



## Hikma Pharmaceuticals PLC

### 2014 Annual Report & Accounts and Notice of 2015 Annual General Meeting

In compliance with Listing Rule 9.6.1, Hikma Pharmaceuticals PLC has submitted copies of the documents listed below to the National Storage Mechanism and will shortly be available for inspection at <http://www.hemscott.com/nsm.do> or <http://www.morningstar.co.uk>:

- Annual Report & Accounts 2014
- Notice of 2015 Annual General Meeting
- Proxy forms for the 2015 Annual General Meeting

Copies of the Annual Report and Notice of Meeting will also be available on our website [www.hikma.com](http://www.hikma.com). Hard copies are available by writing to the Company Secretary, Hikma Pharmaceuticals PLC, 13 Hanover Square, London W1S 1HW or by attending the office in person.

The Annual General Meeting will be held at 11:00 am on Thursday 14 May 2015 at The Westbury, Bond Street, Mayfair, London W1S 2YF.

In accordance with DTR 6.3.5, this announcement contains information in the attached Appendices of the principal risk factors (Appendix 1), a responsibility statement (Appendix 2) and details of related party transactions (Appendix 3) which has been extracted in full unedited text from the Annual Report and Accounts 2014. Where page numbers and notes are mentioned in the Appendix these refer to page numbers and notes in the Annual Report and Accounts 2014.

#### Enquiries:

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Peter Speirs, Company Secretary

#### About Hikma

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

## Appendix 1 – Principal Risks and Uncertainties

The Group's business faces risks and uncertainties that could have a significant effect on its financial condition, results of operations or future performance and could cause actual results to differ materially from expected and historical results. The Board has resolved that the principal risks and uncertainties facing the Group are:

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

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

		<ul style="list-style-type: none"> <li>• A variety of funding options are available to the Group to finance acquisitions</li> </ul>
<ul style="list-style-type: none"> <li>• Conduct</li> </ul>	<ul style="list-style-type: none"> <li>• The pharmaceutical industry and certain MENA markets are considered to be higher risk in relation to sales practices. Improper conduct by employees could seriously damage the reputation and licence to do business</li> </ul>	<ul style="list-style-type: none"> <li>• Code of Conduct approved by the Board, translated into 7 languages and signed by all employees</li> <li>• ABC compliance programme monitored by the CREC</li> <li>• 2,200 employees received ABC compliance training in 2014</li> </ul>
<ul style="list-style-type: none"> <li>• Financial</li> </ul>	<ul style="list-style-type: none"> <li>• The Group is exposed to a variety of financial risks similar to most major international manufacturers such as liquidity, exchange rates, tax uncertainty and debtor default</li> </ul>	<ul style="list-style-type: none"> <li>• Extensive financial control procedures have been implemented and are assessed annually as part of the internal audit programme</li> <li>• A network of banking partners is maintained for lending and deposits</li> <li>• Management monitors debtor payments and takes action where necessary</li> <li>• Expert external advice is procured to test and enhance processes and ensure compliance</li> <li>• Where it is economic and possible to do so, the Group hedges its exchange rate and interest rate exposure</li> </ul>

## **Appendix 2 – Directors’ Responsibility Statement**

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

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

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

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

We confirm to the best of our knowledge:

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

By order of the Board

**Said Darwazah**  
*Chief Executive Officer*

**Mazen Darwazah**  
*Executive Vice Chairman*

**11 March 2015**

### **Appendix 3 – Related Party Transactions**

Details of related party transactions are included in Note 38 of the Financial Statements on page 162.

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

#### **Trading transactions:**

During the year, Group companies entered into the following transactions with related parties:

*Darhold Limited:* is a related party of the Group because it is considered one of the major shareholders of Hikma Pharmaceuticals PLC with an ownership percentage of 28.8% at the end of 2014 (2013: 28.9%). Further details on the relationship between Mr Samih Darwazah, Mr Said Darwazah, Mr Mazen Darwazah and Mr Ali Al-Husry, and Darhold Limited are given in the Directors' Report. Other than dividends (as paid to all shareholders), there were no transactions between the Group and Darhold Limited in the year.

*Capital Bank – Jordan:* is a related party of the Group because one Hikma Pharmaceuticals PLC Board member is also a board member of Capital Bank – Jordan. Total cash balances at Capital Bank – Jordan were \$5.7 million (31 December 2013: \$17.2 million). Facilities granted by Capital Bank to the Group amounted to \$nil (31 December 2013: \$4.7 million). Interest expense/income is within the market rate.

*Arab Bank:* is a related party of the Group because one senior management member in Hikma Pharmaceuticals PLC is also a board member of Arab Bank PLC. Total cash balances at Arab Bank were \$90.4 million (31 December 2013: \$51.5 million). Facilities granted by Arab Bank to the Group amounted to \$115.0 million (31 December 2013: \$169.4 million). Interest expense/income is within the market rate.

*Jordan International Insurance Company:* is a related party of the Group because one board member of the company is also a Board member of Hikma Pharmaceuticals PLC. Total insurance premiums paid by the Group to Jordan International Insurance Company during the year were \$0.1 million (2013: \$0.2 million). The Group's insurance expense for Jordan International Insurance Company contracts in the year 2014 was \$0.1 million (2013: \$0.4 million). The amounts due to Jordan International Insurance Company at the year end were \$nil (2013: Due to \$0.1 million).

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

*Jordan Resources & Investments Company:* is a related party of the Group because three Board members of the Group are shareholders in the firm. During 2014, fees of \$nil (2013: \$0.2 million) were paid for training services provided.

*American University of Beirut:* is a related party of the Group because one Board member of the Group is also a trustee of the University. During 2014, fees of \$0.1 million (2013: \$0.2 million) were paid. At 31 December 2014, the amount owed to American University of Beirut from the Group amounted to \$nil (2013: owed \$0.1 million).

*HikmaCure:* the Group held a 50:50 joint venture ('JV') agreement with MIDROC pharmaceuticals Limited. The JV is called HikmaCure. Hikma and MIDROC will invest in

HikmaCure in equal proportions and have committed to provide up to \$22 million each in cash, of which \$2.5 million has been paid in previous periods.

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

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

### Remuneration of key management personnel

The remuneration of the key management personnel (comprising the Executive and Non-Executive Directors and certain of senior management as set out in the Directors' Report) of the Group is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of the individual Directors is provided in the audited part of the Remuneration Committee Report on pages 90 to 109.

	2014 \$m	2013 \$m
Short-term employee benefits	15.7	14.9
Share-based payments	2.4	2.4
Post-employment benefits	0.1	0.2
Other benefits	0.2	0.2
	18.4	17.7