYEES' SHARE SCHEMES

The Company has adopted, conditional on Admission, the Hikma Pharmaceuticals Group 2005 Long-Term Incentive Plan for the purpose of providing share incentive awards to the Group's senior management. Further, the Company has adopted and amended the 2004 Stock Option Plan established by Hikma Pharma Limited with a view to making future option grants under that Plan, but over Ordinary Shares. Additional options may be granted under that Plan over up to 0.70 per cent. of the Company's issued ordinary share capital (assuming no exercise of the Over-allotment option). For details of the new plan and the Group's existing share option plan see paragraph 5 of Part XIV: *Additional Information.*

3. CORPORATE GOVERNANCE

It is the policy of the Company to comply with current best practice in United Kingdom corporate governance to the extent appropriate for a company of its size.

The Combined Code recommends that at least half the members of the board of directors (excluding the chairman) of a public limited company incorporated in England and Wales should be independent in character and judgment and free from relationships or circumstances which are likely to affect, or could appear to affect, their judgment.

The Combined Code also recommends that the Board should appoint one of the independent non-executive directors as senior independent director and Sir David Rowe-Ham has been appointed to fill this role. The senior independent director should be available to shareholders if they have concerns which contact through the normal channels of chairman, chief executive or finance director has failed to resolve or for which contact is inappropriate.

Currently, the Board is composed of six members, consisting of two Executive Directors and four Non-Executive Directors, three of whom are independent. Accordingly, on Admission the Company will comply with the requirement of the Combined Code that at least half of the board (excluding the chairman) should comprise independent non-executive directors. The Board intends to comply fully with the requirements of the Combined Code, other than for the fact that Hikma's Chairman and CEO positions are combined, and will report to shareholders on compliance with the Combined Code in accordance with the Listing Rules. In due course the Board intends to appoint a further independent Non-Executive Director, at which point the majority of the Board will be independent.

The Board has established Nomination, Remuneration and Audit Committees, with formally delegated duties and responsibilities, and written terms of reference. From time to time, separate committees may be set up by the Board to consider specific issues when the need arises.

Nomination Committee

The Nomination Committee assists the Board in discharging its responsibilities relating to the composition of the Board. The Nomination Committee is responsible for evaluating the balance of skills, knowledge and experience on the Board, the size, structure and composition of the Board, retirements and appointments of additional and replacement directors and will make appropriate recommendations to the Board on such matters.

The Combined Code provides that a majority of the members of the Nomination Committee should be independent non-executive directors.

The Company's Nomination Committee is comprised of three members, two of whom are independent Non-Executive Directors (namely Sir David Rowe-Ham and Michael Ashton). The Chairman of the Nomination Committee is Sir David Rowe-Ham. The Company therefore considers that it complies with the Combined Code recommendations regarding the composition of the Nomination Committee.

The committee will meet formally at least twice a year and otherwise as required.

Remuneration Committee

The Remuneration Committee assists the Board in determining its responsibilities in relation to remuneration, including making recommendations to the Board on the Company's policy on executive remuneration, determining the individual remuneration and benefits package of each of the executive directors and recommending and monitoring the remuneration of senior management below Board level. The Board is then responsible for implementing the recommendations and agreeing the remuneration packages of individual Directors. The Remuneration Committee will also be responsible for making recommendations for the grants of awards under any employee share plans. In accordance with the committee's terms of reference, no director may participate in discussions relating to his own terms and conditions of remuneration. Non-executive directors' and the chairman's fees will be determined by the full Board.

The Combined Code provides that the Remuneration Committee should comprise at least three members, all of whom are independent non-executive directors.

The membership of the Company's Remuneration Committee comprises three members, all of whom are independent Non-Executive Directors (namely Breffni Byrne, Sir David Rowe-Ham and Michael Ashton). The Chairman of the Remuneration Committee is Michael Ashton. The Company therefore considers that it complies with the Combined Code recommendations regarding the composition of the Remuneration Committee.

Audit Committee

The Audit Committee assists the Board in discharging its responsibilities with regard to financial reporting, external and internal audits and controls, including reviewing the Company's annual financial statements, reviewing and monitoring the extent of the non-audit work undertaken by external auditors, advising on the appointment of external auditors and reviewing the effectiveness of the Company's internal audit activities, internal controls and risk management systems. The ultimate responsibility for reviewing and approving the annual report and accounts and the half yearly reports remain with the Board.

The Combined Code recommends that the audit committee should comprise at least three members, who should all be independent non-executive directors, and that at least one member should have recent and relevant financial experience.

The membership of the Company's Audit Committee comprises three members, all of whom are independent Non-Executive Directors (namely Breffni Byrne, Sir David Rowe-Ham and Michael Ashton). Breffni Byrne is considered by the Board to have recent and relevant financial experience and is Chairman of the Audit Committee. The Company therefore considers that it complies with the Combined Code recommendation regarding the composition of the Audit Committee.

No members of the committee have links with the Company's external auditors. The Audit Committee will formally meet at least three times per year and otherwise as required. The Chief Executive, the Chief Financial Officer of the Group, other Directors and representatives from the finance function may attend and speak at meetings of the Audit Committee.

4. THE CITY CODE ON TAKEOVERS AND MERGERS

The Company will not be subject to the Takeover Code immediately following Admission, although the Directors expect that it will become subject to the Takeover Code when the provisions of the Takeover Directive are enacted into UK law. While shareholders will accordingly not have the benefit of the protections of the Takeover Code as administered by the Takeover Panel, the Company intends to act as if the Takeover Code did apply. In addition, in the Relationship Agreement Darhold has agreed to provisions similar in effect to Rule 9 of the Takeover Code. Further details are provided in the summary of the Relationship Agreement in Part X: *Principal and Selling Shareholders*.

PART VI: OPERATING AND FINANCIAL REVIEW

The following review should be read in conjunction with the Accountants' Report set out in Part XI of this document and the other financial information contained elsewhere in this document. This review contains forward-looking statements that involve risks and uncertainties. Hikma's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors including, but not limited to, those discussed in "Risk Factors" in Part II and "Forward-Looking Statements" on page 3 of this document. Certain regulatory and industry issues also affect the Group's results of operations and are described in Part III of this document.

The following discussion focuses on the Group's audited consolidated financial statements for the three years ended 31 December 2004 and the six months ended 30 June 2005, and on the Group's unaudited consolidated financial statements for the six months ended 30 June 2004 prepared in accordance with IFRS.

1. OVERVIEW

Hikma is a multinational pharmaceutical group focused on the development, manufacture and marketing of a broad range of generic and in-licensed pharmaceutical products in solid, semi-solid, liquid and injectable final dosage forms. The majority of Hikma's operations are in the United States, the MENA Region, principally Algeria, Saudi Arabia and Jordan, and Europe. Hikma's business is currently managed through three business segments.

- *Generic Pharmaceuticals* (48.7 per cent. of net sales in the year ended 2002, 59.0 per cent. of net sales in the year ended 2003, 50.4 per cent. of net sales in the year ended 2004 and 42.8 per cent. of net sales in the six months ended 30 June 2005) which manufactures, markets and sells 36 non-branded solid dose generic pharmaceutical products for sale primarily in the United States;

- *Branded Pharmaceuticals* (36.1 per cent. of net sales in the year ended 2002, 28.3 per cent. of net sales in the year ended 2003, 34.6 per cent. of net sales in the year ended 2004 and 38.7 per cent. of net sales in the six months ended 30 June 2005) which manufactures and/or markets and sells primarily in the MENA Region 65 solid, semi solid or liquid branded pharmaceutical products, including 18 products manufactured and/or marketed under license from, or promotion and distribution agreements with, 10 originator pharmaceutical companies and one generic pharmaceutical company; and

- *Injectable Pharmaceuticals* (14.0 per cent. of net sales in the year ended 2002, 11.8 per cent. of net sales in the year ended 2003, 13.5 per cent. of net sales in the year ended 2004 and 16.8 per cent. of net sales in the six months ended 30 June 2005) which manufactures and/or markets and sells 37 branded and non-branded injectable pharmaceutical products for sale in the MENA Region, the United States and Europe, including seven products manufactured and/or marketed under licence from four originator pharmaceutical companies.

The Hikma Group was founded in 1978 in Amman, Jordan, with an initial focus on manufacturing, marketing and distributing branded generic pharmaceutical products in the MENA Region. In 1989, Hikma made the strategic decision to establish a presence in Europe and to expand into the generic injectables market, and the following year started the construction of an FDA-compliant manufacturing plant in Portugal. Hikma started manufacturing injectable pharmaceutical products at its Portuguese plant in 1997. Hikma expanded into the United States in 1991 with the acquisition of West-ward. For a description of Hikma's history see Part IV: *Information on Hikma – History*.

2. RESTRUCTURING

Prior to the Global Offer, the Group carried out a corporate restructuring including the establishment of the Company as a new holding company, incorporated on 8 September 2005 in England and Wales and registered as a public limited liability company. The restructuring involved the acquisition by the Company of all of the issued shares of Hikma Pharma Limited, the former holding company, through a share for share exchange on the basis of four Ordinary Shares for each share of Hikma Pharma Limited. The restructuring was approved by the shareholders of the Company in an extraordinary general meeting held on 13 October 2005.

For the year ending 31 December 2005 the consolidated accounts for the Group will be prepared using merger accounting and presented on a pro forma basis, as if the Company had existed throughout the current and prior periods.

3. SIGNIFICANT FACTORS AFFECTING HIKMA'S RESULTS OF OPERATIONS

There are a number of factors that have in the last three financial years ended 31 December 2004 and the six months ended 30 June 2005 or could in the future affect the Group's results of operations, including the following:

Industry, economic and political dynamics. The Group operates in diverse markets and geographic regions and is therefore subject to diverse industry, economic and political dynamics. The geographic spread of Hikma's operations lessens the impact on the Group's results and financial condition of disruption or other extraordinary events at any one of its three businesses or a change in the economic conditions or political environment in any particular market or country.

Pricing dynamics. Pricing for the Group's products reflect a variety of factors, including changes in API and other raw material costs, intensity of competition, industry practice, governmental regulation and general market conditions. Generic pharmaceutical markets in the United States and Europe are extremely competitive and/or regulated by governments, both of which result in downward pressure on prices. Revenue generated from sales of the Group's products sold in the United States may also be impacted by the implementation of the Medicare Act 2003 in 2006 which is expected to increase the overall volume of drugs sold in the United States as well as the generic share of the market by volume, albeit at lower Medicare prices. The Company believes that pricing for the Group's Branded Pharmaceuticals business in the MENA Region is more stable as prices are set by the health regulatory authorities in the relevant jurisdictions. The Group aims to maximise the margins it achieves on its products through competitive pricing strategies together with initiatives to minimise raw materials and other manufacturing and operating costs. See Part III: *Industry and Regulatory Overview*.

Government tender bids. Whilst the majority of the Group's sales have been to the private sector, each of the Group's three businesses participates in government tenders. The timing and outcome of these tenders are unpredictable. The Group's results of operation could be affected by the gain or loss of a significant government contract, most of which are extendible at the option of the relevant government each year and, thus, subject to renegotiation, including on pricing terms on an annual basis. In 2004, government tender sales represented approximately 25.6 per cent. of the Group's net sales, 34.9 per cent. of the Generic Pharmaceuticals business's net sales, 16.7 per cent. of the Branded Pharmaceuticals business's net sales and 16.6 per cent. of the Injectable Pharmaceuticals business's net sales. The lisinopril contract, which is up for extension in December 2005, represented 16.6 per cent. of the Group's net sales in the year ended 31 December 2004.

Research and development and commercialisation of new products. The Group's results of operations may be impacted significantly by the timeliness of its research and development and product commercialisation activities. In order to bring a drug to market successfully, the Group must identify products for which it can generate attractive margins and growth, undertake the required research and development and obtain regulatory approvals. Additional costs may be incurred and sales opportunities lost if there is any significant delay in any of these steps. Given the importance of research and development, Hikma has expanded its investment in research and development, particularly in Jordan where it can benefit from lower labour and bio-equivalency costs. This has resulted in an increase in product approvals across the Group from 591 in 2001 to 869 in 2004.

API and other raw material costs. Raw materials accounted for approximately 31.4 per cent. of the Group's net sales in the year ended 31 December 2004, with the most significant portion of these costs relating to APIs. Whilst the prices of the API that the Group uses have in general fallen in recent years, these prices are volatile and can vary significantly from supplier to supplier. In some cases, increases in API and other raw material costs may not be able to be passed on to customers and can therefore have a significant impact on the Group's results of operations. Hikma has a dedicated API sourcing function that has been successful in sourcing lower cost APIs, including through more competitive suppliers in Asia.

Selling and marketing efforts. In recent years, the Group has expanded its sales force and distribution network, resulting in the total sales force growing from 226 in 2002 to 363 in 2004. In addition, since 2002 the Group has established sales forces in three new countries, including Germany, Libya and Kuwait and as part of its strategic initiatives the Group intends to expand the Injectable Pharmaceuticals business's sales forces in the United States and Europe. The Directors believe that the enhancement of the Group's sales and marketing capabilities has had a positive impact on its financial performance.

Currency effects. Although the Group conducts operations in a large number of countries, Hikma believes it does not have significant exposure to foreign currency fluctuations as its presentation currency is the US dollars and most of its revenues and costs are denominated in either US dollars or currencies pegged to the US dollar. The Group's most significant foreign currency exposures relate to sales made in Europe, costs incurred in euro and sales to certain MENA Region countries where currencies are not pegged to the US dollar, in particular Algeria. Hikma's exposure to foreign currency fluctuations will increase as it conducts more business in currencies that are not pegged to the US dollar. For the year ended 31 December 2004, the Group benefited from

the appreciation of the Algerian dinar and experienced negative foreign currency effects from the appreciation of the euro. However, neither of these effects were material to the Group's results of operations.

Seasonality. The Group's business, in particular the Branded Pharmaceuticals business, is seasonal, and it generally experiences higher net sales and net profit in the first half of each financial year, as compared to the second half of its financial year. Accordingly, the Group's outstanding borrowings historically have been higher during the first half of the financial year to finance the working capital requirements of the Group. The Group historically has experienced higher net sales and net profit in the first half of the financial year due to higher sales to distributors in the MENA Region and higher sales of anti-infectives during the flu season.

Timing of payments and concentration of customers. The Group has a significant volume of sales in the MENA Region, where distributors are accustomed to relatively long credit periods. This is particularly the case in Algeria where customarily a significant number of customers make payments with post-dated cheques. The Group's net accounts receivable result in significant and variable working capital needs. Between 2003 and 2004, the proportion of Group sales to Algeria increased by 42.8 per cent., from 11.1 per cent. to 15.8 per cent. Over the same period, the proportion of the Group's net accounts receivables in Algeria increased by 44.4 per cent. from 16.4 per cent., representing $7.8 million of net receivables in 2003, to 23.7 per cent. representing $14.3 million of net receivables in 2004. This increase in accounts receivable in Algeria being in line with the increase in the proportion of Group sales in Algeria resulted in Senior Management deciding to take a general provision of $1.3 million in 2005. In addition, in Saudi Arabia, such debts are concentrated with one debtor who is the Group's long term sole distributor, representing more than 10 per cent. of the Group's total external debtor balances for the year ended 31 December 2004.

In the United States, the Group's sales are concentrated with three wholesalers who tend to withhold payment until products and chargebacks are delivered, resulting in variable demands on the Group's working capital.

4. CRITICAL ACCOUNTING POLICIES AND USE OF ACCOUNTING ESTIMATES

Critical accounting policies

The Group's accounting policies are more fully described in the Group's consolidated financial statements included elsewhere in this document. However, certain of the Group's accounting policies are particularly important to the presentation of the Group's results of operations and require the application of significant judgment by the Group's management.

In applying these policies, the Group's management uses its judgement to determine the appropriate assumption to be used in the determination of certain estimates used in the preparation of the Group's results of operations. These estimates are based on the Group's previous experience, the terms of existing contracts, information available from other outside sources and other factors, as appropriate.

The Group's management believes that, among others, the following accounting policies that involve management judgments and estimates are the most critical to understanding and evaluating the Group's reported financial results.

Revenue recognition

Sales of goods are recognised when the risk of loss and title are transferred to customers. The Group's revenue recognition policies require management to make a number of estimates, with the most significant relating to chargebacks, product returns and rebates and price adjustments.

In accordance with industry practice, the Group offers discounts or allowances to some of its customers or governmental authorities in the form of rebates, chargebacks, price adjustments, discounts, promotional allowances or other allowances. Additionally, in certain countries sales may be made with a limited right of return under certain conditions. Accruals for these provisions are presented in the financial statements as reductions to gross sales and accounts receivable and within other current liabilities.

Provisions for rebates, promotional and other credits are estimated based on historical payment experience, estimated customer inventory levels and contract terms. Provisions for other customer credits, such as price adjustments, returns and chargebacks require management to make substantive judgments. The Group has extensive internal historical information on chargebacks, rebates and customer returns and credits which it uses as the primary factor in determining the related reserve requirements. The Group believes that this historical data, in conjunction with periodic review of available third-party data, updated for any applicable changes in available information provides a reliable basis for its reserve estimates. There were no material changes in estimates associated with aggregate provisions in the three years ended 31 December 2004 or the six months ended 30 June 2005. The Group continually monitors the adequacy of procedures used to estimate these deductions from revenue by comparison of estimated amounts to actual experience.

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

Returns and rebates. In the United States and certain other countries the Group has a product returns policy that allows some customers to return product within a specified period prior to and subsequent to the expiration date, in exchange for a credit to be applied to future purchases. The Group estimates its provisions for returns and rebates based on historical experience, changes to business practices and credit terms. Additionally, the Group considers, amongst other things, factors such as levels of inventory in the distribution channel, product dating and expiration period, and whether products have been discontinued, and makes adjustments to the provision for returns and rebates in the event that it appears that actual product returns may differ from established reserves.

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

Research and development costs

The Group's policy is to fully charge all research and development costs to the income statement as the Group considers that at the time such costs are incurred there are regulatory and other uncertainties regarding whether the costs will result in the successful commercialisation of a product. Where, however, the recognition criteria are met, intangible assets will be capitalised and amortised over their useful economic life.

Tax

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

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

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

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

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

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

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

Inventory

Inventories are stated at the lower of cost and net realisable value. Purchased products are valued at acquisition cost and all other costs incurred in bringing each product to its present location and condition. Cost of own-manufactured products comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. In the balance sheet, inventory is primarily valued at standard cost, which approximates to historical cost determined on a moving average basis, and this value is used to determine the cost of sales in the income statement. Provisions are made for inventories with lower net realisable value or which are slow moving.

The Group's inventories generally have a limited shelf life and are subject to impairment as they approach their expiration dates. The Group regularly evaluates the carrying value of its inventories and when, in its opinion, factors indicate that impairment has occurred, it establishes a reserve against the inventories' carrying value. The Group's determination that a valuation reserve might be required, in addition to the quantification of such reserve, requires the Group to utilise significant judgment.

Accounts receivable and bad debt

The Group estimates, based on its historical experience, the level of debts that it believes will not be collected. Such estimates are made when collection of the full amount of the debt is no longer probable. These estimates are based on a number of factors including specific customer issues and industry, economic and political conditions. Bad debts are written off when identified.

5. RESULTS OF OPERATIONS

The consolidated financial information for the three years ended 31 December 2004 and the six months ended 30 June 2005 has been extracted from the audited consolidated financial statements presented in Part XI of this document. Similarly, the interim consolidated financial information in the six months ended 30 June 2004 has been extracted from the unaudited interim consolidated financial information presented in Part XI of this document.

The following table sets forth information about the Group's results of operations for the periods indicated.

	Year ended 31 December						Six months ended 30 June			
	2002	%	2003	%	2004	%	2004	%	2005	%
	(audited)		(audited)		(audited)		(unaudited)		(audited)	
	(US$ millions, except % of net sales)						(US$ millions, except % of net sales)			
Sales:										
Generic Pharmaceuticals business	67.0	48.7	110.8	59.0	108.0	50.4	47.9	45.0	56.6	42.8
Branded Pharmaceuticals business	49.6	36.1	53.1	28.3	74.0	34.6	42.2	39.6	51.1	38.7
Injectable Pharmaceuticals business	19.2	14.0	22.2	11.8	28.9	13.5	14.5	13.6	22.2	16.8
Other	1.8	1.2	1.6	0.9	3.2	1.5	1.9	1.8	2.3	1.7
Net sales	**137.6**	**100.0**	**187.7**	**100.0**	**214.1**	**100.0**	**106.5**	**100.0**	**132.2**	**100.0**
Cost of sales	(65.3)	47.5	(92.1)	49.0	(103.9)	48.5	(52.2)	49.0	(59.0)	44.6
Gross profit:										
Generic Pharmaceuticals business	38.8	28.2	60.1	32.0	59.2	27.7	23.7	22.2	33.4	25.2
Branded Pharmaceuticals business	24.2	17.6	25.9	13.8	39.7	18.5	24.4	22.9	30.6	23.1
Injectable Pharmaceuticals business	8.4	6.1	8.9	4.7	9.7	4.5	5.6	5.3	8.6	6.5
Other	0.9	0.6	0.7	0.5	1.6	0.8	0.6	0.6	0.6	0.6
Total gross profit	72.3	52.5	95.6	51.0	110.2	51.5	54.3	51.0	73.2	55.4
Sales and marketing	(14.7)	10.7	(19.2)	10.2	(21.1)	9.8	(9.6)	9.0	(14.3)	10.8
General and administrative	(11.2)	8.1	(13.3)	7.1	(16.0)	7.5	(7.2)	6.8	(10.3)	7.8
Research and development	(4.9)	3.5	(7.4)	3.9	(9.7)	4.5	(3.3)	3.1	(7.2)	5.4
Provision for impairment of fixed assets	(3.5)	2.5	—	—	—	—	—	—	—	—
Other operating expenses/income	(1.8)	1.4	(0.4)	0.2	(2.2)	1.1	(1.1)	1.0	(2.5)	1.9
Operating profit	**36.2**	**26.3**	**55.3**	**29.5**	**61.2**	**28.6**	**33.1**	**31.1**	**38.9**	**29.4**
Shares of results of associates	(1.6)	1.2	0.3	0.2	0.7	0.3	0.4	0.4	0.8	0.6
Financing income	0.1	0.1	0.5	0.3	0.3	0.2	0.2	0.2	0.5	0.4
Interest expenses and other bank charges	(4.1)	3.0	(3.4)	1.8	(3.8)	1.8	(1.9)	1.8	(2.4)	1.8
Other income/expense	0.1	0.1	0.3	0.1	0.6	0.3	(0.1)	0.1	0.9	0.7
Profit before taxes and minority interest	**30.7**	**22.3**	**53.0**	**28.2**	**59.0**	**27.6**	**31.7**	**29.8**	**38.7**	**29.3**
Tax	(13.7)	10.0	(21.3)	11.3	(20.8)	9.7	(10.9)	10.2	(12.9)	9.8
Profit before minority interest	17.0	12.4	31.7	16.9	38.2	17.8	20.8	19.5	25.8	19.5
Minority interest	(0.1)	0.1	(0.3)	0.2	(0.7)	0.3	(0.1)	0.1	(0.7)	0.5
Profit for the year/period	**16.9**	**12.3**	**31.4**	**16.7**	**37.5**	**17.5**	**20.7**	**19.4**	**25.1**	**19.0**

Six months ended 30 June 2005 compared to six months ended 30 June 2004

Net sales

Hikma Group. Net sales increased by $25.7 million, or 24.2 per cent., from $106.5 million in the six months ended 30 June 2004 to $132.2 million for the same period in 2005. The increase was primarily due to increases in net sales at the Generic, Branded and Injectable Pharmaceuticals businesses.

Generic Pharmaceuticals business. The Generic Pharmaceuticals business's net sales increased by $8.7 million, or 18.3 per cent., from $47.9 million in the six months ended 30 June 2004 to $56.6 million for the same period in 2005. The increase was due primarily to improved sales volumes, partially offset by a decrease in prices of two of the Generic Pharmaceuticals business's top selling products. Three new products were launched in the six months ended 30 June 2005, contributing approximately $1.3 million in net sales.

Branded Pharmaceuticals business. The Branded Pharmaceuticals business's net sales increased by $8.9 million, or 21.1 per cent., from $42.2 million in the six months ended 30 June 2004 to $51.1 million for the same period in 2005. The increase was due primarily to increases in net sales across the MENA Region, particularly in the business's main markets with increases of 10.2 per cent. in Algeria, 29.6 per cent. in Saudi Arabia and 10.9 per cent. in Jordan.

Injectable Pharmaceuticals business. The Injectable Pharmaceuticals business's net sales increased by $7.7 million, or 53.5 per cent., from $14.5 million in the six months ended 30 June 2004 to $22.2 million for the same period in 2005. The increase was due primarily to increased net sales in all key geographic segments, particularly in the United States where a new form of cefazolin was launched in the first quarter of 2005.

Other sales. Other sales increased by $0.4 million, or 18.0 per cent., from $1.9 million in the six months ended 30 June 2004 to $2.3 million for the same period in 2005. The increase was due to an increase in sales of plastic containers by AMC.

Gross profit

Hikma Group. The Group's cost of sales increased by $6.8 million, or 13.2 per cent., from $52.2 million in the six months ended 30 June 2004 to $59.0 million for the same period in 2005. Cost of sales represented 49.0 per cent. of the Group's sales in the six months ended 30 June 2004 compared to 44.6 per cent. of the Group's net sales in the six months ended 30 June 2005.

The Group's gross profit increased by $18.9 million, or 34.8 per cent., from $54.3 million in the six months ended 30 June 2004 to $73.2 million for the same period in 2005. The Group's gross profit margin increased from 51.0 per cent. in the six months ended 30 June 2004 compared to 55.4 per cent. in the six months ended 30 June 2005. The increase in gross profit margins was driven by increases in gross margin at the Generic Pharmaceuticals business and, to a lesser extent, the Branded Pharmaceuticals business.

Generic Pharmaceuticals business. Cost of sales of the Generic Pharmaceuticals business decreased by $0.9 million, or 3.9 per cent., from $24.2 million in the six months ended 30 June 2004 to $23.3 million for the same period in 2005. Cost of sales of the Generic Pharmaceuticals business represented 50.6 per cent. of the business's net sales in the six months ended 30 June 2004 compared to 41.1 per cent. of the business's net sales in the six months ended 30 June 2005.

Gross profit of the Generic Pharmaceuticals business increased by $9.7 million, or 41.0 per cent., from $23.7 million in the six months ended 30 June 2004 to $33.4 million for the same period in 2005. The Generic Pharmaceuticals business's gross margin increased from 49.4 per cent. in the six months ended 30 June 2004 to 58.9 per cent. in the six months ended 30 June 2005. The increase in gross profit margin reflects primarily lower API costs resulting from the switch to lower cost Asian suppliers in the second half of 2004.

Branded Pharmaceuticals business. Cost of sales of the Branded Pharmaceuticals business increased by $2.7 million, or 15.3 per cent., from $17.8 million in the six months ended 30 June 2004 to $20.5 million for the same period in 2005. Cost of sales of the Branded Pharmaceuticals business represented 42.2 per cent. of the business's net sales in the six months ended 30 June 2004 compared to 40.1 per cent. of the business's net sales in the six months ended 30 June 2005.

Gross profit of the Branded Pharmaceuticals business increased by $6.2 million, or 25.4 per cent., from $24.4 million in the six months ended 30 June 2004 to $30.6 million for the same period in 2005. The Branded Pharmaceuticals business's gross margins increased from 57.8 per cent. in the six months ended 30 June 2004 to 59.9 per cent. in the six months ended 30 June 2005. The increase in gross margins was due to changes in product mix reflecting higher sales of higher margin products.

Injectable Pharmaceuticals business. Cost of sales of the Injectable Pharmaceuticals business increased by $4.8 million, or 53.8 per cent., from $8.9 million in the six months ended 30 June 2004 to $13.7 million for the same period in 2005. Cost of sales of the Injectable Pharmaceuticals business represented 61.3 per cent. of the business's sales in the six months ended 30 June 2004 compared to 61.4 per cent. of the business's net sales in the six months ended 30 June 2005.

Gross profit of the Injectable Pharmaceuticals business increased by $3.0 million, or 53.1 per cent., from $5.6 million in the six months ended 30 June 2004 to $8.6 million for the same period in 2005. Costs of sales increased in line with higher net sales, resulting in gross margins remaining stable at 38.7 per cent. in the six months ended 30 June 2004 and 38.6 per cent. in the same period in 2005.

Operating expenses

The Group's operating expenses increased by $13.1 million, or 61.6 per cent., from $21.2 million in the six months ended 30 June 2004, as compared to $34.3 million for the same period in 2005. Operating expenses represented 19.9 per cent. of the Group's sales in the six months ended 30 June 2004 compared to 25.9 per cent. of net sales in the six months ended 30 June 2005.

The Group's sales and marketing expenses increased by $4.7 million, or 48.2 per cent., from $9.6 million in the six months ended 30 June 2004 to $14.3 million for the same period in 2005 due to the expansion of the sales force in the MENA Region for both the Branded and Injectable Pharmaceuticals businesses, particularly in Algeria, Saudi Arabia, Jordan and Sudan, as well as increased promotional activities for specific products and geographies, notably Ukraine. Sales and marketing expenses represented 9.1 per cent. of the Group's net sales in the six months ended 30 June 2004 compared to 10.8 per cent. in the six months ended 30 June 2005.

The Group's general and administrative expenses increased by $3.1 million, or 44.2 per cent., from $7.2 million in the six months ended 30 June 2004 to $10.3 million for the same period in 2005 due to the implementation of the SAP service contract at the Generic Pharmaceuticals business, as SAP came fully online from 1 January 2005. The increase also reflects the consolidation of general and administrative expenses of subsidiaries acquired during the first half of 2005, including IBPP in Italy. General and administrative expenses represented 6.7 per cent. of the Group's net sales in the six months ended 30 June 2004 compared to 7.8 per cent. in the six months ended 30 June 2005.

Research and development expenses increased by $3.9 million, or 116.1 per cent., from $3.3 million in the six months ended 30 June 2004 to $7.2 million for the same period in 2005 due to higher bio-equivalency costs in the United States in connection with ANDA filings and the hiring of new scientists and technicians for the R&D centre in Jordan. Research and development expenses represented 3.1 per cent. of the Group's net sales in the six months ended 30 June 2004 compared to 5.4 per cent. in the six months ended 30 June 2005.

Other operating expenses/income include the net effect of gains from the sale of fixed assets, net foreign exchange gains or losses from trading activities, provisions for doubtful debts and slow moving inventory. Other operating expenses increased by $1.4 million, from $1.1 million in the six months ended 30 June 2004 to $2.5 million for the same period in 2005 due to a $1.3 million general provision against receivables in Algeria, partially offset by foreign exchange gains in Portugal as a result of the depreciation of the euro against the US dollar during the six months ended 30 June 2005. Other operating expenses/income represented 1.0 per cent. of the Group's net sales in the six months ended 30 June 2004 compared to 1.9 per cent. in the six months ended 30 June 2005.

Operating profit

Operating profit increased by $5.8 million, or 17.6 per cent., from $33.1 million in the six months ended 30 June 2004 to $38.9 million for the same period in 2005. The Group's operating margin was 31.1 per cent. in the six months ended 30 June 2004 compared to 29.4 per cent. in the six months ended 30 June 2005.

Shares of results of associates

Share of results of associates relates primarily to the Group's share of profits from JPI. The Group's results from associated companies increased by $0.4 million, from $0.4 million in the six months ended 30 June 2004 to $0.8 million in the six months ended 30 June 2005.

Financing income

Financing income includes interest income and net foreign exchange gains from non trading activities. Financing income increased by $0.3 million from $0.2 million in the six months ended 30 June 2004 to $0.5 million for the same period in 2005. The increase was due primarily to increased interest income from the Group's cash balances.

Interest expense and other bank charges

Financing expenses increased by $0.5 million, from $1.9 million in the six months ended 30 June 2004 to $2.4 million for the same period in 2005. The increase was due to higher borrowings to finance working capital needs.

Other income

Other income includes out-licensing royalties from an associated Group company, management fees from JPI, income from the sale of non-operational assets and other technical and consultancy services provided to third parties. Other income increased from an expense of $0.1 million in the six months ended 30 June 2004 to income of $0.9 million in the six months ended 30 June 2005.

Tax

The Group had tax expenses of $10.9 million in the six months ended 30 June 2004, which was an effective tax rate of 34.3 per cent., compared to a tax expense of $12.9 million for the same period in 2005, which was an effective rate of 33.4 per cent. The tax rate decrease was due to a change in the geographic mix towards lower tax countries, particularly in the MENA Region as well as to a change in the geographic mix of the origin of production to product sourcing from subsidiaries in lower tax countries.

Minority interest

Hikma's minority interest increased by $0.6 million, from $0.1 million in the six months ended 30 June 2004 to $0.7 million for the same period in 2005.

Profit for the period

As a result of the factors discussed above, the Group's profit for the period increased by $4.4 million from $20.7 million in the six months ended 30 June 2004 to $25.1 million for the same period in 2005.

Year ended 31 December 2004 compared to year ended 31 December 2003

Net Sales

Hikma Group. The Group's net sales increased by $26.4 million, or 14.1 per cent., from $187.7 million in the year ended 31 December 2003 to $214.1 million in the year ended 31 December 2004. The increase was due to increases in net sales at the Branded and Injectable Pharmaceuticals businesses, partially offset by a slight decrease in net sales at the Generic Pharmaceuticals business.

Generic Pharmaceuticals business. Net sales of the Generic Pharmaceuticals business decreased by $2.8 million, or 2.5 per cent., from $110.8 million in the year ended 31 December 2003 to $108.0 million in the year ended 31 December 2004. The slight decrease was due to lower average selling prices resulting from increased competition in the US generics market, partially offset by an increase in sales volume. Volumes sold of lisinopril increased from 2003 to 2004; however, this increase was offset by a decrease in average selling prices resulting in net sales of lisinopril remaining at the same level as in 2003. Four new products were launched in 2004. Due to the timing of their launch these products only contributed approximately $2.2 million in net sales.

Branded Pharmaceuticals business. Net sales of the Branded Pharmaceuticals business increased by $20.9 million, or 39.3 per cent., from $53.1 million in the year ended 31 December 2003 to $74.0 million in the year ended 31 December 2004. Increases in net sales were achieved across the MENA Region, particularly in the business's main markets with increases of 43.5 per cent. in Algeria, 47.5 per cent. in Saudi Arabia, 38.9 per cent. in Jordan. In the year ended 31 December 2004, two new products were launched in Algeria and four in Jordan. These products contributed approximately $0.7 million in net sales.

Injectable Pharmaceuticals business. Net sales of the Injectable Pharmaceuticals business increased by $6.7 million, or 29.8 per cent., from $22.2 million in the year ended 31 December 2003 to $28.9 million in the year ended 31 December 2004. Increases in net sales were achieved in all three key geographic segments and particularly in the United States where there was a more than threefold increase in net sales. The significant increase in net sales in the United States was due primarily to the approval of cefuroxime by the FDA in the first quarter of 2004 and significant increases in sales of cefazolin due to supply disruptions at a major competitor.

Other sales. Other sales increased from $1.6 million in the year ended 31 December 2003 to $3.2 million in the year ended 31 December 2004. The increase was due primarily to increased revenue from IPRC, which was first consolidated into the Group's accounts in 2004. Other sales also included the sales of plastic containers by AMC.

Gross profit

Hikma Group. The Group's cost of sales increased by $11.8 million, or 12.9 per cent., from $92.1 million in 2003 to $103.9 million in the year ended 31 December 2004. Cost of sales represented 49.0 per cent. of the Group's net sales in the year ended 31 December 2003 compared to 48.5 per cent. of net sales in the year ended 31 December 2004.

The Group's gross profit increased by $14.6 million, or 15.3 per cent., from $95.6 million in the year ended 31 December 2003 to $110.2 million in 2004. The Group's gross margin increased slightly from 51.0 per cent. in the year ended 31 December 2003 to 51.5 per cent. in the year ended 31 December 2004. The slight increase in gross profit margin was driven by improved margins at the Branded Pharmaceuticals business.

Generic Pharmaceuticals business. Cost of sales of the Generic Pharmaceuticals business decreased by $1.8 million, or 3.7 per cent., from $50.6 million in the year ended 31 December 2003 to $48.8 million in the year ended 31 December 2004. Cost of sales of the Generic Pharmaceuticals business represented 45.7 per cent. of the business's net sales in the year ended 31 December 2003 compared to 45.2 per cent. of net sales in the year ended 31 December 2004.

Gross profit of the Generic Pharmaceuticals business decreased by $0.9 million, or 1.5 per cent., from $60.1 million in the year ended 31 December 2003 to $59.2 million in the year ended 31 December 2004. The gross margin of the Generic Pharmaceuticals business remained relatively constant at 54.3 per cent. in the year ended 31 December 2003 compared to 54.8 per cent. in the year ended 31 December 2004. Gross margin was positively impacted by a reduction in API costs resulting from the switch to lower cost Asian suppliers. This was offset by the decrease in average selling prices described above, increases in manufacturing expenses due to increased production volumes and higher overhead costs relating to the new warehouse and packaging facilities.

Branded Pharmaceuticals business. Cost of sales of the Branded Pharmaceuticals business increased by $7.0 million, or 25.7 per cent., from $27.3 million in the year ended 31 December 2003 to $34.3 million in the year ended 31 December 2004. Cost of sales of the Branded Pharmaceuticals business represented 51.4 per cent. of the business's net sales in 2003 compared to 46.4 per cent. of net sales in 2004.

Gross profit of the Branded Pharmaceuticals business increased by $13.9 million, or 53.6 per cent., from $25.9 million in the year ended 31 December 2003 to $39.8 million in the year ended 31 December 2004. The gross margin of the Branded Pharmaceuticals business increased from 48.6 per cent. in the year ended 31 December 2003 to 53.6 per cent. in the year ended 31 December 2004. Gross margin improved as a result of the change in product sales mix due to management's decision to focus on higher margin products such as Cirprolon and Oprazole, enhanced manufacturing economies of scale associated with higher production volumes and lower API costs.

Injectable Pharmaceuticals. Cost of sales of the Injectable Pharmaceuticals business increased by $5.7 million, or 43.0 per cent., from $13.4 million in the year ended 31 December 2003 to $19.1 million in the year ended 31 December 2004. Cost of sales of the Injectable Pharmaceuticals business represented 60.2 per cent. of the business's net sales in the year ended 31 December 2003 compared to 66.3 per cent. of net sales in the year ended 31 December 2004.

Gross profit of the Injectable Pharmaceuticals business increased by $0.8 million, or 9.8 per cent., from $8.9 million in the year ended 31 December 2003 to $9.7 million in the year ended 31 December 2004. The gross margin of the Injectable Pharmaceuticals business decreased from 39.8 per cent. in the year ended 31 December 2003 to 33.7 per cent. in the year ended 31 December 2004. The decrease in gross margin was due primarily to the adverse effect of the appreciation of the euro during 2004 against the US dollar, as most of the business's sales are tied to the dollar (either because they are denominated in US dollar, or are in currencies pegged to the US dollar), whilst most of its manufacturing costs, particularly labour costs, are denominated in euros. The decline in gross margin is also attributed to additional manufacturing related costs and competitive pressure in the MENA Region. The increase in manufacturing costs resulted from:

- increased maintenance costs associated with the modification of the sterile room;
- the addition of staff to operate the new ampoules line and an additional shift for the cephalosporin line; and
- higher depreciation charges associated with the new ampoules and vials lines.

Operating expenses

The Group's operating expenses increased by $8.7 million, or 21.5 per cent., from $40.3 million in the year ended 31 December 2003 to $49.0 million in the year ended 31 December 2004. Operating expenses represented 21.5 per cent. of the Group's net sales in the year ended 31 December 2003 compared to 22.9 per cent. of net sales in the year ended 31 December 2004.

Sales and marketing expenses increased by $1.9 million, or 9.7 per cent., from $19.2 million in the year ended 31 December 2003 to $21.1 million in the year ended 31 December 2004 due to increased costs in all three businesses resulting from the expansion of their respective sales forces. Sales and marketing expenses represented 10.2 per cent. of the Group's net sales in the year ended 31 December 2003 compared to 9.8 per cent. of net sales in the year ended 31 December 2004.

General and administrative expenses increased by $2.7 million, or 19.6 per cent., from $13.3 million in 2003 to $16.0 million in the year ended 31 December 2004 due primarily to an increase in corporate expenses resulting from the hiring of new employees at the corporate level and increases in legal, consulting, travel and audit fees. The increase in general and administrative expenses also reflects the set-up costs of the Injectable Pharmaceuticals business's distribution company in Germany and the consolidation of IPRC's expenses. General and administrative expenses represented 7.1 per cent. of the Group's net sales in the year ended 31 December 2003 compared to 7.5 per cent. of net sales in the year ended 31 December 2004.

Research and development expenses increased by $2.3 million, or 31.3 per cent., from $7.4 million in the year ended 31 December 2003 to $9.7 million in the year ended 31 December 2004 due to higher bio-equivalency testing costs and the hiring of new scientists and technicians for the R&D centres in Jordan and the United States. Research and development expenses represented 3.9 per cent. of the Group's net sales in the year ended 31 December 2003 compared to 4.5 per cent. of net sales in the year ended 31 December 2004.

Other operating expenses increased by $1.8 million from $0.4 million in the year ended 31 December 2003 to $2.2 million in the year ended 31 December 2004 due to lower foreign exchange gains in the year ended 31 December 2004 compared to 2003. Other operating expenses represented less than one per cent of the Group's net sales in 2003 and 1.1 per cent of net sales in the year ended 31 December 2004.

Operating profit

The Group's operating profit increased by $5.9 million, or 10.7 per cent., from $55.3 million in the year ended 31 December 2003 to $61.2 million in the year ended 31 December 2004. The Group's operating margin was 29.5 per cent. in the year ended 31 December 2003 compared to 28.6 per cent. in the year ended 31 December 2004.

Share of results of associates

Share of results of associates increased from $0.3 million in the year ended 31 December 2003 to $0.7 million in the year ended 31 December 2004.

Financing income

Financing income decreased by $0.2 million from $0.5 million in the year ended 31 December 2003 to $0.3 million in the year ended 31 December 2004. This decrease was due primarily to a decrease in net foreign exchange gains.

Interest expense and other bank charges

Interest expense and other bank charges increased by $0.4 million from $3.4 million in the year ended 31 December 2003 to $3.8 million in the year ended 31 December 2004 primarily due to higher average debt levels, increased trade financing activities and the consolidation of the interest on the debt of IPRC.

Other income

Other income increased from $0.3 million in the year ended 31 December 2003 to $0.6 million in the year ended 31 December 2004.

Tax

The Group had tax expenses of $20.8 million in the year ended 31 December 2004, representing an effective tax rate of 35.3 per cent. compared to tax expenses of $21.3 million in the year ended 31 December 2003, representing an effective tax rate of 40.1 per cent. The reduction in the effective tax rate was due to a change in the geographic mix of profits towards lower tax countries, particularly in the MENA Region.

Minority interest

Hikma's minority interest increased by $0.4 million from $0.3 million in the year ended 31 December 2003 compared to $0.7 million in the year ended 31 December 2004.

Profit for the year

As a result of the above factors, the Group's profit for the year increased by $6.1 million, or 19.4 per cent., from $31.4 million in the year ended 31 December 2003 to $37.5 million in the year ended 31 December 2004. Net profit margin was 16.7 per cent. in the year ended 31 December 2003 compared to 17.5 per cent. in the year ended 31 December 2004.

Year ended 31 December 2003 compared to year ended 31 December 2002

Net Sales

Hikma Group. The Group's net sales increased by $50.1 million, or 36.3 per cent., from $137.6 million in the year ended 31 December 2002 to $187.7 million in the year ended 31 December 2003. Increases in net sales were achieved in each of the three businesses.

Generic Pharmaceuticals business. Net sales of the Generic Pharmaceuticals business increased by $43.8 million, or 65.4 per cent., from $67.0 million in the year ended 31 December 2002 to $110.8 million in the year ended 31 December 2003. The increase was due primarily to the award of the US government contract for lisinopril in December 2002 and increases in sales of folic acid, as well as lithium carbonate, which was introduced in the second half of 2003. Including lithium carbonate, four products were launched in 2003 contributing approximately $5.1 million in net sales.

Branded Pharmaceuticals business. Net sales of the Branded Pharmaceuticals business increased by $3.5 million, or 7.1 per cent., from $49.6 million in the year ended 31 December 2002 to $53.1 million in the year ended 31 December 2003. This increase was due primarily to slight increases in sales volumes across the MENA Region, particularly in Algeria, partially offset by lost sales in Iraq as a result of ongoing military action in that country.

Injectable Pharmaceuticals business. Net sales of the Injectable Pharmaceuticals business increased by $3.0 million, or 15.6 per cent., from $19.2 million in the year ended 31 December 2002 to $22.2 million in the year ended 31 December 2003. Growth in net sales was due primarily to new contract manufacturing of cephalosporins in Europe together with the start-up of sales into the United States, partially offset by a slight decrease in sales in the MENA Region as a result of reduced sales in Iraq.

Other sales. Other sales comprise sales by AMC. Other sales decreased from $1.8 million in the year ended 31 December 2002 to $1.6 million in the year ended 31 December 2003.

Gross profit

Hikma Group. The Group's cost of sales increased by $26.8 million, or 40.9 per cent., from $65.3 million in the year ended 31 December 2002 to $92.1 million in the year ended 31 December 2003. Cost of sales represented 47.5 per cent. of the Group's net sales in the year ended 31 December 2002 compared to 49.0 per cent. of net sales in the year ended 31 December 2003.

The Group's gross profit increased by $23.3 million, or 32.2 per cent., from $72.3 million in the year ended 31 December 2002 to $95.6 million in the year ended 31 December 2003. The Group's gross margin decreased from 52.5 per cent. in the year ended 31 December 2002 to 51.0 per cent. in the year ended 31 December 2003. The decrease was driven by decreases in gross profit margins at the Generic and Injectable Pharmaceuticals businesses.

Generic Pharmaceuticals business. Cost of sales of the Generic Pharmaceuticals business increased by $22.5 million, or 80.0 per cent., from $28.1 million in the year ended 31 December 2002 to $50.6 million in the year ended 31 December 2003. Cost of sales of the Generic Pharmaceuticals business represented 42.0 per cent. of the business's net sales in the year ended 31 December 2002 compared to 45.7 per cent. of net sales in the year ended 31 December 2003.

Gross profit of the Generic Pharmaceuticals business increased by $21.3 million, or 54.8 per cent., from $38.8 million in the year ended 31 December 2002 to $60.1 million in the year ended 31 December 2003. Gross margin of the Generic Pharmaceuticals business decreased from 58.0 per cent. in the year ended 31 December 2002 to 54.3 per cent. in the year ended 31 December 2003, primarily reflecting the increase in sales of lisinopril which in 2003 had lower gross margins relative to other products.

Branded Pharmaceuticals business. Cost of sales of the Branded Pharmaceuticals business increased by $1.9 million, or 7.4 per cent., from $25.4 million in the year ended 31 December 2002 to $27.3 million in the year ended 31 December 2003. Cost of sales of the Branded Pharmaceuticals business represented 51.2 per cent. of the business's net sales in the year ended 31 December 2002 compared to 51.4 per cent. of net sales in the year ended 31 December 2003.

Gross profit of the Branded Pharmaceuticals business increased by $1.7 million, or 6.7 per cent., from $24.2 million in the year ended 31 December 2002 to $25.9 million in the year ended 31 December 2003. Cost of sales increased in line with higher net sales, resulting in gross margin remaining stable at 48.8 per cent. in the year ended 31 December 2002 and 48.6 per cent. in the year ended 31 December 2003.

Injectable Pharmaceuticals business. Cost of sales of the Injectable Pharmaceuticals business increased by $2.6 million, or 23.9 per cent., from $10.8 million in the year ended 31 December 2002 to $13.4 million in the year ended 31 December 2003. Cost of sales of the Injectable Pharmaceuticals business represented 56.2 per cent. of the business's net sales in the year ended 31 December 2002 compared to 60.2 per cent. net sales in the year ended 31 December 2003.

Gross profit of the Injectable Pharmaceuticals business increased by $0.5 million, or 5.1 per cent., from $8.4 million in the year ended 31 December 2002 to $8.9 million in the year ended 31 December 2003. Gross margin of the Injectable Pharmaceuticals business decreased from 43.8 per cent. in the year ended 31 December 2002 to 39.8 per cent. in the year ended 31 December 2003 as a result of increased overhead costs arising from the modifications to the manufacturing plant and increased raw materials costs for cephalosporin. In 2003, the Injectable Pharmaceuticals business invested in a number of improvements to its manufacturing plant. These included adding a second liquid injectable line which enabled the business to have dedicated lines for both ampoules and vials, and separating the liquids and cephalosporin lines to minimise risks of cross contamination. These investments increased capacity and optimised manufacturing processes; however, they also resulted in increase manufacturing overheads.

Operating expenses

The Group's operating expenses increased by $4.2 million, or 11.5 per cent., from $36.1 million in the year ended 31 December 2002 to $40.3 million in the year ended 31 December 2003. Operating expenses represented 26.3 per cent. of the Group's net sales in the year ended 31 December 2002 compared to 21.5 per cent. of net sales in the year ended 31 December 2003.

Sales and marketing expenses increased by $4.5 million, or 30.2 per cent., from $14.7 million in the year ended 31 December 2002 to $19.2 million in the year ended 31 December 2003. The majority of this increase was attributable to the Generic Pharmaceuticals business as a result of higher salaries and registration fees. Sales and marketing expenses in the Branded Pharmaceuticals business also increased as a result of higher employee costs as a result of an increase in sales and marketing personnel. Sales and marketing expenses represented 10.7 per cent. of the Group's net sales in the year ended 31 December 2002 compared to 10.2 per cent. of net sales in the year ended 31 December 2003.

General and administrative expenses increased by $2.1 million, or 19.2 per cent., from $11.2 million in the year ended 31 December 2002 to $13.3 million in the year ended 31 December 2003. This increase was due primarily to higher corporate expenses resulting from the expansion of the Group's centralised corporate functions. General and administrative expenses of the Injectable Pharmaceuticals business increased as a result of higher employee costs and insurance and consultancy fees. General and administrative expenses represented 8.1 per cent. of the Group's net sales in the year ended 31 December 2002 compared to 7.1 per cent. of net sales in the year ended 31 December 2003.

Research and development expenses increased by $2.5 million, or 51.8 per cent., from $4.9 million in the year ended 31 December 2002 to $7.4 million in the year ended 31 December 2003 due to increases in bio-equivalency costs and additional hiring in the R&D team. Research and development expenses represented 3.5 per cent. of the Group's net sales in the year ended 31 December 2002 compared to 3.9 per cent. of net sales in the year ended 31 December 2003.

Other operating expenses decreased by $1.4 million from $1.8 million in the year ended 31 December 2002 to $0.4 million in the year ended 31 December 2003 due to foreign exchange gains as a result of the appreciation of the Algerian dinar. Other operating expenses represented 1.4 per cent. of the Group's net sales in the year ended 31 December 2002 compared to less than one per cent. of net sales in the year ended 31 December 2003.

In addition, in 2002 the Group recognised a provision for impairment of fixed assets of $3.5 million relating to the write-down of sterile and chemical manufacturing equipment. This equipment was written off because it was not economically active.

Operating profit

The Group's operating profit increased by $19.1 million, or 53.0 per cent., from $36.2 million in the year ended 31 December 2002 to $55.3 million in the year ended 31 December 2003. The Group's operating margin was 26.3 per cent. in the year ended 31 December 2002 compared to 29.5 per cent. in the year ended 31 December 2003.

Share of results of associates

Share of results of associates improved from a charge of $1.6 million in the year ended 31 December 2002 to a gain of $0.3 in the year ended 31 December 2003.

Financing income

Financing income increased by $0.4 million from $0.1 million in the year ended 31 December 2002 to $0.5 million in the year ended 31 December 2003. The increase in financing income was due to higher cash balances.

Interest expense and other bank charges

Interest expense and other bank charges decreased by $0.7 million from $4.1 million in the year ended 31 December 2002 to $3.4 million in the year ended 31 December 2003. The decrease in financing expense was due to the restructuring of the Group's short and long term financing and improved treasury operations at the corporate level.

Other income

Other income increased slightly from $0.1 million in the year ended 31 December 2002 to $0.3 million in the year ended 31 December 2003 as a result of increases in management fees from JPI.

Tax

The Group had tax expenses of $21.3 million in the year ended 31 December 2003, representing an effective tax rate of 40.1 per cent. compared to tax expenses of $13.7 million in the year ended 31 December 2002, representing an effective rate of 44.6 per cent. The reduction in the effective tax rate was due to a change in the geographic mix of profits towards lower tax countries, particularly in the MENA Region.

Minority interest

Hikma's minority interest increased by $0.2 million from $0.1 million in the year ended 31 December 2002 compared to $0.3 million in the year ended 31 December 2003.

Profit for the year

As a result of the factors discussed above, the Group's profit for the year increased by $14.5 million, or 85.7 per cent., from $16.9 million in the year ended 31 December 2002 to $31.4 million in the year ended 31 December 2003. Net profit margin increased from 12.3 per cent. in the year ended 31 December 2002 to 16.7 per cent. in the year ended 31 December 2003.

For information regarding dividend payments in the last three financial years see Note 8 to the Group's financial statements included in Part XI of this document.

6. LIQUIDITY AND CAPITAL RESOURCES

Overview

Hikma's liquidity requirements arise primarily from the need to fund its capital expenditure programme, investments in working capital, in particular in the Branded Pharmaceuticals business, and the development and expansion of its sales, marketing and distribution network in new and existing markets. Hikma has primarily financed its operations through its cash flows and amounts available under its credit facilities and other borrowings. Due to the lack of a tax treaty between the United States and Jordan, the Group has maintained cash balances in the United States, while financing its investments in other geographic regions through debt and other borrowings. Following the Offering, the Group expects to be entitled to the benefits of the tax treaty between the United States and the United Kingdom and, thus, able to use cash balances to fund operations elsewhere in the Group without adverse tax consequences. In addition, the Group's business, in particular the Branded Pharmaceuticals business, is seasonal, and it generally experiences higher net sales and net profit in the first half of each financial year, as compared to the second half of its financial year. Accordingly, the Group's outstanding borrowings historically have been higher during the first half of the financial year to finance the working capital requirements of the Group. The Group historically has experienced higher net sales and net profit in the first half of the financial year due to higher sales to distributors in the MENA Region and higher sales of anti-infectives during the flu season.

Hikma intends to use approximately $50 million of the net proceeds of the Global Offer to retire outstanding debt, including (a) approximately $28.5 million outstanding under several import and export financing agreements and (b) the outstanding balances under the $20 million floating rate loan facility and the $10 million floating rate loan agreement both with the Arab Bank and the $7 million term loan agreement, $3 million revolving loan agreement and $3 million loan agreement all of which are with Citibank described under Part XIV: *Additional Information—Material Contracts*. As of the date of this document there was approximately $21.5 million outstanding under the loans referred to in (b) above.

Hikma expects that in the short term it will use approximately $38 million of the net proceeds to pay for capital expenditures relating to the construction of a penicillin plant in Jordan (at a cost of approximately $10 million) and a cephalosporin plant in Portugal (at a cost of approximately $20 million), both of which are expected to be completed in 2007 and the expansion of the lyophilised injectable plant in Italy (at a cost of approximately $8 million), which is expected to be completed in 2007. The remainder will be used to fund general working capital requirements and to provide enhanced financial flexibility to make opportunistic bolt-on acquisitions that may present themselves in the future.

As of 31 August 2005, Hikma's principal borrowings comprised various loans and import and export financing totalling $86.5 million. As of that date, Hikma had committed but undrawn facilities of $55.7 million. As at the date of this document, Hikma's outstanding indebtedness, excluding indebtedness expected to be retired by application of the net proceeds of the Global Offer includes the following borrowings:

- $10 million term loan from Citibank;
- $7.5 million and €4.2 million multi-currency agreement with the IFC;
- 6.8 million Jordanian dinar loan agreement from Jordan Kuwait Bank;
- $6.7 million Cash Collateral Agreement and Guarantee from Citibank;
- $3.7 million loan from Bank of America;
- $3.1 million credit agreement from Export & Finance Bank; and
- $2.3 million term loan from Bank of America.

The IFC facility and the Citibank loan agreements include covenants relating, among other things, to the Company's and/or its three businesses' current, debt service coverage, interest coverage, debt to equity and/or debt to EBITDA ratios. As of the date of this document, the Company is in compliance with its covenants under these loan agreements.

For a more detailed description of these loan facilities see Part XIV: *Additional Information — Material Contracts.*

At 31 December 2004, the Group had pledged assets in the amount of $32.9 million compared to $27.3 million at 31 December 2003. At the date of this document, the Group has pledged assets in the amount of $31.1 million. The principal beneficiaries of these pledges are Bank of America and the IFC. For a description of these pledges see Part XIV: *Additional Information—Material Contracts*.

The Selling Shareholders are not obligated to provide any future financing to Hikma, in the form of loans, capital contributions or otherwise. However, see paragraph 11(i) of Part XIV: *Additional Information — Material Contracts* for details of a revolving demand loan agreement between certain members of the Group and Citibank N.A., an affiliate of Citibank International Finance Corporation, one of the Selling Shareholders.

Hikma believes that funds raised in the Global Offer, together with its current cash, cash flows from operations and funds available under its existing loan and credit facilities will enable it to meet its operational funding needs, budgeted capital expenditures and debt service requirements. However, its future operating performance and ability to service or refinance its existing debt will be subject to future economic conditions and to financial, business and other factors, many of which are beyond the Group's control. See Part II: *Risk Factors*.

Cash flows

The following table summarises the Group's cash flows during the three years ended 31 December 2004 and the two six month periods ended 30 June 2004 and 2005.

	Year ended 31 December			Six months ended 30 June	
	2002	2003	2004	2004	2005
	(US$ in millions)			(US$ in millions)	
Net cash from/(used in) operating activities	25.3	35.8	33.9	0.6	0.9
Net cash from/(used in) investing activities	(19.0)	(23.1)	(26.5)	(15.1)	(0.9)
Net cash from/(used in) financing activities	(9.9)	7.7	(5.4)	(1.6)	3.4
Cash and cash equivalents, end of period	19.5	39.3	41.4	23.6	45.7

Cash flows from operating activities

Net cash flow from operating activities was $0.6 million in the six months ended 30 June 2004 compared to $0.9 million in the six months ended 30 June 2005. Working capital changes reduced operating cash flows by $27.4 in the six months ended 30 June 2004 compared to $32.0 in the six months ended 30 June 2005. The reduction in working capital change was due to a significant increase in account receivables and an increase in inventories, partially offset by an increase in accounts payable. The increase in accounts receivable was due primarily to increases in accounts receivable in the MENA Region, particularly in Algeria and Saudi Arabia as a result of increased sales and longer than average collection terms in these countries, as well as in the United States as a result of increased sales. The increase in inventory levels was in line with historical trends and has grown in line with the Group's sales volumes. The improvement in accounts payable reflects the efforts of the Group's API sourcing function in negotiating better terms with suppliers. In general, credit terms in the MENA Region are substantially longer than in the United States or Europe.

Net cash flow from operating activities was $25.3 million in the year ended 31 December 2002, $35.8 million in the year ended 31 December 2003 and $33.9 million in the year ended 31 December 2004. Working capital changes reduced operating cash flows by $12.8 million in the year ended 31 December 2004, primarily as a result of a significant increase in accounts receivable and a reduction in current liabilities, partially offset by a reduction in inventories. The increase in accounts receivable was due primarily to increases in accounts receivable in the MENA Region, particularly in Algeria. The reduction in current liabilities was due primarily to the reduction in a large customer's prepayment that was received in 2003.

Working capital changes reduced operating cash flows by $2.8 million in the year ended 31 December 2003, primarily as a result of an increase in inventories, partially offset by an increase in current liabilities. The increase in current liabilities reflects the customer prepayment discussed above.

Cash flows from investing activities

Net cash used for investing activities was $15.1 million in the six months ended 30 June 2004 compared to $0.9 million in the six months ended 30 June 2005. The most significant investing activities in the six months ended 30 June 2005 were purchases of property, plant and equipment amounting to $8.9 million, offset by the realisation of investments in cash deposits in the amount of $7.7 million.

Net cash used for investing activities was $19.0 million in the year ended 31 December 2002, $23.1 million in the year ended 31 December 2003 compared to $ 26.5 million in the year ended 31 December 2004.

The most significant investing activities in 2004 were purchases of property, plant and equipment, investments in cash deposits and the capitalised costs of installing SAP in the United States. The most significant investing activities in 2003 were purchases of property, plant and equipment and investments in cash deposits.

The Group's capital expenditure was $9.0 million in the six months ended 30 June 2004 and $8.9 million in the six months ended 30 June 2005 and $16.3 million in the year ended 31 December 2002, $20.1 million in the year ended 31 December 2003 compared to $18.0 million in the year ended 31 December 2004. The following table summarises capital expenditure in each of Hikma's main geographies for each of these three years.

	Year ended 31 December			Six months ended 30 June 2005	
	2002	2003	2004	2004	2005
	(audited)	(audited)	(audited)	(unaudited)	(audited)
	(US$ in millions)			(US$ in millions)	
Capital expenditures for tangible fixed assets:					
United States	4.8	7.1	6.1	3.6	1.7
Europe	2.3	6.2	2.1	0.6	1.4
MENA Region	9.2	6.8	9.8	4.8	5.8

Further information on capital expenditure in relation to property, plant and equipment is set out in Note 10 of section (B) of Part XI: *Financial Information.*

The Group has planned capital expenditures for 2005 of $27.9 million. These capital expenditures are expected to include $6.2 million for the completion of the new manufacturing facility in Algeria, $5.6 million for new plant equipment in Jordan and $3.6 million associated with the new cephalosporin plant in Portugal. The remainder of the capital expenditure for 2005 is expected to include, among other expenditures, investments in the packaging facility and plant in the United States.

Cash flows from financing activities

Net cash used in financing activities in the six months ended 30 June 2004 was $1.6 million compared to net cash from financing activities of $3.4 in the six months ended 30 June 2005. Net cash from financing activities in the six months ended 30 June 2005 included a net increase in long- and short-term financial debt of $15.1 million, partially offset by dividends paid of $7.1 million dollars. Net cash used in financing activities in the six months ended 30 June 2004 included $4.8 million attributable to the purchase of treasury stock in connection with the restructure of the Group to establish a Jersey holding company. These shares were offered to all shareholders on a pro-rata basis following the completion of the reorganisation.

Net cash used in financing activities was $9.9 million in the year ended 31 December 2002 compared to net cash provided from financing activities of $7.7 in the year ended 31 December 2003 and net cash used in financing activities of $5.4 million in the year ended 31 December 2004. Net cash used for financing activities in the year ended 31 December 2004 included dividends paid of $3.8 million and net repayment of long- and short-term financial debt of $2.7 million. Net cash from financing activities in the year ended 31 December 2003 included a net increase in long- and short-term financial debt of $9.1 million offset by dividends paid of $3.0 million.

Cash and cash equivalents

At 30 June 2004 the Group had $23.6 million in cash and cash equivalents compared to $45.7 million at 30 June 2005.

Hikma had cash and cash equivalents of $19.5 million at 31 December 2002, $39.3 million at 31 December 2003 and $41.4 million at 31 December 2004.

7. EBITDA

In this document references to "EBITDA" are to operating profit before depreciation, amortisation and impairment of property, plant and equipment and intangible assets. Although EBITDA is not a measure of operating profit, operating performance or liquidity under IFRS, the Company has presented this financial measure because it understands that EBITDA is used by some investors to determine on Company's ability to service indebtedness and fund ongoing capital expenditures. EBITDA should not, however, be considered in isolation or as a substitute for operating profit as determined by IFRS, or as an indicator of the Company's operating performance or of its cash flows from operating activities as determined in accordance with IFRS. The following table summarises the calculation of EBITDA for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2002	2003	2004	2004	2005
	(audited)	(audited)	(audited)	(unaudited)	(audited)
	(US$ millions)			(US$ millions)	
Operating profit	36.1	55.3	61.2	33.1	38.9
Depreciation	4.3	5.5	6.7	3.3	4.3
Amortisation	0.1	0.1	—	—	0.6
Provision for impairment of fixed assets	3.5	—	—	—	—
	44.0	60.9	67.9	36.4	43.8

8. CONTRACTUAL OBLIGATIONS AND OFF-BALANCE SHEET TRANSACTIONS

The Group has various contractual obligations and commercial commitments, which are items for which it is contractually obligated or committed to pay a specified amount at a specific point in time. The following table summarises the Group's contractual obligations and commitments as of 31 December 2004 net of interest payable:

Contractual Obligations and Commercial Commitments	2005	2006	2007	2008	Thereafter
			(US$ millions)		
Short-term debt	13.1				
Bank overdrafts	13.3	—	—	—	—
Capital leases	1.2	1.2	0.9	0.4	—
Operating leases	0.3	0.4	0.4	0.1	—
Purchase obligations—Fixed assets	1.6	—	—	—	—
Long term Loans	8.6	7.9	5.7	4.6	6.1
Total contractual cash obligations	38.1	9.5	7.0	5.1	6.1

The Group does not engage in any material off-balance sheet financing.

Quantitative and Qualitative Disclosures about Market Risk

The Group's exposure to market risk is a function of its borrowings and manufacturing activities. The Group is exposed to market risk from changes in both foreign currency exchange rates and interest rates. The Group faces foreign exchange risk to the extent the business's sales, costs, assets or liabilities are denominated in currencies other than the US dollar. Its interest rate risk results from changes in interest rates which may affect the cost of its financing. The Group does not hold or issue derivative or other financial instruments for trading purposes.

Interest rate risks

The Group manages its exposures to interest rate risks by changing the proportion of fixed rate debts and variable rates debts in its total debt portfolio. To manage this mix, the Group may enter into interest rates swap agreements, in which it exchanges the periodic payments based on notional amounts and agreed upon fixed and variable interest rates. Using these derivative financial instruments has not had a material impact on the Group's financial position at 31 December 2004, 2003 and 2002 or at 30 June 2005 or the Group's results of operations for the years and six months then ended. See Note 24 to the Group's consolidated financial information in Part XI: *Financial Information* for the three years ended 31 December 2004 and the six months ended 30 June 2005 for a description of the Group's interest rate swaps.

Foreign exchange rate risk

The Group's results are subject to currency translation and transaction risks. The objective in managing exposure to changes in foreign currency exchanges is to reduce volatility on earnings and cash flows associated with these changes. Foreign currency exchange rate movements create fluctuations in US dollar reported amounts of Hikma's subsidiaries that do not report in US dollars. The Group has not used foreign currency derivative instruments to manage translation fluctuations.

The Group primarily uses foreign exchange forward contracts and/or options to hedge certain cash flows denominated in currencies other than the subsidiary's functional currency. The counter-parties for these contracts are banks and the Group considers the risk of non-performance by the counterparties as non-material. See Note 24 to the Group's consolidated financial statements in Part XI: *Financial Information* for the three years ended 31 December 2004 and the six months ended 30 June 2005 for a description of the Group's interest rate swaps.

At 31 December 2004, the Group had foreign exchange option contracts denominated in euro with a notional amount and fair value of €750,000. At 30 June 2005, the Group had foreign exchange forward contracts denominated in euro with a notional amount and fair value of €200,000.

Inflation risk

Hikma believes it is not subject to material risk due to inflation in any of its core markets.

9. CURRENT TRADING PROSPECTS

Current Trading and Prospects

Since 30 June 2005, the Group has continued to trade in line with the Directors' expectations. Each of the three businesses has reported increased sales over the same period in the financial year ended 31 December 2004. The Group has submitted 21 product approval applications since 30 June 2005 and anticipates that it will submit a further 29 applications by the end of the year. Twelve products have been launched since 30 June 2005 including seven by the Branded Pharmaceuticals business and five by the Injectable Pharmaceuticals business. Based on these product filings and launches, the Directors remain confident of the growth prospects of the Group.

The Directors view the trading prospects of the Company and the Group for the next twelve months as positive. The Directors believe that with the additional funds to be raised under the Global Offer, the Group will be well placed to focus on the development and marketing of further products to achieve profitable growth.

PART VII: CAPITALISATION AND INDEBTEDNESS STATEMENT

The following table shows the capitalisation of the Group as of 30 June 2005, based on the IFRS Financial Information included in Part XI of this document.

	Amount in US$ millions
Shareholder's equity	
Share capital	35.6
Reserves	123.8
	159.4

There has been no material change in the capitalisation of the Group since 30 June 2005.

The following table shows the net financial indebtedness of the Group as of 31 August 2005.

	Amount in US$ millions
Total current debt	
Secured(1)	9.1
Unguaranteed/unsecured	27.8
	36.9
Total Non-current debt (excluding current portion of long-term debt)	
Secured(1)	9.5
Unguaranteed/unsecured	40.1
	49.6
Cash and Cash equivalents(2)	(61.2)
Bank overdrafts	1.0
Short term financial debts	20.3
Import and export financing	14.3
Current portion of capital lease obligations	1.3
Current Financial Debt	36.9
Net Current Financial Indebtedness	(24.3)
Long term financial debts	46.8
Non current portion of capital lease obligations	2.8
Non current Financial Indebtedness	49.6
Gross Debt	86.5
Net Financial Indebtedness	25.3

(1) Please see Part XIV: *Additional Information —11. Material Contracts*' sub-paragraphs (a), (b), (c) and (d) for a description of the most significant secured assets.

(2) This item includes an amount of approximately $5 million that represents collateralised cash (an amount equal to 105% of bank facilities granted to the Group's Algerian operations). Please see note 17 in Part XI for additional information on this item.

The Group was contingently liable for the total amounts of $11.2 million as of 31 August 2005 representing letters of guarantee and letters of credit.

Also the Group guaranteed 47.5 per cent. of a loan granted to its associate JPI by Saudi Industrial Development Fund (SIDF) for a total equivalent value of $14.0 million for both years 2003 and 2002 million while the total value was equivalent to $13.3 million at 30 June 2004, 31 December 2004 and 30 June 2005.

PART VIII: REASONS FOR THE GLOBAL OFFER AND USE OF PROCEEDS

The Directors anticipate the Global Offer will achieve the following aims:

- Further increase the Group's profile and brand recognition;
- Create an acquisition currency;
- Assist in the recruitment, retention and incentivisation of key management and employees; and
- Provide an exit, whether whole or partial, for the Selling Shareholders.

The gross proceeds to the Group from the issue of the Ordinary Shares being offered in the Global Offer are approximately £70 million (assuming the Over-allotment Option is not exercised.) The net proceeds to the Group from the issue of Ordinary Shares being offered in the Global Offer are approximately £62.8 million after the deduction of commissions, other fees and expenses payable by the Group (assuming the Over-allotment Option is not exercised.) The Group will not receive any of the proceeds of the sale of Ordinary Shares by the Selling Shareholders.

The Group intends to use the net proceeds it receives from the Global Offer first to pay down approximately $50 million of outstanding debt, then to provide $20 million of funding for the capital expenditure required in the construction of the cephalosporin plant in Portugal, which is expected to be finished in the first half of 2007, $10 million of funding for the construction of a penicillin plant in Jordan, which is expected to be finished in the second half of 2007, and $8 million of funding for the expansion of the existing lyophilized injectable plant in Italy, which is expected to be completed in 2007. The remainder will be used to fund general working capital requirements and to provide enhanced financial flexibility to make opportunistic bolt-on acquisitions that may present themselves in the future.

PART IX: DIVIDEND POLICY

The Directors intend to adopt a progressive dividend policy, which will reflect the long-term earnings and cash flow potential of the Group, whilst maintaining an appropriate level of dividend cover.

It is envisaged that commencing with the financial year ended 31 December 2005, interim dividends will be paid in October and final dividends in April of each year, in the approximate proportions of one-third and two-thirds respectively of the total annual dividend. Assuming that there are sufficient distributable reserves available at the time, the Board initially intends to target a dividend of approximately 20 per cent. of the annual reported Group profits for the financial year after tax in the form of total annual dividends to Shareholders.

The Ordinary Shares offered by this document will be entitled to dividends for the financial year ended 31 December 2005. It is envisaged that the first dividend to be declared by the Group following the Global Offer will be announced with its 2005 financial results in April 2006, and will be calculated on a pro rata basis to reflect the fact that the Group will only have been listed for approximately two months of the relevant financial year.

On 13 October 2005, the Shareholders of the Company authorised the Directors to approve the payment of a pre-Global Offer dividend of $10.7 million to existing shareholders, to be distributed in November 2005. The Directors approved this payment at its meeting of 31 October 2005.

As a holding company, the ability of Hikma Pharmaceuticals plc to pay dividends will be dependent upon dividends and interest payments being distributed to it by its subsidiaries. In addition, its ability to declare and pay dividends may be constrained by future financing arrangements. As is the case with all forward-looking statements, this statement regarding Hikma's dividend policy is subject to a variety of risks and uncertainties. Hikma may revise its dividend policy from time to time. For a discussion of certain of the factors that could cause Hikma's actual dividends to deviate from its current policy and estimates, see Part II: *Risk Factors*.

PART X: PRINCIPAL AND SELLING SHAREHOLDERS

The following table identifies the holdings of Ordinary Shares, immediately prior to and immediately following the Global Offer, of all shareholders who are selling Existing Shares:

	Ordinary Shares beneficially owned prior to the Global Offer		Ordinary Shares to be sold in the Global Offer	Ordinary Shares owned after the Global Offer	% of issued share capital owned after the Global Offer	
					Assuming no exercise of the Over-allotment option	Assuming Over-allotment option is exercised in full
	Number	%		Number	%	%
Citicorp International Finance Corporation	17,790,016	12.5	17,790,016	0	0.0	0.0
Al-Masirah Investment Company	8,476,532	6.0	4,238,266	4,238,266	2.5	2.5
International Finance Corporation	4,147,512	2.9	1,659,004	2,488,508	1.5	1.5
Nabil Rizk	1,648,372	1.2	40,000	1,608,372	1.0	1.0
Hikma Pharmaceuticals Employees Saving Fund	1,584,560	1.1	80,000	1,504,560	0.9	0.9
Samih Darwazah	1,474,506	1.0	400,000	1,074,506	0.6	0.6
Ali Al-Husry	1,309,748	0.9	200,000	1,109,748	0.7	0.7
Zuhair Almanasrah	1,200,000	0.8	480,000	720,000	0.4	0.4
Said Samih Taleb Darwazah	912,780	0.6	300,000	612,780	0.4	0.4
Mazen Darwazah	861,958	0.6	300,000	561,958	0.3	0.3
Mohd M. M. Saffouri	784,532	0.6	384,532	400,000	0.2	0.2
Abdellatif M. Al-Khalid	545,444	0.4	145,444	400,000	0.2	0.2
Bashir Yusuf Mohammad Al-Alami	431,600	0.3	400,000	31,600	0.0	0.0
Majda Labadi	385,740	0.3	80,000	305,740	0.2	0.2
Bassam Kanaan	362,804	0.3	40,000	322,804	0.2	0.2
Basel Awad	273,532	0.2	100,000	173,532	0.1	0.1
Ibrahim Mohammad Ibrahim Jalal Co & Partners	260,000	0.2	160,000	100,000	0.1	0.1
Ibrahim Jalal	202,400	0.1	120,000	82,400	0.0	0.0
Gabriel Kalisse	161,920	0.1	100,000	61,920	0.0	0.0
Ibrahim Shihadeh	134,500	0.1	32,000	102,500	0.1	0.1
Taghreed Al-Shunnar	109,640	0.1	20,000	89,640	0.1	0.1
Fares Awwad	78,328	0.1	6,000	72,328	0.0	0.0
Amjad Wahbeh	63,908	0.0	12,000	51,908	0.0	0.0
Ramzi Fathallah Darwazah	55,452	0.0	8,000	47,452	0.0	0.0
Riad Meshlawi	53,328	0.0	24,000	29,328	0.0	0.0
Othman Abu Gheida	27,632	0.0	24,000	3,632	0.0	0.0
Ghaith Al-Hawi	24,180	0.0	12,000	12,180	0.0	0.0
Harold Zenenberg	12,000	0.0	12,000	0	0.0	0.0
Martin Sheer	12,000	0.0	6,000	6,000	0.0	0.0
Grand Total	**43,384,924**	**30.5**	**27,173,262**	**16,211,662**	**9.7**	**9.6**

None of the Shareholders detailed above has voting rights which differ in any way from those of Hikma's other shareholders.

Prior to the Global Offer, Darhold Limited controlled approximately 37.0 per cent. of the issued share capital of Hikma Pharmaceutical plc. Following the Global Offer, as a result of the issue of New Shares this controlling interest will be reduced to 31.6 per cent, assuming no exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, Darhold Limited's controlling interest will be further reduced to 31.1 per cent. of the issued ordinary share capital of the Company.

Darhold Limited is a Jersey registered private company limited by shares, in which a number of private Jordanian individuals, including three of the Company's directors Messrs Samih Darwazah, Mazen Darwazah and Ali Al-Husry, hold shares. Mr Samih Darwazah, holds 16.7 per cent. of the issued share capital of Darhold Limited. Mr Mazen Darwazah, holds 9.9 per cent. of the issued share capital of Darhold Limited. Mr Ali Al-Husry, holds 7.6 per cent. of the ordinary shares in Darhold Limited.

Darhold Limited has agreed that it is in the interests of both parties that the Company should be managed independently of Darhold Limited or any other significant shareholders to operate for the benefit of all of its shareholders and on a transparent basis. The Company and Darhold Limited have therefore entered into a relationship agreement dated 31 October 2005, on the following basis:

(a) all financial dealings between the Hikma Group and Darhold Limited or any of its associates, including the executive Directors, should be conducted on arm's length terms on a normal commercial basis;

(b) any transaction, relationship or arrangement with a value in excess of $1,000 entered into between Darhold Limited and/or any of its associates and any member of the Hikma Group must be approved by the Company's independent non-executive Directors or by a committee or person appointed by them. Hikma intends to adopt procedures to be drawn up by the independent non-executive Directors to report and monitor any transactions which may require approval;

(c) at all times at least half the Board excluding the Chairman should be independent non-executive Directors;

(d) the Company's Audit and Remuneration Committees will at all times be composed entirely of independent non-executive Directors;

(e) the Company's Audit, Remuneration and Nomination committees shall be entitled to have access to any executive or adviser of the Company without interference from or the involvement of the full Board;

(f) the financial and legal function of the Hikma Group, which is managed by the Chief Financial Officer, will have the power to appoint financial consulting, tax and legal advisers to the Hikma Group; and

(g) any new Chief Financial Officer for the Hikma Group must be approved by both the Audit committee and the Board.

In addition, Darhold Limited has agreed and undertaken to:

(a) keep confidential all information in connection with the Hikma Group that is not in the public domain and has accepted that any member of the Board who is also a director of Darhold Limited shall be required to keep such information confidential from Darhold Limited; and

(b) provide any information reasonably requested by the Company in order to allow it to comply with its obligations under the UK Listing Authority's Listing Rules and/or Disclosure Rules.

Darhold has agreed that, until such time as the Company is subject to the Takeover Directive or similar UK regime, if it or any of its related parties as identified in the Relationship Agreement were to acquire shares in the Company so as to increase their aggregate holding to 32.6 per cent. or more, Darhold would, unless the independent directors of the Company decide otherwise, make a general offer for all the issued shares in the Company. The offer must include a cash alternative at the highest price paid by any such person in the previous 12 months and have no conditions other than those envisaged by Rule 9 of the Takeover Code or as approved by the independent directors of the Company. The obligation would not arise from the exercise of options by employees or ex-employees.

Deloitte.

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The Directors
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Merrill Lynch International
2 King Edward Street
London EC1A 1HQ

1 November 2005

Dear Sirs

Hikma Pharmaceuticals plc (the "Company")

We report on the financial information on the Company set out in Part XI(A) of the prospectus dated 1 November 2005 of the Company (the "Prospectus"). This financial information has been prepared for inclusion in the Prospectus on the basis of the accounting policies set out in note 2. This report is required by Annex I item 20.1 of Appendix 3 of the Prospectus Rules and is given for the purpose of complying with that requirement and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the financial information in accordance with IFRS.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Prospectus, and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of the Company as at the date stated and of its changes in equity for the period then ended in accordance with IFRS.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Annex 1 item 1.2 of Appendix 3 of the Prospectus Rules.

Yours faithfully

Deloitte & Touche LLP
Chartered Accountants

(A) FINANCIAL INFORMATION IN RESPECT OF HIKMA PHARMACEUTICALS PLC AT 30 SEPTEMBER 2005

Balance Sheet

At 30 September 2005

	Notes	USD
Current assets		
Called up share capital not paid		90,000
Total assets		90,000
Current liabilities		
Redeemable preference shares	5	89,996
Total liabilities		89,996
Equity		
Ordinary share capital	5	4
Total equity		4
Total liabilities and equity		90,000

Statement of changes in equity

	USD
At 8 September 2005	—
Issue of share capital	4
At 30 September 2005	4

Notes to the financial information

For the period ended 30 September 2005

1. BACKGROUND TO THE COMPANY

The Company was incorporated on 8 September 2005 under the name of Hikma Pharma Public Limited Company. The name of the Company was changed to Hikma Pharmaceuticals plc on 19 September 2005. For the period from incorporation to 30 September 2005 the Company did not trade and recognised no gain or loss. Accordingly no income statement is presented.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial information is prepared in accordance with International Financial Reporting Standards and on the historical cost convention. The currency used in the preparation of the financial information is the US Dollar.

A summary of the principal accounting policies of the company, all of which have been applied consistently throughout the period is set out below.

Taxation

No charge for taxation has been made since the company recorded neither a profit nor a loss for the period. There is no unprovided deferred taxation.

3. EMPLOYEE INFORMATION

The Company has no employees.

4. DIRECTORS' EMOLUMENTS

None of the directors received any remuneration from the Company during the period.

5. CALLED UP SHARE CAPITAL

	USD
Authorised:	
2 ordinary shares of £1 each	4
49,998 non-voting, redeemable preference shares of £1 each	89,996
Allotted, called up and not paid:	
2 ordinary shares of £1 each	4
49,998 non-voting, redeemable preference shares of £1 each	89,996

The two ordinary shares of £1 each were transferred on 8 September 2005 as subscriber shares at a price of £1 each to the Executive Directors, and on 15 September 2005 all the preference shares were allotted to the Executive Directors.

The Company shall redeem the non-voting, redeemable preference shares at par immediately prior to and conditionally upon the Company's ordinary share capital being admitted to the Official List and to trading on the London Stock Exchange. The redeemable preference shares are therefore presented as a financial liability.

On 31 October 2005, the two ordinary shares of £1 were subdivided into 10 ordinary shares of 10p each and the authorised share capital of the Company was increased to £50 million by the creation of an additional 499,999,980 ordinary shares of 10p each.

6. POST BALANCE SHEET EVENTS

On 31 October 2005, the Company acquired the entire issued share capital of Hikma Pharma Limited pursuant to a share exchange offer under the terms of which shareholders in Hikma Pharma Limited received four ordinary shares in the Company for every one share held in Hikma Pharma Limited.

7. ULTIMATE CONTROLLING PARTY

At 30 September 2005, prior to the Global Offer, the Executive Directors were the ultimate controlling party of the Company.

Deloitte.

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The Directors
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Merrill Lynch International
2 King Edward Street
London EC1A 1HQ

1 November 2005

Dear Sirs

Hikma Pharma Limited ("Hikma Pharma") and its subsidiaries ("Hikma Pharma Group")

We report on the financial information on Hikma Pharma Group set out in Part XI(B) of the prospectus dated 1 November 2005 (the "Prospectus") of Hikma Pharmaceuticals plc (the "Company") for the years ended 31 December 2002, 2003 and 2004 and the six month period ended 30 June 2005. This financial information has been prepared for inclusion in the Prospectus on the basis of the accounting policies set out in note 2. This report is required by Annex I item 20.1 of Appendix 3 of the Prospectus Rules and is given for the purpose of complying with that requirement and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the financial information in accordance with IFRS.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Prospectus, and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information for the years ended 31 December 2002, 2003 and 2004 and the six month period ended 30 June 2005 gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of the Hikma Pharma Group as at the dates stated and of its profits, cash flows and changes in equity for the periods then ended in accordance with IFRS.

We express no opinion on the financial information for the six month period ended 30 June 2004 set out in Part XI(B) of the Prospectus which is marked unaudited.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Annex 1 item 1.2 of Appendix 3 of the Prospectus Rules.

Yours faithfully

Deloitte & Touche LLP
Chartered Accountants

(B) FINANCIAL INFORMATION IN RESPECT OF THE HIKMA PHARMA GROUP FOR THE THREE YEARS ENDED 31 DECEMBER 2004 AND SIX MONTHS ENDED 30 JUNE 2005

HIKMA PHARMA LIMITED

CONSOLIDATED INCOME STATEMENTS

	Notes	For the years ended 31 December			For the period ended 30 June	
		2002	2003	2004	2004 (unaudited)	2005
		USD'000	USD'000	USD'000	USD'000	USD'000
Continuing operations						
Net sales	3	137,649	187,660	214,148	106,476	132,245
Cost of sales		(65,332)	(92,033)	(103,937)	(52,143)	(59,000)
Gross profit		**72,317**	**95,627**	**110,211**	**54,333**	**73,245**
Sales and marketing		(14,745)	(19,195)	(21,062)	(9,649)	(14,303)
General and administrative		(11,192)	(13,346)	(15,961)	(7,152)	(10,311)
Research and development	4	(4,852)	(7,366)	(9,672)	(3,318)	(7,171)
Other operating expenses		(1,884)	(412)	(2,282)	(1,113)	(2,530)
Provision for impairment of fixed assets	4	(3,484)	—	—	—	—
Operating profit	4	**36,160**	**55,308**	**61,234**	**33,101**	**38,930**
Share of results of associate		(1,576)	310	732	379	777
Financing income	5	188	518	326	159	490
Interest expense and other bank charges		(4,102)	(3,391)	(3,825)	(1,874)	(2,404)
Other income/(expense)		72	210	557	(93)	902
Profit before tax and minority interest		**30,742**	**52,955**	**59,024**	**31,672**	**38,695**
Tax	6	(13,723)	(21,261)	(20,835)	(10,874)	(12,938)
Profit before minority interest		**17,019**	**31,694**	**38,189**	**20,798**	**25,757**
Minority interest		(116)	(300)	(731)	(108)	(667)
Profit for the year/period		**16,903**	**31,394**	**37,458**	**20,690**	**25,090**
Basic earnings per share (USD)	7	0.12	0.22	0.26	0.15	0.18
Diluted earnings per share (USD)	7	0.11	0.21	0.25	0.14	0.17

HIKMA PHARMA LIMITED

CONSOLIDATED BALANCE SHEETS

	Notes	As at 31 December 2002	2003	2004	As at 30 June 2004 (unaudited)	2005
		USD'000	USD'000	USD'000	USD'000	USD'000
ASSETS						
Non-current assets						
Intangible assets	9	809	742	5,033	1,942	5,924
Property, plant and equipment	10	40,202	56,729	71,471	64,340	80,168
Interest in associates	11	5,448	5,758	6,103	5,750	6,880
Deferred taxes	12	615	1,668	171	1,668	171
Investments in available for sale securities	13	406	354	425	354	448
Financial and other assets	14	1,615	1,692	2,811	2,038	3,344
		49,095	**66,943**	**86,014**	**76,092**	**96,935**
Current assets						
Inventory	15	35,265	48,645	44,365	47,852	52,561
Other current assets		2,789	2,971	4,945	3,468	7,119
Income tax recoverable		1,843	1,201	1,908	1,460	3,523
Accounts receivable, net	16	44,258	47,709	60,151	68,997	87,140
Investment in cash deposits	17	—	3,581	7,692	7,626	—
Collateralised cash	17	—	—	—	—	5,062
Cash and cash equivalents		19,472	39,301	41,406	23,623	45,660
		103,627	**143,408**	**160,467**	**153,026**	**201,065**
TOTAL ASSETS		**152,722**	**210,351**	**246,481**	**229,118**	**298,000**
LIABILITIES AND EQUITY						
Current liabilities						
Income tax provision		1,173	3,545	4,646	7,293	7,402
Provisions	18	22	457	829	692	885
Trade accounts payable		7,860	12,912	16,062	13,964	22,512
Capital lease obligations	22	269	791	1,165	968	1,358
Bank overdrafts and loans	19	36,284	28,262	35,108	35,421	34,455
Other current liabilities	20	13,357	21,847	15,422	14,671	19,633
		58,965	**67,814**	**73,232**	**73,009**	**86,245**
Net current assets		**44,662**	**75,594**	**87,235**	**80,017**	**114,820**
Non-current liabilities						
Long-term financial debts	21	15,052	32,154	24,291	28,417	44,709
Deferred revenue		624	645	591	572	473
Capital lease obligations	22	758	1,812	2,448	2,455	2,954
Deferred taxes	12	—	—	744	—	1,038
		16,434	**34,611**	**28,074**	**31,444**	**49,174**
Total liabilities		**75,399**	**102,425**	**101,306**	**104,453**	**135,419**
Net assets		**77,323**	**107,926**	**145,175**	**124,665**	**162,581**
Equity						
Share capital	1	35,600	35,600	35,600	35,600	35,600
Treasury shares	23	(243)	(193)	(187)	(5,028)	158
Reserves		41,518	71,822	107,077	92,294	123,629
Equity attributable to equity holders of the parent		**76,875**	**107,229**	**142,490**	**122,866**	**159,387**
Minority interest		448	697	2,685	1,799	3,194
Total equity		**77,323**	**107,926**	**145,175**	**124,665**	**162,581**
TOTAL LIABILITIES AND EQUITY		**152,722**	**210,351**	**246,481**	**229,118**	**298,000**

HIKMA PHARMA LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Notes	Merger reserve	Retained earnings	Cumulative translation reserves	Total reserves	Share capital	Treasury shares	Total equity attributable to equity holders of the parent
		USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
At 1 January 2002	27	23,589	5,175	(3,186)	**25,578**	35,600	(1,068)	**60,110**
Sale of treasury shares		—	—	—	**—**	—	825	**825**
Dividends on ordinary shares		—	(2,260)	—	**(2,260)**	—	—	**(2,260)**
Profit for the year		—	16,903	—	**16,903**	—	—	**16,903**
Other changes in equity	27	—	(170)	—	**(170)**	—	—	**(170)**
Currency translation gain		—	—	1,467	**1,467**	—	—	**1,467**
At 31 December 2002		23,589	19,648	(1,719)	**41,518**	35,600	(243)	**76,875**
Sale of treasury shares		—	—	—	**—**	—	50	**50**
Dividends on ordinary shares		—	(3,013)	—	**(3,013)**	—	—	**(3,013)**
Profit for the year		—	31,394	—	**31,394**	—	—	**31,394**
Other changes in equity	27	—	14	—	**14**	—	—	**14**
Currency translation gain		—	—	1,909	**1,909**	—	—	**1,909**
At 31 December 2003		**23,589**	**48,043**	**190**	**71,822**	**35,600**	**(193)**	**107,229**
Cost of equity settled employee share scheme		—	145	—	**145**	—	—	**145**
Sale of treasury shares		—	—	—	**—**	—	4,841	**4,841**
Purchase of treasury shares		—	—	—	**—**	—	(4,835)	**(4,835)**
Dividends on ordinary shares		—	(3,766)	—	**(3,766)**	—	—	**(3,766)**
Profit for the year		—	37,458	—	**37,458**	—	—	**37,458**
Other changes in equity	27	—	260	—	**260**	—	—	**260**
Currency translation gain		—	—	1,158	**1,158**	—	—	**1,158**
At 31 December 2004		23,589	82,140	1,348	**107,077**	35,600	(187)	**142,490**
At 1 January 2004		**23,589**	**48,043**	**190**	**71,822**	**35,600**	**(193)**	**107,229**
Purchase of treasury shares		—	—	—	**—**	—	(4,835)	**(4,835)**
Profit for the period		—	20,690	—	**20,690**	—	—	**20,690**
Other changes in equity	27	—	175	—	**175**	—	—	**175**
Currency translation loss		—	—	(393)	**(393)**	—	—	**(393)**
At 30 June 2004 (unaudited)		23,589	68,908	(203)	**92,294**	35,600	(5,028)	**122,866**
At 1 January 2005		**23,589**	**82,140**	**1,348**	**107,077**	**35,600**	**(187)**	**142,490**
Cost of equity settled employee share scheme		—	330	—	**330**	—	—	**330**
Sale of treasury shares		—	—	—	**—**	—	345	**345**
Dividends on ordinary shares		—	(7,120)	—	**(7,120)**	—	—	**(7,120)**
Profit for the period		—	25,090	—	**25,090**	—	—	**25,090**
Other changes in equity	27	—	(77)	—	**(77)**	—	—	**(77)**
Currency translation loss		—	—	(1,671)	**(1,671)**	—	—	**(1,671)**
At 30 June 2005		23,589	100,363	(323)	**123,629**	35,600	158	**159,387**

HIKMA PHARMA LIMITED

CONSOLIDATED CASH FLOW STATEMENTS

	Notes	For the year ended 31 December			For the period ended 30 June	
		2002	2003	2004	2004 (unaudited)	2005
		USD'000	USD'000	USD'000	USD'000	USD'000
Net cash generated from operating activities	29	**25,331**	**35,756**	**33,922**	**614**	**891**
CASH FLOWS FROM INVESTING ACTIVITIES						
Investment in property, plant and equipment		(16,255)	(20,090)	(18,043)	(8,979)	(8,948)
Proceeds from disposal of property, plant and equipment		—	573	66	4	438
Purchase of intangible assets		—	—	(3,287)	(1,116)	(240)
Investment in financial and other assets		(2,754)	(67)	(1,732)	(1,387)	120
Disposal of financial and other assets		—	—	500	500	854
Disposal of available for sale securities		—	42	—	—	—
Investment in available for sale securities		—	—	(71)	—	(39)
Investment in/reduction of cash deposits		—	(3,581)	(4,111)	(4,045)	7,692
Acquisition of subsidiary	28	—	—	(690)	(71)	(785)
Cash acquired on acquisition of subsidiaries	28	—	—	880	—	4
Net cash used in investing activities		**(19,009)**	**(23,123)**	**(26,488)**	**(15,094)**	**(904)**
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from the sale of treasury shares		825	50	4,841	—	345
Purchase of treasury shares		—	—	(4,835)	(4,835)	—
Increase in collateralised cash		—	—	—	—	(5,062)
Increase in long-term financial debts		3,487	22,596	—	939	18,524
Repayment of long-term financial debts		(3,763)	(5,493)	(9,670)	(614)	—
Increase in short-term financial debts		1,004	2,204	11,622	5,540	10,575
Repayment of short-term financial debts		(9,246)	(10,226)	(4,632)	(3,498)	(14,008)
Increase in capital lease obligations		110	1,843	1,575	1,243	431
Payment of capital lease obligations		(84)	(267)	(564)	(422)	(272)
Dividends paid		(2,221)	(3,013)	(3,766)	—	(7,120)
Net cash (used in)/generated from financing activities		**(9,888)**	**7,694**	**(5,429)**	**(1,647)**	**3,413**
Net effect of currency translation on cash and cash equivalents		3,649	(498)	100	449	854
Increase/(decrease) in cash and cash equivalents		**83**	**19,829**	**2,105**	**(15,678)**	**4,254**
Cash and cash equivalents at 1 January		19,389	19,472	39,301	39,301	41,406
Cash and cash equivalents at period end		**19,472**	**39,301**	**41,406**	**23,623**	**45,660**

1. General

The consolidated financial information presented includes Income Statements, Balance Sheets, Cashflow Statements, Statements of Changes in Equity and the related notes for Hikma Pharma Limited and its subsidiaries ('the Group' or 'Hikma') for the years ended 31 December 2002, 2003, 2004 ('2002', '2003' and '2004') and the six month periods ('period') ended 30 June 2004 and 2005.

During 2004 the Group carried out a corporate restructuring including the introduction of a new holding company, Hikma Pharma Limited, incorporated on 2 January 2004 in Jersey in accordance with the Companies Jersey Law 1991 and registered as a public limited liability company.

Hikma Pharma Limited acquired the issued share capital of Hikma Investment Limited, the former holding company, for the issue of 2 shares in Hikma Pharma Limited for each share of Hikma Investment Limited. The authorised share capital of Hikma Pharma Limited is USD 50,000,000 divided into 50,000,000 shares of USD 1 each. At 31 December 2004 and 30 June 2005 issued and paid up share capital of Hikma Pharma Limited was USD 35,600,000 divided into 35,600,000 shares of USD 1 each.

The Group financial information has been prepared using merger accounting and is presented on a pro forma basis, as if the new holding company had existed throughout the year ended 31 December 2004 and prior periods. A merger reserve arises on the acquisition, representing the difference between the paid up share capital of Hikma Pharma Limited and the paid up share capital and share premium of Hikma Investment Limited, and is a non-distributable reserve.

2. Significant accounting policies

Basis of preparation of the financial information

Hikma Pharma Limited's consolidated financial information is prepared in accordance with International Financial Reporting Standards (IFRS). The financial information has been prepared under the historical cost convention, except for the revaluation to market of certain financial assets and liabilities.

The Group's previously published financial information was prepared in accordance with International Accounting Standards. These International Accounting Standards have been subject to amendment and interpretation by the International Accounting Standards Board and the financial information presented for the years ended 31 December 2002, 2003, 2004 and the six month periods ended 30 June 2004 and 2005 have been prepared in accordance with those revised standards. Unless stated otherwise these policies are in accordance with the revised standards and have been applied throughout the years and periods presented in this financial information.

The currency used in the preparation of the accompanying consolidated financial information is the US Dollar as the majority of the Group's business is conducted in US Dollars (USD).

The significant accounting policies are set out below:

Basis of consolidation

The consolidated financial information incorporates the results of Hikma Pharma Limited and entities controlled by the company. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial information of subsidiaries to bring the accounting policies used in line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Investments in associates

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee.

2. Significant accounting policies — *continued*

The results and assets and liabilities of associates are incorporated in the financial information using the equity method of accounting except when classified as held for sale (see below). Investments in associates are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of the associates in excess of the Group's interest in those associates are not recognised.

Any excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition is recognised as goodwill.

Intangible assets

Intangible assets are valued at cost and reviewed at least annually for any impairment. Any resulting impairment loss is recorded in the income statement under general and administrative expenses.

(a) Goodwill: Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or associate at the date of acquisition.

Goodwill is recognised as an intangible asset and reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

On disposal of a subsidiary or associate, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Prior to 2004 annual amortisation charges had been applied to the cost of goodwill over 20 years in accordance with IAS 38 'Intangible assets'.

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

(c) Software: is amortised over three years.

Foreign currencies

Transactions in currencies other than US Dollars are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in net profit or loss for the period, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value and the related foreign exchange are recognised directly in equity.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed.

Revenue recognition

Sales revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided, including those under licence agreements, in the normal course of business, net of discounts, VAT and other sales related taxes. Sales of goods is recognised when the risk of loss and title are transferred to customers. Provisions for estimates against sales revenue are made in respect of rebates, promotional adjustments, price adjustments, returns, chargebacks, and other potential adjustments which are reasonably determinable. These provisions are presented in the consolidated financial information as reductions to gross sales. Accounts receivable are presented net of allowances relating to these provisions. Provisions for rebates, promotional and other credits are estimated based on historical payment experience, estimated customer inventory levels and contract terms. Provisions for other customer credits, such as price adjustments, returns and chargebacks require management to make subjective judgments.

Chargebacks

The provision for chargebacks is the most significant and complex estimate used in the recognition of revenue. In the USA the Group sells its products directly to wholesale distributors, generic distributors, retail pharmacy

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

Returns and rebates

In certain countries and consistent with industry practice, the Group has a product return policy that allows selected customers to return the product within a specified period prior to and subsequent to the expiration date, in exchange for a credit to be applied to future purchases.

The Group estimates its provision for returns and rebates based on historical experience, changes to business practices and credit terms. While such experience has allowed for reasonable estimations in the past, history may not always be an accurate indicator of future returns. The Group continually monitors the provisions for returns and rebates, and makes adjustments when it believes that actual product returns may differ from established reserves. Generally, the reserve for returns and rebates increases as net sales increase.

Price adjustments

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

Borrowing costs

All borrowing costs are recognised in income statement in the year/period in which they are incurred.

Dividend income

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

Leasing

Leases are classified as capital leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rentals payable under operating leases are charged to income on a straight line basis over the term of the operating lease.

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

Government grants

Government grants relating to property, plant and equipment are treated as deferred income and released to the income statement over the period necessary to match them with the assets' life, which they are intended to compensate for.

Research and development

Research and development expenses are fully charged to the income statement, as the Group considers that the regulatory and other uncertainties inherent in the development of its products generally mean that the recognition

criteria in IAS 38 'Intangible assets' are not met. Where, however the recognition criteria are met, intangible assets will be capitalised and amortised over their useful economic life.

Retirement Benefit Costs

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

Tax

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

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

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

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

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

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

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

Share-based payment transactions

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

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which the share based payments are granted. The fair value is determined using a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations (further details are given in note 31). In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Hikma Pharma Limited.

2. Significant accounting policies — *continued*

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, on a straight-line basis over the vesting period based on the Group's estimate of shares that will eventually vest. No expense is recognised for awards that do not ultimately vest.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the modification date.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for a cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

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

Property, plant and equipment

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

Buildings	2% to 4%
Vehicles	10% to 20%
Machinery & equipment . . .	5% to 20%
Fixtures & equipment	8% to 33%

Any additional costs that extend the useful life of property, plant and equipment are capitalised. Financing costs associated with the construction of property, plant and equipment are not capitalised. Property, plant and equipment which are financed by leases giving Hikma Pharma Limited substantially all the risks and rewards of ownership are capitalised at the lower of the fair value of leased property and the present value of the minimum lease payments at the inception of the lease, and depreciated in the same manner as other property, plant and equipment over the shorter of the lease term or their useful life.

Whenever the recoverable amount of an asset is impaired, the carrying value is reduced to the recoverable amount and the impairment loss is taken to the income statement.

Projects under construction are carried at cost, less any recognised impairment loss. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

Investments

Available for sale investments with quoted market prices are initially recognised at cost on acquisition and re-measured to their fair values at year-end. Gains or losses on re-measurement to fair value are recognised in shareholders' equity until the investments are sold, disposed of, or determined to be impaired, at which time the cumulative gains or loss relating to these investments previously recognised in equity is included in the income statement. Available for sale financial assets without market prices and the fair value of which cannot be reliably measured are stated at cost, less a provision for any impairment loss, which is taken to the income statement.

The fair value of quoted financial assets represents the closing price in the financial markets at the date of the financial information. However, the fair value of unquoted financial assets, or those with no declared price are estimated by comparing the fair value of a similar financial instrument or through a discounted cash flow method.

2. Significant accounting policies — *continued*

Inventory

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

Financial instruments

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

The group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The group uses foreign exchange forward contracts and interest rate swap contracts to hedge these exposures. The group does not use derivative financial instruments for speculative purposes. The use of financial derivatives is governed by the group's policies approved by the board of directors, which provide written principles on the use of financial derivatives.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the income statement. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects net profit or loss.

For an effective hedge of an exposure to changes in the fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry in profit or loss. Gains or losses from re-measuring the derivative, or for non-derivatives the foreign currency component of its carrying amount, are recognised in profit or loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the period.

Accounts receivable

Accounts receivables are stated at net realisable value after deducting the provision for doubtful debts and chargebacks.

Cash and cash equivalents

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

Trade payables

Trade payables are not interest bearing and are stated at their nominal value.

2. Significant accounting policies — *continued*

Provisions

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

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

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

If the recoverable amount of an asset (or income-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (income-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

3. Segmental Information

For the year ended 31 December 2002
USD 000's

Segment Information	Generic Pharmaceuticals	Branded Pharmaceuticals	Injectable Pharmaceuticals	Others	Total
Business Segments					
Net sales	66,963	49,635	19,230	1,821	137,649
Cost of sales	(28,123)	(25,416)	(10,804)	(989)	(65,332)
Gross Profit	38,840	24,219	8,426	832	72,317
Segment Result	28,580	6,316	4,593	390	39,879
Unallocated expenses					(3,719)
Operating profit					36,160
Share of results of associates	—	(1,576)	—	—	(1,576)
Financing income					188
Interest expense and other bank charges					(4,102)
Other income					72
Tax					(13,723)
Profit before minority interest					17,019
Minority interest					(116)
Profit for the year					**16,903**

Other Information	Generic Pharmaceuticals	Branded Pharmaceuticals	Injectable Pharmaceuticals	Others	Total
Balance Sheet					
Total assets	51,429	74,491	14,543	12,259	152,722
Total liabilities	13,901	41,491	6,457	13,550	75,399
Total equity and minority interests	37,528	33,000	8,086	(1,291)	77,323
Included in operating assets are:					
Additions to property, plant & equipment assets (cost)	4,736	7,103	2,342	2,074	16,255
Total property, plant & equipment (net book value)	12,225	14,462	10,646	2,869	40,202
Total investments in associated companies	—	5,448	—	—	5,448

Geographical Segments	United States	Europe	MENA	Rest of the world	Total
Net sales	67,110	7,902	62,211	426	137,649
Balance Sheet					
Depreciation of property plant & equipment assets included in operating income	(1,187)	(779)	(2,394)	—	(4,360)
Impairment of property plant & equipment	—	—	(3,484)	—	(3,484)
Total property, plant & equipment	12,225	10,646	17,331	—	40,202
Total assets	51,429	16,570	84,723	—	152,722

3. Segmental Information — *continued*

For the year ended 31 December 2003
USD 000's

Segment Information	Generic Pharmaceuticals	Branded Pharmaceuticals	Injectable Pharmaceuticals	Others	Total
Business Segments					
Net sales	110,755	53,149	22,237	1,519	187,660
Cost of sales	(50,631)	(27,299)	(13,385)	(718)	(92,033)
Gross Profit	60,124	25,850	8,852	801	95,627
Segment Result	44,309	11,280	4,107	455	60,151
Unallocated expenses					(4,843)
Operating profit					55,308
Share of results of associates	—	310	—	—	310
Financing income					518
Interest expense and other bank charges					(3,391)
Other income					210
Tax					(21,261)
Profit before minority interest					31,694
Minority interest					(300)
Profit for the year					**31,394**

Other Information	Generic Pharmaceuticals	Branded Pharmaceuticals	Injectable Pharmaceuticals	Others	Total
Balance Sheet					
Total assets	88,502	85,418	23,460	12,971	210,351
Total liabilities	25,747	50,799	13,995	11,884	102,425
Total equity and minority interests	62,755	34,619	9,465	1,087	107,926
Included in operating assets are:					
Additions to property, plant & equipment assets (cost)	7,148	5,223	6,198	1,521	20,090
Total property, plant & equipment (net book value)	17,725	19,801	15,555	3,648	56,729
Total investments in associated companies	—	5,371	—	387	5,758

Geographical Segments	United States	Europe	MENA	Rest of the world	Total
Net sales	111,769	10,005	65,714	172	187,660
Balance Sheet					
Depreciation of property, plant & equipment included in operating income	(1,648)	(1,010)	(2,741)	—	(5,399)
Total property, plant & equipment	17,725	15,555	23,449	—	56,729
Total Assets	88,502	26,119	95,730	—	210,351

3. Segmental Information — *continued*

For the year ended 31 December 2004
USD 000's

Segment Information	Generic Pharmaceuticals	Branded Pharmaceuticals	Injectable Pharmaceuticals	Others	Total
Business Segments					
Net sales	107,996	74,013	28,859	3,280	214,148
Cost of sales	(48,773)	(34,312)	(19,140)	(1,712)	(103,937)
Gross Profit	59,223	39,701	9,719	1,568	110,211
Segment Result	41,043	22,441	4,056	653	68,193
Unallocated expenses					(6,959)
Operating profit					61,234
Share of results of associates	—	732	—	—	732
Financing income					326
Interest expense and other bank charges					(3,825)
Other income					557
Tax					(20,835)
Profit before minority interest					38,189
Minority interest					(731)
Profit for the year					**37,458**

Other Information	Generic Pharmaceuticals	Branded Pharmaceuticals	Injectable Pharmaceuticals	Others	Total
Balance Sheet					
Total assets	104,411	93,493	29,953	18,624	246,481
Total liabilities	16,818	45,783	18,998	19,707	101,306
Total equity and minority interests	87,593	47,710	10,955	(1,083)	145,175
Included in operating assets are:					
Additions to property, plant & equipment assets (cost)	6,139	8,340	2,133	1,432	18,044
Total property, plant & equipment (net book value)	21,828	25,256	17,595	6,792	71,471
Addition to intangible assets	3,443	—	778	70	4,291
Total investments in associated companies	—	6,103	—	—	6,103

Geographical Segments	United States	Europe	MENA	Rest of the world	Total
Net sales	114,872	12,490	85,826	960	214,148
Depreciation of property, plant & equipment included in operating income	(2,036)	(1,412)	(3,232)	—	(6,680)
Additions to intangible assets	3,443	778	70	—	4,291
Total property, plant & equipment	21,828	17,595	32,048	—	71,471
Total Assets	104,411	30,377	111,693	—	246,481

3. Segmental Information — *continued*

For the period ended 30 June 2004 (unaudited)
USD 000's

Segment Information	Generic Pharmaceuticals	Branded Pharmaceuticals	Injectable Pharmaceuticals	Others	Total
Business Segments					
Net sales	47,894	42,207	14,478	1,897	106,476
Cost of sales	(24,234)	(17,801)	(8,879)	(1,229)	(52,143)
Gross Profit	23,660	24,406	5,599	668	54,333
Segment Result	16,796	16,133	2,810	356	36,095
Unallocated expenses					(2,994)
Operating profit					33,101
Share of results of associates	—	379	—	—	379
Financing income					159
Interest expense and other bank charges					(1,874)
Other expense					(93)
Tax					(10,874)
Profit before minority interest					20,798
Minority interest					(108)
Profit for the period					**20,690**

Other Information	Generic Pharmaceuticals	Branded Pharmaceuticals	Injectable Pharmaceuticals	Others	Total
Balance Sheet					
Total assets	91,228	94,367	24,956	18,567	229,118
Total liabilities	19,987	48,641	15,217	20,608	104,453
Total equity and minority interests	71,241	45,726	9,739	(2,041)	124,665
Included in operating assets are:					
Additions to property, plant & equipment assets (cost)	3,590	4,592	635	163	8,980
Total property, plant & equipment (net book value)	20,331	23,169	14,844	5,996	64,340
Addition to intangible assets	1,100	—	30	70	1,200
Total investments in associated companies	—	5,702	—	—	5,702

Geographical Segments	United States	Europe	MENA	Rest of the world	Total
Net sales	49,453	6,021	50,969	33	106,476
Balance Sheet					
Depreciation of property, plant & equipment included in operating income	983	762	1,507	—	3,252
Additions to intangible assets	1,100	30	70	—	1,200
Total property, plant & equipment	20,331	14,844	29,165	—	64,340
Total Assets	91,228	26,428	111,462	—	229,118

3. Segmental Information — *continued*

For the period ended 30 June 2005
USD 000's

Segment Information	Generic Pharmaceuticals	Branded Pharmaceuticals	Injectable Pharmaceuticals	Others	Total
Business Segments					
Net sales	56,649	51,130	22,227	2,239	132,245
Cost of sales	(23,299)	(20,518)	(13,655)	(1,528)	(59,000)
Gross Profit	33,350	30,612	8,572	711	73,245
Segment Result	21,842	17,778	3,553	165	43,338
Unallocated expenses					(4,408)
Operating profit					38,930
Share of results of associates	—	777	—	—	777
Financing income					490
Interest expense and other bank charges					(2,404)
Other income					902
Tax					(12,938)
Profit before minority interest					25,757
Minority interest					(667)
Profit for the period					**25,090**

Other Information	Generic Pharmaceuticals	Branded Pharmaceuticals	Injectable Pharmaceuticals	Others	Total
Balance Sheet					
Total assets	115,879	120,923	38,324	22,753	298,000
Total liabilities	16,108	72,599	24,466	22,246	135,419
Total equity and minority interests	99,771	48,324	13,858	507	162,581
Included in operating assets are:					
Additions to property, plant & equipment assets (cost)	1,678	5,191	1,420	659	8,948
Total property, plant & equipment (net book value)	22,305	28,782	22,962	6,119	80,168
Addition to intangible assets	—	100	1,036	403	1,539
Total investments in associated companies	—	6,880	—	—	6,880

Geographical Segments	United States	Europe	MENA	Rest of the world	Total
Net sales	62,441	8,884	60,920	—	132,245
Balance Sheet					
Depreciation of property, plant & equipment included in operating income	1,201	899	2,165	—	4,265
Additions to intangible assets	—	1,439	100	—	1,539
Total property, plant & equipment	22,305	22,966	34,897	—	80,168
Total Assets	115,879	39,410	142,711	—	298,000

4. Operating profit is arrived at after charging:

	For the year ended 31 December			For the six month period ended 30 June	
	2002	2003	2004	2004 (unaudited)	2005
	USD'000	USD'000	USD'000	USD'000	USD'000
Research and development	4,852	7,366	9,672	3,318	7,171
Inventory recognised as expenses	48,880	74,285	75,069	35,801	39,161
Staff costs	26,173	31,065	34,858	17,360	24,089
Net foreign exchange from trading activities	149	1,170	268	340	519
Provision for impairment of fixed assets*	(3,484)	—	—	—	—

* The impairment in 2002 relates to the writedown in full of sterile and chemical manufacturing equipment. The equipment was written off because it was not economically active.

5. Financing income

	For the year ended 31 December			For the six month period ended 30 June	
	2002	2003	2004	2004 (unaudited)	2005
	USD'000	USD'000	USD'000	USD'000	USD'000
Interest income	188	290	313	166	488
Net foreign exchange	—	228	13	(7)	2
	188	518	326	159	490

6. Tax

	For the year ended 31 December			For the six month period ended 30 June	
	2002	2003	2004	2004 (unaudited)	2005
	USD'000	USD'000	USD'000	USD'000	USD'000
Current tax					
Overseas tax	13,420	22,314	18,594	10,874	12,644
	13,420	22,314	18,594	10,874	12,644
Deferred tax					
Current year	303	(1,053)	2,241	—	294
	13,723	21,261	20,835	10,874	12,938

The Company is registered in Jersey and is a Jersey company exempt for tax purposes and so is not subject to income tax. The Group has tax arising in a number of jurisdictions and the tax can be reconciled as follows:

	For the year ended 31 December						For the six month period ended 30 June			
	2002		2003		2004		2004 (unaudited)		2005	
	USD'000	%	USD'000	%	USD'000	%	USD'000	%	USD'000	%
Reconciled by:										
Effect of different tax rates of subsidiaries operating in other jurisdictions	13,723		21,261		20,835		10,874		12,938	
Tax expense and effective tax rate for the year	**13,723**	**44.6**	**21,261**	**40.1**	**20,835**	**35.3**	**10,874**	**34.3**	**12,938**	**33.4**

7. Basic and diluted earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year/period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares of the Company on Admission excluding shares issued for cash.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of dilutive options).

7. Basic and diluted earnings per share — *continued*

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	For the years ended 31 December			For the period ended 30 June	
	2002	2003	2004	2004 (unaudited)	2005
Net profit attributable to equity holders of the parent (USD'000)	16,903	31,394	37,458	20,690	25,090
Weighted average number of ordinary shares on Admission for basic earnings per share ('000)	142,400	142,400	142,400	142,400	142,400
Weighted average number of dilutive ordinary shares on Admission ('000)	7,843	7,843	7,843	7,843	7,843
Weighted average number of ordinary shares for diluted earnings per share ('000)	150,243	150,243	150,243	150,243	150,243
Basic earnings per share on Admission (USD)	0.12	0.22	0.26	0.15	0.18
Diluted earnings per share on Admission (USD)	0.11	0.21	0.25	0.14	0.17

8. Dividends

	For the years ended 31 December			For the period ended 30 June	
	2002	2003	2004	2004 (unaudited)	2005
	USD'000	USD'000	USD'000	USD'000	USD'000
Amounts recognised as distributions to equity holders in the period	2,260	3,013	3,766	—	7,120
Proposed dividends for the period	3,013	3,766	7,120	—	—
Proposed dividend per share (USD)	0.09	0.11	0.20	—	—

The proposed dividend in each period is subject to approval by the Shareholders at the balance sheet date. Proposed dividend per share is calculated by dividing the proposed dividend for each year by 35,600,000, being the number of ordinary shares of Hikma Pharma Limited in issue at 30 June 2005.

9. Intangible assets

	Goodwill	Marketing rights	Software	Total
	USD'000	USD'000	USD'000	USD'000
Cost at 1 January 2002	1,350	—	—	1,350
Additions	—	—	—	—
Cost at 31 December 2002	1,350	—	—	1,350
Additions	—	—	—	—
Cost at 31 December 2003	1,350	—	—	1,350
Additions	70	778	3,443	4,291
Cost at 31 December 2004	1,420	778	3,443	5,641
Accumulated amortisation at 1 January 2002	(474)	—	—	(474)
Amortisation charges	(67)	—	—	(67)
Accumulated amortisation at 31 December 2002	(541)	—	—	(541)
Amortisation charges	(67)			(67)
Accumulated amortisation at 31 December 2003	(608)	—	—	(608)
Amortisation charges	—	—	—	—
Accumulated amortisation at 31 December 2004	(608)	—	—	(608)
Net book value at 31 December 2002	809	—	—	809
Net book value at 31 December 2003	742	—	—	742
Net book value at 31 December 2004	812	778	3,443	5,033

9. Intangible assets — *continued*

(Unaudited)	Goodwill USD'000	Marketing rights USD'000	Software USD'000	Total USD'000
Cost at 1 January 2004	1,350	—	—	1,350
Additions	70	30	1,100	1,200
Cost at 30 June 2004 (unaudited)	1,420	30	1,100	2,550
Accumulated amortisation at 1 January 2004	(608)	—	—	(608)
Amortisation charges	—	—	—	—
Accumulated amortisation at 30 June 2004	(608)	—	—	(608)
Net book value at 30 June 2004 (unaudited)	**812**	**30**	**1,100**	**1,942**

	Goodwill USD'000	Marketing rights USD'000	Software USD'000	Total USD'000
Cost at 1 January 2005	1,420	778	3,443	5,641
Intangibles acquired from the acquisition of subsidiary (note 28)	403	896	—	1,299
Additions	—	240	—	240
Cost at 30 June 2005	1,823	1,914	3,443	7,180
Accumulated amortisation at 1 January 2005	(608)	—	—	(608)
Amortisation charges	—	(26)	(532)	(558)
Accumulated amortisation at 30 June 2005	(608)	(26)	(532)	(1,166)
Translation adjustments	—	(90)	—	(90)
Net book value at 30 June 2005	**1,215**	**1,798**	**2,911**	**5,924**

Additions to goodwill during 2004 represent the increase of Hikma's Investment share in International Pharmaceutical Research Center and Specialized Pharmaceuticals Research Center. The additions to goodwill in the six month period ended 30 June 2005 represent the acquisition of the Italian subsidiary (IBPP) (see note 28).

In accordance with International Accounting Standard 38 'Intangible Assets' ('IAS 38') the Group has tested its goodwill for impairment and assessed that the fair value exceeds its book value, therefore no impairment has been taken to the income statement. Prior to 2004 annual amortisation charges had been applied to the cost of goodwill over 20 years (in accordance with IAS 38).

Marketing rights were acquired in 2005 and 2004 and are being amortised over a period of 3-5 years from the time they generate sales.

Software represents the new Enterprise Resource Planning solution (ERP) that the Company implemented in January 2005.

10. Property, plant and equipment

	Land and building	Vehicles	Machinery and equipment	Fixtures and equipment	Projects under construction	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
COST						
At 1 January 2002	16,436	2,646	42,209	1,350	2,705	65,346
Additions	1,076	779	8,831	950	4,619	16,255
Disposals	—	(123)	(80)	(5)	—	(208)
Translation adjustment	1,020	267	(5,084)	1,190	(1,097)	(3,704)
At 31 December 2002	18,532	3,569	45,876	3,485	6,227	77,689
ACCUMULATED DEPRECIATION						
At 1 January 2002	3,623	1,780	25,189	769	—	31,361
Charge for the year	424	325	3,163	448	—	4,360
Disposals	—	(113)	(74)	(7)	—	(194)
Impairment of fixed assets	4	—	3,349	131	—	3,484
Translation adjustment	(33)	78	(2,154)	585	—	(1,524)
At 31 December 2002	4,018	2,070	29,473	1,926	—	37,487
Net book value 31 December 2002	**14,514**	**1,499**	**16,403**	**1,559**	**6,227**	**40,202**
Amounts held under finance lease	—	—	1,261	—	—	1,261

	Land and building	Vehicles	Machinery and equipment	Fixtures and equipment	Projects under construction	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
COST						
At 1 January 2003	18,532	3,569	45,876	3,485	6,227	77,689
Additions	4,809	579	7,918	1,962	4,822	20,090
Disposals	—	(99)	(87)	(279)	(231)	(696)
Transfers	5,992	—	3,206	165	(9,363)	—
Translation adjustment	2,966	105	(3,043)	1,946	380	2,354
At 31 December 2003	32,299	4,154	53,870	7,279	1,835	99,437
ACCUMULATED DEPRECIATION						
At 1 January 2003	4,018	2,070	29,473	1,926	—	37,487
Charge for the year	666	480	3,617	636	—	5,399
Disposals	—	(57)	(36)	(81)	—	(174)
Translation adjustment	1,115	11	(1,952)	822	—	(4)
At 31 December 2003	5,799	2,504	31,102	3,303	—	42,708
Net book value 31 December 2003	**26,500**	**1,650**	**22,768**	**3,976**	**1,835**	**56,729**
Amounts held under finance lease	—	—	3,966	—	—	3,966

10. Property, plant and equipment — *continued*

	Land and building	Vehicles	Machinery and equipment	Fixtures and equipment	Projects under construction	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
COST						
At 1 January 2004	32,299	4,154	53,870	7,279	1,835	99,437
Additions	2,332	1,055	10,411	2,243	5,149	21,190
Disposals	(10)	(1,354)	(3,228)	(753)	(1)	(5,346)
Transfers	2,095	—	221	—	(2,316)	—
Translation adjustment	871	39	879	282	133	2,204
At 31 December 2004	37,587	3,894	62,153	9,051	4,800	117,485
ACCUMULATED DEPRECIATION						
At 1 January 2004	5,799	2,504	31,102	3,303	—	42,708
Charge for the year	1,114	479	4,500	1,243	—	7,336
Disposals	(1)	(1,269)	(2,960)	(656)	—	(4,886)
Translation adjustment	283	26	393	154	—	856
At 31 December 2004	7,195	1,740	33,035	4,044	—	46,014
Net book value 31 December 2004	**30,392**	**2,154**	**29,118**	**5,007**	**4,800**	**71,471**
Amounts held under finance lease	—	—	5,273	—	—	5,273

As at 31 December 2004 the Group had pledged property, plant and equipment having a carrying value of USD 32,909,393, of which an amount of USD 7,705,363 was made for the favour of International Finance Corporation.

(Unaudited)	Land and building	Vehicles	Machinery and equipment	Fixtures and equipment	Projects under construction	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
COST						
At 1 January 2004	32,299	4,154	53,870	7,279	1,835	99,437
Additions	1,478	440	6,748	1,472	1,988	12,126
Disposals	—	(107)	—	—	—	(107)
Transfers	1,067	—	(18)	18	(1,067)	—
Translation adjustment	(379)	(17)	(451)	(53)	(58)	(958)
At 30 June 2004	34,465	4,470	60,149	8,716	2,698	110,498
ACCUMULATED DEPRECIATION						
At 1 January 2004	5,799	2,504	31,102	3,303	—	42,708
Charge for the period	538	244	2,515	614	—	3,911
Disposals	—	(87)	—	—	—	(87)
Translation adjustment	(123)	(12)	(207)	(32)	—	(374)
At 30 June 2004	6,214	2,649	33,410	3,885	—	46,158
Net book value 30 June 2004	**28,251**	**1,821**	**26,739**	**4,831**	**2,698**	**64,340**
Amounts held under finance lease	—	—	5,172	—	—	5,172

10. Property, plant and equipment — *continued*

	Land and building	Vehicles	Machinery and equipment	Fixtures and equipment	Projects under construction	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
COST						
At 1 January 2005	37,587	3,894	62,153	9,051	4,800	117,485
Assets acquired from the acquisition of subsidiary	3,655	56	7,576	114	—	11,401
Additions	146	765	2,519	1,232	4,286	8,948
Disposals	(209)	(123)	(158)	(862)	(16)	(1,368)
Transfers	2,056	—	(17)	405	(2,444)	—
Translation adjustment	(1,604)	(51)	(2,373)	(210)	(167)	(4,405)
At 30 June 2005	41,631	4,541	69,700	9,730	6,459	132,061
ACCUMULATED DEPRECIATION						
At 1 January 2005	7,195	1,740	33,035	4,044	—	46,014
Accumulated depreciation from the acquisition of subsidiary	526	14	3,346	46	—	3,932
Charge for the period	532	308	2,860	565	—	4,265
Disposals	—	(119)	(148)	(238)	—	(505)
Transfers	—	—	(326)	326	—	—
Translation adjustment	(511)	(40)	(1,133)	(129)	—	(1,813)
At 30 June 2005	7,742	1,903	37,634	4,614	—	51,893
Net book value 30 June 2005	**33,889**	**2,638**	**32,066**	**5,116**	**6,459**	**80,168**
Amounts held under finance lease	—	—	8,777	—	—	8,777

The Group has pledged property plant and equipment having a carrying value of USD 30.6 million and USD 28.9 million as at 30 June 2005 and 30 June 2004, respectively of which an amount of USD 6.7 million and USD 6.8 million, were made for the favour of International Finance Corporation.

In 1994, the Portuguese Government granted Hikma Farmaceutica an amount of EUR 1.6 million to build the company's factory in accordance with the SINPEDIP program. The grant amount is being released to the income statement over the period necessary to match them with the assets life. The carrying value of the grant as of 31 December 2002, 2003 and 2004 was equivalent to USD 0.6 million. The carrying value of the grant as of June 2004 and June 2005 was equivalent to USD 0.6 million and USD 0.5 million respectively.

As at June 2005 the Group entered into contractual commitments amounting to USD 0.2 million. During the year ended 31 December 2004, the group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to USD 1.6 million (2003: USD nil, 2002: USD 0.8 million).

11. Interest in associates

	For the year ended 31 December 2002				
	Ownership percentage	Book value opening balance	Additions	Share of current year results	Book value ending balance
	%	USD'000	USD'000	USD'000	USD'000
Al-Jazeera Pharmaceutical Industries Limited — K.S.A.	47.5	4,048	2,615	(1,576)	5,087
International Pharmaceutical Research Center — Jordan	33.3	—	361	—	361
		4,048	2,976	(1,576)	5,448

11. Interest in associates — *continued*

Aggregated amounts relating to associates as of 31 December 2002;

	Al-Jazeera Pharmaceutical Industries Co. — K.S.A.	International Pharmaceutical Research Center — Jordan
	USD'000	USD'000
Total Assets	47,264	2,069
Total Liabilities	36,555	1,039
Net Sales	16,433	1,443
(Loss)/Profit	(3,318)	98

	For the year ended 31 December 2003			
	Ownership percentage	Book value opening balance	Share of current Year results	Book value Ending Balance
	%	USD'000	USD'000	USD'000
Al-Jazeera Pharmaceutical Industries Limited — K.S.A.	47.5	5,087	284	5,371
International Pharmaceutical Research Center — Jordan	33.3	361	26	387
		5,448	310	5,758

Aggregated amounts relating to associates as of 31 December 2003;

	Al-Jazeera Pharmaceutical Industries Co. — K.S.A.	International Pharmaceutical Research Center — Jordan
	USD'000	USD'000
Total Assets	37,735	3,121
Total Liabilities	26,428	1,985
Net Sales	19,410	1,654
Profit	598	163

	For the year ended 31 December 2004				
	Ownership percentage	Book value opening balance	Adjustment	Share of current Year results	Book value ending balance
	%	USD'000	USD'000	USD'000	USD'000
Al-Jazeera Pharmaceutical Industries Limited — K.S.A.	47.5	5,371	—	732	6,103
International Pharmaceutical Research Center — Jordan	33.3	387 *	(387)	—	—
		5,758	(387)	732	6,103

* During the year ended 31 December 2004 the Group has increased its share in the company from 33.3% to 51%. The results of International Pharmaceutical Research Center (IPRC) have been consolidated as a subsidiary into Hikma Pharma Limited Group financial information from 1 January 2004.

Aggregated amounts relating to associates as of 31 December 2004;

	Al-Jazeera Pharmaceutical Industries Co. — K.S.A.
	USD'000
Total Assets	40,690
Total Liabilities	27,842
Net Sales	23,347
Profit	1,541

11. Interest in associates — *continued*

	For the period ended 30 June 2004 (unaudited)				
	Ownership percentage	Book value opening balance	Additions	Share of current period results	Book value ending balance
	%	USD'000	USD'000	USD'000	USD'000
Al-Jazeera Pharmaceutical Industries Limited — K.S.A.	47.5	5,371	—	379	5,750
		5,371	—	379	5,750

Aggregated amounts relating to associates for the period ended 30 June 2004;

	Al-Jazeera Pharmaceutical Industries Co. — K.S.A.
	USD'000
Total Assets	48,203
Total Liabilities	36,098
Net Sales	11,246
Profit	798

	For the period ended 30 June 2005				
	Ownership percentage	Book value opening balance	Additions	Share of Current period Results	Book value ending balance
	%	USD'000	USD'000	USD'000	USD'000
Al-Jazeera Pharmaceutical Industries Limited — K.S.A.	47.5	6,103	—	777	6,880
		6,103	—	777	6,880

Aggregated amounts relating to associates for the period ended 30 June 2005;

	Al-Jazeera Pharmaceutical Industries Co. — K.S.A.
	USD'000
Total Assets	53,643
Total Liabilities	39,159
Net Sales	15,030
Profit	1,636

12. Deferred taxes

	As at 31 December			As at 30 June	
	2002	2003	2004	2004 (unaudited)	2005
	USD'000	USD'000	USD'000	USD'000	USD'000
Assets associated with:					
Research and development expenses	93	177	171	177	171
Depreciation	(12)	—	—	—	—
Reserves and others	1,232	2,682	—	2,682	—
Interest rate swaps	145	91	—	91	—
Amortisable assets	52	50	—	50	—
Fixed assets	(895)	(1,332)	—	(1,332)	—
Deferred tax assets	615	1,668	171	1,668	171
Liabilities associated with:					
Fixed assets	—	—	1,642	—	1,642
Depreciation	—	—	(64)	—	(64)
Software development costs	—	—	1,353	—	1,353
Reserves and others	—	—	(2,102)	—	(1,808)
Interest rate swaps	—	—	(41)	—	(41)
Amortisable assets	—	—	(44)	—	(44)
Deferred tax liabilities	—	—	744	—	1,038
Net deferred tax asset/(liability)	615	1,668	(573)	1,668	(867)

13. Investment in available for sale securities

The investment in available for sale securities represents investments in listed equity securities and unlisted securities that are recorded at the fair value based on either quoted market price for listed companies or using other valuation methods for unlisted companies.

	As at 31 December			As at 30 June	
	2002	2003	2004	2004 (unaudited)	2005
	USD'000	USD'000	USD'000	USD'000	USD'000
Listed companies	133	81	171	81	194
Non-listed companies *	273	273	254	273	254
	406	354	425	354	448

* Included in this amount is an investment in a non- listed US company of USD 141,000 that represents 32.5% of its common share for which the management does not exert significant influence due to not having any representation on the Board of Directors of the company.

14. Financial and other assets

	As at 31 December			As at 30 June	
	2002	2003	2004	2004 (unaudited)	2005
	USD'000	USD'000	USD'000	USD'000	USD'000
Related parties balances (note 25)	827	673	2,167	1,378	2,247
Investment in trading securities	—	10	9	8	14
Investments at cost *	788	488	488	488	488
Restricted cash	—	509	9	9	489
Other financial assets	—	12	138	155	106
	1,615	1,692	2,811	2,038	3,344

* Investments at costs represent the Group's share in Tunisian companies of between 32% and 49% over which the Company does not exert significant influence due to a number of factors including its limited representation on the Board of Directors of these companies. During 2003, the Group provided USD 300,000 against the decline in the value of these investments.

14. Financial and other assets — *continued*

On 17 March 2005 the Group signed an agreement with its investment Ibn Al Baytar Co. (included within investments at cost) — Tunisia (32.16%) to sell the Group's share in Hikma Ibn Al Baytar Co. — Tunisia (49%) for a total value equivalent to Tunisian Dinar 400,000 (USD 333,000) to be paid in four installments within 9 months from 17 March 2005. In the period to 30 June 2005 the Group has reflected one installment, which has been recognised as a gain in the income statement as the net book value of the investment amounted to one US Dollar.

15. Inventory

	As at 31 December			As at 30 June	
	2002	2003	2004	2004 (unaudited)	2005
	USD'000	USD'000	USD'000	USD'000	USD'000
Finished goods	14,382	17,053	16,858	11,478	7,040
Work in progress	5,777	3,467	7,890	10,316	11,329
Raw and packing materials	13,202	22,981	17,791	21,004	21,820
Goods in transit	3,287	6,867	3,907	7,123	14,918
	36,648	50,368	46,446	49,921	55,107
Less: Provision for slow-moving items	(1,383)	(1,723)	(2,081)	(2,069)	(2,546)
	35,265	48,645	44,365	47,852	52,561

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

Movement on the provision for slow moving items:

	As at 31 December			As at 30 June	
	2002	2003	2004	2004 (unaudited)	2005
	USD'000	USD'000	USD'000	USD'000	USD'000
At the beginning of the period	654	1,383	1,723	1,723	2,081
Addition	729	340	939	347	638
Utilisation	—	—	(589)	—	(159)
Translation adjustments	—	—	8	(1)	(14)
At the end of the period	1,383	1,723	2,081	2,069	2,546

16. Accounts receivable, net

	As at 31 December			As at 30 June	
	2002	2003	2004	2004 (unaudited)	2005
	USD'000	USD'000	USD'000	USD'000	USD'000
Total receivables net of discounts and returns	57,897	76,534	81,708	103,282	107,059
Less: Chargebacks provision	(9,500)	(23,600)	(18,125)	(28,566)	(15,309)
Less: Provision for doubtful debts	(4,139)	(5,225)	(3,432)	(5,719)	(4,610)
	44,258	47,709	60,151	68,997	87,140

Movement on the provision for doubtful debts:

	As at 31 December			As at 30 June	
	2002	2003	2004	2004 (unaudited)	2005
	USD'000	USD'000	USD'000	USD'000	USD'000
At the beginning of the period	5,477	4,139	5,225	5,225	3,432
Addition	1,288	1,097	887	494	1,765
Utilisation	(2,626)	(11)	(2,680)	—	(587)
At the end of the period	4,139	5,225	3,432	5,719	4,610

17. Investment in cash deposits and collateralised cash

Investment in cash deposits represents short-term investment in time deposits with original maturities more than six months. As of 30 June 2005 the Group has no cash deposits as the amount has now been included in cash and cash equivalents at this date as it has a maturity of less than three months.

Collateralised cash represents an amount equal to 105% of bank facilities granted to the Group's Algerian operations.

18. Provisions

This amount represents end of service indemnity provision that relates to Hikma Pharmaceuticals Limited — Jordan and Pharma Ixir Co. Ltd. This provision represents a one month salary payable for each year employed for certain individuals in accordance with the agreements for the Group employees.

Movements on the provision of end of service indemnity:

	As at 31 December			As at 30 June	
	2002	2003	2004	2004 (unaudited)	2005
	USD'000	USD'000	USD'000	USD'000	USD'000
At the beginning of the period	—	22	457	457	829
Addition	22	456	388	235	182
Utilisation	—	(21)	(16)	—	(126)
At the end of the period	22	457	829	692	885

19. Bank overdrafts and loans

	As at 31 December			As at 30 June	
	2002	2003	2004	2004 (unaudited)	2005
	USD'000	USD'000	USD'000	USD'000	USD'000
Overdrafts	4,573	7,239	13,283	12,641	1,426
Import and export financing	16,050	9,789	13,013	12,872	14,516
Short-term loans	1,995	3,324	103	1,873	8,213
Current portion of long-term loans (note 21)	13,218	7,609	8,619	7,920	10,284
Fair value of derivative financial instruments	448	301	90	115	16
	36,284	28,262	35,108	35,421	34,455

20. Other current liabilities

	As at 31 December			As at 30 June	
	2002	2003	2004	2004 (unaudited)	2005
	USD'000	USD'000	USD'000	USD'000	USD'000
Accrued expenses	8,136	9,668	10,127	8,180	11,388
Employees provident fund	991	1,145	1,563	1,439	1,904
Others current liabilities	4,230	11,034	3,732	5,052	6,341
	13,357	21,847	15,422	14,671	19,633

21. Long-term financial debts

	As at 31 December			As at 30 June	
	2002	2003	2004	2004 (unaudited)	2005
	USD'000	USD'000	USD'000	USD'000	USD'000
Total debts	28,270	39,763	32,910	36,337	54,993
Less: current portion of debts	(13,218)	(7,609)	(8,619)	(7,920)	(10,284)
Long-term financial debts	15,052	32,154	24,291	28,417	44,709

21. Long-term financial debts — *continued*

Break down by maturity:	As at 31 December			As at 30 June	
	2002	2003	2004	2004 (unaudited)	2005
	USD'000	USD'000	USD'000	USD'000	USD'000
2003	13,218	—	—	—	—
2004	6,318	7,609	—	7,920	—
2005	4,125	8,266	8,619	7,840	—
2006	3,083	7,763	7,901	6,522	10,284
2007	931	5,526	5,683	5,545	10,657
2008	—	6,018	4,634	3,835	10,439
2009	—	—	3,302	3,155	9,664
Thereafter	595	4,581	2,771	1,520	13,949
	28,270	39,763	32,910	36,337	54,993
Breakdown by currency:					
USD	24,039	25,428	19,846	22,327	36,748
EURO	250	6,305	6,255	6,043	6,990
Jordanian Dinar	3,981	7,494	6,446	7,413	11,014
Algerian Dinar	—	536	363	554	241
	28,270	39,763	32,910	36,337	54,993

At 30 June 2005, import and export financing, short-term loans and the current and long term portion of long term loans total USD 77,721,968.

At 30 June 2005, loans and import and export financing of USD 58,056,341 (June 2004: USD 24,176,362), (2002: USD 8,844,000), (2003: USD 16,573,000) and (2004: USD 22,985,000) were arranged at fixed interest rates.

The other borrowings at 30 June 2005 of USD 19,665,659 (June 2004: USD 26,909,916), (2002: USD 37,471,000), (2003: USD 36,302,000) and (2004: USD 23,041,000) are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

22. Capital lease obligations

	Minimum lease payments			Present value of minimum lease payments		
	As at 31 December			As at 31 December		
	2002	2003	2004	2002	2003	2004
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Amounts payable under capital leases:						
Within one year	328	892	1,297	269	791	1,165
In the second to fifth years	834	2,765	2,595	758	1,812	2,448
	1,162	3,657	3,892	1,027	2,603	3,613
Less: Interest lease charges	(135)	(1,054)	(279)	—	—	—
Present value of lease obligations	1,027	2,603	3,613	1,027	2,603	3,613

	Minimum lease payments		Present value of minimum lease payments	
	As at 30 June 2004 (unaudited)	As at 30 June 2005	As at 30 June 2004 (unaudited)	As at 30 June 2005
	USD'000	USD'000	USD'000	USD'000
Amounts payable under capital leases:				
Within one year	1,103	1,486	968	1,358
In the second to fifth years	2,718	3,124	2,455	2,954
	3,821	4,610	3,423	4,312
Less: Interest lease charges	(398)	(298)	—	—
Present value of lease obligations	3,423	4,312	3,423	4,312

23. Treasury shares

The value of 91,743 shares, 75,700 shares, 39,069 shares and 1,434,612 shares as at 31 December 2002, 2003 and 2004 and for the period ended 30 June 2004 respectively, are deducted in arriving at shareholders funds and represent shares owned by Hikma Pharmaceuticals Co. (Jordan) for the years then ended.

24. Changes in the fair value of financial derivatives

Currency derivatives

The Group utilises currency derivatives to hedge significant future transactions and cash flows. The Group is a party to a variety of foreign currency forward contracts and options in the management of its exchange rate exposures. The instruments purchased are primarily denominated in the currencies of the Group's principal markets.

At the balance sheet date, total notional amount of outstanding forward foreign exchange contracts that the Group has committed are as below:

	As at 31 December			As at 30 June	
	2002	2003	2004	2004 (unaudited)	2005
	Eur'000	Eur'000	Eur'000	Eur'000	Eur'000
Foreign exchange forward contracts	—	400	—	—	200
Foreign exchange option contracts	—	—	750	—	—

These arrangements are designed to address significant exchange exposures.

At 31 December 2004 and 30 June 2005, the fair value of the Group's currency derivatives is estimated to be Euro 750,000 and Euro 200,000 respectively. The fair value of the currency derivatives that are designated and effective as cash flow hedges resulted in a loss of USD 26,880, a loss of USD 3,128 and a loss of USD 1,500 for the years ended 31 December 2003 and 2004 and the period ended 30 June 2005 respectively that has been deferred in equity.

Interest rate swaps

The Group uses interest rate swaps to manage its exposure to interest rate movements on its bank borrowings. Contracts with original nominal values of USD 19.5 million as at 31 December 2004 increased to USD 28 million on June 2005 have fixed interest payments at a rate ranging from 2.5% to 6.54% for periods up until 2012 and have floating interest receipts ranging from LIBOR to LIBOR plus 1.5%.

The fair value of swaps entered into by the Group is estimated at an unfavourable value of USD 447,500, USD 339,641 and USD 121,892 as at 31 December 2002, 2003, and 2004 respectively and USD 115,119, USD 16,196 as at 30 June 2004 and 2005 respectively. These amounts are based on market values provided by the banks that originated the swaps and are based on equivalent instruments at the balance sheet date. Some of these interest rate swaps are designated as effective cash flow hedges and the fair value thereof has been deferred in equity totaling USD 217,400, USD 176,441, USD 32,386 for the years ended 31 December 2002, 2003 and 2004 respectively, USD 1,465 and USD 112,338 as at June 2004 and 2005 respectively and the remainders are designated as ineffective cash flow hedges of which the change in their fair value has been taken to earnings. A loss of USD 85,600 and a gain of USD 66,459 and USD 81,328 for the years ended 31 December 2002, 2003 and 2004 respectively have been recognised in the income statement, while a gain of USD 86,636 and a loss of USD 6,642 have been recognised in the income statement for the period ended 30 June 2004 and 2005, respectively.

25. Balances and transactions with related parties

Trading balances and transactions

The Group's trading subsidiaries are set out in note 32.

Balances with related parties (note 14) are as follows:

	For the years ended 31 December			For the period ended 30 June	
	2002	2003	2004	2004 (unaudited)	2005
	USD'000	USD'000	USD'000	USD'000	USD'000
Due from Al Jazeera Pharmaceutical Ltd. Industries Co. — KSA	329	533	1,613	1,238	1,759
Due from Societe Hikma Ibn Al Baytar Limited — Tunisia	450	474	514	474	514
Due from Societe Hikma Pharma — Tunisia	162	162	162	162	162
Due from Societe D'Industries Pharmaceutiques Ibn Al Baytar S.A. — Tunisia	498	140	554	140	488
	1,439	1,309	2,843	2,014	2,923
Less: Provision for doubtful debts	(612)	(636)	(676)	(636)	(676)
	827	673	2,167	1,378	2,247

Transactions with related parties are as follows:

	For the year ended 31 December 2002		
	Purchases	Sales	Expenses & services provided
	USD'000	USD'000	USD'000
Al-Jazeera Pharmaceutical Industries Limited — KSA	909	151	—
Societe Hikma Ibn Al Baytar —Tunisia	—	20	—
Societe D'Industries Pharmaceutiques Ibn Al Baytar S.A. —Tunisia	—	7	—
	909	178	—

	For the year ended 31 December 2003		
	Purchases	Sales	Expenses & services provided
	USD'000	USD'000	USD'000
Al-Jazeera Pharmaceutical Industries Limited — KSA	937	679	—
Societe Hikma Ibn Al Baytar S.A. — Tunisia	—	—	24
Societe D'Industries Pharmaceutiques Ibn Al Baytar S.A. — Tunisia	—	—	24
	937	679	48

	For the year ended 31 December 2004		
	Purchases	Sales	Expenses & services provided
	USD'000	USD'000	USD'000
Al-Jazeera Pharmaceutical Industries Limited — KSA	1,152	1,249	138
Societe Hikma Ibn Al Baytar S.A. — Tunisia	—	—	39
Societe D'Industries Pharmaceutiques Ibn Al Baytar S.A. — Tunisia	—	—	138
	1,152	1,249	315

25. Balances and transactions with related parties — *continued*

	For the period ended 30 June 2004 (unaudited)		
	Purchases	Sales	Expenses & services provided
	USD'000	USD'000	USD'000
Al-Jazeera Pharmaceutical Industries Limited — KSA	712	347	—
	712	347	—

	For the period ended 30 June 2005		
	Purchases	Sales	Expenses & services provided
	USD'000	USD'000	USD'000
Al-Jazeera Pharmaceutical Industries Limited — KSA	1,623	1,032	—
	1,623	1,032	—

Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*.

	For the years ended 31 December			For the period ended 30 June	
	2002	2003	2004	2004 (unaudited)	2005
	USD'000	USD'000	USD'000	USD'000	USD'000
Short-term employee benefits	3,329	3,876	3,663	818	868
Other benefits	84	115	169	79	37
Share based payment	—	—	91	—	207
	3,413	3,991	3,923	897	1,112

26. Financial policies for risk management and their objectives

Market risk: The Group is exposed to foreign exchange risk and interest rates. Management actively monitors these exposures to manage the volatility relating to these exposures by entering into a variety of derivatives financial instruments. The Group's objective is to reduce, where it is deemed appropriate to do so, fluctuations in earnings and cash flow associated with changes in interest rates and foreign currency rates. It is the Group policy and practice to use derivative financial instruments to manage exposures to interest rates and foreign currency fluctuations.

Foreign exchange risk: The Group uses the USD as its reporting currency and is therefore exposed to foreign exchange movements primarily in European, Algerian and Japanese currencies. Consequently it enters into various contracts, which change in value as foreign exchange rates change, to hedge against the risk of movement in foreign denominated assets and liabilities.

Interest rate risk: The Group manages its exposures to interest rate risks by changing the proportion of fixed rate debt and variable rate debt in its total debt portfolio. To manage this mix the Group may enter into interest rates swap agreements, in which it exchanges the periodic payments based on notional amounts and agreed upon fixed and variable interest rates. Using the above-mentioned derivative financial instruments has not had a material impact on the Group's financial position at 31 December 2002, 2003 and 2004 and for the periods ended 30 June 2004 and 2005 or the Group's results of operations for the years/ periods then ended.

27. Reserves

Other changes in equity represent the cumulative effect of changes in fair value of available for sale securities and derivatives as per the following analysis:

	As at 31 December			As at 30 June	
	2002	2003	2004	2004 (unaudited)	June 2005
	USD'000	USD'000	USD'000	USD'000	USD'000
Cumulative effect of changes in fair value of available for sale securities	(32)	—	92	—	—
Cumulative effect of changes in fair value of derivatives	(138)	14	168	175	(77)
	(170)	14	260	175	(77)

28. Acquisition of new subsidiary

On 14 March 2005, the Group acquired 100 per cent of the issued share capital of Istituto Biochimico Pavese Pharma S.P.A (IBPP) located in Italy for cash consideration of EURO 500,000 (USD 673,100) and deferred consideration of EURO 500,000 to be paid in 2006 subject to certain conditions. This transaction has been accounted for using purchase method of accounting. The IBPP business concerns the antiseptic manufacturing of injectable products (solutions and lyophilized powders) in vials and ampoules.

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

	Book Value	Fair Value adjustments	Provisional Fair Value
	USD'000	USD'000	USD'000
Net assets acquired			
Intangible assets	1,222	(326)	896
Property, plant and equipment	5,464	2,004	7,468
Deferred taxes	357	—	357
Financial assets	1	—	1
Inventory	346	—	346
Other current assets	159	—	159
Accounts receivable, net	1,529	—	1,529
Cash and cash equivalents	4	—	4
Trade accounts payable	(1,207)	—	(1,207)
Capital lease obligations	(541)	—	(541)
Bank overdrafts and loans	(2,164)	—	(2,164)
Other current liabilities	(2,085)	—	(2,085)
Long-term financial debts	(1,894)	—	(1,894)
Capital lease obligations	(1,163)	—	(1,163)
Deferred taxes	—	(651)	(651)
	28	1,027	1,055
Provisional Goodwill			403
Total consideration			1,458
Satisfied by :			
Cash			673
Deferred consideration			673
Directly attributable costs			112
			1,458
Net cash outflow arising on acquisition			
Cash consideration			673
Cash and cash equivalents acquired			(4)
			669

The fair values arising on acquisition are provisional and a full fair value exercise will be performed before the first full year of acquisition.

28. Acquisition of new subsidiary — *continued*

Directly attributable acquisition costs include legal and accounting costs incurred in the preparation of the acquisition contracts and in performing due diligence activities.

The Group placed significant emphasis on the value of property, plant and equipment in making the decision to acquire IBPP. The property, plant and equipment of IBPP would complement the Group Injectables business.

If the acquisition of IBPP had been completed on the first day of the financial year, Group revenues for the period would have been USD 132,244,727 and Group profit attributable to equity holders of the parent would have been USD 24,319,858.

29. Net cash flow from operating activities

	For the year ended 31 December			For the period ended 30 June	
	2002	2003	2004	2004 (unaudited)	2005
	USD'000	USD'000	USD'000	USD'000	USD'000
Profit before tax and minority interest	30,742	52,955	59,024	31,672	38,695
Adjustments for:					
Depreciation, amortisation and impairment of:					
Property, plant and equipment	7,844	5,399	6,680	3,255	4,265
Intangible assets	67	67	—	—	558
Financial assets	(32)	—	92	—	—
Results from associated companies	1,576	(310)	(732)	(379)	(777)
Losses/(gains) on disposal of property, plant and equipment	17	(51)	390	16	425
Gains from sale of investments	—	—	—	—	(120)
Movement on provisions	(22)	435	372	235	56
Deferred revenue	(77)	21	(54)	(73)	(118)
Cumulative effect of change in fair value of derivatives	(137)	14	168	175	(77)
Stock options granted	—	—	145	—	330
Deferred tax	533	(1,053)	41	—	—
Interest and bank charges	4,013	3,391	3,826	1,874	2,404
Cash flow before working capital	**44,524**	**60,868**	**69,952**	**36,775**	**45,641**
Change in accounts receivables	1,631	(3,451)	(12,373)	(20,733)	(25,317)
Change in other current assets	(755)	(182)	247	(476)	(1,998)
Income tax recoverable	(670)	642	(707)	(259)	(1,616)
Change in inventories	(8,774)	(13,380)	4,563	1,077	(7,850)
Change in trade accounts payable	1,443	5,052	2,436	721	4,694
Change in other current liabilities	7,123	8,490	(7,013)	(7,753)	98
Cash generated by operations	**44,522**	**58,039**	**57,105**	**9,352**	**13,652**
Income tax paid	(15,178)	(18,892)	(19,458)	(6,864)	(10,320)
Interest paid	(4,013)	(3,391)	(3,725)	(1,874)	(2,441)
Net cash generated from operating activities	**25,331**	**35,756**	**33,922**	**614**	**891**

30. Commitments and contingent liabilities

The Group was contingently liable for letters of guarantee and letters of credit totalling USD 18.4 million, USD 14.7 million, USD 7.1 million, USD 2.6 million and USD 4.1 million as of 31 December 2002, 2003 and 2004 and 30 June 2004 and 2005, respectively.

The Group also guaranteed 47.5% of a loan granted to its associate, Al-Jazeera Pharmaceutical Industries, by Saudi Industrial Development Fund (SIDF) for a total equivalent value of USD 14.0 million for both years 2002 and 2003 while the total value was equivalent to USD 13.3 million at 30 June 2004, 31 December 2004 and 30 June 2005.

The integrated nature of the Group's worldwide operations, involving significant investment in research and strategic manufacture at a limited number of locations, with consequential cross-border supply routes into numerous end-markets, gives rise to complexity and delay in negotiations with revenue authorities as to the

30. Commitments and contingent liabilities — *continued*

profits on which individual Group companies are liable to tax. Disagreements with, and between, revenue authorities as to intra-Group transactions, in particular the price at which goods and services should be transferred between Group companies in different tax jurisdictions, can produce conflicting claims from revenue authorities as to the profits to be taxed in individual territories. Resolution of such issues is ongoing.

In common with many other companies in the pharmaceutical industry the Group is subject to certain legal and product liability claims from time to time. Whilst provisions have been made for probable losses that management deems to be reasonable or appropriate there are inherent uncertainties connected with these estimates. The Group does not expect the resolution of such uncertainties to have material effect on the consolidated financial information.

As at 31 December 2004, annual commitments under non-cancellable operating leases expiring within one year totalled $0.3 million and between two and five years, $0.9 million.

31. Hikma Pharma Limited share option plan

In the year ended 31 December 2004 the Group introduced a share based payment arrangement, the first award was granted on 12 October 2004, the plan is described below. As part of the share exchange offer made by Hikma Pharmaceuticals plc, outstanding options granted under the plan were exchanged for options over shares in Hikma Pharmaceuticals plc. These options are settled in equity shares once exercised.

Type of arrangement	General employee share option plan
Date of grant	12 October 2004
Number granted	2,380,000 (prior to adjustment pursuant to the share exchange)
Contractual life	10 Years
Vesting conditions	20% per year for five years beginning on the first anniversary of the grant date

The estimated fair value of each share option granted in the general employee share option plan was USD 1.39. This was calculated by applying a binomial option-pricing model. The model inputs being the Directors' best estimate at the balance sheet date, were the share price at grant date of USD 3.63, exercise price of USD 3.63, expected volatility of 44.8%, expected dividend yield of 3.85%, expected contractual life of 7.5 years, and a risk-free interest rate of 4.22%.

Further details of the general employee share option plan are as follows:

	Number of options	Weighted average exercise price
		USD
Outstanding at 1 January 2004	—	—
Outstanding at 30 June 2004	—	—
Granted	2,380,000	3.63
Outstanding at 31 December 2004	2,380,000	3.63
Exercisable at 31 December 2004	—	3.63
Outstanding at 30 June 2005	2,380,000	3.63
Exercisable at 30 June 2005	—	3.63

The share options outstanding at 31 December 2004 and at 30 June 2005, had an exercise price of USD 3.63, and weighted average remaining contractual life of 9.78 years and 9.28 years respectively.

The expense arising from equity settled share based transactions during the year ended 31 December 2004 and the period ended 30 June 2005 was USD 145,194 and USD 330,822 respectively.

Subsequent to 30 June 2005 and prior to the share exchange a further 400,000 options were issued with an exercise price of $18 each.

32. Hikma Pharma Limited main subsidiaries

The Group's trading subsidiaries at the end of 30 June 2005 were as follows:

Company's Name	Established in	Ownership
Hikma Pharmaceuticals Co.	Jordan	100
Arab Medical Containers Co.	Jordan	100
Trust Pharma Co.	Algeria	100
Hikma Farmaceutica	Portugal	100
West-Ward Pharmaceutical Corp.	U.S.A	100
Pharma Ixir Co.	Sudan	51
International Pharmaceuticals Research Center **	Jordan	51
Specialized Pharmaceuticals Research Center	Jordan	95
Hikma Pharma Gmbh	Germany	100
Istituto Biochimico Pavese Pharma S.P.A (IBPP) *	Italy	100
Hikma Biotech S.A.S.U	France	100

* acquired on 14 March 2005.

** acquired during 2004, prior to this date, IPRC was an associate undertaking.

33. Hikma Pharma Limited defined contribution retirement benefit plans

Hikma Pharma Limited has defined contribution retirement plans in two of its subsidiaries; West Ward pharmaceuticals — USA and Hikma Pharmaceuticals — Jordan, the details of each contribution plan are as follows:

Hikma Pharmaceuticals — Jordan:

The Group currently has an employee saving plan wherein the Group fully matches employees contributions, which are fixed at 5% of salary. Employees are entitled to 30% of the Group contributions after three years of employment with the Group and 10% for each subsequent year. The employee benefits fully vest in the Group contributions after 10 years of employment. The Group's contributions were USD 310,563, USD 300,000 and USD 321,000 for the years ended 2002, 2003 and 2004 respectively. For the six month period ended 30 June 2004 and 2005 the Groups contributions amounted to USD 138,000 and USD 194,000 respectively.

West-Ward — USA: (401 (k) salary saving plan)

Prior to 2001, West-Ward—USA established a 401 (k) defined contribution plan, which allows all eligible employees to defer a portion of their income through contributions to the plan. All employees not covered by a collective bargaining agreement are eligible after being employed for one year. Employees can defer up to 25% of their gross salary into the plan, not to exceed USD 11,000, USD 12,000 and USD 13,000 for 2002, 2003 and 2004, respectively, not including catch-up contributions available to eligible employees as outlined by the Internal Revenue service. The company matches 40% of the employees' eligible contribution. Employer contributions vest 0% after one year of service, 50% after two years of service and 100% after three years of service. Employees are considered to have completed one year of service for purposes of vesting upon the completion of 1,000 hours of service at any time during a plan year. Employer contributions to the plan as at 31 December 2002, 2003 and 2004 amounted to USD 185,215, USD 240,000 and USD 294,000 respectively. While the employer contributions in 30 June 2004 and 30 June 2005 amounted to USD 90,949 and USD 60,454 respectively

The assets of the plans are held separately from those of the Group. The only obligation of the Group with respect to the retirement benefit plans is to make specified contributions.

34. Subsequent events

On 31 October 2005, the entire share capital of the Company was acquired by Hikma Pharmaceuticals plc pursuant to a share exchange offer under the terms of which shareholders in the Company received four shares in Hikma Pharmaceuticals plc for every one share held.

PART XII: UNAUDITED PRO FORMA FINANCIAL INFORMATION

1. PRO FORMA STATEMENT OF NET ASSETS — IFRS

The unaudited consolidated pro forma statement of net assets set out below has been prepared to show the effect of the acquisition of Hikma Pharma Limited and its subsidiaries, the Global Offer and the pre-Global Offer dividend on Hikma's net assets as if the acquisition, the proceeds of the Global Offer and the pre-Global Offer dividend had taken place or been paid on 30 September 2005. Due to its nature, the unaudited consolidated pro forma statement of net assets addresses a hypothetical situation and, therefore, does not represent the Company's actual financial position or results.

The unaudited consolidated pro forma statement of net assets is compiled on the basis set out below from the balance sheet of the Company as of 30 September 2005, set out in the historical financial information contained in Part XI: *Financial Information.*

		Adjustments			
	As at 30 September 2005 (Note 1)	Acquisition of the Hikma Pharma Group (Note 2)	Proceeds of the Global Offer and redemption of preference shares (Note 3)	Pre-Global Offer dividend (Note 4)	Pro forma net assets total
	USD'000	USD'000	USD'000	USD'000	USD'000
ASSETS					
Non-current assets					
Intangible assets	—	5,924	—	—	5,924
Property, plant and equipment	—	80,168	—	—	80,168
Interest in associates	—	6,880	—	—	6,880
Other non-current assets	—	3,963	—	—	3,963
	—	**96,935**	—	—	**96,935**
Current assets					
Called up share capital not paid	90	—	(90)	—	—
Inventory	—	52,561	—	—	52,561
Accounts receivable, net	—	87,140	—	—	87,140
Other current assets	—	10,642	—	—	10,642
Collateralised cash	—	5,062	—	—	5,062
Cash and cash equivalents	—	45,660	112,980	(10,680)	147,960
	90	**201,065**	**112,890**	**(10,680)**	**303,365**
TOTAL ASSETS	**90**	**298,000**	**112,890**	**(10,680)**	**400,300**
LIABILITIES					
Current liabilities					
Redeemable preference shares	90	—	(90)	—	—
Income tax provision	—	7,402	—	—	7,402
Trade accounts payable	—	22,512	—	—	22,512
Bank overdrafts and loans	—	34,455	—	—	34,455
Other current liabilities	—	21,876	—	—	21,876
	90	**86,245**	(90)	—	**86,245**
Non-current liabilities					
Long-term financial debts	—	44,709	—	—	44,709
Other non-current liabilities	—	4,465	—	—	4,465
	—	**49,174**	—	—	**49,174**
TOTAL LIABILITIES	**90**	**135,419**	**(90)**	—	**135,419**
NET ASSETS	**—**	**162,581**	**112,980**	**(10,680)**	**264,881**

Notes:

(1) The net assets of the Company are extracted without material adjustment from the balance sheet of the Company as of 30 September 2005 included in the historical financial information in Part XI of this document.

(2) This adjustment represents the acquisition of the Group. The net assets of the Group are extracted without material adjustment from the consolidated balance sheet of the Group as of 30 June 2005 included in the historical financial information in Part XI of this document.

(3) This adjustment represents the estimated net proceeds from the Global Offer receivable by the Company of approximately £62.8 million (after deducting estimated expenses of approximately £7.2 million) and the payment, and subsequent redemption, of the preference shares, all translated at $1.8 : £1.

(4) This adjustment represents the payment of the pre-Global Offer dividend by the Company of £10,680,000.

(5) No adjustments have been made to reflect the effect of trading or any other transactions since 30 June 2005 of the Group.

Effect of the Global Offer on earnings:

The Global Offer provides the Group with net proceeds of approximately £62.8 (after the deduction of commissions, fees and other expenses payable), which the Group intends, but is not obliged, to use to pay down certain outstanding debt. The Group intends to use the remainder to provide funds for certain capital expenditure programmes, to fund general working capital requirements and to make opportunistic bolt-on acquisitions that may present themselves in the future.

The effect of the Global Offer on the income statement for the six months ended 30 June 2005, on the basis that the proceeds of the Global Offer had been received on 1 January 2005 and used, in part, to pay down all debt outstanding at that date, would be to reduce the interest expense and increase the finance income for the period and, consequently, to increase the net profit for the period.

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Merrill Lynch International
2 King Edward Street
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1 November 2005

Dear Sirs,

Hikma Pharmaceuticals plc (the "Company")

We report on the pro forma net asset statement (the "Pro forma financial information") set out in Part XII of the Prospectus dated 1 November 2005, which has been prepared on the basis described in notes 1 to 5, for illustrative purposes only, to provide information about how the admission to listing on the official list of the Financial Services Authority and admission to trading on the London Stock Exchange of the shares of the Company (the "Transaction") might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the period ended 30 September 2005.

Responsibilities

It is the responsibility of the directors of the Company (the "Directors") to prepare the Pro forma financial information in accordance with Annex I item 20.2 in Appendix 3 to the Prospectus Rules.

It is our responsibility to form an opinion, as required by Annex II item 7 of the Prospectus Rules, as to the proper compilation of the Pro forma financial information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the Directors.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated.

Our work has not been carried out in accordance with auditing standards generally accepted in the United States of America and accordingly should not be relied upon as if it had been carried out in accordance with those standards.

Opinion

In our opinion:

(a) the Pro forma financial information has been properly compiled on the basis stated; and

(b) such basis is consistent with the accounting policies of the Company.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Annex 1 item 1.2 of the Prospectus Rules.

Yours faithfully

Deloitte & Touche LLP
Chartered Accountants

PART XIII: DETAILS OF THE GLOBAL OFFER

Summary of the Global Offer

The Company is raising gross proceeds of approximately £70 million under the Global Offer through the issue of 24,137,931 New Shares. In addition, 27,173,262 Existing Shares will be sold by shareholders under the Global Offer.

The Global Offer is being made by way of an offering of Ordinary Shares to institutional investors in the United Kingdom and outside the United States in reliance on Regulation S and to QIBs in the United States in reliance on Rule 144A or another exemption from the registration requirements of the Securities Act. In connection with the Global Offer, the Company will grant Merrill Lynch International the Over-allotment Option, exercisable at any time up to 30 days after the date of Admission, which will require the Company to make available up to an additional 2,565,560 Ordinary Shares, in aggregate, at the Offer Price to cover over-allotments (if any) made in connection with the Global Offer and to cover short positions resulting from stabilisation transactions.

Under the Global Offer, which is fully underwritten by the Managers, all Ordinary Shares will be sold at the Offer Price.

The Global Offer is conditional on Admission becoming effective and on the Underwriting Agreement (the terms of which are summarised below) becoming unconditional and not having been terminated by no later than 11 November 2005 or such later date as the Company and Merrill Lynch International may agree.

Admission is expected to take place and unconditional dealings in the Ordinary Shares are expected to commence on the London Stock Exchange on 4 November 2005. Prior to that time, it is expected that dealings in the Ordinary Shares will commence on a conditional basis on the London Stock Exchange on 1 November 2005 and that the earliest date for settlement of such dealings will be 4 November 2005. These times and dates may be changed.

Stabilisation and Over-allotment

In connection with the Global Offer, Merrill Lynch International, as stabilising manager may (but will be under no obligation to) over-allot Ordinary Shares up to a maximum of five per cent. of the total number of Ordinary Shares comprised in the Global Offer or effect other stabilisation transactions with a view to supporting the market price of the Ordinary Shares at a higher level than that which might otherwise prevail in the open market. Such stabilisation activities may be effected on any securities market, over-the-counter market, stock exchange or otherwise and may be undertaken at any time during the period commencing on the date of the commencement of conditional trading and ending no later than 30 calendar days thereafter. However, there will be no obligation on Merrill Lynch International or any of its agents to effect stabilising transactions and no assurance that stabilising transactions will be undertaken. Such stabilising, if commenced, may be discontinued at any time without prior notice. In no event will measures be taken to stabilise the market price of the Ordinary Shares above the Offer Price.

Save as required by law or regulation, Merrill Lynch International does not intend to disclose the extent of any over-allotments made and/or stabilisation transactions conducted in relation to the Global Offer.

The Company has granted to Merrill Lynch International, as stabilising manager, the Over-allotment Option pursuant to which Merrill Lynch International may require the Company to issue additional New Shares at the Offer Price to cover Over-allotments, if any, made in connection with the Global Offer and to cover any short positions resulting from stabilisation transactions. The number of New Shares to be subject to the Over-allotment Option is, in aggregate, equal to approximately five per cent. of the total number of Ordinary Shares to be issued or sold in the Global Offer (before any exercise of the Over-allotment Option). The Over-allotment Option may be exercised from the date of the commencement of conditional trading for a period of 30 calendar days thereafter, provided that it may only be exercised to the extent that Ordinary Shares have been over-allotted.

Underwriting Agreement

The Selling Shareholders, the Directors and the Company have entered into the Underwriting Agreement with the Managers. Pursuant to the Underwriting Agreement, the Managers have agreed, subject to certain conditions, to procure subscribers and/or purchasers for or, failing which, to subscribe for and/or purchase themselves, Ordinary Shares to be issued or sold in the Global Offer. Further details of the terms of the Underwriting Agreement are set out in paragraph 10 of Part XIV: *Additional Information*.

Dealings and Admission

It is expected that dealings in the Ordinary Shares will commence on a conditional basis on the London Stock Exchange at 8:00 a.m. on 1 November 2005. All dealings between the commencement of conditional dealings and the commencement of unconditional dealings will be on a "when issued basis" and at the risk of the parties concerned. **If the Global Offer does not become unconditional, these dealings will be of no effect**.

Admission is expected to take place and unconditional dealings in the Ordinary Shares are expected to commence on the London Stock Exchange on 4 November 2005.

It is expected that Ordinary Shares allocated to investors in the Global Offer will be delivered in uncertificated form and settlement will take place through CREST on Admission. All Ordinary Shares issued pursuant to the Global Offer will be issued payable in full at the Offer Price. It is intended that, if applicable, definitive share certificates in respect of the Global Offer will be distributed from 7 November 2005 or as soon thereafter as is practicable. No temporary documents of title will be issued.

CREST

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. Upon Admission, the Articles will permit the holding of Ordinary Shares under the CREST system. The Directors have applied for the Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system if the relevant Shareholders so wish.

CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so. Investors applying for Ordinary Shares in the Global Offer may, however, elect to receive Ordinary Shares in uncertificated form, if that investor is a system-member (as defined in the Regulations) in relation to CREST.

Lock-up Arrangements

Under the terms of the Underwriting Agreement, each of the Company and the Directors have agreed to certain lock-up agreements as set out below:

(a) the Company has undertaken to the Managers, subject to certain exceptions (including in connection with employee incentives and Ordinary Shares issued in connection with an acquisition or other similar transaction to the extent that the number of Ordinary Shares issued does not exceed five per cent. of the then issued share capital of the Company), in the Underwriting Agreement, that it will not, amongst other things, without the written consent of Merrill Lynch International, directly or indirectly, offer, pledge, issue, lend, sell or contract to sell, issue options in respect of or otherwise dispose of, directly or indirectly, (or announce any offering or issue of any Ordinary Shares (or any interest therein or in respect thereof) or any securities convertible into or exchangeable for, or substantially similar to, Ordinary Shares or enter into any transaction with the same economic effect as, or agree to do, any of the foregoing for a period of 180 days from Admission; and

(b) the Directors have undertaken to the Managers that they will not, without the prior written consent of Merrill Lynch International, subject to certain exceptions, directly or indirectly offer, pledge, issue, lend, sell or contract to sell, or, issue options in respect of, or otherwise dispose of, directly or indirectly, or announce an offer of, any Ordinary Shares (or any interest therein or in respect thereof) or any other security exchangeable for or convertible into, or substantially similar to Ordinary Shares, or enter into any transaction with the same economic effect as, or agree to do any of the foregoing. The obligations referred to in this paragraph apply to the Directors for a period of 360 days from Admission.

Under the terms of the Lock Up Agreements, Darhold Limited, the Senior Management and certain other Shareholders who are founding shareholders (representing 34.4 per cent. of the Company's share capital following Admission) or who hold a large interest in the Company (representing 7.9 per cent. of the Company's share capital following Admission), have severally undertaken to each Manager that, it, he or she will not, without the prior written consent of Merrill Lynch, directly or indirectly, offer, issue, lend, sell or contract or otherwise agree to sell, issue options in respect of, or otherwise dispose of, directly or indirectly, or announce an offering or issue of, any Ordinary Shares (or any interest therein or in respect thereof) or any other securities exchangeable for or convertible into, or substantially similar to, Ordinary Shares (including, for the avoidance of doubt, options in respect of Ordinary Shares) or enter into any transaction with the same economic effect as, or agree to do, any of the foregoing. The obligations referred to in this paragraph apply to Darhold, Senior Management and the founding shareholders for a period of 360 days from Admission and to the other Shareholders for a period of 180 days from Admission.

Selling Restrictions

The distribution of this document and the offer of Ordinary Shares in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions, including those in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

U.S. Selling Restrictions

The Ordinary Shares have not been, and will not be, registered under the Securities Act or under any applicable state securities laws of the United States, and, subject to certain exceptions, may not be offered or sold within the United States. Accordingly, the Managers may offer Ordinary Shares (1) only through their qualified US registered broker affiliates or agents to persons reasonably believed to be QIBs in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A or another exemption from, or a transaction not subject to, the registration requirements of the Securities Act or (2) in compliance with Regulation S under the Securities Act.

In addition, until the expiry of 40 days after the commencement of the Global Offer, an offer or sale of Ordinary Shares within the United States by a dealer (whether or not it is participating in the Global Offer) may violate the registration requirements of the Securities Act.

Due to the foregoing restrictions, purchasers of Ordinary Shares in the United States are advised to consult legal counsel prior to making any offer for resale, pledge or other transfer of the Ordinary Shares.

Rule 144A Ordinary Shares

Each purchaser in the United States of the Ordinary Shares offered hereby will be deemed to have represented and agreed that it has received a copy of this document and such other information as it deems necessary to make an investment decision and that:

(a) it is (i) a QIB, (ii) acquiring such Ordinary Shares for its own account or for the account of one or more QIBs with respect to whom it has the authority to make, and does make, the representations and warranties set forth in this paragraph, (iii) not acquiring the Ordinary Shares with a view to further distribution of such Ordinary Shares, and (iv) aware, and each beneficial owner of such Ordinary Shares has been advised, that the sale of Ordinary Shares to it is being made in reliance on Rule 144A or another exemption from, or transaction not subject to, the registration requirements of the Securities Act;

(b) it understands and agrees that the Ordinary Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state, territory or other jurisdiction of the United States and may not be reoffered, resold, pledged or otherwise transferred except (A)(i) to a person who the purchaser and any person acting on its behalf reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (ii) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S, (iii) pursuant to an exemption from the registration requirements of the Securities Act provided by Rule 144 thereunder (if available), or (iv) pursuant to an effective registration statement under the Securities Act and (B) in accordance with all applicable securities laws of any state, territory or other jurisdiction of the United States;

(c) it acknowledges that the Ordinary Shares (whether in physical, certificated form or in uncertificated form held in CREST) are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, are being offered and sold in a transaction not involving any public offering in the United States within the meaning of the Securities Act and that no representation is made as to the availability of the exemption provided by Rule 144 for resales of Ordinary Shares;

(d) it understands that any offer, sale, pledge or other transfer of the Ordinary Shares made other than in compliance with the above-stated restrictions may not be recognised by the Company;

(e) the Ordinary Shares (to the extend they are in certificated form), unless otherwise determined by the Company in accordance with applicable law, will bear a legend substantially to the following effect:

THE SECURITY EVIDENCED HEREBY HAS NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A) IN A TRANSACTION IN ACCORDANCE WITH RULE 144A TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY

BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (B) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (C) PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PROVIDED BY RULE 144 (IF AVAILABLE) OR (IV) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALES OF THIS SECURITY. EACH PURCHASER OF THIS SECURITY IS HEREBY NOTIFIED THAT THE SELLER OF THIS SECURITY MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER AND EACH PURCHASER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS SECURITY FROM IT OF THE RESALE RESTRICTIONS REFERRED TO ABOVE. EACH HOLDER, BY ITS ACCEPTANCE OF THIS SECURITY, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS;

(f) notwithstanding anything to the contrary in the foregoing, the purchaser understands that Ordinary Shares may not be deposited into an unrestricted depository receipt facility in respect of Ordinary Shares established or maintained by a depository bank unless and until such time as such Ordinary Shares are no longer "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act;

(g) it acknowledges that the Company, the Selling Shareholders, the Managers and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of such acknowledgements, representations or agreements deemed to have been made by virtue of its purchase of Ordinary Shares are no longer accurate, it will promptly notify the Company, and if it is acquiring any Ordinary Shares as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account; and

(h) it agrees that it will give to each person to whom it transfers Ordinary Shares notice of any restrictions on transfer of such Ordinary Shares.

Regulation S Ordinary Shares

Each purchaser of Ordinary Shares offered outside the United States pursuant to Regulation S will be deemed to have represented, agreed and acknowledged that it has received a copy of this document, and such other information as it deems necessary to make an investment decision and that:

(a) it is authorised to consummate the purchase of the Ordinary Shares in compliance with all applicable laws and regulations;

(b) it acknowledges (or if it is a broker-dealer acting on behalf of a customer, its customer has confirmed to it that such customer acknowledges) that the Ordinary Shares have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States;

(c) it is purchasing the Ordinary Shares in an offshore transaction meeting the requirements of Regulation S;

(d) it will not offer, sell, pledge or transfer any Ordinary Shares, except in accordance with the Securities Act and any applicable laws of any state of the United States and any other jurisdiction; and

(e) the Company, the Selling Shareholders, the Managers and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of such acknowledgements, representations or agreements deemed to have been made by virtue of its purchase of Ordinary Shares are no longer accurate, it will promptly notify the Company, and if it is acquiring any Ordinary Shares as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

European Economic Area

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a "relevant member state"), with effect from and including the date on which the Prospectus

Directive is implemented in that member state (the "Relevant Implementation Date") the Ordinary Shares may not be offered to the public in that relevant member state, except that, with effect from and including the Relevant Implementation Date, the Ordinary Shares may be offered in that relevant member state:

(a) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(b) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or

(c) at any time in any other circumstances which do not require the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Ordinary Shares to the public" in relation to any Ordinary Shares in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the offer and the Ordinary Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Ordinary Shares, as the same may be varied in that member state by any measure implementing the Prospectus Directive in that member state and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each relevant member state.

Each subscriber for or purchaser of Ordinary Shares in the Global Offer located within a member state of the European Economic Area will be deemed to have represented, acknowledged and agreed that it is a "qualified investor" within the meaning of Article 2(1)(e) of the Prospectus Directive. The Company, Merrill Lynch International, Export & Finance Bank and Citigroup and their affiliates, and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement, and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified Merrill Lynch International of such fact in writing may, with the consent of Merrill Lynch International, be permitted to subscribe for or purchase Shares in the Global Offer.

United Kingdom

This document is being distributed only to, and is directed only at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order") and persons falling within Article 49(2)(a) to (d) of the Order, and (ii) to whom it may otherwise lawfully be communicated.

Japanese Selling Restrictions

The Ordinary Shares have not been and will not be registered under the Securities and Exchange Law of Japan. The Ordinary Shares may not be offered, issued or sold and this document is not for delivery to any persons in Japan other than with the prior approval of Merrill Lynch International in circumstances which have not resulted and will not result in an offer to the public in Japan.

Canadian Selling Restrictions

The Ordinary Shares may be not be offered, issued or sold to any Canadian person and this document is not for delivery to any Canadian person other than with the prior approval of Merrill Lynch International on a basis exempt from the requirement that the Company prepare and file a prospectus with the securities regulatory authorities in each province or territory in Canada where trades of Ordinary Shares are effected.

Australian Selling Restrictions

This document does not constitute a disclosure document under Part 6D.2 of the Corporations Act 2001 of the Corporations Act and will not be lodged with the Australian Securities and Investments Commission. The Ordinary Shares will be offered to persons who receive offers in Australia only to the extent that such offers of Ordinary Shares for issue or sale do not need disclosure to investors under Part 6D.2 of the Corporations Act. Any offer of Ordinary Shares received in Australia is void to the extent that it needs disclosure to investors under the Corporations Act. In particular, offers for the issue or sale of Ordinary Shares will only be made in Australia in reliance on various exemptions from such disclosure to investors provided by Section 708 of the Corporations Act. Any person to whom Ordinary Shares are issued or sold pursuant to an exemption provided by Section 708 of the Corporations Act must not (within 12 months after the issue or sale) offer those Ordinary Shares in Australia unless that offer is itself made in reliance on an exemption from disclosure provided by that section.

United Arab Emirates

This document does not constitute a public offer or a solicitation of securities within the territory of the UAE and accordingly should not be construed as such. This document is not for circulation to the general public in the UAE, nor will Ordinary Shares be offered to the general public in the UAE. To the extent that this document is circulated within the territory of the UAE, it is being done so in relation to a private placement (i.e., a limited circle of investors) only. Accordingly, the Global Offer and this document has not been filed with, reviewed by or approved by the UAE Central Bank, the Emirates Securities and Commodities Authority, or any other UAE governmental regulatory body or securities exchange. This document shall not be copied or otherwise distributed by the recipient to others without the express prior written consent of Merrill Lynch.

Kuwait

By receiving this document, the person or entity to whom it has been issued or provided understands, acknowledges and agrees that this document has not been approved by the Kuwait Central Bank or the Kuwait Ministry of Commerce and Industry or any authorities in Kuwait, nor has the Company or any of its representatives received authorization or licensing from the Kuwait Central Bank or the Kuwait Ministry of Commerce and Industry or any authorities in Kuwait to market or sell the Ordinary Shares within Kuwait. Therefore, the Ordinary Shares will not be marketed or sold in Kuwait and no services relating to an offering, including the receipt of applications or this document or both, will be rendered within Kuwait by the Company or any of its representatives.

Saudi Arabia

This document is being provided solely for informational purposes in Saudi Arabia; receipt of this document, therefore, does not continue an offer to buy the Ordinary Shares referred to therein.

Jordan

Any marketing of Ordinary Shares to Jordanian investors is done by way of private placement only.

PART XIV: ADDITIONAL INFORMATION

1. RESPONSIBILITY

1.1 The Company and its Directors (whose names appear on page 9 of this document) accept responsibility for the information contained in this document. To the best of the knowledge of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and contains no omission likely to affect its import.

2. INCORPORATION

2.1 The Company was incorporated as a public limited company and registered in England and Wales on 8 September 2005 with registered number 5557934 under the Act with the name Hikma Pharma PLC. On 19 September 2005 the Company changed its name to Hikma Pharmaceuticals PLC. The principal legislation under which the Company operates is the Act.

2.2 The head office and the principal place of business in the United Kingdom of the Company is at Medius House LG, 2 Sheraton Street, London W1F 8BH, United Kingdom. (Tel No. +44 207 479 4870).

2.3 Other than acquiring the entire issued share capital of Hikma Pharma Limited (as described in paragraph 3.3 below) the Company has not traded. The Company obtained a trading certificate on 16 September 2005.

3. SHARE CAPITAL

3.1 The Company was incorporated with an authorised share capital of £50,000 divided into 2 ordinary shares of £1 each and 49,998 non-voting, redeemable preference shares of £1 each. The two ordinary shares of £1 each were transferred on 8 September 2005 as subscriber shares at a price of £1 each to the Executive Directors and on 15 September 2005 all the preference shares were allotted to the Executive Directors. The preference shares are to be redeemed at par on Admission out of the proceeds from the issue of Ordinary Shares being offered in the Global Offer.

3.2 By a written resolution passed on 31 October 2005:

(a) each of the two ordinary shares of £1 in issuance at the time were subdivided into 10 Ordinary Shares of 10p each, each of such shares having the rights and being subject to restrictions set out in the Articles;

(b) the Articles were adopted in substitution for and to the exclusion of the existing articles of association of the Company;

(c) the authorised share capital of the Company was increased to £50,000,000 by the creation of an additional 499,999,980 Ordinary Shares of 10p each in the capital of the Company;

(d) the Directors were with effect from and conditional upon Admission occurring on or before 11 November 2005 (or such later date as the Company and Merrill Lynch International may agree):

(i) generally and unconditionally authorised for the purposes of section 80(1) of the Act to exercise all the powers of the Company to allot relevant securities (within the meaning of section 80(2) of the Act), such authority being limited to:

(A) the allotment and issue of up to 26,703,491 Ordinary Shares in connection with the Global Offer; and

(B) the allotment (other than pursuant to the authority referred to in sub-paragraph 3.2(d)(i)(A) above) of relevant securities up to an aggregate nominal amount equal to approximately one third of the aggregate nominal amount of the issued share capital of the Company immediately following Admission, and to expire on the date falling 15 months after the passing of the resolution or, if earlier, at the conclusion of the Company's annual general meeting to be held in 2006;

(ii) empowered until the conclusion of the Company's annual general meeting in 2006 (or, if sooner, until the expiry of 15 months after the passing of the resolution) to allot equity securities (as defined in section 94(2) of the Act) pursuant to the authority referred to in

paragraph 3.2(d)(i) above as if section 89 of that Act did not apply to any such allotment, such power being limited to:

(A) the allotment and issue of up to 26,703,491 Ordinary Shares in connection with the Global Offer;

(B) the allotment of equity securities in connection with an offer or issue to holders of Ordinary Shares where the equity securities respectively attributable to the interests of all such holders are proportionate (as nearly as may be practicable) to the respective numbers of Ordinary Shares held by them but including in connection with such an issue, the making of such arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements or problems under the laws of any territory or the requirements of any regulatory body or any stock exchange; and

(C) the allotment (other than pursuant to the powers referred to in sub paragraphs (A) and (B) above) of equity securities up to an aggregate nominal amount equal to five per cent. of the aggregate nominal amount of the issued share capital of the Company immediately following Admission.

3.3 On 31 October 2005, the Company acquired the entire issued share capital of Hikma Pharma Limited pursuant to a share exchange offer, following which it became the holding company of the Group. Under the terms of the share exchange, shareholders in Hikma Pharma Limited received four Ordinary Shares for every one share held in Hikma Pharma Limited.

3.4 The following table shows the existing authorised and issued ordinary share capital of the Company and the authorised and issued share capital as it will be immediately following Admission.

Existing

Authorised		Issued and fully paid	
Amount (£)	**Number**	**Amount (£)**	**Number**
50,000,000	**500,000,000**	**14,240,002**	**142,400,020**

Immediately following Admission

Authorised		Issued and fully paid	
Amount (£)	**Number**	**Amount (£)**	**Number**
50,000,000	**500,000,000**	**16,653,795**	**166,537,951**

3.5 Pursuant to the Global Offer, 24,137,931 Ordinary Shares will, subject to Admission, be issued at a price of 290p per Ordinary Share. This will dilute existing shareholders by 17.0 per cent.

3.6 The authorised but unissued share capital following the passing of the resolutions referred to at paragraph 3.2(c) above and the issue of the New Shares pursuant to the Global Offer will be £33,346,205, of which £1,112,000 is reserved for issue pursuant to the exercise of outstanding options.

3.7 The provisions of section 89(1) of the Act confer on shareholders rights of pre-emption in respect of the allotment of equity securities (as defined in section 94(2) of the Act) which are, or are to be, paid up in cash and apply to the authorised but unissued share capital of the Company except to the extent disapplied by the resolution referred to in paragraph 3.2(d)(ii) above. Statutory rights of pre-emption have been disapplied in the manner described in paragraph 3.2(d) above.

3.8 As of 31 October 2005, the Directors together with Senior Management and certain other employees of the Group had been granted options in respect of a total of 11,120,000 Ordinary Shares in the Company pursuant to the Company's Share Option Plan. For further details of the Plan see paragraph 5 below.

3.9 Save as disclosed in this Part XIV:

(a) there has been no change in the amount of the issued share or loan capital of the Company and no material change in the amount of the issued share or loan capital of any of its subsidiaries (other than intra group issues by wholly owned subsidiaries) in the three years preceding the date of this document;

(b) no commissions, discounts, brokerages or other special terms have been granted by the Company or any of its subsidiaries in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries in the three years preceding the date of this document; and

(c) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed, conditionally or unconditionally, to be put under option.

3.10 Other than pursuant to the Global Offer, the Over-allotment Option and the exercise of options granted under the Company's Stock Option Plan, there is no present intention to issue any of the authorised but unissued share capital of the Company.

3.11 The Ordinary Shares are in registered form and, subject to the provisions of the Regulations, the Directors may permit the holding of shares of any class in uncertificated form and title to such shares may be transferred by means of a relevant system (as defined in the Regulations). Where Ordinary Shares are to be held in certificated form, share certificates will be sent to the registered members by first class post.

The Directors have made an application to become a member of the CREST system operated by CRESTCo Limited. It is expected that the Ordinary Shares will be admitted to CREST on Admission. Where Ordinary Shares are to be held in CREST, the relevant CREST stock account of the registered members will be credited.

3.12 The New Shares are being issued pursuant to the Global Offer at a price of 290p per Ordinary Share which represents a premium of 280p over their nominal value of 10p each, which price is payable in full on application.

4. SUMMARY OF THE MEMORANDUM AND ARTICLES OF ASSOCIATION

4.1 The memorandum of association of the Company provides that the Company's principal object is to carry on the business of a general commercial company. The objects of the Company are set out in full in clause 4 of the memorandum of association which is available for inspection at the address specified in paragraph 17 of this Part XIV.

4.2 The Articles contain provisions, inter alia, to the following effect:

(a) **Voting rights of Ordinary Shares**

(i) Shareholders shall have the right to receive notice of, to attend and to vote at all general meetings of the Company. Save as otherwise provided in the Articles, on a show of hands each holder of shares present in person and entitled to vote shall have one vote and upon a poll each such holder who is present in person or by proxy and entitled to vote shall have one vote in respect of every share held by him.

(ii) No member shall be entitled to vote on any question, either in person or by proxy, at any general meeting or separate general meeting of the holders of any class of shares in the Company, or to be reckoned in a quorum, if any call or other sum presently payable by him in respect of shares remains unpaid or if a member has been served by the Directors with a restriction notice in the manner described in paragraph 4.2(b) below.

(b) **Restrictions on Ordinary Shares**

As provided by section 199 of the Act, a person has a notifiable interest in the share capital of the Company when (i) he has material interests with an aggregate nominal value equal to or greater than three per cent. of the nominal value of the share capital or (ii) not having such an interest by virtue of (i) above, the aggregate nominal value of the shares in which he has interests (whether or not these are material interests) is equal to or more than ten per cent. of that share capital.

If a member or any person appearing to the Directors to be interested in any shares in the Company has been duly served with a notice pursuant to section 212 of the Act and is in default in supplying to the Company information thereby required within 14 days from the date of service of such notice, the Company may (at the absolute discretion of the Directors) at any time thereafter serve on such member or on any such person a notice (a "restriction notice") in respect of the shares in relation to which the default occurred and any other shares held at the date of the restriction notice, or such of them as the Directors may determine from time to time (the "restricted shares," which expression shall include any further shares which are issued in respect of any restricted shares) directing that the member shall not, nor shall any transferee to which any of such shares are transferred other than pursuant to a permitted transfer, be entitled to be present or to vote on any question, either in person or by proxy, at any general meeting or separate general meeting of the holders of any class of shares in the Company, or to be reckoned in a quorum. Where the restricted shares represent at least 0.25 per cent. in nominal value of the issued shares of the Company of the same class of the restricted shares, then the restriction notice may in addition direct, inter alia, that any dividend or other money

which would otherwise be payable on such member shall be retained by the Company without liability to pay interest; where the Company has offered the right to elect to receive shares instead of cash in respect of any dividends any election by such member in respect of such restricted shares will not be effective; and no transfer of any of the shares held by the member shall be recognised or registered unless the member is not himself in default in supplying the information requested and the transfer is of part only of the member's holding and is accompanied by a certificate given by the member in a form satisfactory to the Directors to the effect that after due and careful enquiry the member is satisfied that none of the shares which are the subject of the transfer are restricted shares.

(c) **Variation of Class Rights**

If at any time the share capital of the Company is divided into different classes of shares, the rights attached to any class of shares or any of such rights may, subject to the Statutes, whether or not the Company is being wound up, be modified, abrogated or varied either with the consent in writing of the holders of three fourths in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares) or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of sections 369, 370, 376 and 377 of the Act and the provisions of the Articles relating to general meetings shall apply, mutatis mutandis, but so that the necessary quorum at any such meeting other than an adjourned meeting shall be two persons holding or representing by proxy at least one third in nominal value of the issued shares of the relevant class (excluding any shares of that class held as treasury shares) and at an adjourned meeting one person holding shares of the class or his proxy. Any holder of shares of the relevant class present in person or by proxy may demand a poll upon which every holder of shares of that class shall be entitled to one vote for every such share held by him. The rights attached to any class of shares shall, unless otherwise expressly provided by the terms of issue of such shares or by the terms upon which such shares are for the time being held, be deemed not to be modified, abrogated or varied by the creation or issue of further shares ranking pari passu therewith.

(d) **Alteration of capital**

(i) The Company may from time to time by ordinary resolution increase its share capital, consolidate all or any of its share capital into shares of larger nominal value, sub-divide all or any of its shares into shares of smaller nominal value (provided that the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived and the ordinary resolution to sub-divide may determine that as between the resulting shares one or more of such shares may be given any preference or advantage or be subject to restriction as regards dividend, capital, voting or otherwise over the others or any other of such shares) and cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

(ii) Subject to the provisions of the Statutes, the Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account in any way.

(iii) Subject to the provisions of the Statutes and subject to any provisions contained in the Articles from time to time, all unissued shares of the Company (whether forming part of the original or any increased capital) are at the disposal of the Directors who may (subject to the provisions of the Statutes) allot (with or without conferring a right of renunciation), grant options over, offer or otherwise deal with or dispose of them to such persons at such times and generally on such terms and conditions as they may determine.

(iv) Subject to the provisions of the Statutes, any shares may be issued on terms that they are to be redeemed or liable to be redeemed at the option of the Company or the shareholder on the terms and in the manner provided for by the Articles.

(v) Subject to the provisions of the Statutes, the Company may purchase any of its own shares (including any redeemable shares).

(e) **Transfer of Ordinary Shares**

(i) Subject to paragraph 4.2(e)(ii) below, the instrument of transfer of a certificated share shall be signed by or on behalf of the transferor (and, in the case of a share which is not fully paid, by or on behalf of the transferee) and the transferor shall be deemed to remain the holder of the

share until the name of the transferee is entered in the register in respect thereof. All transfers of certificated shares shall be effected by instrument in writing in any usual or common form or any other form which the Directors may approve. The Directors may, in their absolute discretion and without giving any reason, refuse to register the transfer of a share which is not fully paid (whether certificated or uncertificated) provided that where such shares are admitted to the Official List of the UKLA, such discretion may not be exercised in a way which the UKLA regards as preventing dealings in the shares of the relevant class or classes from taking place on an open and proper basis. The Directors may likewise refuse to register any transfer of a share (whether certificated or uncertificated), whether or not fully paid, in favour of more than four persons jointly. In relation to certificated shares, the Directors may decline to recognise any instrument of transfer unless it is left at the registered office of the Company or such other place as the Directors may determine, accompanied by the relevant certificate and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer (and, if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do), and unless the instrument is in respect of only one class of share. The registration of transfers may be suspended at such times and for such periods as the Directors may from time to time determine, and either generally or in respect of any class of shares except that, in respect of any shares which are uncertificated, the consent of the operator of the relevant system for those shares will first be required, provided always that such registration shall not be suspended, either generally or otherwise, for more than 30 days in any year.

(ii) All transfers of uncertificated shares shall be made in accordance with and be subject to the provisions of the Regulations and the facilities and requirements of the relevant system and, subject thereto, in accordance with any arrangements made by the Directors pursuant to the provisions of the Articles.

(iii) Other than as provided by sections 428 to 430 of the Act and the Takeover Code, there are no rules or provisions relating to mandatory takeover bids and/or squeeze-out and sell-out rules in relation to the Ordinary Shares.

(f) **General Meetings**

(i) An annual general meeting and a meeting called for the passing of a special resolution shall be called by not less than 21 clear days' notice, and a meeting of the Company other than an annual general meeting or a meeting for the passing of a special resolution shall be called by not less than 14 clear days' notice. The notice shall specify the place, the day and time of meeting and, in the case of any special business, the general nature of that business. It shall be given in the manner described in the Articles or in such other manner, if any, as may be prescribed by the Statutes or by the Company in general meeting, to such persons who are, under the Articles, entitled to receive such notices from the Company and shall comply with the provisions of the Statutes as to informing members of their right to appoint proxies. A notice calling an annual general meeting shall specify the meeting as such and a notice convening a meeting to pass an extraordinary resolution or a special resolution as the case may be shall specify the intention to propose the resolution as such.

(ii) The accidental omission to give notice of a meeting, or to issue an invitation to appoint a proxy with a notice where required by the Articles, to any person entitled to receive notice, or the non-receipt of notice of a meeting or of an invitation to appoint a proxy by any such person, shall not invalidate the proceedings at that meeting.

(iii) The Board may resolve to enable persons entitled to attend a general meeting to do so by simultaneous attendance and participation at a satellite meeting place anywhere in the world. The members present in person or by proxy at satellite meeting places shall be counted in the quorum for, and entitled to vote at, the general meeting in question, and that meeting shall be duly constituted and its proceedings valid, if the chairman of the general meeting is satisfied that adequate facilities are available through the general meeting to ensure that members attending at all the meeting places are able to:

(a) communicate simultaneously and instantaneously with the persons present at the other meeting place or places, whether by use of microphones, loud-speakers, audio-visual or other communications equipment or facilities; and

(b) have access to all documents which are required by the Act and these Articles to be made available at the general meeting.

(g) **Directors**

(i) Unless and until the Company in general meeting shall otherwise determine, the number of Directors shall be not more than 15 and not less than three. The Company may by ordinary resolution from time to time vary the minimum number and/or maximum number of Directors. A Director shall not be required to hold any shares in the capital of the Company. A Director who is not a member shall nevertheless be entitled to receive notice of and attend and speak at all general meetings of the Company and all separate general meetings of the holders of any class of shares in the capital of the Company.

(ii) Subject to the provisions of the Statutes, a Director may hold any other office or place of profit under the Company, except that of Auditor, in conjunction with the office of Director and may act by himself or through his firm in a professional capacity for the Company, and in any such case on such terms as to remuneration and otherwise as the Directors may arrange. Any such remuneration shall be in addition to any remuneration provided for by any other Article. No Director or intending Director shall be disqualified by his office from entering into any contract, arrangement, transaction or proposal with the Company either with regard to his tenure of any other office or place of profit or acting in a professional capacity for the Company or as a seller, buyer or otherwise. Subject to the provisions of the Statutes and save as therein provided, no such contract, arrangement, transaction or proposal entered into by or on behalf of the Company in which any Director or person connected with him is in any way interested, whether directly or indirectly, shall be liable to be avoided, nor shall any Director who enters into any such contract, arrangement, transaction or proposal or who is so interested be liable to account to the Company for any profit or other benefit realised by any such contract, arrangement, transaction or proposal by reason of such Director holding that office or of the fiduciary relationship thereby established, but such Director shall declare the nature of his interest in accordance with the Statutes.

(iii) A Director shall (in the absence of some other material interest than is indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters, namely:

(A) the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings;

(B) the giving of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

(C) any proposal concerning an offer of securities of or by the Company or any of its subsidiary undertakings in which offer he is, or may be, entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;

(D) any contract, arrangement, transaction or other proposal concerning any other body corporate in which he, or any other person connected with him (within the meaning of section 346 of the Act), is interested, directly or indirectly, and whether as an officer or shareholder or otherwise, provided that he or any persons so connected with him do not to his knowledge hold an interest (within the meaning of sections 198-211 of the Act) in one per cent. or more of any class of the equity share capital of such body corporate or of the voting rights available to members of the relevant body corporate;

(E) any contract, arrangement, transaction or other proposal for the benefit of employees of the Company or any of its subsidiary undertakings which does not accord him any privilege or benefit not generally accorded to the employees to whom the scheme relates; and

(F) any proposal concerning any insurance which the Company is to purchase and/or maintain for the benefit of Directors or for the benefit of persons who include Directors.

(iv) A Director shall not vote or be counted in the quorum on any resolution concerning his own appointment as the holder of any office or place of profit with the Company or any company in which the Company is interested including fixing or varying the terms of his appointment or the termination thereof.

(v) Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment) of two or more Directors to offices or employments with the Company or any body corporate in which the Company is interested, such proposals may be divided and considered in relation to each Director separately and in such cases each of the Directors concerned (if not debarred from voting under paragraph (g) (iii)(D) above) shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.

(vi) If any question shall arise at any meeting as to the materiality of an interest or as to the entitlement of any Director to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the chairman of the meeting and his ruling in relation to any other Director other than himself shall be final and conclusive except in a case where the nature or extent of the interests of the Director concerned have not been fairly disclosed.

(vii) Save as provided in the Articles, a Director shall not vote or be counted in the quorum present on any motion in respect of any contract, arrangement, transaction or any other proposal in which he has an interest which (together with any interest of any person connected with him within the meaning of section 346 of the Act) is to his knowledge a material interest otherwise than by virtue of his interests in shares or debentures or other securities of, or otherwise in or through the Company. A director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.

(viii) Each of the Directors shall be paid a fee at such rate as may from time to time be determined by the Directors, but the aggregate of all such fees so paid to the directors shall not exceed £500,000 per annum or such larger amount as may from time to time be decided by ordinary resolution of the Company. Any Director who is appointed to any executive office or who serves on any committee or who devotes special attention to the business of the Company, or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, may be entitled to receive such remuneration (whether by way of salary, percentage of profits or otherwise) as the Directors may determine. Each Director may be paid his reasonable travelling, hotel and other expenses incurred in attending and returning from meetings of the Directors, or any committee of the Directors or of the Company or of the holders of any class of shares or debentures of the Company or otherwise in connection with the business of the Company. A Director shall not vote or be counted in the quorum on any resolution concerning his own appointment as the holder of any office or place of profit with the Company or any company in which the Company is interested including fixing or varying the terms of his appointment or the termination thereof.

(ix) There shall be no age limit for Directors.

(x) Each Director shall have the power at any time to appoint as an alternate Director another Director and, at any time, to terminate such appointment.

(xi) Each Director shall retire from office at the third annual general meeting after the annual general meeting at which he was last elected. A retiring Director shall be eligible for re-election.

(xii) The Directors may exercise all the powers of the Company to give or award pensions, annuities, gratuities or other retirement, superannuation, death or disability allowances or benefits (whether or not similar to the foregoing) to (or to any person in respect of) any persons who are or have at any time been Directors of or employed by or in the service of the Company or of any body corporate which is or was a subsidiary undertaking or parent undertaking of the Company or another subsidiary undertaking of a parent undertaking of the Company or otherwise associated with the Company or any such body corporate, or a predecessor in business of the Company or any such body corporate, and to the spouses, widows, widowers' children, other relations and dependants of any such persons and may establish, maintain, support, subscribe to and contribute to all kinds of schemes, trusts and funds (whether contributory or non-contributory) for the benefit of any such persons or any of them or any class of them, and so that any Director or former Director shall be entitled to receive and retain for his own benefit any such pension, annuity, gratuity, allowance or other benefit (whether under any such trust, fund or scheme or otherwise).

(h) **Borrowing Powers**

(i) The Directors may, save as the Articles otherwise provide, exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets (present or future) and uncalled capital, or any part thereof, and, subject to the provisions of the Statutes, to issue debentures, debenture stock and other securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

(ii) The Directors shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings (if any) so as to secure (so far, as regards subsidiary undertakings, as by such exercise they can secure) that the aggregate amount for the time being remaining outstanding of all monies borrowed by the Group and for the time being owing to persons outside the Group shall not at any time, without the previous sanction of an ordinary resolution of the Company in general meeting, exceed a sum equal to five times the aggregate of (A) the amount paid up on the issued share capital of the Company and (B) the total of the capital and revenue reserves of the Group (including any share premium account, capital redemption reserve and credit balance on the profit and loss account) in each case, whether or not such amounts are available for distribution, all as shown in the latest audited and consolidated balance sheet of the Group but after such adjustments and deductions (including any amounts attributable to intangibles) as are specified in the relevant Article.

(i) **Dividends and Distributions on Liquidation to Shareholders**

(i) The Company in general meeting may declare dividends, but no dividend shall exceed the amount recommended by the Directors. Subject to the Statutes, and to the rights of persons, if any, entitled to shares with any priority, preference or special rights as to dividend, all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid, but no amount paid up on a share in advance of calls shall be treated for the purpose of this Article as paid up on the share. All dividends shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid; but if any share is issued on terms providing that it shall rank for dividend as if paid up in full or in part from a particular date, whether past or future, such share shall rank for dividend accordingly.

(ii) Subject to the provisions of the Statutes, the Directors may pay such interim dividends as they think fit and may pay the fixed dividends payable on any shares of the Company half yearly or otherwise on fixed dates.

(iii) Any general meeting declaring a dividend may, upon the recommendation of the Directors, direct payment of such dividend wholly or in part by the distribution of specific assets and in particular of paid up shares or debentures of any other body corporate, and the Directors shall give effect to such direction.

(iv) All dividends or other sums payable on or in respect of any share which remain unclaimed may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed. Any dividend unclaimed for a period of 12 years after it became due for payment shall be forfeited and shall revert to the Company.

(v) On a liquidation, the liquidator may, with the sanction of an extraordinary resolution of the Company and any other sanction required by the Statutes, divide amongst the members in specie or in kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members.

(j) **Non-United Kingdom Shareholders**

There are no limitations in the Articles on the rights of non-United Kingdom shareholders to hold, or to exercise voting rights attached to, the Ordinary Shares. However, non-United Kingdom shareholders are not entitled to receive notices or any other documents from the Company, unless the Directors resolve otherwise.

5. COMPANY'S SHARE PLANS

5.1 General

The Company operates the Plan. The Plan was originally approved by a general meeting of Hikma Pharma Limited on 29 July 2004. As part of the share exchange offer made by the Company in relation to Hikma Pharma Limited, outstanding options granted under the Plan were exchanged for options over shares in the Company. As of 31 October 2005, there are outstanding options granted under the Plan over an aggregate of 11,120,000 shares in the Company. These options have been granted primarily to employees of the Group who are employed in the United States, Jordan and Portugal.

The Company has adopted the Plan with a view to it continuing to operate after Admission but over Ordinary Shares. The rules of the Plan have been modified for this purpose, but otherwise no changes have been made. The number of Ordinary Shares still available under the Plan for future options is 1,160,000. Options granted under the Plan are not subject to performance conditions. The Plan is governed by Jersey law and its principal features are set out in paragraph 5.2 below.

Separately, the Company has established conditional on Admission the LTIP designed to provide appropriate incentives for employees and directors of a listed company with regard to current best practice and institutional guidelines. The key features of the LTIP are summarised in paragraph 5.3 below.

5.2 Summary of the Plan

(a) Eligibility

All Directors, officers and employees are eligible to participate in the Plan. Participants may be selected on a discretionary basis.

(b) Grant of options

Subject to the terms of the Plan, options may be granted to Directors or employees at any time on such basis as shall be determined by a specifically constituted committee appointed by the board of Hikma Pharma Limited (the "Committee"). Each option grant shall be evidenced by an option agreement specifying the number of Ordinary Shares under option and the terms and conditions on which the option has been granted.

(c) Option price

The option price per Ordinary Share shall be determined by the Remuneration Committee.

(d) Individual limits

The maximum number of Ordinary Shares over which options may be granted to an individual in any calendar year shall not exceed 1,600,000 shares.

(e) Plan limits

The maximum number of shares which may be issued under the Plan is 12,280,000 shares, subject to adjustment for changes in the capital structure of Hikma Pharma Limited.

(f) Exercise provisions

Options vest as to 20 per cent. of the Ordinary Shares initially under option on the first and succeeding four anniversaries of the relevant date of grant and will continue to vest in this way following an initial public offering of Hikma, unless the Committee permits earlier exercise. Options granted after Admission will be subject to similar vesting provisions but the exercise of such options will not be conditional on Admission.

Vested options may be exercised earlier in certain circumstances following termination of employment, for example, on death or retirement. Unvested options generally lapse, although the Committee has an overriding discretion to accelerate the vesting of options where a participant's employment ceases by reason of death or retirement.

Each option granted shall expire at such time as the Committee shall determine, however no option shall be exercisable later than the tenth anniversary date of its grant.

(g) **Change of control**

In the event of a change of control, options granted may be exchanged for equivalent options over shares in the acquiring company, become immediately exercisable, or be cancelled in consideration of a cash payment, depending on the type of change of control and/or at the discretion of the Board.

(h) **Amendments**

The Board may terminate, amend or modify the Plan at any time. However, without the approval of shareholders of the Company, the total number of Ordinary Shares which may be issued under the Plan, the class of employee eligible to participate in the Plan, the cost of the Plan, benefits granted to participants in the Plan and the maximum period during which options may be exercised cannot be altered to the advantage of participants.

5.3 **Summary of the LTIP**

(a) **General**

The LTIP will be adopted by the Board prior to and conditional on Admission (the "Adoption Date").

The operation of the LTIP will be supervised by the remuneration committee of the Board (the **"Remuneration Committee"**).

No awards will be granted under the LTIP at or immediately following Admission.

(b) **Eligibility**

Any employee (including a director) of the Company or any member of the Group who is required to devote substantially the whole of his working time to his employment or office shall be eligible to participate in the LTIP. The Remuneration Committee may in its absolute discretion grant awards to eligible employees but no award will be granted to any employee or director within six months of his expected contractual or other normal retirement date.

(c) **Awards under the LTIP**

An award may be in the form of either:

(i) an **"Allocation"**, meaning a conditional award of a specified number of Ordinary Shares; or

(ii) an **"Option"** to acquire a specified number of Ordinary Shares at an exercise price determined by the Remuneration Committee which may be equal to the market value of an Ordinary Share or a nominal amount.

Participants may be granted any combination of awards, whether in a single grant or pursuant to a series of grants.

No payment is required for the grant of an award.

Awards may normally only be granted within 42 days after the Adoption Date or within 42 days after the announcement of the Company's results for any period. Awards may also be granted at any other time at which the Remuneration Committee determines that there are exceptional circumstances which justify the grant of an award. No award may be granted later than ten years after the date on which the LTIP is adopted nor at any time at which a dealing would not be permitted under the Model Code.

Subject to the limit set out in paragraph 5.3.(f) below, Awards may be satisfied by the issue of new shares or by the transfer of existing shares, either from treasury or otherwise.

(d) **Conditions on vesting or exercise**

An award may be granted subject to such performance condition or conditions as the Remuneration Committee in its discretion sees fit (the **"Performance Condition(s)"**) which must be satisfied before an award may be exercised or vest. Performance will be measured over a period determined by the Remuneration Committee (the **"Performance Period"**). There will be no provision for re-testing.

The Remuneration Committee will consider the suitability of Performance Condition(s) at the time when awards are granted under the LTIP, having regard to institutional guidelines and prevailing best market practice. It is intended that the Performance Condition(s) chosen would seek to align the interests of executives with those of shareholders and would be determined in accordance with specific metrics to be identified by the Remuneration Committee, which may relate to earnings, stock price or revenues. The Performance Condition(s) chosen would be designed to be demanding and robust in the context of the business environment in which the Company operates. It is anticipated that Performance Condition(s) would be measured over a period of at least three financial years.

The Remuneration Committee will regularly monitor the continuing suitability of the Performance Condition(s) and may impose different conditions on awards granted in subsequent years having regard to prevailing market conditions.

(e) **Individual Limit**

Awards granted under the LTIP are subject to individual annual limits.

No award shall be granted to any individual if the aggregate market value of the Ordinary Shares which are the subject of that award and any other award made to him in the same financial year of the Company under the LTIP (excluding awards which have been deemed never to have been granted) would exceed a sum equal to four times his basic salary.

The Remuneration Committee will determine the Company's policy with respect to the appropriate value of awards to be granted to individuals on an annual basis having regard to prevailing market practice, institutional guidelines and the need to recruit and retain high calibre executives. It is anticipated that annual awards would normally be based on a two times multiple of basic salary but that the Remuneration Committee may approve the grant of awards in a financial year in excess of such limit; for example, a high level recruitment. However, in no circumstances may awards granted to an individual under the LTIP in any year ever exceed four times his basic salary.

(f) **Overall Dilution Limit**

No award may be granted under the LTIP on any date if, as a result:

(i) the aggregate number of Ordinary Shares issued or committed to be issued or transferred out of treasury pursuant to grants made under the LTIP during the three years following Admission would exceed three per cent. of the issued ordinary share capital of the Company on that date; or

(ii) the aggregate number of Ordinary Shares issued or committed to be issued or transferred out of treasury pursuant to grants made under the LTIP on or after the third anniversary of Admission and prior to the tenth anniversary of the date of adoption of the LTIP would exceed seven per cent. of the issued ordinary share capital of the Company on that date.

(g) **Exercise of Awards**

An award may not in normal circumstances vest or become exercisable unless the Performance Condition(s) have been satisfied at the end of the Performance Period. Having become exercisable, an Option may be exercised for a period determined by the Remuneration Committee but ending no later than the day preceding the tenth anniversary of its grant.

If a participant ceases to be employed within the Group before the expiry of the Performance Period by reason of:

- death;
- ill-health or disability (determined to the satisfaction of the Board);
- retirement on or after contractual retirement age or (with the consent of the Remuneration Committee) at an earlier age;
- the company employing the participant ceasing to be, or the business to which the participant's office or employment relates being transferred to a person who is not, a member of the Group; or
- any other reason (apart from cause) and the Remuneration Committee in its discretion permits exercise or vesting;

an Allocation will vest immediately and an Option will immediately become exercisable and remain exercisable for a period of six months (or 12 months in the case of death). The number of Ordinary Shares which vest or over which Options are exercisable will, in these circumstances, be determined by reference to the extent to which the Performance Condition(s) have been fulfilled from the beginning of the Performance Period to the date of cessation of employment and will then be pro-rated according to the length of this period when compared to the original Performance Period.

If a participant ceases to be employed within the Group for one of the reasons set out above on or after the expiry of the Performance Period, a subsisting Option may be exercised for a period of six months (or 12 months in the case of death) to the extent that the Performance Condition(s) have been fulfilled.

If a participant's employment shall terminate for cause, awards may be exercised for a period of 90 days to the extent vested and all unvested awards will forthwith lapse.

An award will, in any event, lapse on the tenth anniversary of its date of grant, if not previously vested or exercised.

(h) **Takeover, scheme of arrangement and liquidation**

In the event of a takeover or scheme of arrangement or the voluntary winding-up of the Company occurring before the expiry of the Performance Period, an Allocation will vest immediately and an Option will immediately become exercisable and remain exercisable for a period of one month or until the expiry of any compulsory acquisition period, if later. The number of Ordinary Shares which vest or over which Options are exercisable will, in these circumstances, be determined by reference to the extent to which the Performance Condition(s) have been fulfilled over the reduced Performance Period up to the change of control and will then be pro-rated according to the length of the reduced Performance Period when compared to the original Performance Period.

If such an event takes place on or after the expiry of the Performance Period, a subsisting Option may be exercised for a period of one month to the extent that the Performance Condition(s) have been fulfilled.

If such an event occurs, an award may also be released in exchange for an equivalent new award to be granted by any acquiring company if the participant so wishes and the acquiring company agrees.

Where any such event occurs as part of an internal reorganisation of the Company, subsisting awards will be exchanged for new awards granted by the acquiring company unless such an offer is not forthcoming from the acquiring company in which case vesting or exercise as set out above will be permitted.

(i) **Alterations of Share Capital**

In the event of any variation in the ordinary share capital of the Company, such adjustments to the number of Ordinary Shares subject to awards and the price at which they may be acquired may be made by the Remuneration Committee as it may determine to be appropriate.

(j) **Voting, Dividend and Other Rights**

Until Options or Allocations are exercised or vest, participants have no voting or other rights in respect of the Ordinary Shares subject to those awards.

Ordinary Shares issued or transferred pursuant to the LTIP will rank *pari passu* in all respects with Ordinary Shares already in issue except that they will not rank for any dividend or other distribution paid or made by reference to a record date falling prior to the date of exercise or vesting of the relevant award.

Benefits obtained under the LTIP shall not be pensionable.

Awards are not assignable or transferable.

(k) **Administration and Amendment**

The operation of the LTIP will be supervised by the Remuneration Committee which may amend the LTIP by resolution provided that:

(i) prior approval of the Company in general meeting will be required for any amendment to the advantage of participants to those provisions of the LTIP relating to eligibility, the limitations on the number of Ordinary Shares, cash or other benefits subject to the LTIP, a participant's maximum entitlement or to the basis for determining a participant's entitlement under the LTIP and the adjustment thereof in the event of a variation in capital, except in the case of minor amendments to benefit the administration of the LTIP and amendments to take account of changes in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any member of the Group; and

(ii) no amendment may be made which would alter to the disadvantage of participants any rights already acquired by them under the LTIP without the prior approval of a majority of the affected participants.

(l) **Overseas Plans**

The Board may from time to time and without further formality establish further plans in overseas territories, any such plan to be similar to the LTIP but modified to take account of local tax, exchange control or securities laws, regulation or practice. Ordinary Shares made available under any such plan would count against any limits on overall or individual participation in the LTIP save that only newly issued Ordinary Shares or Ordinary Shares transferred from treasury would count against the overall dilution limits.

(m) **Termination**

The LTIP may be terminated at any time by resolution of the Board or of the Company in general meeting and shall in any event terminate on the tenth anniversary of the date on which the LTIP was approved by the Board. Termination will not affect the outstanding rights of participants.

6. DIRECTORS' AND OTHER INTERESTS

6.1 As of 31 October 2005 (being the latest practicable date prior to the publication of this document), the interests of the Directors and Senior Management in the share capital of the Company were and are expected to be, immediately following Admission, as follows:

	As of 31 October 2005		Immediately following Admission	
Name	**Number of Ordinary Shares**	**Percentage of existing issued share capital**	**Number of Ordinary Shares**	**Percentage of issued share capital(1)**
Samih Darwazah	1,474,506	1.04	1,074,506	0.65
Mazen Darwazah	861,958	0.61	561,958	0.34
Ali Al-Husry	1,309,748	0.92	1,109,748	0.67
Michael Ashton	—	—	—	—
Breffni Byrne	—	—	—	—
Sir David Rowe-Ham	—	—	—	—
Bassam Kanaan	362,804	0.25	322,804	0.19
Nabil Rizk	1,648,372	1.16	1,608,372	0.97
Taghreed Al-Shunnar	109,640	0.08	89,640	0.05
Majda Labadi	385,740	0.27	305,740	0.18
Gabriel Kalisse	161,920	0.11	61,920	0.04

(1) Assumes no exercise of the Over-allotment Option.

6.2 As of 31 October 2005 (being the latest practicable date prior to the publication of this document), the Directors and Senior Management held the following options over Ordinary Shares in the capital of the Company:

Name	**Number of Ordinary Shares under option**	**Option price (US$)**	**Exercise period**
Samih Darwazah	1,600,000	0.9075	12 Oct 2005 to 12 Oct 2014
Mazen Darwazah	800,000	0.9075	12 Oct 2005 to 12 Oct 2014
Ali Al-Husry	—	—	—
Michael Ashton	—	—	—
Breffni Byrne	—	—	—
Sir David Rowe-Ham	—	—	—
Bassam Kanaan	600,000	0.9075	12 Oct 2005 to 12 Oct 2014
Nabil Rizk	1,160,000	0.9075	12 Oct 2005 to 12 Oct 2014
Taghreed Al-Shunnar	600,000	0.9075	12 Oct 2005 to 12 Oct 2014
Majda Labadi	600,000	0.9075	12 Oct 2005 to 12 Oct 2014
Gabriel Kalisse	600,000	0.9075	12 Oct 2005 to 12 Oct 2014

Options have also been granted to other employees over an aggregate of 5,160,000 Ordinary Shares in the capital of the Company, out of which 3,560,000 Ordinary Shares are subject to options granted at the exercise price of $0.9075 with exercise periods ranging from 12 October 2005 to 12 October 2014. The balance of 1,600,000 Ordinary Shares are subject to options granted at the exercise price of $4.50 with exercise periods ranging from 13 October 2006 to 13 October 2015.

6.3 So far as the Company is aware, as of 31 October 2005 (being the latest practicable date prior to publication of this document), the following persons (other than the Directors) were, directly or indirectly, interested in three per cent. or more of the issued share capital of the Company:

	As of 31 October 2005		Immediately following Admission	
Name	**Number of Ordinary Shares**	**Percentage of existing issued share capital**	**Number of Ordinary Shares**	**Percentage of issued share capital[1]**
Darhold Limited[2]	52,649,972	37.0	52,649,972	31.6
Citicorp International Finance Corporation	17,790,016	12.5	0	0.0
Al-Masirah Investment Company	8,476,532	6.0	4,238,266	2.5

Notes:

(1) Assumes no exercise of the Over-allotment Option.

(2) Darhold Limited is a Jersey registered private company limited by shares. The Directors of the Company hold the following number of shares in the issued share capital of Darhold Limited, representing 34.2 per cent. in aggregate of the issued share capital of Darhold Limited: Samih Darwazah, 2,200,000 shares; Mazen Darwazah, 1,300,000 shares; Ali Al-Husry, 1,000,000 shares.

Save as set out in this paragraph and in paragraph 6.1, the Company is not aware of any person who is or will immediately following Admission be interested (within the meaning of the Act), directly or indirectly, in three per cent. or more of the issued share capital of the Company.

6.4 Save as disclosed in paragraphs 6.1, 6.2 and 6.3 above, none of the Directors or Senior Management or any person connected with them (within the meaning of section 346 of the Act) has any interest, whether beneficial or non-beneficial, in the share capital of the Company or any of its subsidiaries.

6.5 As at the date of this document, Darhold Limited directly owns 37.0 per cent. of the Company. In order to ensure that the Company can be managed independently for the benefit of all shareholders Darhold Limited and the Company have on 31 October 2005 entered into a relationship agreement. Further details of Darhold Limited, its shareholders and their interests and the relationship agreement are set out in Part X: *Principal and Selling Shareholders*.

6.6 Each current director of the Company, not having been appointed by the Company in general meeting, shall serve until the Company's next annual general meeting, at which point they shall be eligible for reappointment. Samih Darwazah was formally appointed by the Board as Chairman of the Company on 14 October 2005. However, prior to that Mr. Darwazah had occupied an executive role within the Group since 1977, including most recently as Chairman of Hikma Pharma Limited. Mazen Darwazah was formally appointed by the Board as Vice Chairman on 14 October 2005. Prior to that he had served on the board of Hikma Pharma Limited.

6.7 The Executive Directors have each been appointed to the Board under a letter of appointment dated 14 October 2005. Under the terms of his letter of appointment, Mr Samih Darwazah is appointed as Chairman with effect from 14 October 2005 and he will receive a fee of £40,000 per annum. Under the terms of his letter of appointment, Mr Mazen Darwazah was appointed with effect from 14 October 2005 and he will receive a fee of £40,000 per annum. No compensation is payable upon the termination of either appointment.

6.8 The non-executive Directors have each been appointed to the Board under letters of appointment dated between 14 October 2005 and 31 October 2005. Under the terms of their appointment, which all take effect from 14 October 2005, the non-executive Directors will be paid the following fees:

(a)	Ali Al-Husry	£35,000
(b)	Michael Ashton	£40,000
(c)	Breffni Byrne	£47,000
(d)	Sir David Rowe-Ham	£40,000

Each of the non-executive Directors is appointed for an initial 36 month term, subject to shareholder approval at the next annual general meeting of the Company. No compensation is payable upon the termination of the appointment.

6.9 In the year ended 31 December 2004, the aggregate total remuneration paid (including contingent or deferred compensation) and benefits in kind granted (under any description whatsoever) to each of the Directors by members of the Group was:

	Basic salary/fees (US$)	Benefits in Kind (US$)	Bonus (US$)	Total (US$)
Samih Darwazah	361,116	34,223	500,000	895,339
Mazen Darwazah	209,817	83,400	200,000	493,217
Ali Al-Husry	11,283	—	—	11,283

6.10 In the year ended 31 December 2004, the aggregate total remuneration and benefits in kind granted to the Senior Management by members of the Group was $2,433,050.

6.11 As of the date of this document, there are no amounts set aside or accrued by the Group to provide pension, retirement or other benefits to the Directors and Senior Management.

6.12 The Company intends to pay up to an aggregate of $1.2 million in bonus payments to certain senior employees in recognition of their contribution in the run up to the Global Offer. Actual payment of any amounts will not be made until after Admission and the allocation will be determined by the Remuneration Committee following recommendations from the Executive Directors.

6.13 The Directors and Senior Management:

(a) are or have been directors or partners of the following companies and partnerships at any time in the previous five years:

Director/Senior Manager	Position	Company/Partnership	Position Currently Held
Samih Darwazah	CEO	Pharmactives	Yes
Mazen Darwazah	Director	Export & Finance Bank	Yes
	Director	Jordan International Insurance Co.	Yes
	Director	Medical Development Supplies Co.	Yes
Ali Al-Husry	Chairman and CEO	Export & Finance Bank	Yes
Michael Ashton	Director	SkyePharma plc	Yes
	Director	Transition Inc.	Yes
	Director	Astralis Inc.	Yes
	Director	Vital Living Inc.	Yes
Breffni Byrne	Director	Cell Therapeutics Holdings Ireland Limited	No
	Director	Coillte Teoranta	Yes
	Director	First Horizon Pharmaceuticals Ireland Limited	No
	Director	First UK Commercial Property (PBI) Limited	Yes
	Director	Irish Life & Permanent plc	Yes
	Chairman	Irish Life International Limited	Yes
	Chairman	NCB Group Limited	Yes
	Chairman	NCB Stockbrokers Limited	Yes
	Director	Neontar Limited	Yes
	Director	Tedcastle Holdings Ltd	Yes
	Director	Ubbena B.V.	No
	Chairman	Adsteam Europe Limtied	Yes
	Director	Tedcastle (Group) Ltd	No

Director/Senior Manager	Position	Company/Partnership	Position Currently Held
	Partner	Arthur Andersen	No
Sir David Rowe-Ham	Director	Aberdeen Australia Equity Fund, Inc	No
	Director	Aberdeen Commonwealth Income Fund, Inc	No
	Director	Aspect Internet Holdings Limited	No
	Chairman	BNP Paribas South Asia Investment Company Limited	Yes
	Chairman	Brewin Dolphin Holdings PLC	No
	Director	Chubb plc	No
	Chairman	Coral Products PLC	Yes
	Chairman	Olayan Europe Limited	Yes
	Director	Roam Investments Limited	No
	Director	St. David's Investment Trust PLC	No
	Director	The Crown Agents Foundation	No
	Director	Williams PLC	No
	Director	The Royal Shakespeare Theatre Trust	Yes
Bassam Kanaan	Director	Palestine Telecommunication Co.	No
	Director	Central Electricity Generation Company	No
	Chief Financial Officer	PADICO	No

(b) have no convictions relating to fraudulent offences within the last five years;

(c) have not within the previous five years been associated as directors with an executive function, partners or senior managers of any company or partnership with any bankruptcy, receivership or liquidation;

(d) have not within the previous five years received any official public incrimination and/or sanction by any statutory or regulatory authorities (including designated professional bodies) and have not been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of a company or partnership.

6.13 The Minister of Health in Jordan, Mr Said Darwazah, is the son of the Chairman/CEO of the Company, Mr Samih Darwazah. The Ministry of Health department is responsible for setting pharmaceutical product prices in Jordan. Mr Said Darwazah was on the board of various Group companies but resigned when he was appointed Minister of Health in October 2003.

The Export & Finance Bank is one of the Managers of the Global Offer. Ali Al-Husry, one of the non-executive directors of the Company, is Chairman and CEO of the Export & Finance Bank. In addition, Mr Mazen Darwazah, the Vice-Chairman of the Group is a director of the Export & Finance Bank. Citigroup is also one of the Managers of the Global Offer. The underwriting arrangements are on normal commercial arm's length terms. Further details of the underwriting arrangements, including fees and commissions, are set out in paragraph 10.1 below.

The Board do not believe that any of these relationships nor any other private interests or other duties of any director present a conflict of interest with the relevant director's duties to the Group.

7. WORKING CAPITAL

The Company is of the opinion that, taking into account available bank and other facilities and the net proceeds of the Global Offer receivable by the Company, the Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of this document.

8. UNITED KINGDOM TAXATION

8.1 General

The following statements are only a guide to the general position and are based on current UK taxation legislation and published practice of Her Majesty's Revenue and Customs both of which are subject to change, possibly with retrospective effect. These statements relate solely to persons who are resident or ordinarily resident in the UK for UK tax purposes, who are the beneficial owners of Ordinary Shares, who hold their Ordinary Shares as an investment and not as trading stock and who have not (and are not deemed to have) acquired their Ordinary Shares by reason of an office or employment. The comments below may not apply to certain classes of shareholders such as (but not limited to) dealers in securities, insurance companies and collective investment schemes. **If you are in any doubt as to your tax position or if you are subject to tax in a jurisdiction other than the UK, you should consult your own professional advisers.**

8.2 Dividends

Under current UK taxation legislation, no tax will be withheld at source from dividend payments by the Company.

(a) *Individuals*

UK resident individual shareholders who receive a dividend from the Company will generally be entitled to a tax credit, which can be set off against the individual's income tax liability on the dividend payment. The rate of tax credit on dividends paid by the Company will be 10% of the total of the dividend payment and the tax credit (the "gross dividend") or one-ninth of the dividend payment. UK resident individual shareholders will generally be taxable on the gross dividend, which will be regarded as the top slice of the shareholder's income. UK resident individual shareholders who are not liable to income will generally not be entitled to reclaim any part of the tax credit. In the case of a UK resident individual shareholder who is not liable to income tax at the higher rate (taking account of the gross dividend he or she receives) the tax credit will satisfy in full such shareholder's liability to income tax. To the extent that a UK resident individual shareholder's income (including the gross dividend) exceeds the threshold for higher rate income tax, such shareholder will be subject to income tax on the gross dividend at 32.5% but will be able to set the tax credit off against this liability. An individual shareholder who is liable to the higher rate of income tax will therefore be liable to income tax equal to 22.5% of the gross dividend (or 25% of the dividend payment).

(b) *Companies*

A corporate shareholder resident in the UK (for tax purposes) will generally not be subject to corporation tax on dividend payments by the Company. Corporate shareholders will not, however, be able to claim repayment of tax credits attaching to the dividend payments.

(c) *Non-residents*

In general, the right of non-UK resident shareholders to reclaim tax credits attaching to dividend payments by the Company referred to in sub-paragraph (a) above will depend upon the existence and the terms of an applicable double tax treaty between their jurisdiction of residence and the UK. In most cases, the amount that can be claimed by non-UK resident shareholders will be nil as a result of the terms of the relevant treaty. They may also be liable to tax on the dividend income under the tax law of their jurisdiction of residence. Non-UK resident shareholders should consult their own tax advisers in respect of their liabilities on dividend payments, whether they are entitled to claim any part of the tax credit and, if so, the procedure for doing so.

(d) *Pension funds, etc*

UK resident shareholders who are not liable to income tax, including pension funds, charities and individuals holding shares through a personal equity plan or individual savings account, are not entitled to reclaim the tax credits on dividends paid by the Company.

8.3 **Chargeable gains**

A disposal of Ordinary Shares by a shareholder who is resident or, in the case of an individual, ordinarily resident for tax purposes in the UK, or a shareholder who is neither resident nor ordinarily resident in the UK for tax purposes, but who carries on a trade, profession or vocation in the UK through a permanent establishment (where the shareholder is a company) or through a branch or agency (where the shareholder is not a company) and has used, held or acquired the Ordinary Shares for the purposes of such trade, profession or vocation or such permanent establishment, branch or agency (as appropriate) may, depending on the shareholder's circumstances and subject to any available exemption or relief, give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of chargeable gains. A shareholder who is an individual and who has ceased to be resident and ordinarily resident for tax purposes in the UK for a period of less than five years and who disposes of the Ordinary Shares during that period, may be liable on his or her return to the UK to tax on any chargeable gain realised.

8.4 **UK inheritance tax**

Ordinary Shares beneficially owned by an individual shareholder will be subject to UK inheritance tax on the death of the shareholder (even if the shareholder is not domiciled or deemed domiciled in the UK). For UK inheritance tax purposes, a transfer of Ordinary Shares to another individual or trust could potentially be subject to UK inheritance tax, based on the loss of value to the donor. Particular rules apply to gifts where the donor reserves or retains some benefit. UK inheritance tax is not chargeable on gifts to individuals or trusts (other than discretionary trusts) if the transfer is made more than seven complete years prior to the death of the donor. Special rules apply to close companies and to trustees of settlements who hold shares, which could bring them within the charge to UK inheritance tax.

Shareholders should consult an appropriate professional adviser if they intend to make a gift of any kind or intend to hold any Ordinary Shares through trust arrangements. They should also seek professional advice in a situation where there is a potential for both a charge to UK inheritance tax and an equivalent tax in another country.

8.5 **Stamp duty and stamp duty reserve tax ("SDRT")**

In relation to the New Shares being issued by the Company, no liability to stamp duty or SDRT will arise on the issue of, or on the issue of definitive share certificates in respect of, such shares by the Company other than in the circumstances involving depositary receipts or clearances services referred to below.

Holders of Ordinary Shares will be registered on the Company's register in the UK. Shareholders who are "system members" of CREST may elect to hold their Ordinary Shares in CREST for trading on the main market.

The conveyance or transfer on sale of Ordinary Shares held in certificated form will generally be subject to ad valorem stamp duty on the instrument of transfer at the rate of 0.5% of the amount or value of the consideration given (rounded up if necessary to the nearest multiple of £5). Stamp duty is normally paid by the purchaser of the Ordinary Shares.

An unconditional agreement to transfer Ordinary Shares will normally give rise to a charge to SDRT at the rate of 0.5% of the amount or value of the consideration for the Ordinary Shares. However, where within six years of the date of the agreement an instrument of transfer is executed and duly stamped, the SDRT liability will be cancelled and any SDRT which has been paid will be repaid. SDRT is normally the liability of the purchaser of the Ordinary Shares.

Where Ordinary Shares are issued or transferred (a) to, or to a nominee for, a person whose business is or includes the provision of clearance services or (b) to, or to a nominee or agent for, a person whose business is or includes issuing depositary receipts, stamp duty (in the case of only a transfer to such person) or SDRT may be payable at a rate of 1.5% (rounded up if necessary, in the case of stamp duty, to the nearest multiple of £5) of the amount or value of the consideration payable or, in certain circumstances, the value of the Ordinary Shares. This liability for stamp duty or SDRT will strictly be accountable by the depositary or clearance service operator or their nominee, as the case may be, but will in practice generally be reimbursed by participants in the clearance service or depositary receipt scheme. Clearance service

providers may opt under certain circumstances for the normal rates of SDRT (0.5% of the consideration paid) to apply to issues or transfers of Ordinary Shares into, and to transactions within, the service instead of the higher rate applying to an issue or transfer of Ordinary Shares into the clearance service, in which case a liability to SDRT would arise (at the rate of 0.5% of the consideration paid) on any subsequent transfers of Ordinary Shares whilst in the service.

Paperless transfers of Ordinary Shares within CREST are generally subject to SDRT, rather than stamp duty, at the rate of 0.5% of the amount or value of the consideration payable. CREST is obliged to collect SDRT on relevant transactions settled within the system. Deposits of Ordinary Shares in CREST will generally not be subject to SDRT or stamp duty, unless the transfer into CREST is itself for consideration in money or money's worth, in which case a liability to SDRT will arise, usually at the rate of 0.5% of the value of the consideration.

Special rules apply to agreements made by market intermediaries in the ordinary course of their business.

Prospective purchasers of Ordinary Shares should consult their own tax advisers with respect to the tax consequences to them of acquiring, holding and disposing of Ordinary Shares.

9. UNITED STATES FEDERAL INCOME TAXATION

IRS CIRCULAR 230 DISCLOSURE: TO ENSURE COMPLIANCE WITH IRS CIRCULAR 230, EACH PROSPECTIVE INVESTOR IS HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX CONSIDERATIONS IN THIS DOCUMENT HAS BEEN INCLUDED TO SUPPORT THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) OF ORDINARY SHARES; (B) ANY SUCH DISCUSSION IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY SUCH INVESTOR TO AVOID U.S. FEDERAL TAX PENALTIES THAT MAY BE IMPOSED ON SUCH INVESTOR UNDER THE CODE; AND (C) EACH SUCH INVESTOR SHOULD SEEK ADVICE FROM AN INDEPENDENT TAX ADVISOR ABOUT THE TAX CONSEQUENCES UNDER ITS OWN PARTICULAR CIRCUMSTANCES.

9.1 General

The following is a general discussion of certain United States federal income tax considerations relating to the ownership and disposition of the Ordinary Shares by US Holders that purchase the Ordinary Shares pursuant to the Global Offer and hold the Ordinary Shares as capital assets. This discussion is based on the US Tax Code, Treasury regulations promulgated thereunder and administrative and judicial interpretations thereof, all as in effect on the date hereof and all of which are subject to change, possibly with retroactive effect, or to different interpretation so as to result in US federal income tax considerations different from those summarised below. This discussion is for general information only and does not address all of the United States federal income tax considerations that may be relevant to specific US Holders in light of their particular circumstances or to US Holders subject to special treatment under United States federal income tax law (such as financial institutions, insurance companies, tax-exempt entities, retirements plans, regulated investment companies, real estate investment trusts, grantor trusts, persons that received the Ordinary Shares as compensation for the performance of services, traders or dealers in securities or currencies, United States expatriates, persons subject to the alternative minimum tax, persons who hold the Ordinary Shares as part of a straddle, hedge, integrated or conversion or constructive sale transaction, persons that have a functional currency other than the US dollar or persons that own (or are deemed to own) ten per cent. or more (by voting power or value) of the Company's stock). This discussion does not address any United States state or local tax considerations or any United States federal estate, gift or alternative minimum tax considerations.

As used in this discussion, the term "US Holder" means a beneficial owner of Ordinary Shares that is, for United States federal income tax purposes, (i) an individual who is a citizen or resident of the United States, (ii) a corporation (or other entity treated as a corporation for US federal income tax purposes) created or organised in or under the laws of the United States or of any state or political subdivision thereof or therein, including the District of Columbia, (iii) an estate the income of which is subject to United States federal income tax regardless of the source thereof or (iv) a trust with respect to which a court within the United States is able to exercise primary supervision over its administration and one or more US persons have the authority to control all of its substantial decisions, or certain electing trusts that are treated as US persons.

If an entity classified as a partnership for US federal income tax purposes holds the Ordinary Shares, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the status and activities of the partnership. Prospective investors that are partnerships (or entities treated as partnerships for United States federal income tax purposes) should consult their own tax advisers regarding the United States federal income tax considerations to them and their partners of holding the Ordinary Shares.

PROSPECTIVE INVESTORS ARE URGED TO CONSULT THEIR TAX ADVISERS AS TO THE UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS APPLICABLE TO THEM RELATING TO THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE ORDINARY SHARES IN LIGHT OF THEIR PARTICULAR CIRCUMSTANCES, AS WELL AS THE APPLICABILITY OF UNITED STATES STATE AND LOCAL TAX LAWS OR NON-US TAX LAWS, ANY CHANGES IN APPLICABLE TAX LAWS AND ANY PENDING OR PROPOSED LEGISLATION OR REGULATIONS.

9.2 **Distributions**

The following discussion is subject to paragraph 9.4 of this Part XIV.

Any cash distribution made by the Company on the Ordinary Shares will be treated as a dividend includible in the gross income of a US Holder as ordinary income to the extent of the Company's current and accumulated earnings and profits, as determined under US federal income tax principles. In general, such dividends will not be eligible for the dividends received deductions allowed to corporations under the US Tax Code with respect to dividends received from a US corporation. To the extent the amount of such distribution exceeds the Company's current and accumulated earnings and profits as so computed, it will be treated first as a non-taxable return of capital to the extent of such US Holder's adjusted tax basis in such shares and, to the extent the amount of such distribution exceeds such adjusted tax basis, will be treated as gain from the sale or exchange of such shares. Because the Company has not maintained and does not plan to maintain calculations of its earnings and profits under US federal income tax principles, US Holders will be obliged to report all distributions as dividends.

For purposes of calculating the US foreign tax credit for taxable years beginning on or before 31 December 2006, dividends paid on the Ordinary Shares generally will constitute income from sources outside the United States and will be treated as "passive income" or, in the case of some holders, as "financial services income". For taxable years beginning after 31 December 2006, dividends paid on the Ordinary Shares generally would constitute "passive category income" or, in the case of certain US Holders, "general category income". The rules relating to the determination of the US foreign tax credit are very complex, and each US Holder is urged to consult its own tax adviser regarding the application of such rules.

The US dollar value of any distribution made by the Company in a non-US currency (such as pounds sterling) should be calculated by reference to the exchange rate in effect on the date of receipt of such distribution by the US Holder, regardless of whether the non-US currency is in fact converted into US dollars. If the non-US currency so received is converted into US dollars on the date of receipt, such US Holder generally should not recognise foreign currency gain or loss on such conversion. If the non-US currency so received is not converted into US dollars on the date of receipt, such US Holder will have a basis in the non-US currency equal to its US dollar value on the date of receipt. Any gain or loss on a subsequent conversion or other disposition of the non-US currency generally will be treated as ordinary income or loss to such US Holder and generally will be income or loss from sources within the United States for US foreign tax credit purposes.

US federal legislation enacted in 2003 (the "2003 Tax Legislation") reduces to 15 per cent. the maximum tax rate for certain dividends received by certain non-corporate taxpayers through taxable years beginning on or before 31 December 2008, so long as specified holding period and other requirements are met. Dividends received from "qualified foreign corporations" generally are eligible for the reduced rate. A non-US corporation (other than a passive foreign investment company) generally will be considered to be a qualified foreign corporation if it is eligible for the benefits of a comprehensive income tax treaty with the United States which the US Treasury Department determines to be satisfactory for the purposes of this provision and which includes an exchange of information program (a "Qualifying Treaty"). For this purpose, the income tax treaty between the United States and the United Kingdom, entered into force in 2003, is considered a Qualifying Treaty. However, because the determination of eligibility may be factual in nature and because US Treasury Department has not yet issued final guidance concerning when a non-US corporation is eligible for the benefits of a Qualifying Treaty, no assurance can be given that such reduced rate will apply to dividends paid by the Company. Each US Holder that is a non-corporate

taxpayer is urged to consult its own tax adviser regarding the possible applicability of the reduced rate under the 2003 Tax Legislation.

9.3 Sale or Other Disposition of the Ordinary Shares

The following discussion is subject to paragraph 9.4 of this Part XIV.

For US federal income tax purposes, a US Holder generally will recognise capital gain or loss upon the sale or other disposition of the Ordinary Shares in an amount equal to the difference, if any, between the amount realised on the sale or other disposition and the US Holder's adjusted tax basis in the Ordinary Shares. This capital gain or loss will be long-term capital gain or loss if the US Holder's holding period in the Ordinary Shares exceeds one year. Net long-term capital gains of a non-corporate US Holder recognised in a tax year beginning before 1 January 2009 are generally taxed at a maximum US federal income tax rate of 15 per cent. The gain or loss will generally be income or loss from sources within the United States for US foreign tax credit purposes. The deductibility of capital losses is subject to limitations.

A US Holder that receives non-US currency (such as pounds sterling) upon the sale or other disposition of the Ordinary Shares generally will realise an amount equal to the US dollar value of such non-US currency on the date of such sale or disposition (or if the Ordinary Shares are traded on an established securities market, the settlement date, in the case of cash-basis and electing accrual basis taxpayers). If the amount realised is based on the US dollar value of the non-US currency on the date of the sale or disposition, the US Holder generally will recognise US source ordinary income or loss on the settlement date in an amount equal to the difference between the US dollar value of such non-US currency on the settlement date and the US dollar value of such non-US currency on the date of the sale or disposition. Any gain or loss realised by a US Holder on a subsequent conversion of the non-US currency into US dollars generally will be ordinary income or loss and generally will be income or loss from sources within the United States for US foreign tax credit purposes.

9.4 Passive Foreign Investment Company

The Directors believe that the Company is not currently, and do not anticipate it becoming, a passive foreign investment company ("PFIC") for U.S. federal income tax purposes. However, an actual determination of PFIC status is factual in nature and made annually, and there can be no assurance that it is not or will not become a PFIC for US federal income tax purposes in the future. A non-US corporation will be a PFIC in any taxable year in which either (i) 75 per cent. or more of its gross income consists of certain specified types of "passive" income or (ii) 50 per cent. or more of the average percentage of its assets (by value) produce or are held for the production of passive income. For purposes of the above tests, if a non-US corporation owns (directly or indirectly) at least 25 per cent. (by value) of the stock of another corporation, it will be treated as if it held its proportionate share of the assets of such other corporation, and received directly, its proportionate share of the income of such other corporation. If the Company were treated as a PFIC at any time during the period a US Holder holds the Ordinary Shares, the US Holder would be subject to certain adverse US federal tax consequences, including the possible characterisation as ordinary income of gain from the sale or other disposition of the Ordinary Shares and an interest charge on such gain or on certain "extraordinary distributions" at the time of such sale or disposition or distribution. In addition, dividends paid by a PFIC would not be eligible to be taxed at the reduced rates described above under *Distributions* even if they would otherwise qualify for such reduced rate.

9.5 US Information Reporting and Backup Withholding

Distributions on the Ordinary Shares and proceeds from the sale or other disposition of the Ordinary Shares may be subject to US information reporting and/or backup withholding, unless the US Holder is a corporation or otherwise establishes a basis for exemption. Backup withholding may apply to amounts subject to reporting if the US Holder fails to provide an accurate taxpayer identification number or in certain circumstances has failed to report payments required to be shown on its federal income tax return. A credit can be claimed against the US Holder's US federal income tax liability for the amounts withheld under the backup withholding rules, and any excess amount is refundable if the required information is provided to the US Internal Revenue Service.

10. **UNDERWRITING AGREEMENT**

10.1 On 31 October 2005, the Company, the Selling Shareholders, the Directors and the Managers entered into the Underwriting Agreement pursuant to which, inter alia:

(a) the Company appointed Merrill Lynch International as Sponsor in connection with the application for Admission, and the Company and the Selling Shareholders confirmed the appointment of Merrill Lynch International as Global Co-ordinator in connection with the Global Offer;

(b) the Company agreed, subject to certain conditions, to issue the New Shares pursuant to the Global Offer at the Offer Price;

(c) the Selling Shareholders agreed, subject to certain conditions, to sell the Existing Shares pursuant to the Global Offer at the Offer Price;

(d) the Managers have severally and not jointly agreed, subject to certain conditions, to procure subscribers and purchasers for, or failing which to subscribe or purchase themselves, the New Shares and Existing Shares to be issued and sold pursuant to the Global Offer at the Offer Price;

(e) the Company has granted the Over-allotment Option to Merrill Lynch International, pursuant to which Merrill Lynch International may, subject to certain conditions, subscribe for some or all of the Over-Allotment Shares for the purposes of allowing Merrill Lynch International to meet over-allocations, if any, in connection with the Global Offer and to cover any short positions resulting from stabilisation transactions. The number of Ordinary Shares to be subscribed pursuant to the Over-allotment Option, if any, will be determined no later than 30 days from Admission. Settlement of the Over-allotment Option will take place shortly after the exercise of the Over-allotment Option;

(f) the Company has agreed to pay the Managers a commission of 2.5 per cent. of the amount equal to the Offer Price multiplied by aggregate the number of New Shares which the Managers have agreed to procure subscribers for, or failing which to purchase themselves. The Selling Shareholders have agreed to pay to the Managers a commission of 2.5 per cent. of the amount equal to the Offer Price multiplied by the aggregate number of Existing Shares which the Managers have agreed to procure purchasers for, or failing which to purchase themselves. The Company has agreed to pay to the Managers a commission of 2.5 per cent. of the amount equal to the Offer Price multiplied by the aggregate number of Over-allotment Shares. In addition, the Company may, in its sole discretion, pay the Managers a further commission of up to 1 per cent. of the amount equal to the Offer Price multiplied by the aggregate number of New Shares which the Managers have agreed to procure subscribers for, or failing which to purchase themselves. In addition, the Selling Shareholders may, in their discretion, pay the Managers a further commission of up to 1 per cent. of the amount equal to the Offer Price multiplied by the aggregate number of Existing Shares which the Managers have agreed to procure purchasers for, or failing which to purchase themselves. In addition, the Company may, in its sole discretion, pay the Managers a further commission of up to 1 per cent. of the amount equal to the Offer Price multiplied by the aggregate number of Over-allotment Shares which are issued.

(g) the obligations of the Company and the Selling Shareholders to issue or sell, as the case may be, the Offer Shares and of the Managers to procure purchasers for, or failing which, to purchase themselves, the Offer Shares will be subject to certain customary conditions (including, amongst others, that Admission occurs by no later than 8.00 a.m. on 11 November 2005 or such later time and/or date as may be agreed in accordance with the Underwriting Agreement). Merrill Lynch International may extend the time for fulfilment of any condition. Merrill Lynch International (for itself and on behalf of each of the other Managers) has the right to terminate the Underwriting Agreement in certain circumstances that are typical for an agreement of this nature, exercisable prior to the expected date of Admission. These circumstances include, amongst others, the occurrence of certain material adverse changes in the condition (financial, operational, legal or otherwise) or in the earnings, management, business affairs or business prospects or earnings of the Group and certain changes in financial, political or economic conditions;

(h) the Company has agreed to pay (together with any related value added tax) certain costs, charges, fees and expenses in connection with, or incidental to, the Global Offer, Admission or the other arrangements contemplated by the Underwriting Agreement, including (but not limited to) its own legal fees and expenses, the costs and expenses of the Registrar, other advisers' fees and expenses and certain of the Managers' expenses. Each Selling Shareholder has agreed to pay (together with any related value added tax) its own costs, charges, fees and expenses in connection with or

incidental to the Global Offer, including (but not limited to) its own legal fees and expenses and all stamp duty and SDRT payable in respect of the transfer and delivery of the Existing Shares being sold by it to purchasers procured by the Managers;

(i) the Company, the Selling Shareholders and the Directors have given certain representations, warranties and undertakings to the Managers, and the Company and the Selling Shareholders have given certain indemnities to the Managers, in each case that are typical for an agreement of this nature; and

(j) the Underwriting Agreement provides that the Managers may, through their US broker-dealer affiliates, arrange for the offer and sale of Ordinary Shares within the United States only to QIBs or persons reasonably believed to be QIBs in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

10.2 Under the terms of the Underwriting Agreement, the Company and the Directors have agreed to certain lock-up agreements as set out below:

(a) the Company has undertaken to the Managers, subject to certain exceptions (including in connection with employee incentives and Ordinary Shares issued in connection with an acquisition or other similar transaction to the extent that the number of Ordinary Shares issued does not exceed five per cent. of the then issued share capital of the Company), in the Underwriting Agreement, that it will not, amongst other things, without the written consent of Merrill Lynch International, directly or indirectly, offer, pledge, issue, lend, sell or contract to sell, issue options in respect of or otherwise dispose of, directly or indirectly, (or announce any offering or issue of any Ordinary Shares (or any interest therein or in respect thereof) or any securities convertible into or exchangeable for, or substantially similar to, Ordinary Shares or enter into any transaction with the same economic effect as, or agree to do, any of the foregoing for a period of 180 days from Admission; and

(b) the Directors have undertaken to the Managers that they will not, without the prior written consent of Merrill Lynch International, subject to certain exceptions, directly or indirectly offer, pledge, issue, lend, sell or contract to sell, or, issue options in respect of, or otherwise dispose of, directly or indirectly, or announce an offer of, any Ordinary Shares (or any interest therein or in respect thereof) or any other security exchangeable for or convertible into, or substantially similar to Ordinary Shares, or enter into any transaction with the same economic effect as, or agree to do any of the foregoing. The obligations referred to in this paragraph apply to the Directors for a period of 360 days from Admission

10.3 Under the terms of the Lock Up Agreements, Darhold Limited, the Senior Management and certain other Shareholders who are founding shareholders (representing 34.4 per cent. of the Company's share capital following Admission) or who hold a large interest in the Company (representing 7.9 per cent. of the Company's share capital following Admission), have severally undertaken to each Manager that, it, he or she will not, without the prior written consent of Merrill Lynch, directly or indirectly, offer, issue, lend, sell or contract or otherwise agree to sell, issue options in respect of, or otherwise dispose of, directly or indirectly, or announce an offering or issue of, any Ordinary Shares (or any interest therein or in respect thereof) or any other securities exchangeable for or convertible into, or substantially similar to, Ordinary Shares (including, for the avoidance of doubt, options in respect of Ordinary Shares) or enter into any transaction with the same economic effect as, or agree to do, any of the foregoing. The obligations referred to in this paragraph apply to Darhold, Senior Management and the founding shareholders for a period of 360 days from Admission and to the other Shareholders for a period of 180 days from Admission.

11. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group (a) in the two years immediately preceding the date of this document and are, or may be, material or (b) contain provisions under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of this document:

(a) Multi-currency loan agreement — a loan agreement dated 27 June 2003 (as amended on 13 October 2005) between the International Finance Corporation (the "Lender"), Hikma Investments Company, Al-Hikma Pharmaceuticals Company Ltd. (Jordan) and Al-Hikma Farmacêutica (Portugal), Lda. (together the "Borrowers"). The purpose of the loan was to provide finance for certain Hikma projects which required capital expenditure but it may not be used to finance any activities at Westward in the United States. The loan is in two tranches being $9 million (the "Loan Dollar Tranche")

and €5.0 million (the "Loan Euro Tranche"). The first drawdown under the loan may not exceed €5.0 million and each subsequent drawdown may not be less than $3 million equivalent. Until either of the tranches has been fully drawn down, the interest rate will be variable and is calculated by reference to a formula. Once either tranche is fully drawn down, the interest rate will be based on a weighted average of the interest rates over the prior period (as determined pursuant to the loan agreement). Repayment of the Loan Dollar Tranche commenced on 15 October 2004 and will be repaid over 12 instalments of $750,000 each, ending on 15 April 2010. Repayment of the Loan Euro Tranche commenced on 15 October 2004 and will be repaid over 12 instalments of €416,685 each ending on 15 April 2010. The repayment dates coincide with interest payment dates. From the date of the agreement, the Borrowers incur a commitment fee of 0.5 per cent. per annum on that part of the loan that has not been drawn down or cancelled. The loan may be suspended or cancelled in the event of default or a change which causes a material adverse effect on any of the Borrowers. The Borrowers have given certain warranties to the Lender customary for this type of loan agreement including in relation to good corporate standing, authority to enter into the loan and the Borrowers' financial statements. The agreement also contains certain conditions precedent to draw-down and various covenants by the Borrowers customary for a loan of this nature, including access to books and records and restrictions on payment of dividends, incurring further debt or providing assets as security for debt, amending the Borrowers' constitution or operations and utilising any of the loan funds for financing to West-ward. The Borrowers have given certain negative covenants, including, without the Lender's consent not to:

(1) declare or pay any dividend or make any distributions on its share capital (other than dividends or distributions payable in shares of such Borrower), or purchase, redeem, or otherwise acquire any shares of such Borrower or any option over them unless the proposed payment or distribution is out of retained earnings (excluding any amount resulting from the revaluation of any of such Borrower's assets), no actual or potential event of default has occurred and is then continuing, and after giving effect to any such action with respect to Hikma Investment Limited, the Current Ratio (being the result obtained by dividing current assets by current liabilities) on a consolidated basis is at least 1.2; the Debt Service Coverage Ratio (as defined below) on a consolidated basis would not be less than 1.3; the Net Debt to Equity Ratio (being the result obtained by dividing as of the relevant date of calculation debt less cash and marketable securities by shareholders' equity) on a consolidated basis would not exceed 1.5; and the Long-term Debt to Equity Ratio (being the result obtained by dividing as of the relevant date of calculation that part of the debt the final maturity of which falls due more than one year after the date of its incurrence by shareholders' equity) on a consolidated basis would not exceed 1;

(2) incur, assume or permit to exist any debt (other than this loan) except:

  (i) long-term debt (being that part of the debt the final maturity of which falls due more than one year after the date of its incurrence) which would not result in:

    (A) with respect of Hikma Investment Company, the Current Ratio on a consolidated basis falling below 1.2; the Debt Service Coverage Ratio on a consolidated basis falling below 1.2; the Net Debt to Equity Ratio on a consolidated basis exceeding 1.5; and the Long-term Debt to Equity Ratio on a consolidated basis exceeding 1;

    (B) with respect to Al-Hikma Pharmaceuticals Company Ltd. (Jordan), the Current Ratio falling below 1.2; the Debt Service Coverage Ratio falling below 1.2; the Debt to Equity Ratio exceeding 2; and the Long-term Debt to Equity Ratio exceeding 1; and

    (C) with respect to Al-Hikma Farmacêutica (Portugal), Lda., the Current Ratio falling below 1.2; the Debt Service Coverage Ratio falling below 1.2; the Net Debt to Equity Ratio exceeding 1.5; and the Long-term Debt to Equity Ratio exceeding 1;

  (ii) short-term debt (being that part of the debt the final maturity of which falls due one year or less than one year after the date of its incurrence) incurred in the ordinary course of business which, when aggregated with contingent liabilities arising from the discounting of trade receivables would not result at the time it is incurred in the Current Ratio of such Borrower falling below 1.2; provided that with respect to Hikma Investment Company, such ratio shall be calculated on a consolidated basis;

"Debt Service Coverage Ratio" means the ratio obtained by dividing: (A) the aggregate, for the financial year most recently ended prior to the relevant date of calculation for which audited financial statements are available, of (x) net income appearing in the audited financial

statements for that financial year, after deduction of taxes payable on that net income (whether or not actually paid), (y) non-cash items and (z) the amount of all payments that were due during that financial year (whether or not actually paid) on account of interest and other charges on debt; by (B) the aggregate of (x) all scheduled payments that fall due during the financial year in which the relevant date of calculation falls (whether or not actually paid) on account of principal of long-term debt, and interest and other charges on Debt, and (y) without double counting with respect to any payment already counted in the preceding sub-paragraph (x), any payment made or required to be made to any debt service account under the terms of any agreement providing for the debt but excluding voluntary prepayment; and where, for the purposes of (B) above, for the computation of interest payable during any period for which the applicable rate is not yet determined, that interest shall be computed at the rate in effect at the time of the relevant date of calculation. As of 31 August 2005 there was $7.5 million drawn down and outstanding under the Loan Dollar Tranche and €4.2 million drawn down and outstanding under the Loan Euro Tranche;

(b) $8 million revolving loan facility — a revolving loan and security agreement, dated 30 October 2001, as amended on 31 January 2004, between Wachovia Bank, National Association (as successor to First Union National Bank) (the "Lender") and West-ward (the "Borrower") provides for a revolving loan facility of up to $8 million available for research and development expenses and for general working capital. The revolving loan can be drawn down as different loans based on the Borrower's accounts receivable and inventory. Interest is to be paid monthly on the last calendar day of the month with interest calculated at the rate of LIBOR plus 1.5 per cent. per annum on the daily balance of the loan. The maturity date for the revolving loan is 31 January 2006, unless before that date the Borrower exercises its option to convert any outstanding revolving loans to a term loan not to exceed four years. The Borrower has provided certain covenants customary for this type of facility, including in relation to environmental matters, maintaining insurance, the purpose of the loan, trademarks and maintenance of property. The revolving loan and security agreement includes covenants that require the Borrower to procure that certain financial ratios or other financial tests are complied with. At all time the Borrower has to meet a cash flow coverage ratio of not less than 1.35 to 1.00. The cash flow coverage ratio is the sum of net income before interest, depreciation and amortization minus dividends, withdrawals and distributions divided by the sum of current maturities of long-term debt and capital lease obligations plus interest expense. The revolving loan and security agreement also contains certain restrictions on the Borrower including restrictions on the creation of liens, further indebtedness, sale of assets, certain corporate changes, guarantees and restricted payments. The Lender has a first priority lien over, amongst other things, the Borrower's accounts, inventory and property, excluding equipment, whilst any amount is outstanding under the terms of the agreement. Pursuant to a separate unlimited continuing guaranty agreement between the Lender and Eurohealth (U.S.A.), Inc. (the "Guarantor"), dated 30 October 2001, the Guarantor has undertaken to ensure that the Borrower fulfils its obligations under the revolving loan and security agreement and guarantees payment of all interest, fees and other amounts due under the terms of the agreement. As of 31 August 2005 there was no balance drawn down and outstanding under the terms of this loan;

(c) $5 million term loan — a term loan and security agreement, dated 30 October 2001, between Bank of America (as successor to Fleet National Bank) (the "Lender") and West-ward (the "Borrower") provides for a $5 million term loan be used in relation to the expansion of the Borrower's production plant at 465 Industrial Way West, Eatontown, New Jersey (the "Property") and matures on 1 November 2008. Interest is payable on the outstanding term loan balance by way of a calculation that involves a margin to the Lender on a sliding scale of between 1.65 per cent. and 2.25 per cent. per annum (depending on the Borrower's ratio of funded debt to Earnings (as defined in the agreement) before interest, depreciation and amortisation minus maintenance capital expenditures and dividends divided by required principal and interest payment on all loans) over LIBOR. Principal payments of $59,523 are due on the first of each month and interest is accrued. The Borrower has provided certain covenants customary for this type of loan agreement, including in relation to the provision of financial statements, preservation of property, maintaining insurance and the purpose of the loan. The revolving loan and security agreement includes covenants that require the Borrower to procure that certain financial ratios or other financial tests are complied with. The Borrower has to meet a fixed charge coverage ratio of not less than 1.25 to 1.00 for any four consecutive quarters. The fixed charge coverage ratio is Earnings (as defined in the agreement) before interest, depreciation and amortisation minus maintenance capital expenditures and dividends divided by required principal and interest payment on all loans) minus maintenance capital

expenditures and dividends divided by required principal and interest payments on all loans. The Borrower shall not permit the ratio of funded debt to Earnings (as defined in the agreement) before interest, depreciation and amortisation minus maintenance capital expenditures and dividends divided by required principal and interest payment on all loans) to be more than 3.00 to 1.00. In addition, the Borrower shall not permit the ratio of indebtedness to total tangible assets minus indebtedness to be more than 2 to 1. The term loan and security agreement also contains certain restrictions on the Borrower including restrictions on the creation of liens, discharge of hazardous substances and default on other contracts or obligations. The Lender has a continuing security interest in the Property and the Borrower's equipment and any proceeds or indemnity payable by reason of loss or damage thereto. Pursuant to a separate guaranty agreement between the Lender and Eurohealth (U.S.A.), Inc. (the "Guarantor"), dated 31 October 2001, the Guarantor has undertaken to ensure that the Borrower fulfils its obligations under the term loan and facility agreement and guarantees payment of all interest, fees and other amounts due under the terms of the agreement. The term loan and security agreement and the guaranty agreement are governed by the laws of the State of New Jersey. As of 31 August 2005 there was $2.3 million outstanding under the terms of this loan;

(d) $7 million loan agreement — a loan agreement, dated 31 July 2003, between Bank of America (as successor to Fleet National Bank) (the "Lender") and West-ward (the "Borrower"). This agreement provides for a $4 million loan and a $3 million mortgage loan (the "Mortgage Loan") to purchase commercial real estate at 200 Industrial Way West (the "Mortgaged Property") and matures on 1 July 2012. The loan agreement also provides for a $4 million revolving loan to be used for making improvements to the Mortgaged Property and matures on 1 July 2012. On 1 August 2005 the revolving loan was converted into a term loan (the "Loan"). Interest is payable on the outstanding Mortgage Loan balance and the Loan balance by way of a calculation that involves a margin to the Lender on a sliding scale of between 0.90 per cent. and 1.40 per cent. per annum (depending on the Borrower's ratio of income to debt) over LIBOR. From 1 August 2005 principal and interest on the Mortgage Loan and the Loan are payable on the first of each month. In addition to interest, a principal payment of $35,714 is due each month for the Mortgage Loan and a principal payment of $8,835 is due each month for the Loan. The Borrower has provided certain covenants customary for this type of loan agreement, including in relation to the provision of financial statements, maintaining insurance and the purpose of the loan. The loan agreement includes covenants that require the Borrower to procure that certain financial ratios or other financial tests are complied with. The Borrower has to meet a debt service coverage ratio of not less than 1.25 to 1.00 for any four consecutive quarters. The debt service coverage ratio is the sum of net income less dividends distributed, any unfunded capital expenditures and taxed paid plus interest on all indebtedness plus depreciation and amortisation for the period in question to the aggregate current portion of long term debt and interest on all indebtedness for the same period. In addition, the Borrower shall not permit the ratio of total debt to total tangible assets minus total liabilities to be more than 1.50 to 1.00. The loan agreement also contains certain restrictions on the Borrower including, among others, restrictions on the creation of liens, further indebtedness, the provision of guarantees and the sale of certain assets. The Lender has a continuing security interest in the Mortgaged Property and is assigned leases and rents therefrom. Pursuant to a separate guaranty agreement between the Lender and Eurohealth (U.S.A.), Inc. (the "Guarantor"), dated 31 July 2003, the Guarantor has undertaken to ensure that the Borrower fulfils its obligations under the loan agreement and guarantees payment of all interest, fees and other amounts due under the terms of the agreement. The loan agreement and the guaranty agreement are governed by the laws of the State of New Jersey. As of 31 August 2005 there was $3.0 million outstanding under the terms of the Mortgage Loan and $0.7 million outstanding under the terms of the Loan;

(e) $20 million floating rate loan facility — a facility agreement dated 29 June 2005 between Arab Bank (the "Lender"), Hikma Pharmaceuticals Limited (the "Borrower") and Hikma Investments Limited (the "Guarantor"). The loan is to be utilised exclusively for capital expenditure and working capital purposes. Interest on the loan is calculated at the rate of 6 month LIBOR plus 0.9% per annum on the daily balance of the loan. Interest is to be paid monthly and will be adjusted at the end of every six months from the date of the agreement. The facility may be drawn down in four tranches as follows: $5 million before 30 June 2005; $5 million during the third quarter of 2005; $5 million during the fourth quarter of 2005; $5 million during the first quarter of 2006. Repayment of the loan will be made in 13 instalments commencing 12 months from the date of the agreement. The Borrower has made certain representations to the Lender customary for this type of loan agreement including in relation to good corporate standing and authority to enter into the loan. In addition, the Borrower has

provided certain covenants customary for this type of facility, including in relation to the purpose of the loan, obtaining insurance, payment of administrative fees and restrictions on further indebtedness or the provision of security to third parties. Whilst any amount is outstanding under the terms of the agreement, the Lender has the right to claim priority over certain assets of the Borrower and/or Guarantor if there is a default in the payment of any amounts due under the loan. The Guarantor has undertaken to ensure that the Borrower fulfils its obligations under the agreement and guarantees payment of all interest, fees and other amounts due under the terms of the agreement. The loan agreement is governed by Jordanian law. As of 31 August 2005 there was $3.0 million drawn down and outstanding under the terms of this loan;

(f) 7.5 million Jordanian dinar loan agreement — a loan agreement dated 22 May 2003 between Jordan Kuwait Bank (the "Lender"), Hikma Pharmaceuticals Limited (the "Borrower") and Hikma Investments Limited (the "Guarantor"), as amended by a supplemental agreement dated 4 January 2005 between the same parties. The purpose of the loan is to finance future expansions of the Borrower and to reschedule repayment of some of the Borrower's existing short-term debt. The loan of 7.5 million Jordanian dinar is at a fixed interest rate of 6.375 per cent. per annum and is to be repaid in 10 semi-annual instalments of 750,000 Jordanian dinars each with the first instalment payable on 30 June 2005 and the final instalment payable on 30 December 2009. If any instalment is not paid the Lender shall have the right to consider all of the remaining instalments immediately payable. The Lender reserves the right to increase the interest rate by 1 per cent. per annum in the event that the amount of the borrowing is not reimbursed on the date of its maturity. The Borrower may reimburse the loan early, however this attracts a charge of 0.5 per cent. on all amounts that are reimbursed early. The Borrower has made several undertakings to abide by all governmental laws, regulations and instructions and not to merge with any other company or to dispose of any of its assets without the consent of the Lender. The Lender has the right any time to debit any account of the Borrower or the Guarantor opened with the Lender or freeze the credit balance on any such accounts in the event that either of them does not fulfil their obligations under the agreements. The Borrower has given certain warranties that are customary in this type of agreement, including in relation to its status, capacity to enter into and the validity of the agreement, and that there is no breach of any other contractual commitments of the Borrower. The agreements are governed by Jordanian law. As of 31 August 2005 there was 6.8 million Jordanian dinar outstanding under these loan agreements;

(g) $10 million term loan agreement — a term loan agreement dated 3 May 2005 between Citibank N.A. (the "Lender") and Hikma Pharmaceuticals Limited (the "Borrower"). Pursuant to the terms of the agreement, Hikma Investment Limited is the guarantor of the loan but it is not a party to this agreement. The purpose of this loan is to finance capital expenditures to be incurred by the Borrower. Interest on the loan is calculated at the rate of 3 month LIBOR plus 1 per cent. per annum of 360 days payable monthly on the principal amount outstanding at the time. The Borrower agrees that the Lender shall be entitled at any time and in its absolute discretion to change the interest rate in accordance with all governing regulations and/or in response to the rate of interest prevailing at any time, such change to be effective from the date of notice or as fixed by the Lender. The Borrower shall repay the loan in 20 equal quarterly instalments of $500,000 commencing from 31 August 2006 with the last payment due on 31 May 2011. The drawdown period of the loan is 6 months from the date of signing of the agreement. The loan shall be drawn down in multiple drawdowns each of not less than $2 million. The Borrower has provided certain covenants customary for this type of facility, including in relation to the provision of financial statements, the purpose of the loan, payment of administrative fees and certain financial covenants, including the maintenance of certain ratios of income to debt. The loan agreement also contains certain restrictions on the Borrower including, among others, restrictions on the creation of any encumbrances over the Borrower's asset as security for any indebtedness. The Borrower has given certain negative covenants, including, maintaining a financial performance and a financial condition in line with the financial covenants as reflected in their quarterly financials and annual audited financial statements throughout the life of the loan, such covenants providing for the following ratios to be maintained at specified levels: (i) Current Ratio (being total current assets divided by total current liabilities) maintained at a minimum of 1.2; (ii) Leverage Ratio (being total liabilities divided by total shareholders equity) maintained at a maximum of 1.5; (iii) Interest Coverage Ratio (being earnings before interest expense and taxes divided by interest expense) maintained at a minimum of 2.0; (iv) Debt Service Coverage Ratio (being EBITDA) divided by current portion of long term debt plus interest expense) maintained at a minimum 1.5; (v) EBITDA/Interest (being EBITDA) divided by interest expense) maintained at a minimum of 3.0; and (vi) Debt/EBITDA (being total long-term

debt divided by EBITDA) maintained at a maximum of 4.0. The Lender has the right of pledge and set off against and the general preferential lien upon the Borrower's assets that come to the Lender's possession. The Borrower also covenants to comply in all material respects with the environmental laws of any jurisdictions in which the Borrower conducts business and inform the Lender of any environmental claims threatened or commenced against the Borrower where such claim would have a material adverse effect on its business. The agreement is governed by English law. As of 31 August 2005 there was $10 million drawn down and outstanding under the terms of the loan;

The guarantee by Hikma Investment Limited (the "Guarantor") is also dated 3 May 2005 and signed by Hikma Investment Limited. This document refers to the $10 million term loan agreement and expresses that its purpose is to guarantee the punctual full and timely performance by the Borrower of all its obligations under the guarantee including, without limitation, principal, interest, fees, charges, costs, and any court fees and legal charges immediately upon demand by the Lender. The guarantee agreement includes certain restrictions on the Guarantor including, among others, restrictions on the creation of any encumbrances over the Guarantor's assets as security for any indebtedness. The Guarantor has given certain covenants including maintaining financial covenants as reflected in their quarterly financials and annual audited financial statements throughout the life of the loan, such covenants providing for the following ratios to be maintained at specified levels: (i) current ratio (total current assets divided by total current liabilities) maintained at a maximum of 1.2; (ii) leverage ratio (total liabilities divided by total shareholders equity) maintained at a maximum of 1.75; (iii) interest coverage ratio (earnings before interest expense and taxes (EBIT) divided by interest expense) maintained at a minimum of 2.5; (iv) debt service coverage ratio (earnings before interest expense, taxes, depreciation and amortisation (EBITDA) divided by the sum of current portion of long term debt plus interest expense) to be maintained at a minimum of 1.5; (v) EBITDA/ Interest (EBITDA divided by interest expense) maintained at a minimum of 3; and (vi) debt/ EBITDA (total long term debt divided by EBITDA) maintained at a maximum of 4. The Lender has a right of pledge and set off against and a general preferential lein upon the Guarantor's assets that come to the Lender's possession. This agreement is governed by English law;

(h) $7 million term loan agreement — a loan agreement, dated 27 December 2001, between Citibank N.A. (the "Lender"), Hikma Pharmaceuticals Limited (the "Borrower") and Hikma Investment Limited (the "Guarantor"). The loan is to be utilised exclusively towards settling a $2,900,000 demand loan with the Lender and a $4,100,000 cash collateral loan with the Lender. Interest on the loan is calculated at the rate of 3 month LIBOR plus 1.5 per cent. per annum of 360 days payable quarterly and an up front commission of 0.5 per cent. of the amount of the loan payable in advance. The Borrower and the Guarantor agree that the Lender shall be entitled at any time and in its absolute discretion to change the interest rate with a ten working days notice to this effect in accordance with all governing regulations and/or in response to the rate of interest prevailing at any time, such change to be effective from the date of notice or as fixed by the Lender. The Borrower has agreed to repay the loan in 16 equal quarterly instalments of $437,500 commencing 31 December 2002, with the last payment due on 30 September 2006. The Borrower has provided certain covenants customary for this type of facility, including in relation to the provision of financial statements, the purpose of the loan and payment of administrative fees. The loan agreement also contains certain restrictions on the Borrower including, among others, restrictions on the creation of liens and further indebtedness. The Lender has the right of pledge and set off against and the general preferential lien upon the Borrower's and the Guarantor's assets that come to the Lender's possession. The Guarantor has undertaken to ensure that the Borrower fulfils its obligation under the agreement and guarantees payment of all interest, fees and other amounts due under the terms of the agreement. The agreement is governed by English law. As of 31 August 2005 there was $2.2 million drawn down and outstanding under the terms of the loan;

(i) $3 million loan agreement — a revolving demand loan agreement, dated 29 December 2002, between Citibank N.A. (the "Lender"), Hikma Pharmaceuticals Limited (the "Borrower") and Hikma Investment Limited (the "Guarantor"), as amended on 20 October 2003 and further amended on 24 November 2004. The loan is to be utilised to settle obligations under the Borrower's overdraft lines and other short term facilities with other banks in the local market and to finance capital expenditure and working capital requirements and the operational expenses of the Borrower. Interest on the loan is calculated at the rate of 1 month LIBOR plus 0.5 per cent. per annum of 360 days payable monthly. The Borrower and the Guarantor agree that the Lender shall be entitled at any time and in its absolute discretion with a ten working days notice to this effect to change the interest rate in accordance with all governing regulations and/or in response to the rate of interest prevailing at

any time, such change to be effective from the date of notice or as fixed by the Lender. Any unutilised amounts under the loan may be drawn in minimum increments of $500,000 but subject to a two business day's notice to the Lender. The full amount of the loan owed by the Borrower shall become due immediately upon the first written demand of the Lender. The Lender and the Guarantor have undertaken to conduct a clean-up process and to repay in full all outstanding balance of the loan including all interest and expenses at the end of the third quarter of each year. The Borrower has provided certain covenants customary for this type of facility, including in relation to the provision of financial statements and payment of administrative fees. The loan agreement also contains certain restrictions on the Borrower including, among others, restrictions on the creation of liens and further indebtedness. The Guarantor has undertaken to ensure that the Borrower fulfils its obligation under the agreement and guarantees payment of all interest, fees and other amounts due under the terms of the agreement. The agreement is governed by English law. As of 31 August 2005 there was no balance drawn down and outstanding under the terms of the loan;

(j) $4 million loan account agreement — a loan agreement, dated 4 December 2002, between Standard Chartered Bank (the "Lender") and Hikma Pharmaceuticals Limited (the "Borrower"). The purpose of this loan is to finance the export/finance facilities of the Borrower. The loan agreement provides that the amount of the loan will be subject to the Lender's absolute discretion and shall be repayable in such instalments as the Lender may agree at any time. Interest on the loan is calculated at the rate of LIBOR plus 0.5 per cent. per annum of 360 days payable monthly. The Lender may demand at any time repayment in full of the amount owed by the Borrower as principal, interest and other expenses, irrespective of any plan for repayment by instalment that the Lender may have accepted. The Lender has the right of commercial pledge and the general preferential lien upon the Borrower's assets that come to the Lender's possession. As of 31 August 2005 there was $1.8 million drawn down and outstanding under the terms of the loan. The loan agreement and any other borrowings by the Borrower from the Lender are supported by a guarantee agreement, dated 13 January 2004, between the Lender and Hikma Investment Limited as the guarantor. The guarantee is limited to $6.8 million;

(k) $5 million credit agreement — a credit agreement dated 24 February 2004 between Export & Finance Bank (the "Lender") and Hikma Pharmaceuticals Limited (the "Borrower") and Hikma Investment Limited (the "Guarantor") providing for $5 million in debtor overdraft account at a rate of interest of LIBOR plus 1.25%. Interest and commission rates are subject to being raised or reduced within the limits established by the Lender from time to time. The Lender (including all branches of Export & Finance Bank shall have a commercial lien and a general preferential right over the property belonging to the Borrower and/or the Guarantor. Any account opened by the Borrower and/or the Guarantor with the Lender (at any branch) shall have its balances pledged as security in favour of the Lender. The credit agreement is governed by Jordanian law. As of 31 August 2005, there was $3.1 million outstanding under this agreement;

(l) $3 million term loan agreement — a term loan agreement dated 27 December 2001 between Citibank N.A. (the "Lender"), Hikma Pharmaceuticals Limited (the "Borrower") and Hikma Investment Limited (the "Guarantor"). Interest on the loan is calculated at the rate of three month LIBOR plus 2% per annum of 360 days payable quarterly and an up front commission of 0.5% of the amount of the loan payable in advance. The possibility of reducing the applicable margin of 2% may be discussed every 12 months and shall be subject to the Lender's written approval, by letter dated 16 September 2003, this was reduced to three month LIBOR plus 1.5%. The Borrower and the Guarantor agree that the Lender shall be entitled to 10 working days' notice to change the rate of interest in accordance with all governing regulations and /or in response to the rate of interest prevailing at any time such rate will be binding on the Borrower and Guarantor as from the date of the notice or as fixed by the Lender. The Borrower shall repay the principal amount of the loan in 16 equal instalments, beginning 31 December 2002 and ending on 30 September 2006. The Lender may request the Borrower and/or the Guarantor to sign promissory notes and/or checks to the order of the Lender in the amounts of the instalments. The Borrower shall be entitled to repay to the Lender all outstanding sums whether as principal or otherwise arising under the loan on any interest payment day, having given the Lender seven working days notice. Sums borrowed under this loan shall be used in or towards settling the US dollars demand loan for $1,714,286 with Citibank and to settle JD overdraft lines with other banks in the local market for the equivalent of £1,285,714 with Citibank. The drawdown period of the loan shall be: (a) 30 days from the date of signing the loan agreement with a minimum of 3 working banking days notice in minimum amounts of $1 million and in increments of $1 million thereafter; (b) at the end of the 30 days or upon the occurrence of any of the

events of default the Undrawn portion of the loan shall be cancelled by the Lender at its sole discretion with a notice to this effect to the Borrower. The Borrower and the Guarantor have provided certain covenants customary for this type of facility including in relation to the provision of financial statements and the provision of administrative fees. The loan agreement also contains certain restrictions on the Borrower and the Guarantor including one to not surrogate the Lender's rights and collateral under this agreement and to not create any encumbrance over any or all of the present and future revenues and assets of the Borrower as security for any indebtedness of any person, without the Lender's consent. The parties are obliged to maintain financial performance as follows: (a) current ratio (total current assets/total current liabilities) minimum of 1.2:1 for both the Borrower and Guarantor; (b) leverage (total debt: short term debt + current maturity of long term debt +long term debt/ total equity) maximum of 1.25:1 for the Borrower and 1.75:1 for the Guarantor; (c) interest coverage (earnings before interest expense and taxes 'EBIT'/interest expense) minimum of 2:1 for both the Borrower and Guarantor; (d) debt service coverage (EBITDA/current portion of long term debt + interest expense) minimum of 1.2:1 for both the Borrower and Guarantor. The Guarantor has undertaken to ensure that the Borrower fulfils its obligation under the agreement and guarantees payment of all interest, fees and other amounts due under the terms of the agreement. The agreement is governed by Jordanian law. As of 31 August 2005, there was $0.9 million outstanding under this agreement;

(m) $7.8 facility — between Hikma Pharmaceuticals (the "Borrower") and Standard Chartered Bank (the "Lender") dated 21 June 2005. The purpose of the facility is for opening of sight and/or usance / deferred irrevocable letters of credit for the import of raw materials required in the Borrower's normal course of business. The interest rate is stated as 6.75% per annum with a commission of 0.125% per quarter on issuance with acceptances of 0.175% per quarter and exchange at 0.125% flat on settlement of documentary bills. The facility also includes a short term loan of $7,800,000 to finance payments for import letters of credit and/or bills of collection. Interest is to be charged at a rate determined by the Lender from time to time, payable monthly in arrears to the debit of the Borrowers current account in the Lender's books. The current interest rate is LIBOR plus 0.5%, per annum. The facility also includes a $1,512,000 amount for one-off letters of credit to be used in connection with the import of raw materials mainly powder from Midi Life SRI Italy. The interest rate is 6.75% per annum with a commission of 0.125% per quarter on issuance with acceptances of 0.175% per quarter and exchange at 0.125% flat on settlement of documentary bills. The aggregate outstanding under the three facilities may not exceed $7,800,000 at any given time. If the lender determines that funds required for the facilities are not available to it at reasonable rates, the facilities shall be deemed to be denominated in another freely convertible currency selected by the Lender. The Borrower undertakes to provide the Lender with financial information and other financial information. The Lender has a right of set off against all sums held by the Lender. The Borrower undertakes to the Lender that it will not mortgage, pledge or otherwise create or register any encumbrance lien or charge on the Borrower's assets without the prior written consent of the Lender. The agreement is governed by by Jordanian law. As of 31 August 2005, there was $2.0 million outstanding under the terms of this facility;

(n) Cash Collateral Agreement – dated 24 November 2004 among the Citibank N.A.("Lender"), Trust Pharma SARL (the "Borrower") and Hikma Pharmaceuticals Limited (the "Credit Support Provider") (the "Cash Collateral Agreement"). Under the Cash Collateral Agreement, the Credit Support Provider agrees to transfer to the Lender's branch in Jordan a cash sum in US dollars of not less than 105 per cent. of the Borrower's obligations under the Cash Collateral Agreement at any time. This amount is to be deposited in a cash collateral account. The Credit Provider can, at any time, transfer additional amounts to the cash collateral account. Interest accrues on the account at a rate determined by the Lender and the deposits will not be commingled with other funds of the Lender. In the event that the value of the security drops below 105% of the Borrower's obligations, the Credit Support Provider undertakes to deposit with the Lender within three days of receipt of notice from the Lender a further amount in the currency of the security. On the last day of each month, the Lender shall calculate the difference between the amount of the Borrower's obligations and the amount of the cash collateral account. To the extent there is less than 105% in the account, a cash sum shall be deposited by the Credit Support Provider. Under the agreement, the Credit Support Provider agrees that it shall have no right to withdraw any sums in the account or any proceeds thereof until all obligations of the Borrower under the facility have been satisfied and paid in full and the facility has terminated or the Lender has released the sums. To the extent that the sums in the account exceed the amount required, the Credit Support Provider shall have the right to require that the Lender release any funds in excess of the required amount. The Credit Support Provider assigns

and grants to the Lender a security interest in the account of all the sums in the account and all proceeds thereof. The Lender may apply and set off the balance of the account to the payment of or reduction of any of the Borrowers obligations to pay under the facility. The Lender is not obliged to give the Credit Support Provider any notice of its intention to exercise any of its rights under the agreement. The agreement is governed by Jordanian law.

Guarantee of the Cash Collateral Agreement – this guarantee, dated 24 November 2004 between Hikma Investment and Hikma Pharmaceuticals (together the "Guarantors") and the Lender was entered into in consideration for any existing indebtedness or any other liability of the Borrower to the Lender under the Cash Collateral Agreement. Under the Guarantee, the Guarantors jointly and severally agree to act as principal obligor and not merely as sureties to guarantee to the Lender the prompt payment and performance by the Borrower under the Cash Collateral Agreement. If the Guarantors fail to pay any amount under this guarantee, they will be obliged to pay interest at two per cent. above the Lender's base rate. This guarantee is governed by Jordanian law. As of 31 August 2005 there was $6.7 million outstanding under the collateralised cash facility and guarantee;

(o) $10 million floating rate loan facility — a facility agreement, dated 13 October 2002, between Arab Bank (the "Lender") and Hikma Investment. This facility was originally a revolving loan and was converted into a term loan on 13 April 2005. The purpose of the loan is to finance expansion projects for the Group and to restructure the working capital facilities of Hikma Pharmaceuticals. Interest on the loan is calculated at the rate of LIBOR plus 1.25 per cent. per annum on the daily balance of the loan and paid on a monthly basis. The loan is to be settled in ten semi-annual payments, the first payment having been made on 30 September 2005. The agreement contains a covenant restricting the use of the loan to agreed purposes only. As of 31 August 2005, there was $10.0 million outstanding under the terms of the loan. This agreement is governed by Jordanian law; and

(p) the Underwriting Agreement (details of which are set out in paragraph 10.1 above).

12. LITIGATION

Neither the Company nor any member of the Group is or has been involved in any government, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had during the 12 months prior to the date of this document, a significant effect on the financial position or profitability of the Company and/or Group.

13. **SUBSIDIARIES**

The Company acts as the holding company of the Group, the principal activities of which are production, sales, distribution and research and development in the worldwide generic pharmaceutical trade. The Company has the following subsidiary undertakings:

Name	Country of Incorporation	Proportion of ownership interest (%)	Principal Activity
Hikma Pharma Limited	Jersey, Channel Islands	100	Holding company
Hikma Investment Limited	Jordan	100	Holding company
Eurohealth N.V. Limited	Netherlands Antilles	100	Dormant
Pharma Ixir Co. Ltd.	Sudan	51	Distribution, marketing
International Pharmaceuticals Research Centre	Jordan	51	Research
Specialized Pharmaceuticals Research Centre	Jordan	95	Research
Hikma Pharmaceuticals Limited	Jordan	100	Production, sales, distribution, R&D
Trust Pharma Limited	Algeria	100	Production, sales, distribution, R&D
Arab Medical Containers Limited	Jordan	100	Manufacture of vials, eyedroppers and other containers used for pharmaceutical products
Hikma Biotech S.A.S.U.	France	100	R&D consultancy, marketing
Istituto Biochimico Pavese Pharma S.p.A.	Italy	100	Production, sales, distribution, R&D
Corbet Corporation N.V. Limited	Netherlands Antilles	100	Holding company
Hikma International B.V. Limited	Netherlands	100	Holding company
Lifotec Farmacêutica SGPS	Portugal	100	Holding company
Eurohealth (USA) Inc.	USA	100	Holding company
West-ward Pharmaceutical Corp.	USA	100	Production, sales, distribution, R&D
Hikma Hungary Group Financing Limited	Hungary	100	Dormant
Al-Hikma Farmacêutica S.A	Portugal	100	Production, sales, distribution, R&D
Hikma Pharma GmbH	Germany	100	Distribution
Hikma UK Limited	UK	100	Holding company

14. **PROPERTY, PLANT & EQUIPMENT**

14.1 For information regarding the Group's properties and manufacturing facilities, please see Part IV: *Information on Hikma — Facilities*.

15. **SIGNIFICANT CHANGE**

There has been no significant change in the financial or trading position of the Group since 30 June 2005, being the date of the interim financial information of the Company contained in Part XI of this document.

16. **MISCELLANEOUS**

16.1 The total costs and expenses of, and incidental to, the Global Offer payable by the Company, assuming no exercise of the Over-allotment Option, are estimated to amount to £7.2 million (excluding VAT) including £2.4 million payable to financial intermediaries.

16.2 Deloitte & Touche LLP is a member of the Institute of Chartered Accountants in England and Wales and has given and has not withdrawn its written consent to the inclusion in this document of its Accountants' Reports and its report on the pro forma statement of net assets set out in Parts XI and XII respectively, in the form and context in which they appear and has authorised the content of those parts of this document which comprise its reports and its letters for the purposes of paragraph 5.3.3(R)(2)(f) of the Prospectus Rules.

16.3 The financial information concerning the Group set out in this document does not constitute statutory accounts within the meaning of Section 240 of the Act. Deloitte & Touche Jordan, (Saba & Co) certified public accountants located at Jordan Insurance Co. Building, Third Circle-Jabal Amman, P.O. Box 248, Amman, 11118 Jordan have audited the financial statements of Hikma Investment Limited for the two years ended 31 December 2003 and have given unqualified audit reports on the financial statements of the Group for those years. Deloitte & Touche LLP, Chartered Accountants located at Hill House, 1 Little New Street, London EC4A 3TR, United Kingdom have audited the financial statements of Hikma Pharma Limited for the year ended 31 December 2004 and six months ended 30 June 2005 and have given unqualified audit reports on the financial statements of the Group for those periods.

16.4 There are no arrangements in existence under which future dividends are to be waived or agreed to be waived.

16.5 The Ordinary Shares are in registered form and will, on Admission, be capable of being held in uncertificated form. The Ordinary Shares will be admitted with the ISIN GB0080LCW083 and will have the SEDOL Code BOLCW08.

16.6 Save in respect of the Global Offer none of the Ordinary Shares have been marketed or are available in whole or in part to the public in conjunction with the application for the Ordinary Shares to be admitted to the Official List. No Ordinary Shares will be distributed under this document more than twelve months after the date of its publication.

17. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturday, Sundays and public holidays excepted) at the offices of Ashurst, Broadwalk House, 5 Appold Street, London EC2A 2HA, United Kingdom for the duration of the Global Offer:

(a) the memorandum of association of the Company and Articles;

(b) the audited consolidated accounts of the Group for the three years ended 31 December 2004 and the six months ended 30 June 2005;

(c) the reports by Deloitte & Touche set out in Part XI and Part XII of this document, together with a copy of their letter of consent referred to in paragraph 16.2 above;

(d) this document.

Dated 1 November 2005

PART XV: DEFINITIONS

The following definitions apply throughout this document unless the context requires otherwise:

"Act"	the Companies Act 1985 of England and Wales, as amended
"Admission"	admission of the Ordinary Shares to the Official List and to trading on the London Stock Exchange's market for listed securities becoming effective
"AMC"	Arab Medical Containers Limited
"Ardez"	Ardez Pharma
"Articles"	the articles of association of the Company to take effect from Admission
"Astellas Pharma"	Astellas Pharma, Inc
"Baxter"	Baxter International Inc.
"Board" or "Directors"	the directors of Hikma, as set out on page 9 of this document
"Bruno"	Bruno Farmaceutici SpA
"CAGR"	compound annual growth rate, or the year-over-year growth rate of a value, such as an investment, over a specified period of time, assuming it has grown at a constant rate, calculated by $\left(FV/PV\right)^{\frac{1}{n}} - 1,$ where n is the number of years during the period, FV is the value after n years, and PV is the value at the beginning of the period of n years
"cGMP"	current good manufacturing practices. Compliance with cGMP must be demonstrated in order for the FDA to permit API produced in a foreign facility to be imported into the United States for incorporation into a final dosage form, and/or, for final dosage form products manufactured at that facility to be imported and sold in the United States (provided of course, in both cases, that the requisite marketing approvals for the product have been obtained in the United States).
"Cheil Jedang"	CJ Corporation
"CIS countries"	The Republic of Armenia ("Armenia"), Republic of Azerbaijan ("Azerbaijan") and Ukraine
"Combined Code"	The Combined Code on Corporate Governance dated July 2003
"Company"	Hikma Pharmaceuticals plc
"Corporations Act"	the Corporations Act 2001 of the Commonwealth of Australia
"CREST"	the computerised settlement system operated by CRESTCo Limited to facilitate the transfer of title to shares in uncertificated form
"Daewoong"	Daewoong Co. Limited
"Disclosure Rules"	the rules relating to the disclosure of information made in accordance with s.73A(3) of FSMA
"Dong - A"	Dong - A Pharmaceutical
"EBITDA"	Operating income before depreciation, amortisation and impairment of property, plant and equipment and intangible assets. Although EBITDA is not a measure of operating income, operating performance or liquidity under IFRS, Hikma has presented this financial measure because it understands that EBITDA is used by some investors to determine a company's ability to service indebtedness and fund ongoing capital expenditures. EBITDA should not, however, be considered in isolation or as a substitute for operating income as determined by IFRS, or as an indicator of Hikma's operating performance, or of its cash flows from operating activities as determined in accordance with IFRS.
"Edmond Pharma"	Edmond Pharma S.r.l.

"Eli Lilly"	Eli Lilly and Company
"EMEA"	European Agency for the Evaluation of Medicinal Products
"EPA"	the U.S. Environmental Protection Agency
"EPC"	the European Patent Convention
"EPO"	the European Patent Office
"EU"	the European Union
"Exchange Act"	the US Securities Exchange Act of 1934, as amended
"Executive Directors"	the executive directors of the Company, Samih Darwazah and Mazen Darwazah
"Existing Shares"	except where the context otherwise requires, the Ordinary Shares to be sold in the Global Offer by the Selling Shareholders
"Financial Services Authority" or "FSA"	the Financial Services Authority of the United Kingdom in its capacity as the competent authority for the purposes of Part VI of FSMA and in the exercise of its functions in respect of the admission to the Official List otherwise than in accordance with Part VI of FSMA
"FSMA"	the Financial Services and Markets Act 2000 (as amended)
"GATT"	General Agreement on Tariffs and Trade
"GCC"	Gulf Co-operation Council
"GDP"	gross domestic product
"Global Offer"	the offer of Ordinary Shares described in Part XIII of this document
"Group"	the Company and its subsidiary undertakings
"Gulf States"	Kuwait, Qatar, United Arab Emirates, Bahrain and Oman
"Hikma"	the Company or the Group, as the context requires
"IBPP"	Instituto Biochlinico Pavese S.p.a
"IBSA"	Institut Biochlinique S.A. (Switzerland)
"IFRS"	International Financial Reporting Standards
"IMS"	IMS Health Incorporated
"IPRC"	International Pharmaceutical Research Center Limited
"Italfarmaco"	Italfarmaco SpA
"JFDA"	Jordanian Food and Drug Administration
"JPI"	Al Jazeera Pharmaceutical Industries Limited
"Listing Rules"	the rules relating to admission to the Official List made in accordance with s.73A(2) of FSMA
"London Stock Exchange"	the London Stock Exchange plc
"LTIP"	the Hikma 2005 Long Term Incentive Plan
"Lupin"	Lupin Limited
"Lyomark"	Lyomark Pharma GmbH
"Management"	means the Executive Directors and Senior Management
"Managers"	Merrill Lynch International and the banks and financial institutions that are parties to the Underwriting Agreement, details of which are set out in paragraph 10 of Part XIV of this document
"Markets law 2004"	the Dubai International Financial Centre Law No 12, as amended

"Medicare Act 2003"	the Medicare Prescription Drug, Improvement and Modernization Act of 2003
"MENA Region"	collectively, Algeria, Saudi Arabia, Jordan, United Arab Emirates, Bahrain, Kuwait, Qatar, Oman, Yemen, Iraq, Lebanon, Syria, Egypt, Tunisia, Libya and Sudan
"Merck Generics"	Merck Génériques
"Merrill Lynch International"	Merrill Lynch International in its capacity as global co-ordinator, bookrunner and sponsor
"New Shares"	the new Ordinary Shares proposed to be issued by the Company under the Global Offer
"Nicholas Piramal"	Nicholas Piramal India Limited
"Nycomed"	Nycomed Pharma AS
"Offer Price"	the price at which each Ordinary Share is to be issued or sold under the Global Offer
"Official List"	the Official List of the Financial Services Authority
"Offer Shares"	means the New Shares and/or the Existing Shares that are part of the Global Offer, as the context requires
"Ordinary Shares"	ordinary shares of 10p each in the capital of the Company
"Orion"	Orion Pharma
"Over-allotment Option"	the option to be granted in the Underwriting Agreement, by the Company to Merrill Lynch International on behalf of the Managers, exercisable for a period of 30 days after the date of Admission, which will require the Company to make available, at the Offer Price, up to 2,565,560 additional Ordinary Shares solely for the purposes of meeting over-allocations in connection with the Global Offer and covering short positions resulting from stabilisation transactions
"Over-allotment Shares"	the Ordinary Shares which are the subject of the Over-allotment Option
"PADICO"	Palestine Development & Investment Ltd
"Plan"	the Hikma 2004 Stock Option Plan
"Principal Shareholders"	shareholders who own more than three per cent. of the company's Ordinary Share prior to Admission
"Prospectus Rules"	the rules made for the purposes of Part VI of the FSMA in relation to offers of securities to the public and admission of securities to trading on a regulated market
"Qualified Institutional Buyers" or "QIBs"	has the meaning given by Rule 144A
"R&D"	research and development
"Ranbaxy"	Ranbaxy Pharmaceuticals Inc.
"Receiving Agent"	Capita IRG plc
"Registrar"	Capita IRG plc
"Regulation S"	Regulation S under the Securities Act
"Regulations"	the Uncertificated Securities Regulations 2001, as amended
"Regulatory Information Service"	a Regulatory Information Service that is approved by the FSA and that is on the list of Regulatory Information Service providers maintained by the FSA
"Responsible Persons"	the Company, the Directors and to the extent set out in Part XI and XII only, Deloitte & Touche LLP
"Rhodia"	Rhodia Organique Fine Limited
"Rovi"	Phivor Pharmaceutical Research SL

"RSA 421-B"	chapter 421-B of New Hampshire Revised Statutes Annotated, 1955, as amended
"Rule 144A"	Rule 144A under the Securities Act
"Salutas"	Salutas Pharma GmbH
"SAP"	systems applications and products in data processing
"Schering Plough"	Schering-Plough Corporation
"SDRT"	stamp duty reserve tax
"Securities Act"	the US Securities Act of 1933, as amended
"Selling Shareholders"	the shareholders who are selling Existing Shares in the Global Offer, as listed on Part X of this document
"Senior Management"	those members of the Group's management team details of whom are set out in Part V: *Directors, Senior Management and Employees*
"Shareholders"	holders of Ordinary Shares
"Sinclair"	Sinclair Pharmaceuticals Limited
"Sponsor"	Merrill Lynch International (Europe) Limited
"SPC"	supplementary protection certificate
"Statutes"	the Act, the Financial Services and Markets Act 2000, the Companies Consolidation (Consequential Provisions) Act 1985, and any act relating to companies
"Takeover Code"	the UK City Code on Takeovers and Mergers
"Takeover Directive"	the European Directive on Takeover Bids
"Takeover Panel"	the UK Panel on Takeovers and Mergers
"Tanabe Seiyaku"	Tanabe Seiyaku Co. Limited
"TRIPs"	Trade Related Aspects of Intellectual Property Rights
"UKLA"	the United Kingdom Listing Authority
"UK Resident"	a person who is resident or ordinarily resident for tax purposes in the United Kingdom
"United Kingdom" or "UK"	the United Kingdom of Great Britain and Northern Ireland
"Underwriting Agreement"	the conditional agreement entered into on 31 October 2005 between the Company, the Selling Shareholders, the Directors and Merrill Lynch International, details of which are set out in paragraph 10 of Part XIV of this document
"United States" or "US"	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
"Uriach"	J Uriach CIA S.A.
"US Tax Code"	the U.S. Internal Revenue Code of 1986, as amended
"VAT"	value added tax
"West-ward"	West-ward Pharmaceutical Corporation
"Wyeth"	Wyeth Pharmaceuticals Inc.
"WHO"	World Health Organisation
"WTO"	World Trade Organisation

PART XVI: GLOSSARY

"Active pharmaceutical ingredient or API"	The specific substance within a pharmaceutical product which provides a pharmacological effect and thereby gives the product its therapeutic effect.
"Adrenocorticosteroid"	Steroid hormones synthesised in and secreted by the adrenal cortex.
"Alimentary"	Pertaining to food or nutritive material or to the organs of digestion.
"Alimentary tract"	The gastrointestinal tract, i.e. the passage along which food passes, in which it is digested.
"Ampoule(s)"	A small glass or plastic container capable of being sealed so as to keep its contents, usually a single dose of a drug, in a sterile condition.
"Anaesthetic"	An agent that reduces or abolishes sensation, either in a restricted area (local anaesthetic) or in the whole body (general anaesthetic).
"Analgesic"	Agents that relieve / abolish pain.
"ANDA"	Abbreviated New Drug Application. Submitted to the FDA for review and ultimate approval of a generic drug product. Generic drug applications are called "abbreviated" because they are generally not required to include preclinical (animal) and clinical (human) data to establish safety and effectiveness.
"Anti-allergy"	Counteracting allergy or allergic conditions.
"Anti-anaemia"	Pertaining to factors or substances that prevent or correct anaemic conditions.
"Anti-angina"	Counteracting angina or anginal conditions.
"Anti-coagulant"	An agent that prevents blood clotting.
"Anti-diabetic"	An agent used to control diabetes mellitus.
"Anti-emetic"	An agent that prevents or alleviates nausea and vomiting, often used during and sometimes following treatment with chemotherapy or radiotherapy.
"Anti-epileptic"	An agent that combats epilepsy.
"Anti-fungal"	Agent that kills or inactivates fungi and is used to treat fungal infections.
"Anti-hypertensive"	An agent that reduces high blood pressure and is used in the treatment of hypertension.
"Anti-infectives"	Substances capable of killing infectious agents or of preventing them from spreading and causing infection.
"Anti-inflammatory"	Reducing or suppressing inflammation.
"Anti-malarial"	Preventing or curing malaria using agents that inhibit or destroy malarial parasites.
"Antimycotic"	*See anti-fungal.*
"Antineoplastics"	Agents minimising or preventing the formation of abnormal cells.
"Antiparasitic"	Agent that kills or inactivates parasite(s).
"Anti-psychotic"	Agent used to treat severe mental disorders (psychoses).
"Anti-tuberculosis"	Agents used in the treatment of tuberculosis.
"Anti-ulcers"	Agents (having various different modes of action) used to treat or ameliorate ulcers.
"Bio-availability"	The rate and extent an active drug ingredient is absorbed into the circulation and is therefore available at its target site.

“Bio-equivalent”	Drugs are bio-equivalent when, at the same dose, their rate and extent of absorption do not show a significant difference.
“Blood and blood forming organs”	The cellular components and plasma circulating through blood vessels, and the organs which create the components and plasma.
“Bolar exemption”	A provision of US patent law that states that it shall not be an act of infringement to make, use, offer to sell, or sell within the United States or import into the United States a patented invention solely for uses reasonably related to the development and submission of information under federal law which regulates the manufacture, use or sale of pharmaceutical products or veterinary biological products.
“Branded prescription pharmaceutical products”	Finished pharmaceutical products sold under a specific brand name, which are only available for purchase with a medical practitioner’s prescription.
“Carcinogenicity”	The potency of any substance to cause cancer.
“Cardiac stimulants”	Substances that act on the heart, promoting its activity.
“Cardiovascular”	Pertaining to the heart and blood vessels.
“Central nervous system” or “CNS”	The network of cells throughout the body that carry information (in the form of nerve impulses).
“Cephalosporins”	A large class of antibiotics similar both chemically and in their mode of action to penicillins.
“CGMP inspections”	Current Good Manufacturing Practices inspections.
“Chemical synthesis”	The formation of chemical compounds; often involving the construction of complex chemical compounds from simpler ones.
“Controlled substances”	A substance subject to the US Controlled Substances Act 1970, which regulates the prescribing and dispensing, as well as the manufacturing, storage, sale, or distribution of substances assigned to the five schedules according to their (i) potential for or evidence of abuse (ii) potential for psychic or physiologic dependence (iii) contributing a public health risk (iv) harmful pharmacologic effect, or (v) role as a precursor of other controlled substances.
“DEA”	Drug Enforcement Administration, whose mission is to enforce the controlled substances laws and regulations of the United States.
“Dermatologicals”	Agents used in the treatment of skin disorders.
“DMF”	Drug Master File, a submission to the FDA containing confidential detailed information about the drug in question.
“Erythropoietin products”	Products containing Erythropoietin - a protein secreted by the kidneys which stimulates red blood cell production.
“FDA”	Food and Drug Administration. The US Agency responsible for regulation of human and veterinary drugs, biological products and food products, amongst other things.
“Fermentation”	The anaerobic (without the need for oxygen) conversion of organic compounds, especially carbohydrates, to simpler compounds, especially to ethanol.
“Form 483 notice”	An FDA “Notice of Inspectional Observation” noting deficiencies following a field inspection
“Formulations (in relation to second generation patents)”	The different forms in which a drug may be presented, including, for example, the particular mixture of pharmaceutical excipients within the finished product. Different formulations are often associated with new modes of administration or dosage forms of drugs, such as sustained release formulations.
“Freeze-dried”	A solid substance isolated from solution by freezing the solution and evaporating the ice under a vacuum.
“Functional bowel disorder”	A class of disorders of the alimentary tract which includes Irritable Bowel Syndrome, the symptoms of which are sensitive to the patient’s stress levels.
“Generic pharmaceutical products”	A drug not protected by a trademark or patents, using the scientific name as opposed to the proprietary or brand name.

"Genitourinary system"	The systems and organs of reproduction and excretion including the kidneys, ureters, bladder, and urethra as well as, in males, the genital organs.
"GMP"	GMP refers to the "Good Manufacturing Practice" Regulations promulgated by the FDA and other equivalent bodies in other countries, such as the MHRA. These regulations, which in some countries including the USA, have the force of law, require that manufacturers, processors, and packagers of drugs, medical devices or blood take proactive steps to ensure that their products are safe, pure and effective.
"GPOs"	Group Purchasing Organisations are specialised firms that negotiate contracts with manufacturers and distributors of medicines and other medical products on behalf of their member hospitals. By pooling the purchases of their member hospitals, these firms are able to negotiate lower prices from vendors to the benefit of the hospitals.
"Growth hormone"	A hormone released by the pituitary gland that stimulates liver to produce somatomedins 1 and 2, which encourage growth.
"Hatch-Waxman Act"	The Drug Price Competition and Patent Term Restoration Act, a US federal law enacted in 1984, contains provisions to both foster competition and increase patent protection. It promotes marketing of generic drugs by permitting ANDA approval when (1) patents of branded pharmaceutical products have expired or (2) an ANDA applicant has either successfully challenged relevant patents or patent challenge litigation has not been concluded within 30 months. It also permits patent owners to extend the duration of patents that lost effective patent life while FDA conducted NDA review.
"Heparin"	An agent produced by the body to prevent blood clotting.
"Hormonal preparations"	Preparations incorporating hormones - naturally-occurring chemical messengers.
"Immediate release delivery"	A drug product formulation that provides its full dose immediately upon administration (*cf* sustained release delivery system).
"Immunomodulating"	Refers to modifying or regulating one or more immune functions.
"Immunostimulant"	Immunostimulants are agents that stimulate the immune system.
"Immunosuppresive agents"	Agents that suppress immune function by one of several mechanisms of action.
"Infusion bags"	A liquid-pervious bag.
"Injectable pharmaceutical products"	A pharmaceutical product designed to be administered directly into the blood through a hypodermic needle.
"Interferons"	Proteins produced by cells infected with viruses that enhance the ability of other cells to resist infection by viruses.
"Intravenous pharmaceutical products"	Drugs designed for administration directly into the vein.
"Isomers (in relation to second generation patents)"	One of two or more molecules that have the same chemical formula but have a different stereochemical arrangement or configuration of their atoms.
"Lyophilized"	A solid substance isolated from solution by freezing the solution and evaporating the ice under a vacuum. (see Freeze-Dried)
"Metabolism"	The sum of all the physical and chemical processes by which living organised substance is produced and maintained and also the transformation by which energy is made available for the uses of the organism.
"MHRA"	Medicines and Healthcare Products Regulatory Agency; an executive agency of the UK Department of Health, founded on 1 April 2003 to replace the MCA (Medicines Control Agency).
"Mucolytic"	An agent that dissolves or breaks down mucus.

"Muscle relaxant"	An agent that specifically aids in reducing voluntary muscle tension.
"Musculoskeletal system"	All of the muscles, bones, and cartilages of the body collectively.
"Mutagenicity"	The degree to which something is mutagenic, i.e., capable of causing genetic mutation.
"Narcotic analgesic"	Any narcotic, such as morphine, that is also used to relieve pain, but which may have addictive potential if used regularly.
"Nanotechnology"	Techonological activities undertaken at the level of atoms and molecules that have useful applications. The phrase is derived from the measuring unit called a "nanometre" which is a billionth of a metre. Used in the pharmaceutical industry to improve drug targeting and development.
"NDA"	New Drug Application. An application to the FDA for approval to market an originator pharmaceutical product in the US.
"Non-narcotic analgesic"	Medications that relieve pain, but do not have addictive potential.
"Orange Book"	A book published by the FDA listing approved drug products with therapeutic equivalence evaluations and patent and other relevant information.
"Originator pharmaceutical products"	A pharmaceutical product belonging to the research-based pharmaceutical company which owns the associated research and development and intellectual property rights - i.e. not generic pharmaceutical products.
"OSHA"	Occupational Safety and Health Administration of the US Department of Labor, responsible for establishing and enforcing safety and health standards in the workplace.
"Over-the-counter (or "OTC") pharmaceuticals"	Drugs which are deemed safe or effective for use by the general public without the need for a medical practitioner's prescription.
"Paragraph III certification"	The Hatch-Waxman Act patent certification included in an ANDA whereby the applicant states it will not seek approval until any relevant Orange Book patent expires and provides the date of patent expiry.
"Paragraph IV certification"	The Hatch-Waxman Act patent certification included in an ANDA whereby the applicant states that a relevant Orange Book patent is invalid, or will not be infringed by the manufacture, use, or sale of the drug product, or is unenforceable.
"Penicillin"	One of a number of antibiotic substances derived from the mould *Penicillium*.
"Pharmacological data"	Data and information pertaining or relating to drugs, their preparation, uses and effects.
"Prescription pharmaceuticals"	A drug requiring a medical practitioner's prescription, or a physician's order.
"Respiratory system"	The combination of organs and tissues associated with breathing.
"Sedatives"	Agents having a soothing effect without inducing sleep.
"Semi-solid final dosage form"	The final physical form of the product that may be used by the consumer without requiring any further manufacturing, having a rigidity and viscosity intermediate between a solid and a liquid.
"Suppositories"	Medicated solid forms adapted for introduction into the rectal, vaginal or urethral orifice of the body.
"Sustained release delivery"	A drug product formulation that provides the required dosage initially and then releases the substance slowly or intermittently into the bloodstream over a period so as to maintain a steady concentration of it over time.

"Therapeutically equivalent"	Drug products classified as therapeutically equivalent can be substituted with the full expectation that the substituted product will have the same safety and effectiveness as the brand name product. Drug products are considered to be therapeutically equivalent **only** if they are pharmaceutical equivalents (i.e. contain the same active ingredient(s); dosage form and route of administration; and strength.) and satisfy certain other criteria laid down by the FDA, including where relevant bio-equivalance.
"Toxicological data"	Information related to the scientific study of the chemistry, effects, and treatment of poisonous substances.
"TRIPs"	The World Trade Organisation's Agreement on Trade-Related Aspects of Intellectual Property Rights, negotiated in the 1986-94 Uruguay Round, which introduced intellectual property rules into the multilateral trading system for the first time.
"USPTO"	The US Patent and Trademark Office.

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